

# Increasing Water Access and Conserving Ecosystems through the Pedro Moncayo Water Fund



## Summary

**Water is life, and protecting water resources is essential for well-being, food security, conserving ecosystems, and adapting to climate change.** Yet, there is a funding gap.

Conservation financing mechanisms like water funds are an important strategy to protect and restore water resources and generate co-benefits for livelihoods, nature, and people. The Pedro Moncayo Water Fund developed jointly by CARE, the Pedro Moncayo municipality, and its public water utility provides a model for small and medium-sized municipalities to finance protection, conservation and restoration of critical freshwater ecosystems that also ensures sustainable water and land management for drinking water, agriculture, and other livelihoods.



This approach and methodology bring together a municipality, its public water utility, and civil society through a participatory, community-driven process designed to foster consensus and secure lasting commitments through a governance structure that keeps solutions local. The fund has raised 300,000 USD and forms part of a legal and financial framework for the Mojanda Conservation and Sustainable Use Area (ACUS), which protects 6,000 hectares of páramos and wetlands. It also faces institutional and management challenges that illustrate the importance of legal and regulatory solutions and meaningful participation in water funds.

The insights in this brief come from an ex-post CARE conducted in 2025 to collect feedback from partners and stakeholders and identify the benefits, challenges, and recommendations to improve how we can finance conservation.

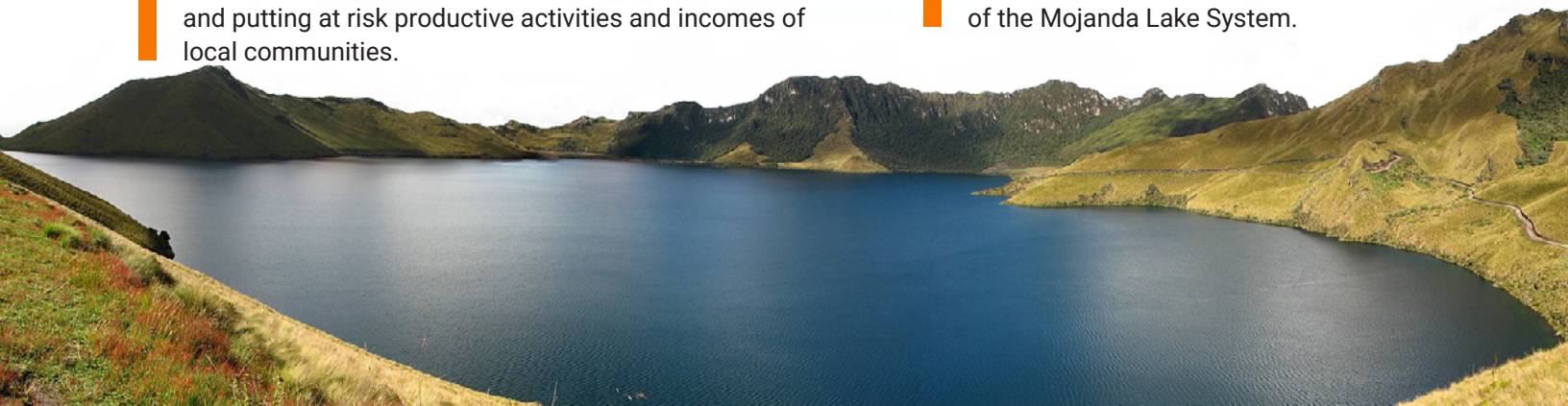
## Context

In South America, the Andes Mountains are crucial for water supply, but climate change and unsustainable practices often driven by poverty have increased water insecurity. Ecuador faces serious water security challenges, especially in the **páramos**, unique high-altitude grasslands rich in biodiversity and carbon. The páramos absorb, retain and release water for basic needs and agriculture.

However, this ecosystem has been degraded by human activities and global climate change – reducing the quantity and quality of water, increasing biodiversity loss, and putting at risk productive activities and incomes of local communities.

With funding from the L’Oreal Foundation in 2019, CARE established the **Pedro Moncayo Water Fund**, a public–community financial mechanism working to improve water security for 200,000 people throughout the region by protecting and restoring páramos in the Mojanda Lake System.

Pedro Moncayo is a small municipality in Northern Ecuador, located downstream of the Mojanda Lake System.



# Problem

**National and local governments face financing gaps to support conservation efforts.** Water funds have emerged as promising mechanisms to link down and upstream water users; break silos between water utilities, environmental departments, private sector actors, and communities; and better value the role ecosystems play in ensuring water security. Ecuador is a pioneer in the creation of water funds, starting with the Environmental Fund for the Protection of Water in Quito (FONAG) in 2000, designed to protect the city's drinking water sources. This model has been replicated in other territories in Ecuador and in several Latin American countries, where there are currently around 30 water funds.

Small to medium municipalities face limited tax bases and a reduced pool of water fees, requiring different strategies to increase funding for upstream water conservation and restoration programs. Water fund models like Pedro Moncayo offer smaller and more rural municipalities an opportunity to reduce vulnerability to future water security challenges and ensure enough water availability for all livelihoods. In a national context, smaller funds can complement larger, more urban water funds and help countries develop fit-for-purpose conservation schemes to meet national strategies and policies around conservation, climate change adaptation, and water security.

A water fund is defined as a water governance model of collective action and innovation that promotes solutions so that local governments and their inhabitants can provide themselves with water for consumption in quality and quantity through the implementation of conservation, maintenance and recovery measures for water-supplying ecosystems to guarantee their adequate systemic functioning in the long term, and ensure water production for present and future generations.

# Solution

## What is the Pedro Moncayo Water Fund?

The Pedro Moncayo Water Fund is operated as a public-community entity whose governance structure is made up of representatives from the Pedro Moncayo municipal government, the public water utility, and civil society. The fund is financed through a 5% contribution of yearly revenue from water user payments to the public water utility. **As of 2025, the Water Fund has generated approximately \$300,000 over 6 years.** The Water Fund's mandate is to finance conservation and restoration activities in the municipality's páramos and promote sustainable land and water management practices, which are critical for ensuring the availability of water for downstream communities and livelihoods.

## Components of the Pedro Moncayo Water Fund Model



### Efficient Resources

Optimal use of resources without external expenses and maintenance of a trust



### Financing

Direct funds (5% annual contribution of water user fees) from the water utility as the budgetary basis



### Fit for Scale

Approach tailored for small and medium sized municipalities with populations < 60,000



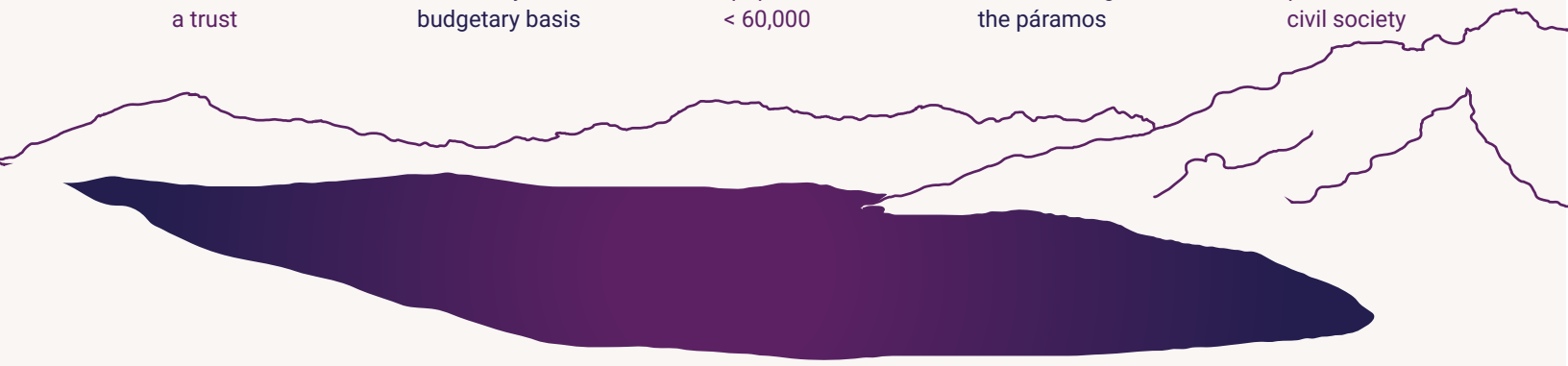
### Environmental Planning

Supports and integrated with local protected areas for conserving the páramos



### Key Actors

Managed committee comprising representatives from the water utility, municipality, environmental department, and civil society



# Best Practices

## First of its Kind

The Pedro Moncayo Water Fund is a landmark achievement for CARE, the municipal government, and the water utility, filling a gap where no financing mechanism for conservation previously existed in the area. Its creation offers one of the few examples of how water funds can function in small/medium-sized municipalities.

## Participatory Governance

The ordinance that legally established the water fund was developed through a multi-stakeholder process involving public sector actors, farmer groups, civil society, neighborhood organizations, and women-led producer groups. The fund linked water management with environmental conservation, breaking down silos between the water utility and the municipal environmental department.

**“The Water Fund is a great achievement for Pedro Moncayo and this will allow us to have safe water for the entire population, in addition to the protection of the páramos and wetlands”**

– WATER UTILITY REPRESENTATIVE

## Holistic Conservation Framework

The technical and legal process to create the Water Fund was done in coordination with the establishment of the Mojanda Conservation and Sustainable Use Area (ACUS), which protects 6,000 hectares of páramos and wetlands. The Mojanda Water Protection Area (APH) was declared a few years later and provided specific protection to water sources within the Mojanda Lake System. The water fund’s future activities will complement ACUS/APH conservation efforts – amplifying impact and reach.



## Scaling and Replication

The model is informing CARE’s start-up of water funds in two districts (Cayembe and Bolívar), demonstrating its applicability for watershed conservation.

**“The operation of the water fund complements the territorial model that CARE has been working on all these years and will surely improve the sustainability of productive processes and the ACUS”**

– REPRESENTATIVE OF PEDRO MONCAYO ENVIRONMENTAL DEPARTMENT

# Challenges

## Institutional Bottlenecks

The management committee responsible for overseeing the Water Fund’s planning and disbursements is currently inactive. This is a result of shifting priorities due to municipal staff turnover and lack of a formal and legal agreement between the municipality and the water utility to grant the management committee decision-making authority and budgetary control. This highlights the importance of addressing financial transparency through legal instruments and agreements.

The fund will need to develop a long-term revenue generation strategy to diversify and grow financing beyond the contribution from the water utility by considering contributions from local water user groups such as irrigation boards or local private sector actors like floriculture companies, and testing feasibility of an endowment model similar to FONAG.

## Need for Sustained Inclusion

Despite the participation of civil society groups in the creation of the Water Fund, there is only one community representative on the Water Fund’s management committee. The oversight and management structure will need to expand membership to representatives from women’s producer groups, water user groups, and irrigation committees.

## Public Education

There is an opportunity to increase public education among Pedro Moncayo residents and officials about the Water Fund, its benefits, and how it can support the efforts of the protected areas in the Mojanda Lake System.

# Lessons Learned

- 1. Water funds are viable solutions for small to medium municipalities but require several years of commitment and significant financial/technical investment from a range of stakeholders.** The process is dynamic and complex and requires 2-3+ years of assessments of technical, financial and institutional feasibility, stakeholder engagement, consensus-building, and drafting and review of legal mechanisms.
- 2. Water funds should be created, planned, and managed in coordination with complementary conservation mechanisms to increase impact.** The joint and coordinated establishment of the Pedro Moncayo Water Fund, the Mojanda Conservation and Sustainable Land Use Area, and Water Protection Area provides a framework for an integrated model of high-altitude landscape conservation in Ecuador that finances the protection and restoration of the páramos and Mojanda Lake Complex to ensure water availability for drinking and agriculture while protecting ecosystem health and adapting to climate change.
- 3. Water funds need sustained political will, clarity, and legal agreements on roles and responsibilities around use of funds and financial transparency.** The lack of a legal and formal agreement between the water utility and Pedro Moncayo municipality have limited the Water Fund management committee's ability to plan, budget and disburse funds for conservation and restoration activities in the páramos. This highlights the need for ongoing technical and legal support to fix bottlenecks.
- 4. Women play a crucial role in the conservation of water resources, although they are often underrepresented in decision-making spaces.** Women, particularly Indigenous women, are often leaders in local water stewardship actions, custodians of ancestral and place-based knowledge about the location and protection of water springs, and play the primary role in collecting and using water at the household level. Their engagement in conservation processes is fundamental to implementing effective actions, and it is necessary to promote their meaningful participation in the governance of the Water Fund.

## Key Factors of Success for Future Water Funds



Consider the context, specifically population, hydrology and ecology, and the policy and legal environment.



Conduct a thorough stakeholder analysis of all potential water users and partners.



Prepare an accurate timeline for the startup of a water fund.



Hire a permanent legal advisor.



Ensure that processes for the creation and implementation of water funds are done in a participatory manner, prioritizing the meaningful leadership of women.



Build capacities in the areas of water functionality, conservation and inclusive governance for all stakeholders.



Develop a clear legal framework, so the funds are delimited for conservation, restoration, and monitoring actions, according to established regulations.



Prioritize public education through ongoing communication, outreach and awareness-raising, including simple and clear communication materials.

**Water is life. We rely on water to survive and thrive.**

For more information, please reach out to:

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