

OVERVIEW

The southern region of Ecuador is rich in biodiversity and water resources; however the unequal distribution and non-existent or poor management of water sources put at risk the quality and quantity of water supplied to urban and rural populations. To solve this problem; in 2009, the political will and the spirit of solidarity between large and small municipalities allowed the creation of a mercantile trust administration called: Fondo Regional del Agua "FORAGUA". Committing to 80 years, the originating constituents were the municipalities of Loja, Puyango, Celica, Macará, Pindal and Nature and Culture International Foundation (NCI). The mechanism seeks to gradually integrate all the 39 municipalities of the Region 7 among the provinces of Loja El Oro and Zamora through contracts of adhesion under the same rules.

The Water Fund is based on the creation of municipal ordinances in each municipality for the declaration of areas of hydric interest and biodiversity conservation, protection and recovery of degraded and fragile ecosystems, also the creation of an environmental tax services for the users of potable water.

They are currently part of Fund 12 municipalities, which have declared 70.000 hectares as cantonal reserves, of which 42.000 hectares are committed to the conservation of the sources of water for human consumption. Citizen contribution allow to sustain the processes in the long term through the monthly fundraising debited automatically by the Central Bank of Ecuador in special independent sub-accounts and which are administered under the legal representation of the National Finance Corporation (CFN trustee) through a Technical Secretariat of the FORAGUA; thus for the first time the municipal technical departments responsible for the management of watersheds have assured resources, technical support, and agility in the processes of management and conservation.

For that purpose 10% of the environmental taxes revenues, are handled by the Technical Secretariat, for administrative expenses control and management. Currently environmental taxes revenues allow to have approximately \$500,000 per year and which are counterpart for the management of supplementary funds.

The 90% remaining of the fundraising is reinvested in each municipality through an investment plan, which is approved annually by each council under the assistance of FORAGUA, who oversees and supervises appropriate investment of resources through the Technical Secretariat of the Fund on the basis stipulated in each ordinance.

Among FORAGUA activities is also the management of supplementary funds for the purchase of properties that are within the zone of water recharge, so far they have been acquired around 1.460,26 ha that are in process of recovery. Another activity is the management of the baseline fund surveying and biophysical characterization of the WRA (water recharge areas) of cantonal capitals. By the basic data generated, the twelve municipalities can know the current state of the WRA. In some cases the zonification process has been initiated; the legal files have been processed for the declaration of municipality reserves because there are still some ordinances that prioritize the declaration of reserve areas however zonification and declaration still missing. On the other hand the recovery of degraded areas, compensations to owners who are within the WRA, environmental education activities are implemented, as far as conditions allow, a boost to these activities can accelerate the recovery processes for environmental services and biodiversity of the WRA. Likewise the strengthening support to the Technical Secretariat of FORAGUA will allow the independence and sustainability of the fund in their processes of timely technical assistance, management of funds and proper management of resources included in investment plans.

BACKGROUND

The Regional Water Fund is a mercantile trust of management created in July 2009, with over 80 years of irrevocable character represented legally by the National Financial Corporation of Ecuador.

FORAGUA is an innovative and solidary initiative, that seeks to integrate gradually the 39 municipalities of the Southern Region of Ecuador, thus enforcing long-term sustainable conservation processes of water supply sources and biodiversity.

The management of economic resources from environmental services taxes collected by the municipalities, are backed by a solid legal and financial structure that allows to invest in the conservation of water resources, in an agile and effectively way; ensuring the protection and recovery of the water recharge areas.

VISION

Consolidate an administration and management mechanism of private and public resources, which should be agile, efficient and transparent, for the conservation of sources and water recharge areas, ensuring quality and quantity for water consumption in the Region 7; gaining the trust of local, national and international agencies.

OBJECTIVES

To conserve, restore and protect the ecosystem services and biodiversity of fragile and degraded ecosystems in the provinces of Loja, El Oro and Zamora Chinchipe.

Strategic objectives

Strengthen the administrative, legal and technical capacities of the FORAGUA, in the management of resources.

Increase the heritage and the investments of the Fund.

Integral handling of supplies and water recharge areas in the Region 7.

To institutionally present the Fund at local, national and international level.

PRINCIPLES AND VALUES

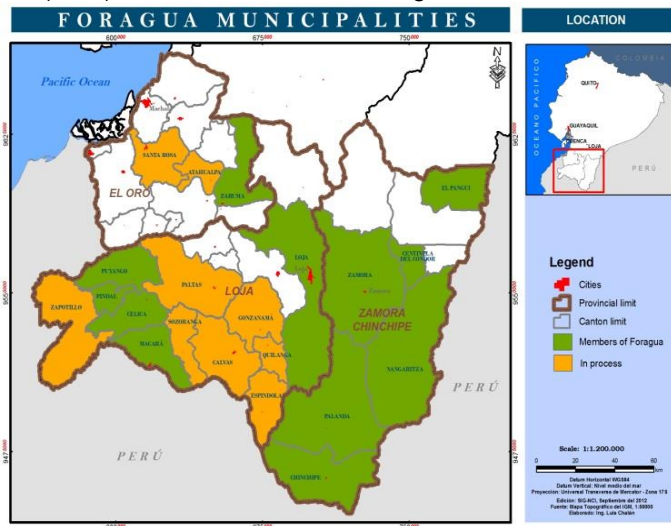
- Solidarity among constituents.
- Responsibility in the making of decisions and use of resources.
- Long-terms commitment with citizens to ensure water quality and quantity.
- Political will to promote processes of conservation.

CONSTITUENTS

The Regional Water Fund - FORAGUA initially complied by six constituents which are the municipalities of: Loja, Celica, Puyango, Pindal, Macara; and Nature and Culture International. Other municipalities have gradually joined in like: Chinchipe, Zamora, Palanda, Centinela del Cóndor, El Panguí, Zaruma and Nangaritza. Currently the municipalities of Paltas, Sozoranga, Calvas, Atahualpa, Santa Rosa, Quilanga, Gonzanamá, Zapotillo and Espíndola are interested to be part of FORAGUA.

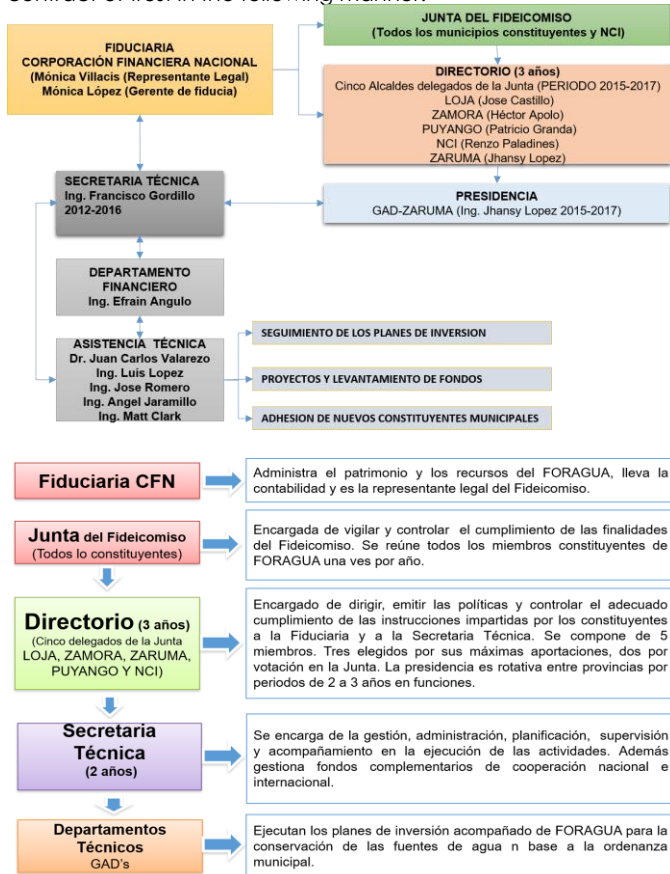
Currently 11 municipalities are part of FORAGUA; 18 other municipalities are in the process of entering FORAGUA. We hope to have joined all 39 municipalities of Region 7 by 2020, thus

promoting an integrated work with a futuristic vision for the lifestyle improvement in the Southern Region of Ecuador.



STRUCTURE

Regional Water Fund - FORAGUA is structured as stipulated in the contract of trust in the following manner:



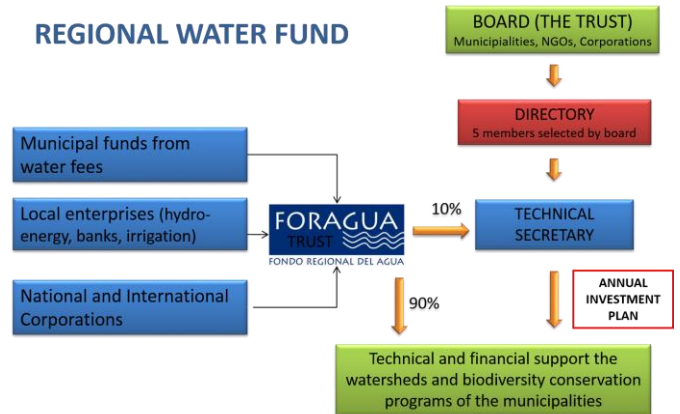
OPERATING MECHANISM

- a) The municipalities promulgate an ordinance for the declaration of reserve areas and the monthly tax collection through water bills the collected resources shall be deposited in a Municipal special subaccount created at the Central Bank of Ecuador.
- a) Revenues taxes are transfer within the first ten days of each month from the Municipal sub account to the account at the Central Bank of Ecuador.
- b) 10% of resources is destined to the administration of the trust through the Technical Secretariat (control, management,

technical counterpart) while the 90%, is invested by each constituent (municipalities) through an annual investment Plan, approved by the councils of the municipalities; in programs, projects and activities for the protection of sources and areas of recharge of water, fragile ecosystems and other priority areas for the conservation of biodiversity and the natural heritage of each area.

- c) The Technical Secretariat of FORAGUA manages additional resources from national and international cooperation of public institutions or private, to strengthen the investment plans of each municipalities thus to have resources which complement the actions in each jurisdiction.

REGIONAL WATER FUND



BENEFITS

- The spirit of solidarity allows equitable support among large and small municipalities through the Technical Secretariat, to achieve the technical assistance for the implementation and follow-up to the investment plan.
- FORAGUA ensures the economic resources for the conservation.
- The trust contract is an 80 year-long term which is irrevocable, and which can be renovated.
- Advice and support for the exceeding resources of the heritage so they can be invested in stock market to generate financial returns in order to strengthen the investment plans.
- Financial security of the resources provided to be administered by the National Financial Corporation (CFN), legal representative of the FORAGUA.
- Agility through administrative processes for the implementation of expenditure.

SUSTAINABILITY

The sustainability of FORAGUA is based on the resources that are collected monthly by each municipality. The environmental taxes are calculated in accordance to the geophysical, biological and anthropogenic reality of each constituent. Below are the projected values of each current constituent:

Canton Constituent	Nº users	Environmentaltax*	Projected anual values
Loja	28.000	3-8 cent./m ³	380.000
Celica	910	9 cent./m ³	20.000
Puyango	1.300	11 cent./m ³	23.000
Pindal	481	5 cent./m ³	8.000
Macará	2.683	25% coconsumption/ month	15.000
Chinchiipe	754	5-10 cent./m ³	20.000
Zamora	11.000	1 dólar/property	15.000
Palanda	348	4-10 cent/m ³	5.000
Pangui	1500	2-7 cent/m ³	18.000
Centinela del Cóndor	823	10 cent/user	1.200
Zaruma ¹	2162	4-10 cent/m ³	40.000
TOTAL PROJECTED ANNUALLY			545.200

¹The municipality of Zaruma brings up to 30% on the value of the collected environmental taxes.

*The environmental rate value depends on the categories laid down in the Ordinance of the service of potable water of each municipality.

FUNDS MANAGED BY FORAGUA

LEVANTAMIENTO DE FONDOS	año	MONTO	
FORTALECIMIENTO A LA SECRETARIA TÉCNICA	2011-2012	35000	USAID
MONITOREO CALIDAD DE AGUA	2011-2013	32400	AQUAYA
COOPERACIÓN INTERINSTITUCIONAL (apoyo técnico para constituyentes)	2012-2014	322608	NCI
INVERSION BURSÁTIL DE 200.000 USD	2012-2015	45000	GAD LOJA
REFORESTACIÓN DE ÁREAS DEGRADADAS	2013-2015	70423	NCI (BOS + FONDO FLAMENGO)
SEMINARIO INTERNACIONAL: CONSERVACIÓN DE FUENTES DE AGUA Y CAMBIO CLIMÁTICO.	2013	54711	GADL, TNC, SENAGUA, FORAGUA, UTPL
CURSO DE INCENDIOS FORESTALES	2014	5000	FORAGUA, MAE, BOMBEROS
MONITOREO HIDROMETEOROLOGICO	2014-2015	201278	SERVICIO FORESTAL DE LOS EEUU.
CAPACITACIÓN (UNIVERSIDAD DE COLORADO)	2014	9000	USAID
FORTALECIMIENTO A LA SECRETARIA TÉCNICA	2014	5000	USAID
DONACIÓN DE ACTIVOS FIJOS (vehículo, estaciones meteorológicas)	2014	68000	USAID
PROYECTO REPLENIS	2015	30000	NASCA-TNC
FORTALECIMIENTO ST	2015-2016	16800	NCI
FORTALECIMIENTO DE LA SECRETARIA TECNICA	2015	10000	TNC
PROYECTO Agua sin Fronteras	2015-2017	17000	GPL
Investigación de Sostenibilidad de FORAGUA	2015	8000	UTPL
Escuela del Agua ARAs	2015	7000	NATURA-NCI
Uso de herramienta de monitoreo de deforestacion	2016-2017	30000	GFW
Escuela del Agua	2016-2019	420000	TINKER/NCI
TOTAL DE FONDOS LEVANTADOS POR FORAGUA		\$ 1'287.220,11	



Héctor Apolo Berrú
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Ing. Francisco Gordillo Espinosa
SECRETARIO TÉCNICO



Ing. Jhansy López J.
PRESIENTE DEL DIRECTORIO

AREAS IN THE PROCESS OF CONSERVATION

Municipios constituyentes y por adherirse	Nombre de las Zonas de Recarga de Agua (ZRA) y Zonas de Reserva de biodiversidad	Área en la ZRA	Áreas declaradas como Reserva Municipal	Has/compradas/convenio
LOJA	El Carmen, San Simón, BP Servio Aguirre, BP El Sayo	4800	1887	2908,23
CELICA	Quinara, Matalanga y Quillusara; Pircas, Piedras Blancas, El Cardo	4500	4674	126,15
PUYANGO	Microcuenca Luz de America, Microcuenca Qda. Cuyura, Microcuenca Mangallilla, Bosque El Colorado, Predio Sambumba	3000	2177	972,63
MACARÁ	Microcuenca Mataderos, Microcuenca Jurupe, Bosque Algodonal de Jujal, Predio Pallanga	10000	25564	2290
PALTAS	Pisaca, San Pedro Mártir.	2077,5	2077,5	420
PINDAL	Papalango	2067	0	103
ZAMORA	Propiedad El Limón	1019	214	495,68
CHINCHIPE	Reserva San Andrés; Microcuenca Los Rubies y Chaupe	764	5464	789,5
PALANDA	Microcuenca Qda. El Suihí, Microcuenca Qda. Los Molinos, Reserva Natural Corazón de la Amazonia, Reserva Natural del Colegio Nacional Mixto "Ciudad de Loyola", Propiedades Romerillos	1698	6562	4864
EL PANGUI	Microcuenca Cayamatza y Microcuenca Los Hachales	2236	2236	
CENTINELA DEL CÓNDR	ZRA Zumbi	666	666	285
ZARUMA	ZRA Guando y ZRA Mirmir	1766	2576	950
NANGARITZA	ZRA Qda. Don Morocho, ZRA Qda. Dón Kléver, Destacamento viejo de Miaz, Área de conservación Tepuyes, Laguna las brisas	367	7875	60
Santa Rosa	ZRA Río Santa Rosa, La Tembladera, áreas de Manglar, Bosque Fenix	3467	11221	80
Atahualpa	ZRA Río Palto	1336,42	1336,42	0
TOTAL		39763,92	74529,92	14344,19

ACHIEVEMENTS

- ✓ 70.000 hectares declared as municipal reserves.
- ✓ Zoned territories and enhanced priority to conservation areas.
- ✓ 11 approved ordinances for the creation of environmental taxes for the management and conservation of water sources and effective direction of resources under an investment Plan.
- ✓ Reserve declarations and the creation of environmental incentives.
- ✓ 80 years or irrevocable lease term.
- ✓ Less use of chemical inputs for water purification.
- ✓ A flexible mechanism for the access of new constituents according to their needs and priorities.
- ✓ Sustainability based on annual resources for the implementation of programmes and projects in the long term.
- ✓ Heritage in the last four years has doubled over a 100%.
- ✓ Creation of environmental taxes.

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FORAGUA
FONDO REGIONAL DEL AGUA

