

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. Developed jointly by CARE, the Pedro Moncayo municipality, and its public water utility, the Pedro Moncayo Water Fund offers a model for small and medium-sized municipalities to finance the protection, conservation, and restoration of critical freshwater ecosystems while supporting 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.

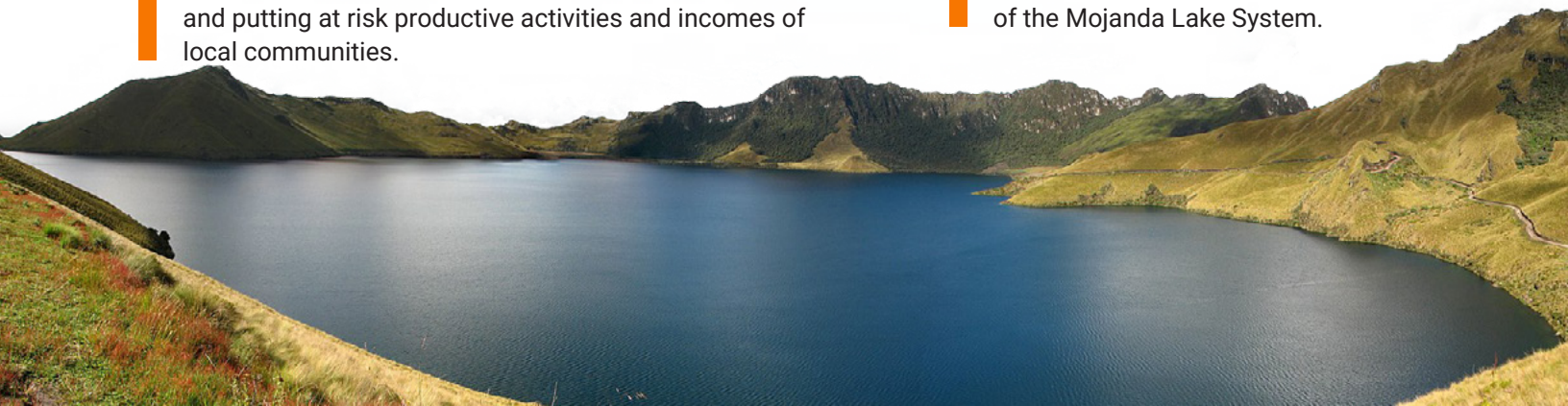
Context

In South America, the Andes Mountains are crucial for water supply, but environmental changes and unsustainable agricultural 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 the changing global climate – 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 often face financing gaps that limit their ability to support conservation efforts. Water funds have emerged as a promising way to connect upstream and downstream water users; break down silos among water utilities, environmental agencies, private sector actors, and communities; and better recognize the role ecosystems play in water security.

Ecuador has been a pioneer in creating water funds, beginning in 2000 with the Environmental Fund for the Protection of Water in Quito (FONAG), which was designed to protect the city's drinking water sources. Since then, the model has been replicated in other parts of Ecuador and across Latin America, where approximately 30 water funds are now in place.

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 risk to future water security challenges and ensure enough water availability for all livelihoods. In a national context, smaller funds can compliment larger, more urban water funds. This can help countries develop fit-for-purpose conservation schemes to meet national strategies and policies around conservation, climate change adaptation, and water security.

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.

A water fund is a governance model that brings governments, communities, and other stakeholders together to protect the ecosystems that supply their water. By supporting conservation, maintenance, and restoration efforts, water funds help ensure these ecosystems can function over the long term and continue providing safe, reliable water for current and future generations.

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



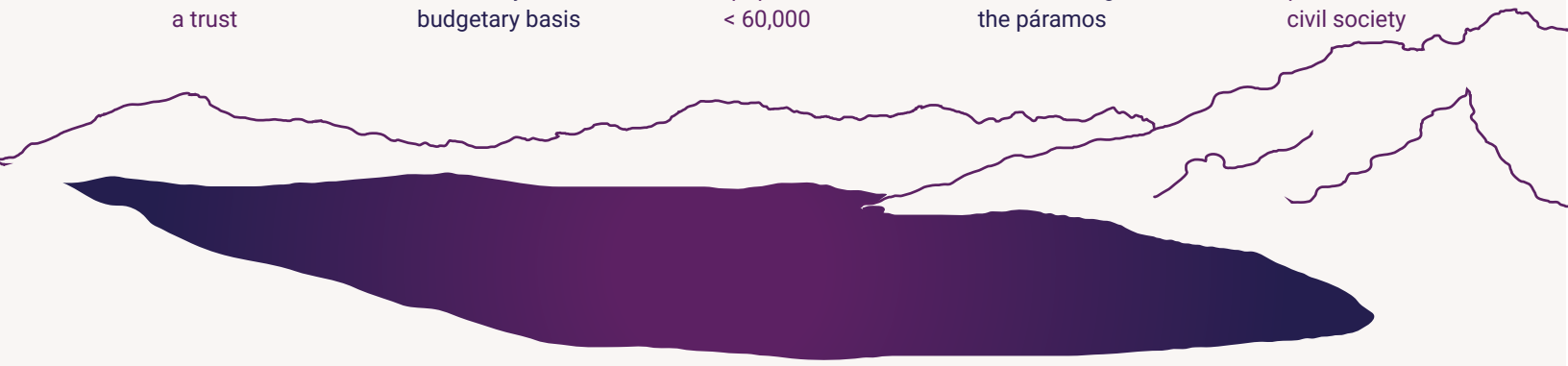
Environmental Planning

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 spending is currently inactive. This is partly due to staff turnover within the municipality, which has shifted priorities and slowed decision-making. It also reflects the lack of a formal legal agreement between the municipality and the water utility giving the committee clear authority over decisions and budget management. This highlights the importance of addressing financial transparency through legal instruments and agreements.

The fund will also need a long-term strategy to generate more revenue and reduce reliance on contributions from the water utility alone. This could include exploring contributions from local water users, such as irrigation boards, or from private sector actors that depend on reliable water access, such as floriculture companies. The fund could also assess whether an endowment model, similar to FONAG in Quito, could be feasible.

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 can work for small and medium-sized municipalities, but success takes time, commitment, and investment.** Creating a water fund is a dynamic, complex process. It often requires two to three years – or more – of technical, financial, and institutional assessments; stakeholder engagement; consensus-building; and drafting a review of legal agreements. It also requires sustained financial and technical support from a range of partners..
- 2. Water funds are most effective when they are coordinated with other conservation efforts.** The Pedro Moncayo Water Fund was developed alongside the Mojanda Conservation and Sustainable Land Use Area and the Water Protection Area. Together, these mechanisms provide an integrated model for conserving high-altitude landscapes in Ecuador. This coordinated approach helps finance the protection and restoration of the páramos and the Mojanda Lake Complex, supporting water availability for drinking and agriculture while protecting ecosystem health and strengthening climate resilience.
- 3. Water funds need sustained political will, clear roles, and strong legal agreements.** The Pedro Moncayo Water Fund shows the importance of having formal agreements that define how funds will be used, who has decision-making authority, and how financial transparency will be ensured. Without a formal legal agreement between the water utility and municipality, the Water Fund’s management committee has had limited ability to plan, budget, and disburse funds for conservation and restoration activities in the páramos. Ongoing technical and legal support is also necessary to identify and resolve bottlenecks.
- 4. Women play a critical role in protecting water resources and should be meaningfully included in decision-making.** Women – particularly Indigenous women – are often leaders in local water stewardship. They hold ancestral and place-based knowledge about the location and protection of water springs, and often have primary responsibility for collecting and using water at the household level. Their leadership and participation are essential to effective conservation. Water funds should intentionally support women’s meaningful participation in governance and decision-making.

Key Factors of Success for Future Water Funds



Consider local context, including population, hydrology, 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 water funds are designed and implemented with meaningful input from local stakeholders, especially women, and create space for women’s leadership in decision-making.



Build knowledge and skills across all stakeholder groups in water management, conservation, and inclusive governance.



Define how funds can be used, with clear rules that dedicate financing to conservation, restoration, and monitoring activities in line with established regulations.



Support ongoing communication, outreach, and awareness-raising so people understand the purpose and value of the water fund using clear, simple, accessible materials.

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

For more information, please reach out to:

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