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Peru Environment Ministry Confronts Water Crisis with Focus on Investment in Nature

A new government office will value ecosystem services as the foundation for watershed management, supporting policies and programs to ensure the sustainable provisioning of clean water.

8 May 2012, Lima ---The Peruvian Ministry of Environment (MINAM), working with Forest Trends and with the support of the Swiss Agency for Development and Cooperation (SDC), today launched the Watershed Services Incubator – an incubator for projects and an institutional commitment to the sustainable management of water through investing in nature and compensating the communities who are stewards of healthy watershed ecosystems.

“The incubator of projects for watershed services is an opportunity for Peru to take a more comprehensive and systematic approach to the protection and management of watersheds, with the objectives of ensuring the provision of the environmental services watersheds provide, ensuring the conservation of watersheds and rewarding the good practices that conserve and manage watersheds,” said Manuel Pulgar-Vidal, Minister of the Environment of Peru.

The Incubator will foster a new wave of policies and projects that will provide incentives to upstream communities to preserve and protect the natural systems that are essential to watershed health and human well-being. These innovative financing mechanisms are designed to maximize the contribution of natural ecosystem processes in the provisioning of water— sustaining healthy watersheds while lowering the long-term costs and stresses associated with ever-increasing demands for freshwater.

The Incubator is the product of a partnership between MINAM and Forest Trends, an international environmental non-profit organization. Forest Trends, supported by SDC, is leading a global effort to scale up the use of economic incentives – investments, payments, or compensation for watershed services – to maintain clean abundant water for people and nature. MINAM’s Incubator will contribute to, and benefit from, global efforts to use innovative financing mechanisms to advance ecosystem-based solutions to the global water crisis.

“Today, Peru has said that it will set an example for the world by committing to a national policy of taking on natural infrastructure approaches to address their water crisis,” said Michael Jenkins, president of Forest Trends. *“The Incubator is designed to show how support at the national level can leverage ingenuity from local initiatives to create real solutions for one of the biggest challenges we face today—the protection of our natural water resources.”*

The Swiss Agency for Development and Cooperation of the Federal Department of Forest Affairs of the Swiss Government has a long history of pioneering innovation in water management and policy, including leading initiatives that address critical topics such as water conflict and diplomacy, sanitation needs, access to water, and poverty alleviation. SDC’s emphasis on sustainability, particularly with regards to sustainable water resource management, is reflected in the support for Forest Trends’ work with MINAM on "compensation for watershed services". Compensating, or providing incentives for

those whose actions serve to preserve the quantity and quality of water, changes the way in which water is valued and provides income for the rural communities who are managing the upper watersheds and clean water for urban centers downstream.

“The Swiss Government is pleased to support the Government of Peru in their efforts towards the efficient integrated management of water resources as part of their national policy efforts and wishes MINAM the greatest success in the implementation of this important project”, said the Ambassador of the Switzerland Confederation in Peru, Madam Anne-Pascale Krauer Muller.

The Incubator will build on experiences in Peru and internationally in using relevant innovative financing tools to value nature’s benefits – efforts such as those in Moyobamba, where the drinking water tariff was modified to incorporate the costs of protecting the watershed to assure a sustainable supply of clean water to the community.

“These experiences highlight the importance of involving water users in managing watersheds, whether they are domestic, agricultural or industrial users” says Marta Echavarría, an expert on innovative finance for conservation who is leading Forest Trends’ efforts in Peru. *“With their commitment, land-uses practices are improved to insure water quality and flow.”*

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