

Micro-Water Source Water Fund Project

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Challenge

Zhejiang Province has 20,397 small drinking water sources, supplying a population of 24.314 million, about 44% of the total population of Zhejiang Province. However, more than 70% of the small water sources are threatened by non-point source pollution (agriculture-related pollution) including fertilizers, herbicides, pesticides, etc. Small water sources are facing shortage of funds and lack effective management. Longwu Reservoir is a small water source conservation project in China. It is located in Hangzhou, Zhejiang Province, northeast of the town of Huanghu, providing drinking water for about 4,000 people.

Goal

Establishment of a water fund trust helps to balance economic development and environmental conservation and achieve centralization of land management. Water fund Trust established payment for an ecosystem service mechanism to support eco-friendly industry and improve local economy. A comprehensive conservation-based solution will be generated to achieve “agriculture, food, ecology and conservation” goals.

Solution

I Establishment of Water Fund Trust and Centralization of Land Management

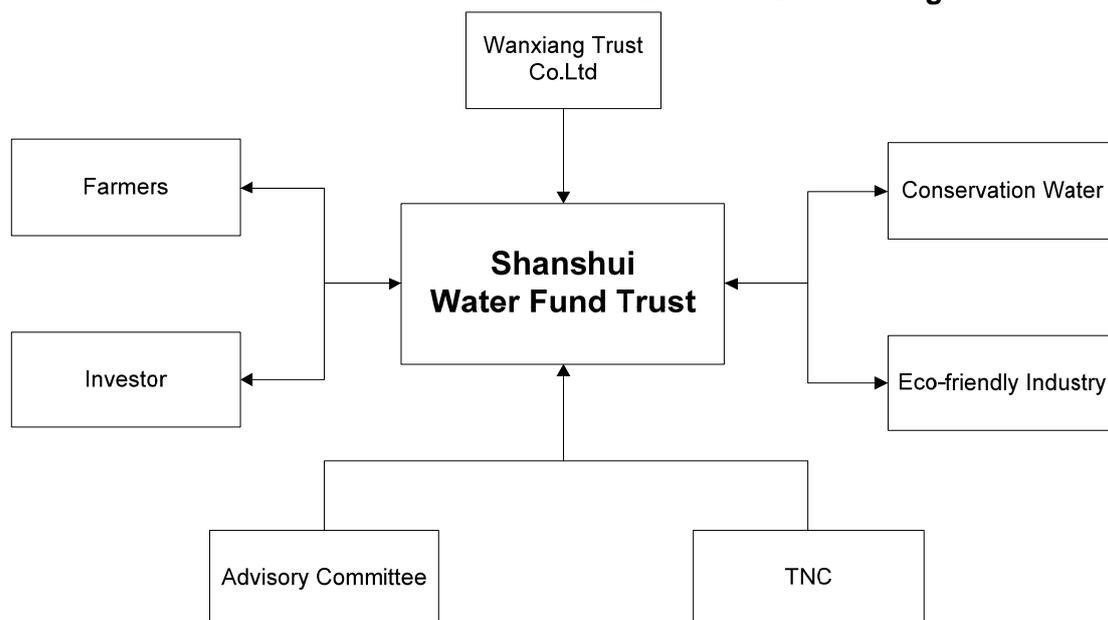


Figure 1: Structure and stakeholders of Shanshui Water Fund Trust.

1. Wanxiang Trust Co. Ltd. in collaboration with The Nature Conservancy (TNC) launched and established the Shanshui Water Fund Trust (Fig. 1). Farmers entrust their land use rights to the water fund trust for a certain period of time so that Shanshui Water Fund Trust can obtain the management right of forest land within the water source. TNC devises the conservation framework for forest management, water source protection, water quality control and sustainable agriculture. Under supervision of TNC, ecologically significant forest adjacent to water source is better managed and preserved by Shanshui Water Fund Trust.
2. Collaborating with local NGOs and other interest groups, Water Fund Trust helps to organize farmers to properly manage water catchment forests and provides eco-agriculture training.
3. By investing channel of Water Fund Trust, investors might deeply participate in water source conservation via supporting capital, techniques and other resources. Additionally, investors and other interest groups can take part in management and business operation, thus becoming a pivotal pillar for conservation and local economy.
4. Shanshui Water Fund Trust successfully integrates agriculture industry, consumers and other commercial activities into conservation practices via eco-agriculture products, eco-tourism and nature education.

As an open and transparent financial platform, Shanshui Water Fund Trust displays its ability to integrate farmers groups, financial institutions, NGOs, downstream industry and consumers effectively through a scientific capital management system, agricultural technique and legal framework.

II Project Achievements “Conservation + Finance + Commerce + Community Development”

1. Changing traditional donation into investment, investors can both support public welfare and also enjoy a potential return on investment. The model is groundbreaking for the public sector, as it expands public fund-raising channels.
2. The upstream environmental protection and downstream industrial development are integrated together to form a good mechanism, truly embodying conservation effects and its realization.
3. Eco-friendly industries such as eco-agriculture, nature education and eco-tourism have been developed in the vicinity of the water source area, and profits have fully covered conservation costs during the first year.
4. Though one and half years proper management of surrounding forest and eliminating agricultural pollution, parameters which were previously in National III or IV grade, now reach National I or II grade (National I and II grade water are considered as qualified for drinking).

5. Shanshui Water Fund Trust effectively attracts external resources which help farmers entrusting their forest use-rights to Water Fund Trust to receive 30% or more income improvement via land compensation, participating eco-tourism, agriculture production and traditional handicraft making.

6 Shanshui Water Fund Trust, in collaboration with Zhejiang Provincial Environmental Protection Department and Alibaba Foundation, also launched the Nature Education Program which has trained and educated more than 1000 people including corporate partner employees, local students, and ordinary Hangzhou citizens.

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