



PERÚ

Ministerio  
del Ambiente

## Incubator for Ecosystem Services Projects



## Sharing Nature's Benefits



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Agency for Development  
and Cooperation SDC



FOREST  
TRENDS



EcoDecisión  
investment in nature



CONDESAN  
Consorcio para el Desarrollo Sostenible  
de la Ecorregión Andina

In 2012, the Peruvian Ministry of Environment and Forest Trends established the Incubator for Ecosystem Services Projects with the objective of promoting effective investments for the restoration, conservation, and sustainable use of ecosystems and ecosystem services. Currently, the work of the Incubator is focused on watershed services, and as such has been supporting Investments in Watershed Services (IWS) projects throughout the country.

The Incubator's three areas of work are:

- **Policy Impact:** facilitating the creation of guidelines, tools, guides, conferences, and communications for the restoration, conservation and sustainable use of ecosystems and ecosystem services.
- **Technical Advice:** developing and sharing knowledge on the restoration, conservation and sustainable use of ecosystems and ecosystem services at the national policy level as well as the project level.
- **Project Support:** supporting IWS projects at different stages of development, including projects for the Alto Mayo, Jequetepeque, and Tilacancha watersheds.

Investments in Watershed Services (IWS) projects are the mechanisms, tools, instruments, and incentives that generate, channel, and invest resources, both financial and nonfinancial, from beneficiaries of watershed services to their stewards.

## Peru Incubator for Ecosystem Services Projects

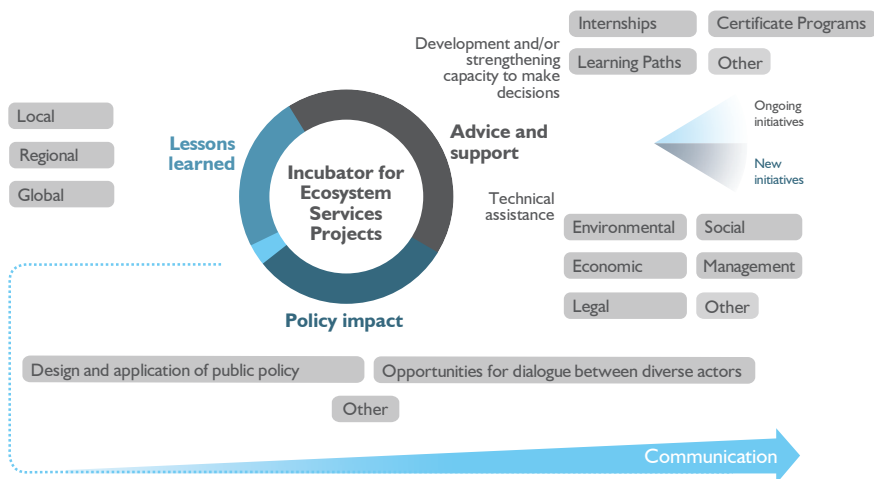
### National

- Institutionalization of the Incubator for Ecosystem Services Projects in the Ministry of the Environment of Peru
- Technical development of standards, tools, guidelines and communications that facilitate effective IWS, including the rapid hydrological assessment for prioritizing watershed investments
- Establishment of a platform for coordinating various institutions and organizations at the local, national, and international levels.
- Systematic identification and evaluation of all IWS cases within Peru.

### Local

- Development of a programmatic framework for assessing the cost-effectiveness of interventions to protect watershed services.
- Rapid hydrological assessments for five priority watersheds, in collaboration with the national water utility regulator's water tariff review process.
- Strengthening of knowledge and capacity of the community of practice in Peru by:
  - Holding annual clinics that bring together professionals from around Peru.
  - Hosting expert visits to refine baselines, hydrological monitoring, and social impact assessment.
  - Organizing panel discussions and exchanges to promote the informal exchange of knowledge.

## Incubator Operational Diagram



## At the National Level

### Development of National Policies to Eliminate Legal and Institutional Barriers to IWS

One of the Incubator's most important successes has been to identify and address barriers to IWS through national policy changes. The effectiveness of the Incubator in this area is demonstrated by two recent legal developments that have made it easier to develop IWS programs in Peru.

### Compensation for Ecosystem Services Law

Recognizing the barriers to public investment in ecosystem services in Peru, the Ministry of Environment led efforts to develop and pass a law that explicitly recognizes and endorses mechanisms that compensate land users for practices that support the provision of ecosystem services. The Law on Compensation for Ecosystem Services was passed in mid-2014.

The Incubator supported key efforts to pass the law, including a visit by representatives from the Peruvian Congress and indigenous groups to the Misquiyacu, Rumicayu, and Almendra watersheds,





whose protection is supported through an IWS project funded by water users in the city of Moyobamba. The Incubator is now leading the process to educate the leaders of subnational governments around Peru about the law and the opportunity they have to facilitate Compensation for Ecosystem Services projects, as well as the process to write the regulation that further defines and implements the Law.

### Support for the Reform of the Water and Sanitation Sector

The Drinking Water and Sanitation Sector Modernization Act, passed in 2011, for the first time encourages water utilities to invest in environmental conservation and climate change adaptation through IWS programs.

Working with the national water regulator SUNASS, the Incubator has played a key role in providing the technical tools and building the technical capacity of water utilities and local organizations necessary to properly implement the water sector reform. Because of this collaboration, all 50 water utilities in Peru may have watershed investments in place within the next five years.

Collaboration with the national water regulator has led to the establishment of a Hydrologist-Economist Working Group, which will collaboratively develop analyses and tools for refining the prioritization of watershed investments in Peru.

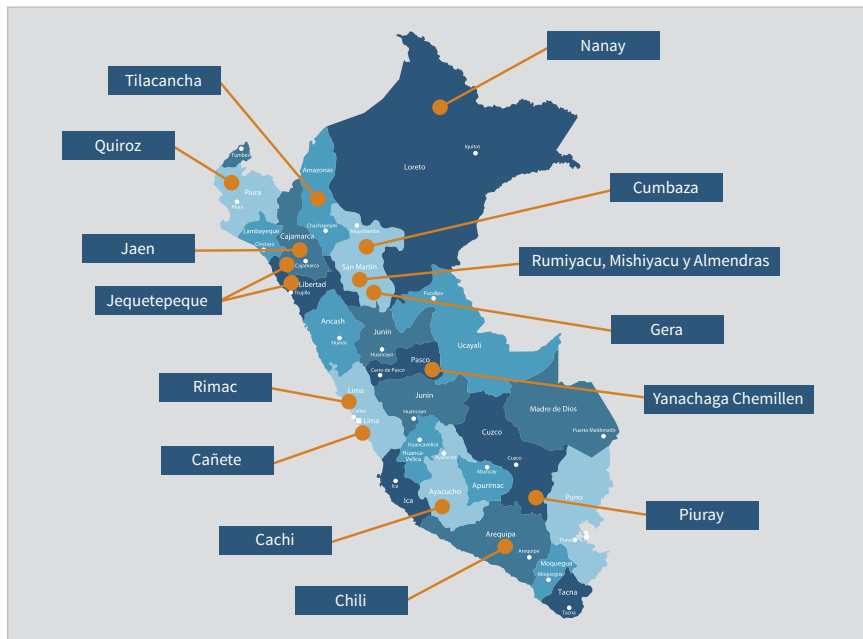
### Identifying IWS Projects in Peru

One of the Incubator's first initiatives was to identify the sites where IWS projects have been developed. This inventory found a total of



Aquafondo, the fund created to protect Lima's watersheds, has had to be strategic in positioning itself in a complex environment filled with numerous actors and initiatives. With financial support from the Incubator, the consulting firm Kieser & Associates developed a management framework tool to focus the attention of stakeholders on increasing water flow and sediment control in Lima's Rimac watershed. In addition, roundtables organized by the Incubator have resulted in fruitful discussion with key stakeholders in the Rimac.

## Investment in Watershed Services Mechanisms throughout Peru



seventeen projects around the country. However, only four of them are completely operational. A detailed review of these four projects allowed the Incubator team to understand the biophysical, economic, institutional, and social factors that are essential for an effective IWS project – and which barriers have consistently hindered IWS projects in Peru, focusing the technical and political efforts of the Incubator team.



The city of Moyobamba's water utility, using resources from the water tariff, enters into conservation agreements with communities in the upper basin. A multi-stakeholder steering committee was created to oversee the conservation fund and its spending. As the Incubator helps to develop the new regulatory framework for water companies, this innovative project serves as an example for other IWS mechanisms in Peru.







## Steering Committee in Moyabamba



### The importance of having multiple sources of financing



- In the Alto Mayo, strong support from the regional government of San Martín has assured financing for the mechanism through the public investment process.
- In the Jequetepeque watershed, the downstream irrigators' association and a private hydroelectric company have financed watershed conservation. Now, two regional governments are supporting the creation of a bi-regional water fund for Cajamarca and La Libertad to expand this work.
- AquaFondo, the Lima water fund, has received support from TNC's Latin America Water Fund Alliance, the Tinker Foundation, and FONDAM, in addition to Forest Trends.

## Local Level

### Rapid Hydrological Assessments

CONDESAN, an Andean sustainable development organization and the primary technical advisor for the Incubator, has led the development of a rapid hydrological assessment methodology which has been applied in five watersheds. The Rapid Hydrological Assessment uses site visits and stakeholder interviews to identify the most important watershed services in a watershed, their threats, and the potential contribution of proposed projects to improve those services. This process, which also considers options for institutionalizing the IWS project locally, suggests the most important parameters of an effective watershed investment program based on a relatively quick and low-cost technical assessment.

The methodology, refined through its application in pilot sites, is being summarized for publication in a guide for water utilities and other potential developers of watershed investment projects in Peru.



With support from an alliance between WWF and CARE an IWS program was designed, negotiated and implemented in a pilot area of 2,000 ha in the Jequetepeque watershed. The support of the Incubator has allowed the project to continue while public funds are approved, develop innovative funding alternatives to expand its reach, and refine its hydrological monitoring to better measure the effectiveness of future interventions.



### Building a Community of Practice

The Incubator, linked to a global community of practice through the Forest Trends Scaling Up Investments in Watershed Services project, has created opportunities for sharing knowledge and building relationships between experts and practitioners through:

- **Incubator Clinics:** Annual meetings attended by professionals working on IWS from different regions of Peru as well as international experts. Discussions centered around best practices, common obstacles and strategies to overcome them, and strengthening connections between those creating innovative solutions to the water problems facing Peru.
- **Thematic Exchanges:** A national workshop brought together policy makers, practitioners and other stakeholders to evaluate strategies to common challenges through field visits to IWS sites in the Alto Mayo, Gera, and Quiroz watersheds. Internationally, the Incubator has financed Peruvian professionals to participate in workshops that examine the social impact assessment for IWS and IWS program development in other Andean countries.
- **Round Tables:** The Incubator has used its convening power to bring together professionals working disparately on projects, policies, and analysis in the same watershed, in order to construct a shared path forward among multiple efforts.





PERÚ

Ministerio  
del Ambiente

## Incubator for Ecosystem Services Projects

The Incubator for Ecosystem Services Projects is an opportunity for a country like Peru, which requires a more holistic approach to its landscapes that ensures the provision of ecosystem services, ensures their conservation and management, and rewards good practices that are developed toward this goal. In turn, the compensation for ecosystem services can be a tool for macro-regional integration and a new way to find solutions to conflicts arising from access and use of resources.”

**Manuel Pulgar-Vidal**  
Peruvian Minister of the Environment,  
May, 2012



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Agency for Development  
and Cooperation SDC



FOREST  
TRENDS



EcoDecisión  
investment in nature



CONDESAN  
Consorcio para el Desarrollo Sostenible  
de la Ecuarrununga Andina