

# Implementing Redistributive Financial Mechanisms in River Basin Management

## Guidance Document

### Publication

[Report](#)

### Citation

Vidaurre, R., Rouillard, J., Krüger, I. (2017). Implementing Redistributive Financial Mechanisms in River Basin Management. Ecologic Institute.

Vidaurre, R., Rouillard, J., Krüger, I. (2017). Implementando Mecanismos Financieros Redistributivos en la Gestión de Cuencas: Guía para América Latina. Ecologic Institute.

It is common wisdom that the water crisis is not a resource crisis but rather a crisis of governance (e.g. UN World Water Development Report 2). Improving water governance and achieving the sustainable management of water resources, which will maintain water-related environmental functions and services for the benefits of society, requires both additional effort and additional financial resources. Similarly, a river basin's resilience to climate change can be enhanced with improved planning and management, as well as with long-term investments, but these measures require significant funding.

This report addresses the design and the implementation of two financial instruments which can help increase the financial resources available for water resources management: **"water charges"** and **"payments for ecosystem services"**. Both instruments involve a greater participation of water users or beneficiaries in covering the costs associated with the provision of the water resources management service. The report is available for download in English and Spanish.

A key characteristic of these financing instruments is the possibility of their acting as (economic) incentives for **actors' behaviour change**. They were selected to be presented in this report thanks to this double function: helping fund water management measures that increase resilience to climate change, and increasing the system's resilience through the instruments' influence on actors' behaviour.

This guidance document provides an introduction to these two instruments, to then present them at a level of detail that can assist water managers aiming to implement them. It draws on a wide range of international experiences on different continents, and aims to support the activities of river basin organisations in establishing or reforming these financial instruments. The guidance presents principles, practical approaches and examples. The international examples provided are considered to

be good practice, so that the guidance can be used both as a toolbox of ideas and as a source of benchmarks.

A partner document, the OECD's 'Review of International Policy Experience with Economic Instruments for Water Management', complements this guidance with a discussion of the economic principles behind these instruments.

## Languages

Spanish  
English

## Authorship

[Rodrigo Vidaurre](#)  
[Dr. Josselin Rouillard](#)  
Ina KrÃ¼ger

## Funding

European Commission, [Directorate-General Development and Cooperation](#) (EuropeAid),  
International

## Year

2017

## Dimension

68 pp.

## Project

[River Basins and Financial Redistribution in Practice \(EcoCuencas\)](#)

## Project ID

[2266](#)

## Table of contents

Foreword
Aim and scope of this report
Report structure
1 Setting the context: the financing of River Basin Management
1.1 What do we mean with River Basin Management?
1.2 Financing river basin management: principles, sources, and instruments
1.2.1 Principles for funding river basin management
1.2.2 Sources of financing for river basin management
1.2.3 Other means of achieving financial sustainability
1.3 Charges and PES in the context of financing river basin management
2 Establishing charges for financing river basin management
2.1 Charges â main features and types
2.2 Design features of charging schemes
2.2.1 Identifying the target population
2.2.2 Deciding on the principles of charge design
2.2.3 Determining rate structure
2.2.4 Determining the rate level for the different charge components

- 2.2.5 Use of benchmarking and scenarios
- 2.2.6 Ensuring affordability
- 2.2.7 Examples of design features for main RBM charges
- 2.3 Institutional set-up and governance of charges
- 3 Financing River Basin Management using Payment for Ecosystem Services (PES)
- 3.1 PES schemes: main features and types
  - 3.1.1 Objectives and principles
  - 3.1.2 Types of PES schemes
  - 3.1.3 Scheme architecture
  - 3.1.4 Costs associated with PES scheme implementation
- 3.2 Design features and structure of PES schemes
  - 3.2.1 Combining ecosystem services
  - 3.2.2 Spatial and temporal scale
  - 3.2.3 Output- or input-based compensation
  - 3.2.4 Mode of payment and level of remuneration
  - 3.2.5 Property rights and other legal considerations
- 3.3 Institutional set-up and governance of PES schemes
  - 3.3.1 Monitoring
  - 3.3.2 PES contract negotiation
  - 3.3.3 Long-term sustainability
  - 3.3.4 PES schemes as part of a policy mix
- 4 Implementing redistributive financial mechanisms
  - 4.1 Capacity-building and an enabling framework
  - 4.2 Stakeholder buy-in
    - 4.2.1 Communication
    - 4.2.2 Engagement
  - 4.3 Sequencing and phasing implementation
  - 4.4 Adapting to changing environmental and socio-economic conditions
- References
- Annex

## Keywords

[Water](#)

---

**Source URL:** <https://www.ecologic.eu/15256>