

Ecuador-Ambato

Tungurahua Páramo Management Fund - Regional Project Cuencas Andinas

SUMMARY

Scheme to fund conservation projects for the *páramos* (Andean upland grassland) in Tungurahua by collecting contributions from the water utility and the irrigation associations. Part of the **Cuencas Andinas** project, this project is supported by the German Cooperation Agency (GTZ). The project took several years from design and consultations to actual implementation.

MATURITY OF THE INITIATIVE

Ongoing since 2008. Studies began in 2003, initial hydrology and valuation studies have been conducted, and consolidation of the trust fund is underway.

DRIVER

Water scarcity due to both poor management of the *páramo* (Andean upland grassland) and infrastructure deficiencies; valuation studies showed that a Payment for Environmental Services (PES) scheme could be one of the solutions.

STAKEHOLDERS

Supply

Middle and upper watershed of the river Ambato (total area 131,700 hectares, of which 33,215 hectares is *páramo*) and potentially other adjacent *páramo* areas. Communities living in these areas will be the providers and payments will be assigned according to the projects to implement.

Demand

Water users in Tungurahua Province. Currently users already pay something but not in a coherent or regular way. Drinking water users in urban areas pay a fee for their utility; irrigation users pay a voluntary fee to their water boards (although not regularly), hydropower producers do not pay and industries pay irregular fees.

Contributions currently agreed are: from the council of Tungurahua Province: five per cent of their budget; from the municipal water utility company: US\$30,000 annual. *Under negotiation:* secure regular contributions from the irrigation water boards; in the future, all users are to be charged a fee for *páramo* conservation.

Intermediary

GESOREN- PROMACH and Ambato municipality.

Facilitator

GTZ, through its GESOREN-PROMACH programme (Watershed management component); German Development Bank (KfW) which is also supporting infrastructure improvements to the irrigation system.

MARKET DESIGN

Service

Water quantity (by protecting the ecological function of the *páramos* to capture and store water).

Commodity

Improved management practices through communal contracts for agro-conservation. This involves conservation agriculture and cattle farming, soil conservation measures and reforestation. Land is mostly communal and individual plots are too small for individual compensation.

Payment mechanism

Intermediary-based transaction (trust fund) and user fees (in the future): Fund to be constituted by an executive secretary, a technical advisor and a secretary. The sponsors and the indigenous movements will form part of the board. Payments made through community projects.

Terms of payment

In-kind payments to providers made through community projects.

Funds involved

The trust fund from which the Ambato PES scheme operates was derived from US\$460,000 of seed capital provided by five different entities participating in the scheme (province government: US\$350,000, indigenous movements: US\$10,000, EMAPA: US\$50,000, Hidropastaza: US\$50,000, Hidroagoyan: US\$50,000).

ANALYSIS OF COSTS AND BENEFITS**Economic**

Transaction costs expected to be less than 10 per cent of the interest from the Fund's seed capital.

Environmental

Expected. One expected benefit is the improvement of the environmental function of the *páramo*.

Social

No social costs were identified by the project proponents. *Poverty Issues*: the proponents claim this project is targeting the most vulnerable groups within the province - the project is expected to improve production and support commercialisation of their produce.

LEGISLATION ISSUES

No information available.

MONITORING

Baseline, Hidrometeorologic monitoring

MAIN CONSTRAINTS

i) Conflict of interest: other actors with other, often unclear, interests and agendas have blocked the progress of the project, for example by circulating incorrect information about the role of the *páramo*.

ii) Social disparities: differences in the social groups involved has made the definition of uniform criteria a difficult task, which has slowed down the process.

MAIN POLICY LESSONS

The most important requirements to set up a scheme like this are:

- i) political will and support for the project;
- ii) having a transparent and trustworthy institution to lead the process;
- iii) the alliances created with key stakeholders (at community, municipal and provincial levels) determine the outcome of the negotiations between the different groups and influence the type of information that is disseminated to the public;
- iv) the actual institutionalisation of the process will depend on the support of the provincial board, the municipalities involved and the indigenous movements.

Tradeoffs between the extent of participation and the length of the process : having very open and participatory discussions of the PSA proposal resulted in a very important process of discussion and reformulation, in order to adapt the proposal to the socio-economic and *The importance of collaboration* - key decision makers, such as the Prefect of the Province in this case, provided crucial support, both in terms of resources and in the fluidity of the process.

OTHER INFORMATION

No information available.

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LINKS

<http://www.condesan.org/cuencasandinas/ambato.htm> (with plenty of biophysical information).