

Romagna Acque Fund

Location

Country: Italy

Scale: local

Region: Emilia Romagna Region

Compensated /improved ecosystem services

Water purification

Management

Romagna Acque S.p.A. is a public owned company managing all drinkable water resources of Romagna sub-regional area. In 1993, the company invested in research that shows the clear impact of catchment management on soil erosion and water quality. Therefore, Romagna Acque Spa decided to invest part of annual revenues (4%) deriving from the water bill payers to set up an environmental fund to compensate landowners in the catchment areas, helping them to cover the costs related with management practices changes. Romagna Acque S.p.A. allocate this money to the mountain towns of Santa Sofia, Premilcuore and Bagno di Romagna (47.000 hectares), where treatment plants of water resources are located. The utility allocates the funds to the municipalities to sponsor programs and initiatives to improve environmental conditions of the valleys and promote economic and social development of the municipalities. The Romagna Acque Spa fund makes up a very important source for environmental protection of the valley.

The Romagna Acque Spa can be categorised as a public-public bilateral agreement, with a utility budget allocation source of funding system. The payment is based on the percentage that is applied to the annual revenues, not to the level of service provision or implemented management practices. Moreover, this scheme is one of the few that provides up-front payment to municipalities. In fact, the fund on yearly base transfers the money to the municipalities and they will use them to fund environmental restoration projects around the valley.

The voluntariness of the scheme is very low, as the municipalities cannot decide to have a management that may affect reservoir water quality and sedimentation. In fact, among others, one of the reasons to create the fund was to compensate municipalities for the economic loses and additional costs related to the dam and the reservoir. Therefore, the Romagna Acque fund is a hybrid scheme in between a bilateral agreement and a compensation for legal restrictions. Moreover, another design characteristic that has allowed the fund to be successful in the long-term is the systematic application of a charge on the total revenues. This 4% charge, although not applied directly to customer's bills, allows having long-term assurance on financial resource, increasing the trust toward the fund and the general stability of the scheme.

Stakeholders

Sellers or service providers:

- Public forest owners - three municipalities of the catchment area

Buyers and beneficiaries of services:

- Romagna Acque Spa

Intermediaries:

- Universities provided support for scientific basis of PES (Univerisity of Bologna has scientifically proved the effect on catchment management on the reservoir and dam sedimentation and water quality).

Timeline

Establishment year: 1996

Time horizon: long term

Status of PES: active

Availability of economic data

From 1988 to 2013 the water utility has funded 3 municipalities with 11.966.016 €.

In 2010, the funds provided to the three municipalities surrounding the reservoir € 782.370; in 2011 €661.959; in 2012 € 531.921; in 2013 € 838.308.

The positive impact of the PES scheme was accounted in a general decrease in soil erosion of 25% (from an initial 40 000 m³/year to the ongoing 30 000 m³ /year), and a consistent nitrogen reduction as well as pH stabilization. In terms of performance, both Romagna Acque S.p.A. and the landowners have increased their utility: the company has reduced its costs for water purification and assured longer dam life, while the landowners have increased or maintained their annual forest revenue.

References / Source of information

Leonardi, A. 2016. Characterizing governance and benefits of payments for watershed services in Europe. Dissertation thesis. 178 p.

Pettenella, D., Vidale, E., Gatto, P., Secco, L., 2012. Paying for water-related forest services: a survey on Italian payment mechanisms. *iForest - Biogeosciences For.* 5, 210–215.