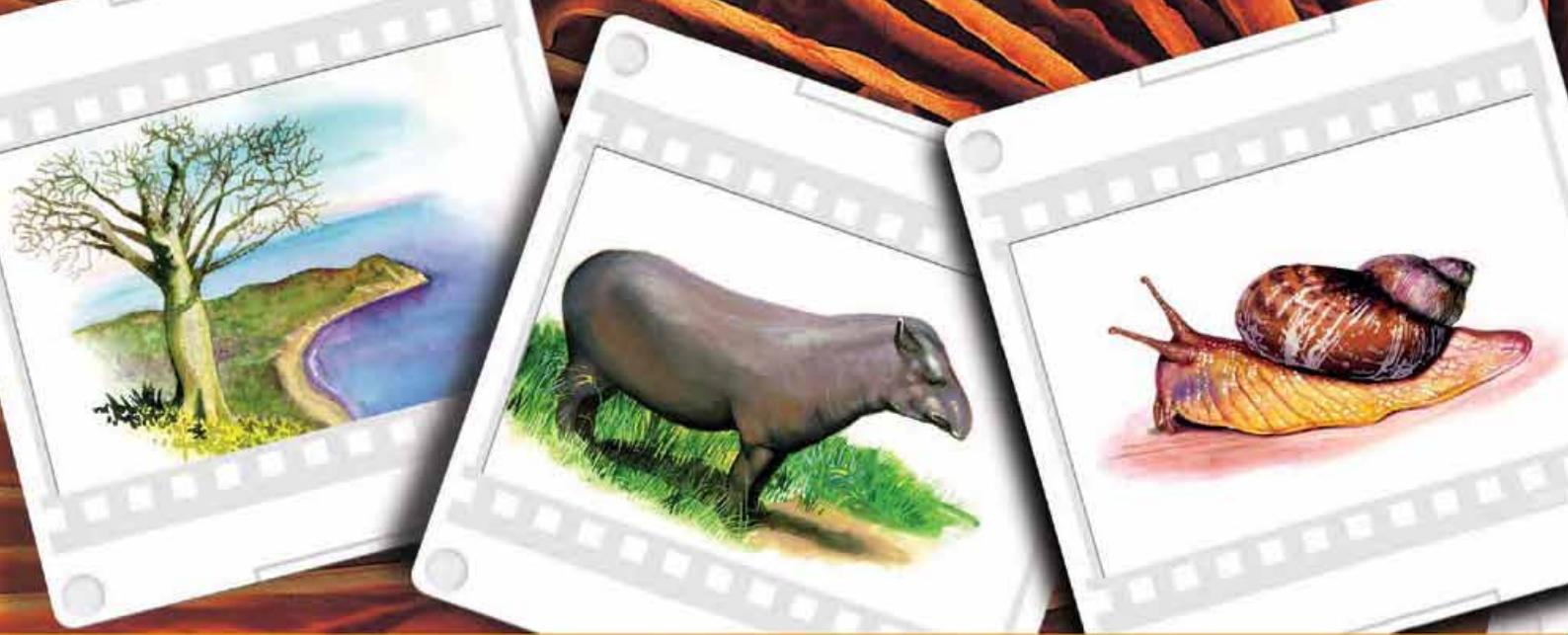


Consolidating the National
System of Protected
Areas of Ecuador:
elements of financial
sustainability based on the
'protected areas fund'
(fap)





1 Why preserve Ecuador's natural heritage?

Ecuador is privileged to be one of a few countries in the world with a multiethnic and multicultural population and a wealth of megabiodiverse assets. Together, human and natural capital constitute the essential components for achieving sustainable development, since each complements the other in any long-term conservation plan.

Natural resources are critical elements of the national, regional and global economy due to their multiple benefits. Biodiversity is Ecuador's most distinctive natural resource, possessing enormous potential. Hence, it is important to protect and use this resource in a sustainable manner, to maintain the ecosystems' life processes and to increase human wellbeing, both material and spiritual, for present and future generations.

Our Constitution prescribes the obligation of the State to ensure "the right of the people to live in a healthy and ecologically balanced environment that guarantees sustainable development. It shall provide oversight so that this right is not affected and shall guarantee the

preservation of nature [...], thus, it declares that the establishment of a National System of Protected Areas is in the public interest".

In 1993, Ecuador was one of the first countries to ratify the Convention on Biological Diversity (CBD) and it maintains a firm commitment to fulfill its objectives. This is "biodiversity conservation", which is largely based on the creation and consolidation of National Systems of Protected Areas within the framework of the "Program of Work on Protected Areas" that was approved for this purpose by COP-7 in 2003.

In 2002, Ecuador also committed itself to the Millennium Development Goals, one of which seeks to "guarantee environmental sustainability", including the goal of "reversing the loss of environmental resources". One indicator of this is the "percentage of protected lands for biodiversity conservation". These goals are directly related to the consolidation of National Systems of Protected Areas.



2 Why is the National System of Protected Areas (NSPA) important?

The creation and consolidation of the National System of Protected Areas (NSPA) is the most effective strategy for ensuring that countries conserve genes, species and complex ecosystems in their natural environment, thus guaranteeing their quantity as well as quality (*in-situ* conservation).

The Protected Areas:

- a)** Institute a real and tangible form of respect for life in all its dimensions.
- b)** Constitute a physical space for the reproduction and permanency of life on the planet.
- c)** Are the home, livelihood and cultural inspiration for indigenous nationalities and peoples.

The benefits they freely offer society are:

- a)** Wild sources of food, fodder, traditional medicines and other assets.
- b)** Reserves that produce clean water and air.
- c)** Forests that help to balance the climate and harbor millions of living creatures.
- d)** Breeding areas to establish animal populations, for example, of fish.
- e)** Mangroves, wetlands, coral reefs and riverine forests that help to reduce the damage caused by flooding, storms, tides, etc.
- f)** Opportunities for ecotourism and recreation that benefit both visitors and local communities.
- g)** They preserve genetic wealth to support future research for the benefit of humanity.





3 What actions are essential to strengthen and consolidate the National System of Protected Areas (NSPA) of Ecuador?

Ecuador has been carrying out actions to conserve its biodiversity since 1936. Although the number of initiatives to strengthen the National System of Protected Areas (NSPA) has multiplied, there is still much to be done. The participation of many people, institutions and governments committed to this cause has been critical to the process. The actions that still need to be taken include:

- a) Strengthening the management and control capacity of the National Environmental Authority.
- b) Improving governmental mechanisms and the participation of local stakeholders in the management of the Protected Areas.

c) Improving mechanisms to directly benefit local communities in the Protected Areas and their living conditions (it has been shown that poverty indexes are highest precisely in communities that live in Protected Areas or their buffer zones).

d) Optimizing tools for environmental management in order to ensure that each Protected Area has an updated management plan and that funds are channeled to the areas in timely fashion in order to ensure their adequate operation.

e) Ensuring long-term and stable financial resources for the continuous operation of the System.



4 Where does financial sustainability begin?

Financial sustainability is understood as a process that makes it possible to generate sufficient economic resources for the Protected Areas to be able to fulfill the objectives for which they were established. From a management perspective, it is essential that certain basic operational activities be adequately financed through a variety of stable, long-term mechanisms.

One of the most innovative and successful developments over the last 10 years, designed to support these basic operational activities, has been the creation of endowment funds, a strategy that ensures continuous and stable economic support for the Protected Areas.

5 Why is it important to support endowment funds as a long-term tool?

Given that the costs of maintaining a basic level of management of the Protected Areas are recurring by nature, it is vital to find integral solutions. The endowment fund is an appropriate economic instrument for environmental management because it generates income over a long period of time in order to offset the risk of a decline in the donor cycle that might affect the provision of national fiscal or international resources. The resources obtained are invested in solid financial entities and only their returns are used.

It has been shown that Protected Areas that receive secure financing for their basic operating costs have a greater chance of contributing to environmental conservation, improving human wellbeing and supporting poverty reduction, especially in the communities located in the Protected Areas or surrounding areas.

The '*protected areas fund*' (*fap*) seeks to respond to this challenge.



6 Who are the participants in this initiative?

For the last five years in Ecuador, support and resources have been mobilized to contribute to the financial sustainability of the National System of Protected Areas (NSPA). The '*protected areas fund*' (*fap*) is an example of a coordinated effort between the State and organized Civil Society, with the aid of different international cooperation agencies, to provide the country with a long-term financing mechanism to support *in-situ* conservation.

A joint initiative of the Ministry of the Environment and the Fondo Ambiental Nacional (FAN), a private organization that operates under the Civil Code of Ecuador, the '*protected areas fund*' (*fap*) is backed by agreements that define policies and responsibilities to "complement" resources budgeted by the State.

The concept of the '*protected areas fund*' (*fap*), which operates in the Fondo Ambiental Nacional; was developed by the GEF Project: "National System of Protected Areas", based on best practices and lessons learned from other environmental funds in Latin America and the

Caribbean. Its operation is regulated by a decentralized fund channeling mechanism that defines eligible budget items, accounting mechanisms and monitoring and evaluation processes.

Over the past two years the Fondo Ambiental Nacional has been developing conceptual and methodological tools to improve the monitoring and evaluation systems of the '*protected areas fund*' (*fap*) in order to make implementation more efficient and ensure the quality of its investments.

As of August 2006, the current state of capitalization of the '*protected areas fund*' (*fap*), including donations, counterpart funds and capitalizations:

Origin	Destination	US\$ (millions)
Government of Ecuador	Fondo Ambiental Nacional - FAN	1.11
Debr Swap Federal Republic of Germany (Paris VI)	Capitalization - (<i>fap</i>) Sumaco Napo Galeras National Park	3.16
Debr Swap Federal Republic of Germany (Paris VII)	Capitalization - (<i>fap</i>)	3.82
GEF - World Bank	Capitalization - (<i>fap</i>)	4.27
		Total 12.36



In addition to the endowment contributions, other entities such as the Government of Ecuador, Kingdom of Netherlands, USAID, CAF, The John D. and Catherine T. MacArthur Foundation, The Nature Conservancy (TNC), Conservation International (CI), The Gordon and Betty Moore Foundation and IUCN - Netherlands, among others; have strengthened this initiative by contributing economic resources and technical support.

The Strategic Plan 2006-2015 for the National System of Protected Areas (NSPA) of Ecuador includes a 35 million US dollar capitalization target for the '*protected areas fund*' (*fap*) by 2010 as essential component to achieve financial sustainability.

7 Opportunities for supporting the consolidation of the National System of Protected Areas of Ecuador.

Supporting the capitalization of the '*protected areas fund*' (*fap*) represents a very important opportunity to contribute to the consolidation of the National System of Protected Areas (NSPA) of Ecuador, not only because the fund operates with a proven mechanism and has the support of the most important entities working on environmental issues, but also because it makes it possible to provide new additional resources to consolidate the basic structure of Ecuador's Protected Areas over the long-term.

This Promotion Material was produced with support of the project "Parks in Peril", financed by The Nature Conservancy (TNC) and The United States Agency for International Development (USAID).



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This publication has been possible thanks to the generous support of USAID, through donation No. EDG-A-00-01-00023-00. The authors' views expressed in this publication do not necessarily reflect the view of the USAID or TNC.

Illustration: Pablo Pincay. Design: Aurelio Valdez G. / Alejandro Miranda B. Printed: Imprenta Noción.



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