

INTER-AMERICAN DEVELOPMENT BANK
Technical Cooperation Program IDB--Netherlands Water Partnership-INWAP

Technical Cooperation Profile

I. Basic project data

Beneficiary Country: Peru

Project name: Small Communities Water Rights Regularization as a Management Strategy

Project number: PE-T1151

Project team: Fernando Bretas, Team Leader (INE/WSA); Carmiña Moreno (WSA/CCO); Pedro Guerrero (IRH-INRENA); Diego Buchara (LEG/SGO), and Yolanda Galaz (INE/WSA).

Executing Agency: Intendencia de Recursos Hídricos (IRH)

Beneficiary Agency: Intendencia de Recursos Hídricos (IRH)

Date of request: November 2007

Financing plan:

IDB (INWAP):	US\$	300,000
Local Counterpart:	US\$	20,000
Total:	US\$	320,000

Tentative dates: Board of Directors: May 2008

Execution period: 12 months

Disbursement period: 14 months

II. Background and problem statement

- 2.1 The Peruvian Pacific Coast area experiences water scarcity and its agricultural potential generates water use conflicts between farmers and other users, including the city dwellers that surround large irrigation districts, as has been identified by the Peruvian Ombudsman Reports in the past years. The Peruvian Coast concentrates 52.8% of the country's population and its watersheds generate 2,938 m³/person of water of different standard of quality; which is not well distributed. For instance, water availability is as low as 319 m³/person in Moche valley, 577 m³/person in Ica valley, and 350 m³/person in the watersheds that supply the city of Lima. According to the report "Population Reports: The Coming Era of Water Stress and Scarcity, John Hopkins School of Public Health (1998)", Peru is the only Latin American country that will experiment water stress in 2025.
- 2.2 The Government of Peru is undertaking several actions to mitigate the impact of such event including: (i) the preparation of a National Water Resources Strategy that has been discussed with the main stakeholders for two years, which defines the country's

water resources policy; (ii) a new water legislation under discussion in Congress that adopts water management by watershed ensuring stakeholder participation; (iii) the establishment of the “Fondo Nacional del Agua (FONAGUA)” by Law 28823 to finance actions geared towards water use efficiency; (iv) the use of multilateral financing to implement a national water user information system and a Program to regularize the rights of agricultural water use (“*Programa de Formalización de los Derechos de Uso del Agua - PROFODUA*); and (v) the preparation of a Programmatic Policy Based Loan with the IDB, based on the accomplishment of the water sector necessary reforms. All these pieces of managerial instruments are based on the concept of water as an economic good, and human consumption as the priority use.

- 2.3 To implement a sustainable watershed-based managerial system it is necessary to generate resources based on users’ charges. With this perspective all users have to be identified, their water intakes measured and monitored and, according to the legislation, a fee shall be collected. This basic concept has been hard to implement because in 2004, only 5000 of more than 800,000 agricultural plots had regularized their water use permits. Since then, between 2004 and 2005 IRH developed the methodology used by PROFODUA, and the First Stage of PROFODUA was implemented initially with IRH resources. Since 2006 the Second Stage is underway partially funded by the World Bank. Peru is implementing this Program, which is aligned with the Peruvian National Irrigation Policy and Strategy and concentrates in the major water user: the agricultural sector. PROFODUA’s objective is to formalize and regularize agricultural water use, issuing permits anchored on the Art. 8th of the “*Ley General de Aguas (LGA)*” in the whole country. Since 2004, more than 300,000 agricultural water use licenses have been issued in the Pacific basins (including agricultural irrigated areas in rural communities) using a modern and rapid methodology.
- 2.4 Peru is executing the PROFODUA to identify agricultural users and regularize their water rights; nevertheless, there is no action taken to regularize the water rights of small communities. In this effort to have a complete water balance to make policy decisions, it is necessary to include all the users. It has been identified that service providers of drinking water in Peru are: (i) SEDAPAL, in Lima and Water and Sanitation Companies (EPS) in other cities; which together have under their jurisdiction 62% of the country's total population; (ii) the Water Administration Associations (JASS), which are responsible for the 29% of the total population based mainly in rural areas, and (iii) some small Municipalities (490) serving 9% of the total population. Most of these small communities (ii and iii), mainly with populations between 150 and 2000 habitants, have no formal rights for using their water supply sources, and are located in the highlands (Sierra) of the Pacific and Atlantic basins of the country, putting at risk the provision of these services in the long run due to competition for uses with higher economic return.
- 2.5 This TC will implement a pilot project for regularizing water rights in two of the nine large priority watersheds (basins) of the Peruvian Pacific Coast, as identified in the National Water Resources Strategy: the Rimac and the Mantaro watersheds, which supply the city of Lima. Implementation involves extensive negotiations, mediation and agreements among institutions representing different sectors competing for the scarce water and it will develop a methodology that could be used to regularize the small communities situation in the whole country as is being done actually for the agricultural water users. The results achieved with the execution of this TC will be incorporated into the information system developed for PROFODUA, and with the agreed regularizing

model and approved methodology the government will search for resources to implement the methodology in the whole country.

- 2.6 The results of the TC's execution will be a key element for Peru to develop a small community water rights regularization program, and to implement new policy on the matter.

A. Bank's Support and Relationship with Bank Strategy in Peru

- 2.7 In 2007, the IDB supported a project (PE-L1024 y PE-L1030) to assist the country of Perú in the implementation of new water resources policies and to halt water misuse, which generates poor water use efficiencies in this water scarce landscape. The Bank is also supporting the Peruvian Government in the management of the Maschon/Chonta river watershed (PE-T1057), and in the past supported VIVIENDA, the Ministry responsible for the sanitation sector, in an effort to establish a methodology for incorporating the cost of water to the water and sanitation tariff.
- 2.8 The TC is aligned with the Peruvian National Water Resources Strategy that establishes as priorities: (i) clear legal water rights; (ii) public participation; (iii) integrated water resources management; and (iv) priority access for public consumption. It is also aligned with the IDB Water Resources Strategy in the targets: (i) water conservation through efficient and equitable use; and (ii) resolution of conflicting uses. This makes this TC of high interest for Peru and the IDB.
- 2.9 It will also complement the Building Opportunity for Majority (BOM) initiative of the Bank since it targets the more vulnerable sectors of the population and the most severely affected by the costs of regularization, lack of information and bargaining power to defend their water rights in conflictive situations.
- 2.10 Finally, the proposed TC is in line with INWAP's objective as it focuses on the promotion of social equity through the application of integrated water resources management principles. This TC will support activities that will benefit less favored communities of two Peruvian watersheds and could be of interest to be applied in similar areas in Perú and other Andean countries.

III. TC objective and description

A. Objectives

- 3.1 The general objective of the TC is to contribute to the sustainable availability of drinking water for small communities of the Peruvian pacific coast. The purpose is to regularize water rights for small communities in two priority watersheds (Rimac and Mantaro), which are part of the nine most important watersheds that were selected during the preparation of the Country's Water Resources Strategy.

B. Description

- 3.2 **Component 1: Data Gathering, Methodological Development, and Field Work. (US\$200,000).** The component will finance consulting services to obtain the necessary information and to execute the following activities: (i) inventory of water surface sources and groundwater wells; (ii) cartography of existing water rights including agricultural and no agricultural uses; (iii) evaluation of the existing non agricultural licenses; (iv) revision of the existing hydrological studies and the assigned irrigation water uses; (v) identification of block allocations of water and interaction of

communities supply; (vi) implementation of a Geographical Information System (GIS) that will generate as product the spatial distribution of the water intakes for human consumption and a systematization of shapes with UTM coordinates (communities, associations, etc.) and respective crossing with rural and urban cadastres; and (vii) field work to fill the required documents and validate the information obtained from secondary sources and to regularize on the spot the communities water rights.

- 3.3 **Component 2: Awareness Campaigns and Results Validation. (US\$ 100,000).** The component will finance consulting services to develop a communication plan that will include campaigns that will make use of workshops, spots, interviews, press releases, flyers, and communication through the press, radio, and television at national, regional and local levels. The component will also finance the public consultation, validation by the *Administradoras Técnicas de los Districtos de Riego (ATDRs)* and Water User Associations of the final report with the regularization and issuance of the licenses.
- 3.4 The results of the TC will be: (i) A validated methodology to regularize water rights of small communities inserted in watersheds experiencing water scarcity and conflicting water uses; and (ii) Water rights of the small communities in the Pilot Areas at the Rimac and Mantaro watersheds regularized.

IV. Cost and financing

- 4.1 The estimated cost of this TC is US\$320,000 of which US\$300,000 will be provided by the INWAP, and the remaining US\$20,000 from the INRENA.

Activity	Duration (months)	Cost	TC Funds	Local Counterpart
Data Gathering Methodological Development	12	200,000	200,000	
Awareness Campaigns and Results Validation	6	90,000	90,000	
Coordination and Supervision	12	30,000	10,000	20,000
Total		320,000	300,000	20,000

V. Execution

- 5.1 The *Intendencia de Recursos Hídricos (IRH)* of the “*Instituto Nacional de Recursos Naturales (INRENA)*” will execute the TC and the contracting activities will be carried out using applicable Banks procedures (GN-2349-4 y GN-2350-4).

VI. Critical aspects

- 6.1 The critical aspect of this technical cooperation is the coordination with the necessary stakeholders: the communities, ATDRS, Water User Associations and VIVIENDA. The first component has separate resources to promote the necessary coordination and mediation.

VII. Action plan

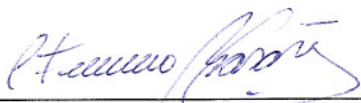
- 7.1 The TC will be executed in 12 months and disbursed in 14 months.

VIII. Social and environmental strategy

- 8.1 The project team followed the orientations and guidelines of the Bank's Environmental and Safeguard Policy (OP-703) and propose the project be classified as C. The TC will not generate any significant social or environmental negative impacts. On the contrary, since it will support the regularization of water user rights for small communities in two priority watersheds, the results are mainly socially positive. From the environmental side, a better estimate of the water needs coupled with the identification with the users is key to attain a sustainable watershed management and supply of water to priority users.

IX. Approval

Concur:




Federico Basañes, Chief
INE/WSA

02/04/08

Date

Approved by:



Alicia Ritchie, Manager
CAN/CAN

2/april/08

Date

Approved by:



Roberto Vellutini, Manager
INE/INE

02/04/2008

Date