Chico Mendes Law

Addressing social and environmental problems with payments for ecosystem services in Brazil

In Brazil, rubber tappers are subsidized to promote the preservation of biodiversity in the Amazon basin. The subsidy is intended to discourage alternative industries, such as logging and cattle ranching, which threaten the sustainability of the rainforest.

Rubber Tapper in Acre, Brazil.
Adam Hinton/Panos Pictures. Source:
http://www.fordfound.org/publications/ff_report/view_ff

How Does the Chico Mendes Law Work?
In 1999, the Acre state government established the Chico Mendes Law to provide subsidies for rubber tappers. One of the primary goals of the law is the conservation of biodiversity through rubber production. (Verissomo, 2002) Rubber tapping incurs relatively little damage to the natural forest ecosystem. The process involves removing a very small amount of biomass from a select number of trees, which has little impact on the health of the tree. Therefore, although the Chico Mendes Law is not a direct payment for an ecological service, it can be viewed as an indirect payment for an ecological service.

In order to be eligible for the subsidy, rubber tappers must be registered with the Executive Secretary of Forest and Extractivism (SEFE) and the State Government. In addition, they must be members of organized associations. Extractivist associations are organized into regional cooperatives which report to the National Council of Rubber Tappers. Under the terms of the policy, rubber tappers receive US$0.20 for every kilogram of rubber extracted. Subsidies are paid in money or goods and are distributed by the extractivist associations.

In 2002, it was estimated that 6,600 families, approximately 30% of the economically active rubber tappers in the state of Acre, received subsidies for rubber extraction (around 1,600 families were involved when the program began). Between 1998 and 2001, rubber production increased over 300% from 962 tons to 3,000 tons. Between 1999 and 2002, the total amount paid to the rubber tappers increased from R$305,000 to $1,600,000. (Ibid)

The Italian tire company, Pirelli, has also become a major actor in the state of Acre. The company purchases 1,500 tons of rubber annually from the state benefiting an estimated 6,000 families and protecting an estimated 90,000 hectares (216,000 acres) of forest (Ford Foundation, 2007). The Xapuri tire, introduced in 2000, is made with 100 percent domestic latex. To increase the quality of exports, Pirelli constructed a rubber technology laboratory to help promote local rubber tapping. Acre is currently looking at ways to diversify into other industries such as condoms and surgical gloves, as well as botanical leather often used for backpacks and travel kits. Negotiations are underway for the construction of more plants and for the establishment of partnerships with private firms. (Witoshynsky, 2002)

What Are the Environmental and Social Benefits of the Chico Mendes Law?
It is estimated that rubber tappers protect around 12,000 square kilometers of Amazonian rainforest. In addition to the environmental benefits associated with rubber tapping, the subsidy also helps to promote the redistribution of resources, and participation in social organizations strengthens society and increases social capital.

Why is the Chico Mendes Law Successful?
The Chico Mendes Law is successful in Brazil due to its low transaction costs, and the equitable nature of payments based on measurable goods. (Verissomo, 2002) The continued success of the Chico Mendes Law is possible because the legalization of rubber has greatly increased the tax revenue to the state government. Of the R$1.2 million paid in subsidies in 2001, the state received nearly 70% back in tax revenue. This figure is expected to increase in the future as rubber harvests increase.

How Can the Chico Mendes Law Be Replicated?
Providing subsidies to encourage local communities to engage in alternative industries is replicable in a number of different situations. Private firms and non-government organizations can provide subsidies to encourage sustainable land use practices in areas where the predominant economic activities are destructive for the environment. It is important to establish a mechanism to ensure that subsidies are paid directly to the local communities to encourage compliance and continued participation.

For Additional Information:

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