



# water FUNDS

## **WATER FUNDS:** Investing in Nature and Clean Water

Our water comes from nature. The vast majority of the world's population depends on rivers and lakes to supply water for drinking, cooking, growing crops and more.<sup>1</sup> Yet worldwide we are crippling nature's ability to provide the clean water we need in order to live and to thrive.

As the world's forests and grasslands are degraded or removed, the threats to our water supplies grow. The roots of trees and other native vegetation filter water, prevent erosion and slow water down, helping keep flow levels steady. Without this protective system, lakes and rivers are exposed to soil run-off, chemicals and other debris carried across the land by rain and snowmelt. When sediment and pollution wash into our waterways, businesses, communities and governments are forced to pay higher costs for water treatment. In vulnerable communities that simply cannot afford water treatment, people face increasingly dirty, unhealthy water.

Untold billions of dollars are spent cleaning water worldwide, yet far too little is spent to prevent it from getting dirty.

We cannot afford to abandon our rivers and lakes to pollution and degradation. Scientists predict that, if we continue on our current course, two-thirds of the world's population will face water shortages by 2025.<sup>2</sup> But funding for nature is limited.

The Nature Conservancy is working to turn the situation around. By partnering with businesses, governments and others to invest in the protection of our water sources, we can put our communities and our economies on track for a healthier future.

## **Bringing People Together to Protect Water**

Working with partners, the Conservancy is developing sophisticated financial tools that gather investments from water users and direct the funding toward conservation of key lands upstream that filter and regulate water supply. At the same time, habitat for native plants and wildlife is preserved.

These tools, collectively called Water Funds, vary from place to place depending on local opportunities and regulations. Investors – primarily large businesses and government agencies – see the funds as a smart way to minimize treatment costs and reduce the chance of water shortages in the future.

The Conservancy's first Water Fund was established in Quito, Ecuador, in 2000. The concept has rapidly spread across Latin America and to the United States. There are currently four distinct models of Water Funds and the concept continues to evolve as it is adapted in new places. The Conservancy is now exploring the potential to create Water Funds in Africa, Asia and Australia.



### **NORTHERN ANDES WATER FUNDS: Endowment for Water**

This Water Fund model operates like an endowment. The largest water users in an area – including major brewers, municipal water authorities, a sugar cane growers association and others – make voluntary investments into a central fund. When the fund is fully capitalized, earnings are directed toward conservation activities upstream, such as reforestation, and to enabling rural people who live near key waterways to start small businesses and organic gardens that avoid damaging forests and grasslands. The capital investment is not drawn down, and the result is a sustainable source of conservation funding. Importantly, each fund brings together a board that includes representatives of investors, local communities, local conservation groups, the Conservancy and others to make consensus-driven, transparent decisions about the allocation of funding. The Conservancy’s first such Water Fund – launched in Quito, Ecuador, with just \$21,000 – has already reached \$8 million in capital and has disbursed hundreds of thousands of dollars to protect the drinking water for Quito’s 2 million residents.

### **BRAZIL WATER FUNDS: Providing Incentive to Landowners**

In the Atlantic Forest of Brazil, deforestation and agriculture have led to significant erosion of land that feeds into primary water sources for São Paulo and Rio de Janeiro. The Conservancy is working with local partners to secure funding to restore and protect streams and patches of forest that lie within privately owned ranches. Watershed committees gather investments from companies, water-dependent industries and government agencies, and the funds are disbursed directly to support conservation activities, such as hiring local people to plant trees and to compensate ranchers who agree to take conservation steps, such as fencing off streams from livestock.

### **SANTA FE WATER FUND: Protecting Water through Controlled Burns**

Much of the water for Santa Fe, New Mexico, flows down from forested mountains surrounding the arid Southwest city. In the event of a large wildfire, debris and ash from the forest – carried by rainfall – would pollute the city’s water supply and cost millions to clean up. To guard against that, the Conservancy worked with partners to establish a Water Fund whereby water users can make small investments that will ultimately help keep their water clean. Funds are used for controlled burns and restoration work to improve forest health and reduce the chance of large wildfires.

### **SAN ANTONIO WATER FUND: Voters Make Forward-Thinking Choices**

In San Antonio, Texas, voters have elected to set aside a percentage of public revenue into a central fund to proactively protect lands that determine the quantity and quality of water available to them. Using revenue from the public fund, the city has purchased land-preservation agreements from willing landowners whose properties sit above the Edwards Aquifer – the primary source of water for the city. These voluntary agreements limit development that would interrupt the movement of rainwater down through the soil into the underground aquifer.



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<sup>1</sup> “Groundwater and Its Susceptibility to Degradation: A global assessment of the problem and options for management” (UNEP 2003)  
<sup>2</sup> “Water in a Changing World” (UN World Water Development Report, 2007)