

Conservation Trust Funds, including National Environmental Funds

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1 HOW DOES IT WORK ?

1.1 Overview

Conservation trust funds and national environmental funds (referred to as CTFs or EFs throughout this chapter) have been set up in many developing countries during the past decade as a way to provide long-term funding for biodiversity conservation. They are typically private organizations managing permanent endowments capitalized by grants from governments and donor agencies or the proceeds of debt-for-nature swaps, and, less often, from taxes and fees specifically designated for conservation. Generally, CTFs seek to provide more stable funding for national parks and other protected areas (PAs), or small grants to NGOs and community groups for projects to expand understanding of conservation and to conserve biodiversity by using resources more sustainably.

CTFs are more than just financial mechanisms. They can also serve as:

- valuable “meeting places”, in which diverse stakeholders can come together to discuss – even resolve – important conservation issues;
- key actors in the development of national conservation strategies and policies;
- technical experts who can work with public and private agencies to develop agile and effective management approaches; and
- capacity-builders and nurturers of emerging non-governmental organizations becoming involved in biodiversity conservation.

The main attraction of CTFs is their reliable and sustainable function in fund-management and distribution. CTFs are typically formed through broad consultative processes, administered by a trustee, and governed by a public / private board composed of members of several relevant stakeholder groups. They have credible and transparent operational procedures, accountability, and sound financial management practices. The assets are managed professionally – in- or outside of the country – to provide income for the duration and purpose specified by the fund.

The creation of CTFs requires a substantial investment of time and resources, and long-term commitment to building a new institution. The fund may employ one or a combination of the revenue generating strategies outlined in this Guide.

Since the 1980s, more than 60 EFs have been created in over 30 countries, including at least 23 CTFs, with endowments totalling more than US\$ 1billion.

Environmental funds have four basic components:

- **Capital assets**, which are invested in order to generate

Glossary of Terms

Leverage: A measurement of “returns” on an investment in conservation, for investment strategy comparisons.

Official development assistance (ODA): Loans, grants, technical assistance, and other forms of cooperation extended by governments to a developing country.

Debt-for-nature swap (or conversion): Cancellation of debt in exchange for domestic resources for the environment.

Trust fund (a.k.a. “trust”): A legal structure by which money or other property is held, invested, and spent by a board of trustees or board of directors exclusively for a specific charitable purpose, defined in a charter or deed.

Foundation: The equivalent legal structure to a trust in countries following the continental European “civil law” system.

Fideicomiso: Act or contract in newly established trusts in some Spanish-speaking countries through which control over a right or asset is transferred to a fiduciary agent (usually a bank), who is held responsible for compliance with the terms set out by the original holder of the asset.

Endowment fund: A fund which invests its capital and uses only the income from those investments to finance its activities.

Revolving fund: Provides for regular receipt of new resources - such as special taxes designed to pay for conservation programs - which can replenish or augment the original capital of the fund.

Sinking fund: Disburses its entire principal and investment income over a fairly long fixed period, e.g., 10 years.

Trustee: An individual, a Board of

income.

- **Legal structures**, which stipulate the objectives and procedures of the Fund, including capital asset investment procedures. In most cases, CTFs are legally established as a non-governmental organization (NGO).
- A **supervisory structure**, which decides how to use the funds. The members of this body should represent the different interest groups, such as local communities, NGOs, government institutions, the private sector, academia, and donor agencies.
- A **management structure**, which is responsible for the implementation of programs. In EFs established to conserve PAs (parks funds), management is usually shared with national nature conservation institutions or the administrations of PAs, which are formally independent of the EF. Operational environmental funds, which fund different target groups, need to establish their own structures.

1.2 Key Actors and Motivations

Most CTFs involve four key actors: (i) donors; (ii) catalyst NGOs; (iii) host government agencies; ; (iv) host country non-governmental institutions; and, (v) CTF governing boards. These actors and their motivations are summarized below:

1.2.1 Donors

Donors provide the funding that make CTFs possible. The Global Environment Facility (GEF) has been the single largest supporter of CTFs. Other donors include: US Agency for International Development, European and other bilateral donor agencies, The World Bank, UN Development Programme, and the European Union. Donors are interested in leveraging their funds to have the greatest impact on their conservation objectives. Normally, donors are involved in advising on establishment of the legal framework and in approving the financial terms of CTFs. They also monitor project performance as they would for any donor-funded project. Donors also are attracted to CTFs as a way to channel their support through *non-governmental* actors, which can result in increased decentralization, accountability and transparency in management of project funds, and other benefits such as strengthening the NGO sector.

Donors must believe that the benefits of “locking up” a large contribution into a long-term fund generating modest investment returns for conservation, outweigh the benefits of more rapid disbursement of their funds. Since many EFs have been capitalized through debt-for-nature (DFN) swaps, it is useful to refer to the DFN swap section of this Guide to further understand motivations. Leveraging, i.e. attracting additional funds from other donors, is frequently a condition of donor support (e.g., in the case of the GEF), but often occurs naturally as other donors and the host government recognize the advantages of CTFs.

Trustees, or a Trust Company appointed to administer a trust.

Fiduciary responsibility: Obligations of a trustee to manage and safeguard the assets of the trust in scrupulous good faith and candor.

Deed of Trust: Legal document which transfers ownership of money or other property from the donor to the trustee, to administer it for a specific purpose or specific individuals.

Articles of Incorporation (or of Association): A legal document which sets forth the purposes for which a nonprofit corporation or association (or a for-profit corporation) is established; its governance structure; rights and obligations of its officers, directors, and (if applicable) its shareholders or 'members'; sources from which it can accept money, activities and objectives for which it can spend money; ways in which it can invest money; and the conditions upon whose occurrence the organization may be dissolved.

Charter: A legal document similar to Articles of Incorporation or a Deed of Trust, but used specifically in the case of an entity which is established by an act of the country's legislation or an executive decree of its head of government.

Bylaws: Detailed rules and regulations which address issues that are not covered in the basic legal document (Charter, Articles of Incorporation, or Deed).

1.2.2 Catalyst NGOs

For many CTFs, an international conservation NGO serves a “catalyst” role, helping to carry out feasibility and design stages, providing technical assistance for DFN swaps and CTF establishment, and providing other forms of support. These NGOs are typically keen on setting up long-term funding mechanism such as CTFs that support their conservation objectives, particularly through CTFs that have public / private governing boards and provide grants to NGOs.

1.2.3 Host government agencies

Developing country governments typically support EFs based on their interest to generate increased investment in conservation, which their current institutions cannot attract or manage because of their legal or operational limitations. Resource management agencies of the host government are motivated by the opportunity both to attract outside funding for their operational costs and access funds from their own governments previously out of their reach (e.g., proceeds from a debt swap). If a donor makes a trust fund the condition for a debt swap, host governments might become more motivated to support EF establishment. In general, host government agencies (e.g., finance, PA management) seek significant roles in the governance of CTFs. In order to direct the grant-making toward national priority projects.

1.2.4 Host country NGOs and other non-governmental institutions

Non-governmental institutions (NGOs, universities, research institutions) in the host country typically support CTFs based on their hopes to receive grants through this new funding mechanism. NGOs are sometimes hesitant to collaborate closely with the government in this area, particularly if there has been significant friction between the government and NGO sector.

1.2.5 CTF Governing Boards

The Governing Board is typically public / private in composition, including individuals from a range of key government and non-governmental stakeholder groups. Some Boards are government-only. The Board is charged with overall fund management, general direction and policy decisions. While Board members typically serve in their *individual* capacity, they are often motivated more by the interests of their specific *constituency*.

1.3 Types of Conservation Trust Funds

In operation there are no typical CTFs. Their operational form depends on overall objectives, the legal framework, their role within the national nature conservation planning process, etc. Their structure, scope of activities, priorities, and procedures vary according to their purposes, and the local situation. In general, there are three ways to categorize CTFs:

In terms of financial structure, there are three types of CTFs, distinguished by their investment volume and spending horizon:

Endowed trust funds have permanent capital assets (endowments). Only the investment income is allocated annually to conservation projects. Endowed trust funds can be appropriate for supporting *ongoing* activities such as recurrent protected area management costs.

Sinking funds start with an amount of money that is spent over a pre-defined period of time. Such funds can provide predictable support for activities that can be concluded in the medium-term (e.g., 5 – 10 years) or can be handed over to organisations whose capacities have increased. Alternatively, other sources of recurrent funding could be secured to supplement sinking funds. Sinking funds are particularly interesting for bilateral donors who are prohibited to contribute to endowments.

Revolving funds receive new financial resources on a regular basis – e.g., proceeds of special taxes designated to pay for conservation programs – which can replenish or augment the original capital of the fund and provide a continuing source of money for specific activities.

Within one CTF there can be combinations of these three financial structures.

Public versus private CTFs: CTFs can also be differentiated either as **public** or **private**. Public funds are governed and managed by the government. **Most CTFs are established as private funds, which** are outside of government, although government representatives often sit on the governing boards as a minority. These two categories tend to have significant differences in their relation to national conservation strategies, in their governance structure, program management, and access to funding.

“Parks” versus “grants” funds: **Parks funds** support one or more specific protected areas within a national protected areas system. **Grants funds** channel resources to target groups (typically NGOs and community-based organizations) for a broad range of conservation and sustainable development projects, and often include the development of civil society institutions among their objectives. Their differences are indicated in the following table (compiled from information in GEF 1999 and other sources):

'Parks' funds	'Grants' funds
Role within a national strategy	
<ul style="list-style-type: none"> ■ Often established as integral elements of a national protected areas strategy, a national biodiversity strategy, or a national environmental action program. ■ Primary role within that strategy is assuring that at least some sustainable recurrent cost financing will be available to manage national parks and protected areas being targeted under the fund. 	<ul style="list-style-type: none"> ■ Generally not integral elements of national protected area strategies, but mostly focus on one or more elements of a national biodiversity strategy.
Governance	
<ul style="list-style-type: none"> ■ Government plays a key role: it usually owns the land where the parks operate, and the national parks director and other government officials serve on the CTF board. However, the government is typically expected not to be in the majority. 	<ul style="list-style-type: none"> ■ Government officials, usually high-ranking, are represented on the board, but typically less dominant than for 'parks' funds
Program scope and management	
<ul style="list-style-type: none"> ■ Programs generally focused on a limited universe of PAs, but most anticipate to eventually support the key components or broader segments of a national park system. ■ Focus tends to be specifically determined during the design phase, and generally limited to activities targeting formally gazetted parks. ■ Some funds also provide grants to entities working in protected area buffer zones, but normally only within the context of a park management strategy. ■ Fund allocation process is relatively simple, no competitive grants process. ■ Activities funded usually support elements of a multi-year park management plan. ■ Program level monitoring and evaluation are relatively easy to the degree that all grantees are carrying out similar functions and work in circumscribed geographic areas. 	<ul style="list-style-type: none"> ■ Program management is more complex. Focus tends not to be specifically determined during the design phase for the fund, but is left to the board of directors. ■ Generally supports broad range of activities outside conventional PA management, such as awareness raising, applied research, community resource management, etc. ■ With maturity, most 'grants' funds tend to sharpen their focus (e.g. marine conservation, specific geographic regions, etc.) ■ Funds allocation characterized by competitive grants solicitation (often annual). ■ Generally have more freedom to finance innovative and catalytic projects. ■ Broad program-level monitoring and evaluation more difficult quantitatively (more grants) & qualitatively (biodiversity objectives and civil society strengthening).
Financial issues	
<ul style="list-style-type: none"> ■ Biodiversity focus makes it easier to satisfy funding criteria for global environmental benefits (e.g. by GEF) ■ Permanent endowment rather than a sinking fund is 	<ul style="list-style-type: none"> ■ Meeting GEF's global benefits criterion is more difficult (must be specifically determined for areas or activities of each grant)

- normally established.
- Governments have tended to be more active in providing revenues and raising capital

- A sinking fund (or revolving / replenishment fund) is sometimes more cost-effective because catalytic and start-up projects normally do not require long-term recurrent cost financing.

There are many examples of private “grants” funds supporting a national PA system, such as in: Bolivia, Ecuador, Peru, and Mexico. Examples of private “parks” funds include: Santa Marta in Colombia and Bwindi in Uganda. Examples of private “grants” funds with broad mandates (i.e., national sustainable development trust funds) are in the Philippines, Mexico and others (e.g. several established in Latin America through the US ‘Enterprise for the Americas Initiative’ (EAI). Public national Funds are in Brazil, Columbia and El Salvador.

1.4 Advantages And Disadvantages of CTFs

Advantages

- Stable financing of operating & follow-on costs of PAs.
- Provide high absorptive capacity, i.e. the ability to absorb and distribute large sums of money over an extended period of time.
- As a long-term source of finance, facilitate the planning process of PA management.
- Broad participation of government and non-governmental representatives in the governing bodies contributes to a transparent decision-making process and improves the acceptance of nature conservation measures in society (ownership). Through the support of NGOs, community-based organizations and the commercial sector, they also make an important contribution towards the development of civil society.
- Provide sustained funding, mitigating risks of unexpected stoppage of funds due to political changes, budget cuts, economic austerity programs, etc.
- As they are independent of government regulations, CTFs can react flexibly to new challenges.
- Can conduct long-term planning, because they are independent of changes of government and the connected shifts in political priorities.
- Provide small grant-making capacity by "retailing" large international grants to a wide range of smaller projects. More capable than donor agencies of working flexibly and with attention to small scale details.
- Facilitate coordination between various actors (donors, government, civil society).
- Can help build local capacity for managing financial resources. They are locally driven and locally managed, addressing the priorities of the region, country, province or community in which they are based.
- Leverage effect: Once started, funds can attract important additional funding from various sources.
- Enjoy privileges such as tax exemption that enable full application of available funds to designated beneficiaries.

Disadvantages

- Cannot generate significant amounts of funding in a short timeframe – which may be required if biodiversity resources face major, urgent threats.
- Tie up large amounts of money which only generate relatively modest income, a part of which is spent on administrative costs (although admin. costs typically minimized).
- Minimum requirements typically US \$5 to \$10 million, which can often be difficult to mobilize, particularly from more than one donor (in order to achieve diversification). Diversification strategies require several sources of funding to
- Possibility exists that the funds will be utilized for political and other purposes outside CTF objectives and restrictions, and that endowment will be “invaded”. (Proper legal safeguards help to minimize this possibility.)
- Existence of a CTF can prompt cutbacks in conservation funds by host governments and donors.
- Typical focus of grant-making on *projects* can result in neglect of key legal and policy actions needed to conserve biodiversity.

Overall, the above disadvantages and other potential problems underline the need for particularly rigorous monitoring and evaluation; if this cannot be established, CTFs are not the solution.

1.5 Success Factors

1.5.1 Success factors for Establishing a CTF

Factors in **bold type** are **essential**. Some “critical mass” of the remaining factors should also be present; absence of more than a few greatly increases risk (adapted from GEF, 1999).

- **Absence of major threats requiring urgent mobilisation of large amounts of money** (i.e., the conservation action required is long term and can be addressed with the annual financial flows a trust fund could produce).
- **If private fund, government support of the concept of a fund outside government control**, that involves both the public and private sectors. The support **should be active and broad-based, from senior political leaders to regional and local bodies, extending beyond environmental ministries and departments to include ministries of finance and planning.**
- **A reasonable financial contribution from government, if not directly to the fund, then to project activities.**
- Strong co-ordination among host country government agencies: planning and relevant sectors (e.g., forests, protected area management).
- For private funds, a **legal framework that permits establishing an autonomous trust fund, foundation, or similar organisation**. Tax laws allowing such a fund to be tax exempt, and providing incentives for donations from private contributors. If not, willingness and likelihood of government to bring about and support such a framework.
- **People with a common vision — from NGOs, government, the academic and private sectors, donor agencies, and communities — who can work together despite their different approaches to conservation. The support and involvement of business leaders is crucial to bring in private sector management skills, especially skills in financial management.**
- **A basic fabric of legal and financial practices and functional supporting institutions (e.g., banking, auditing, and contracting).**
- A participative process which involves a broad set of stakeholders during the design process, and willingness of stakeholders to use CTF mechanisms.
- Availability of one or more mentors — e.g., an experienced donor agency or international NGO “twinning” with another, more experienced trust fund — who can provide technical, fundraising and other support to the fund during the start-up and early implementation phases.
- Realistic prospects for attracting a diversified level of capital adequate for the fund to support a significant program. In most cases this means having clear commitments from other donors beyond the GEF, or debt swap mechanisms established, before starting the fund. Possibilities to harness in-country resources (user fees, taxes and levies, donations, etc.) to ensure long-term financial sustainability are important.
- An effective demand for the fund’s product, i.e., a client community interested in carrying out biodiversity conservation activities on the scale envisioned, and sufficient to achieve significant impact.

1.5.2 Success factors for operating a CTFs

- Clear and measurable goals and objectives. A “learning organization” mentality and environment, oriented toward results and achieving objectives, and flexibility to make adjustments in objectives or approach based on feedback and experience.
- A governance structure with appropriate checks and balances, conflict of interest provisions, and succession procedures.
- “Ownership” of the fund by its board and other governing bodies, indicated by members’ commitment of time, engagement in policy and leadership, and efforts to build support of the fund with various constituencies.
- Linkage between the CTF and the leadership of any national biodiversity strategy or environmental action plan.
- Ability to attract dedicated, competent staff, particularly a strong executive director.
- Harmonious and productive board-staff relationships.
- Basic technical and other capabilities that permit the fund to become a respected and independent actor in the community. Access to, and constructive use of, training, mentoring, and technical assistance programs to build capacity.
- Constructive relationships with relevant government agencies, with intermediary organizations that provide services to grantees, and with other organizations in the community.
- Financial/administrative discipline combined with program flexibility and transparency; and procedures that support this and are consistently applied.
- Mechanisms for continuing to involve a wide range of stakeholders in the fund’s programs and direction.
- Clear vision and leadership to avoid program fragmentation and loss of focus.
- Asset managers competitively selected; diversified portfolio of investments; financial expert to provide regular reporting; and oversight by governing board comparing actual performance to benchmarks.
- If a GEF project, a supportive, nurturing implementing agency task manager, able to bring in the resources and expertise needed.
- **Support by broader context.** CTFs are most effective when they are used in conjunction with supportive environmental policies and other conservation programs.
- **Adequate technical assistance** to effectively operationize conservation programs.
- **Strong organizational capacity to manage the CTF.**
- **Stable economic and political conditions.**
- **A core of potential grant recipients** able to effectively use grant funds.

1.6 Step-By-Step Methodology

Establishment of a CTF generally entails three phases of development:

- a feasibility study;
- a design phase; and,
- an implementation phase.

The following methodology walks through the general steps under these phases for a *private* CTF. Some variations of these steps would be used for a public fund. The subsequent sections address the feasibility study, design and implementation phases in detail. [Note: Third party international conservation NGOs are typically instrumental in initiating and supporting the process. Therefore, the methodology below includes a third-party NGO as a key proponent; but this is not an essential element per se]

Step 1: Meetings between third party NGO and one or more donor(s) to determine level of interest in grants, debt swaps or others contributions toward a CTF.

- NGO prepares informational materials and presentations describing CTFs, including examples of its implementation in other countries
- NGO organizes meetings with donors agencies to introduce the concept and gauge donor interest.

If interest among one or more donors exists:

Step 2: Meetings between third party NGO and host government officials and stakeholders to determine level of interest in environmental funds (usually high).

- NGO prepares informational materials and presentations describing CTFs, including examples of its implementation in other countries
- NGO organizes meetings / workshops involving the Finance Ministry, the national conservation management agency, and other relevant agencies

If host government interest exists:

Step 3: Define general vision - who and what the trust fund will support, and why.

- CTF proponents organize a broadly participatory consultative process engaging a range of stakeholder groups.

Step 4: Organize a steering committee.

- Recruit cross-section of individuals covering diversity of stakeholder groups (e.g., government, NGO, communities, private sector, etc.) that include both "workers" (people with expertise and time to work out the detailed design) and politically important proponents (people with clout, who can secure the necessary high-level agreements and meetings).

Step 5: Develop a list of potential donors and begin meetings

- Government officials, together with influential members of the steering committee, should approach donors, backed with appropriate presentational materials.

Step 6: Third-party NGO or consultant conducts independent feasibility assessment (directed by steering committee, see Terms of Reference – Section. 2.2).

- Assess such factors as:
 - Level of interest in CTFs among bilateral governments, multilaterals, foundations and other donors
 - In-country support
 - Local legal and investment conditions

- Options for structuring trust or association/foundation

If determined feasible:

Step 7: Secure financial support for Design Phase

- Secure sufficient funds (Usually at least US \$100,000 not counting the time of people on the steering committee. Expenses generally include consultant and legal fees, meeting expenses, and travel for fundraising and other purposes.)

Step 8: Steering Committee develops a more specific vision and strategy

- Through a participatory process (including potential donors), address the following questions:
 - Role of the trust fund in the national context - relation to national plans and strategies, government, private sector, etc.
 - Legal structure of the fund (trust, foundation, etc.).
 - Governance (structure and composition of governing body).
 - Focus of grant making program – purpose, objectives, who is eligible to receive grants, criteria for selecting them.
 - Financial issues - How much money will the fund need? What percentage will be endowment, what percentage long-term sinking or replenishing funds?

Step 9: Prepare CTF Establishment Document based on results of Step #8.

- Draft detailed document outlining the above issues.
- Hold consultations with donors and present the CTF Establishment Document to them. This may involve meetings with donor agency officials based in the host country, as well as officials in the donor country itself.

If reasonable expectation of funding:

Step 10: Prepare papers of incorporation and statutes or by-laws.

- Steering Committee or CTF proponent contracts a lawyer or law firm to prepare drafts.
- Steering Committee reviews draft and approves final legal documentation.

Step 11: Incorporate the fund and elect the governing body (which should include people who have served on the steering committee).

- Steering Committee elects first slate of Board members (included in legal documents).
- If a private fund, submit legal documentation to appropriate government office for registration / incorporation of CTF. This typically includes registration with the tax office as a tax exempt charity.

Step 12: Initiate start-up phase of CTF

- Receive initial funding: recruit staff and open office.
- Prepare an Operations Manual, outlining day-to-day activities and procedures.
- Initiate grant making program: circulate first call for proposals, convene meetings of interested grant applicants to answer questions about procedures and start-up phase.

2 FEASIBILITY ASSESSMENT PHASE

2.1 Overview of feasibility assessment

Typically, an NGO or donor agency will commission an Environmental Funds (EF) expert to conduct an in-depth feasibility study of CTF opportunities. Such studies often take roughly three to six months to complete, and can cost in the US \$25,000 - \$50,000 range. More rapid and less expensive feasibility assessments can be conducted using the tools provided below, the resources listed in this section, and limited technical assistance as needed. Below is a generic terms of reference for a feasibility study, along with two worksheet tools (EF1 and EF 2) for summarizing and analyzing data collected during the feasibility study.

2.2 Generic terms of reference (TOR) for feasibility assessment

2.2.1 Overview of TOR

[INSERT SUMMARY OF FINANCIAL/CONSERVATION CONDITIONS LEADING TO STUDY]. To explore these opportunities [INSERT NAME OF CONTRACTING ENTITY] is commissioning a feasibility study. The consultant will work with [INSERT RELEVANT PARTIES] to conduct a feasibility study of a national-level Conservation Trust Fund for financing conservation, including protected areas management, in [INSERT NAME OF COUNTRY].

The study will evaluate key issues and conditions influencing the feasibility of a CTF in [INSERT NAME OF COUNTRY]. In-country work will include an analysis of local support for a CTF, [INSERT NAME OF COUNTRY's] legal environment for setting up a CTFs, the potential to attract funding for a CTF and other issues.

The study should also identify the individuals or institutions within the government who could serve as key proponents. Out-of-country work could include meetings with potential donor agencies, analyses of financial issues (e.g., funding needs, CTF revenue projections) and other analytical work.

2.2.2 Terms of reference

Objectives:

The overall objective of the consultancy is to explore the feasibility of a national-level CTFs in [INSERT NAME OF COUNTRY], and to recommend a *follow-up strategy* for implementation, including recommendations regarding design options (e.g., entities that could receive proceeds, conservation strategies for programming of fund proceeds, etc.).

Tasks:

1. Review relevant plans, programs, and studies
 - Review National Environment Action Plan (NEAP), National Biodiversity Strategy and Action Plan (NBSAPs), conservation finance plans / studies, and any other plans, programs and studies of particular relevance to a CTF.
 - In particular, assess national conservation funding strategies, sources and needs.
 - Assess potential contributions of a CTF toward achieving major goals in existing national plans and programs.
2. Stakeholder input
 - Organize one-on-one interviews, workshops and group discussions with diverse stakeholder groups in host country (government agencies, NGOs, local and indigenous communities, commercial private sector, academia, etc.) to solicit their views on general support for a CTF and specific establishment and design issues, such as:
 - Overall purpose of CTF and role in the national context (e.g., relation to national plans and strategies);

- Focus of grant making program - purpose, objectives, eligibility issues, types of projects to be funded, potential recipients, etc.;
 - Financial issues – Current conservation funding levels, total additional annual funding needed, breakdown of endowment versus sinking, offshore investments of assets, etc.
 - Legal structure issues;
 - Governance issues (e.g., structure and composition of governing body); and,
 - Other relevant issues.
- Assess current and probable levels of commitment by various stakeholders to participate actively and transparently in the CTF development process, including provision of time, expertise, potential projects, etc.
- Conduct special assessment of host government support:
- Provide a preliminary indication of the government's interest in CTFs and capacity to participate;
 - Identify government officials who could serve as “champions” or would be important supporters in advocating / approving CTFs;
 - Summarize government concerns and conditions;
 - Research will be conducted through interviews with relevant government officials (Ministry of Finance, Ministry of Environment, National Protected Area Agencies, Protected Area Managers, etc.)
3. Donor support
- Conduct special assessment of potential support by external donors (bilaterals, multilaterals, private foundations, individuals, etc.), including likelihood of financial contributions to CTF, as well as views on overall CTF purpose and specific design issues. (Research will be conducted through interviews with select donors.)
 - Examine the potential for short- and long-term *national* contributions to CTF (e.g., allocations of annual government appropriations, tourism-based taxes, etc.). (Research will be conducted through interviews with select government officials and others).
4. CTF design and follow-up strategy for implementation
- Based on the research conducted above, analyze and recommend key design options for a CTF, and recommend specific next steps for a follow-up implementation strategy if a CTF is determined feasible.
 - If CTF determined feasible, prepare detailed Terms of Reference for CTF design and early start-up phases. This should include description and sequencing of activities, performance benchmarks, types and qualifications of specialists needed, required time frames, and estimated budget.

DELIVERABLES:

1. Feasibility report and ToR. A preliminary report capturing all of the task points outlined above will be submitted to a “Review Team” for comments and discussion prior to the finalization of the report for submission to the contractor. A final report will be submitted in written and electronic form.
2. Contact list. A list of key contacts (name, title, address, email, phone number) will be attached to the final report.
3. Briefings. Concluding briefings will be provided in [INSERT LIST CITIES] to summarize preliminary results for contractor and other interested stakeholders.

STAFFING AND TIMETABLE:

The project will be implemented during the period [FILL IN]. A preliminary report will be due on [FILL IN] and a final report will be due on [FILL IN]. The level of effort will require a total of [FILL IN] consultant days. [IF A TEAM OF CONSULTANT:] The consulting team will consist of: [FILL IN NAMES, BREAKDOWN OF DAYS AND ROLES]

2.3 Worksheet tools for carrying out feasibility assessment

Two worksheets (EF1 - 2) have been developed thus far to assist the feasibility stage. Instructions for how to use these tools, followed by the worksheets themselves, are provided below. These worksheets are intended as generic tools to help summarize and analyze relevant information gathered during the feasibility stage. They will need to be customized to some degree for every site. They are as yet only meant to be illustrative of the kind of tools to be developed for more detailed training programs.

Instructions for EF1: Analysis of key conditions for CTF establishment

EF1 is designed to help analyze the key conditions needed to establish a CTF, covering stakeholder support, financial support, legal / institutional and other issues.

- Review the general structure of the worksheet, including data input categories (columns and rows) provided as defaults; modify as needed.
- Column 1 lists a variety of conditions under four general headings mentioned above. Based on feasibility phase research, for each condition (row), assign a relative ranking score (1 - 5 scale, with 5 being the highest) in the appropriate column to the right.

In analyzing these conditions for success, the following key analysis questions should be considered:

- Are there some conditions which are particularly important in this local setting? What are their scores? How could these conditions be improved if necessary?
- Are there a sufficient number of medium (3) or higher scores, suggesting a good likelihood of success?
- Are there any "Very Low" scores that could present major obstacles to moving forward?

Instructions for EF2: Worksheet for analyzing endowment returns and potential contributions.

This worksheet is designed to estimate endowment returns based on various endowment levels and annual return on investment rates. It is also designed to help summarize likely contributions over a ten-year period from various sources, broken down by three types of contribution.

- Review the data input categories (rows and columns) provided as defaults; modify as needed.
- Start with the endowment returns section on top. An embedded formula automatically calculates the annual yields (i.e., investment income) using the five default return rates and 4 default endowments. Any changes you make to these will automatically calculate new annual investment income yields.
- For the bottom part of the worksheet, work on one row at a time. For each contributing source, enter in the appropriate column likely contributions into the endowment and sinking funds, along with any in-kind contributions (e.g., computer equipment, technical assistance with start-up). Embedded formulas will automatically calculate totals across sources and by column.

In analyzing this information, key questions to consider include:

- A standard (i.e., realistic) return on investment rate used for CTFs is 8%. At this rate, and subtracting annual costs of managing the fund (typically no more than 20% of total expenditures), what endowment level is needed to achieve annual grant-making targets.?
- How might these results influence the asset management strategy (e.g., higher proportion of growth stocks in asset portfolio)?
- Do likely contributions from all sources achieve total endowment and sinking fund levels required to carry out an effective conservation program? If not, what other sources might be considered??

EF1: ANALYSIS OF KEY CONDITIONS FOR CTF ESTABLISHMENT

CONDITION RANKINGS (1 - 5 scale)

CONDITIONS (Establishment)	VERY LOW [1]	LOW [2]	MEDIUM [3]	HIGH [4]	VERY HIGH [5]
<p>Stakeholder support</p> <p>If private fund: Active, broad-based and financially significant government support of a fund outside government control, that involves both the public and private sectors.</p> <p>Support for CTF within Finance Ministry</p> <p>Support for CTF within Protected Areas Agency</p> <p>Support for CTF within Sectoral Ministry (specify)</p> <p>Support for CTF within Sectoral Ministry (specify)</p> <p>Government prioritization of environment</p> <p>Support for CTF within NGO sector</p> <p>Support for CTF by indigenous and local communities</p> <p>Support for CTF within commercial private sector</p> <p>Support for CTF within [specify]</p> <p>Potential for technical support by "mentors" (e.g., donors, international NGO)</p> <p>Other</p>					
<p>Financial support and related issues</p> <p>Realistic prospects for attracting adequate levels of financial contributions to CTF</p> <p>Realistic prospects for attracting diversity of financial contributions to CTF, including in-country resources (e.g., government appropriations, user fees, taxes and levies, donations, etc.)</p> <p>Effective demand for the fund's product (i.e., "client community" interested in and capable of carrying out conservation activities on the scale envisioned)</p> <p>Conducive tax environment (e.g., CTF provided tax-exempt status)</p> <p>Other</p>					
<p>Legal and institutional conditions</p> <p>Existence of supportive legal regime for establishment of trust (or foundation) and provision of legal safeguards. (If this does not exist, likelihood that it will in the short-term)</p> <p>Existence of supportive institutions: Well-established legal, banking, auditing, and contracting systems and</p> <p>Other</p>					
<p>Other conditions</p> <p>Organizational capacity of government to participate in CTF</p> <p>Organizational capacity of other key stakeholder groups to participate in CTF</p> <p>Critical mass of people from major sectors with common vision</p> <p>Conservation action required is long term and can be addressed with the flows produced through a CTF</p> <p>Other</p>					

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		< Env.Trust Funds < CFP-Guide				
EF2: WORKSHEET FOR ANALYZING ENDOWMENT RETURNS AND POTENTIAL CONTRIBUTIONS						
ENDOWMENT SIZE (US\$)						
		2,000,000	5,000,000	10,000,000	20,000,000	Other
	Annual return on investment					
0.04	4% investment returns yield:	80000	200000	400000	800000	
0.06	6% investment returns yield:	120000	300000	600000	1200000	
0.08	8% investment returns yield:	160000	400000	800000	1600000	
0.1	10% investment returns yield:	200000	500000	1000000	2000000	
0.12	12% investment returns yield:	240000	600000	1200000	2400000	
POTENTIAL CONTRIBUTIONS TO CTF OVER TEN YEARS						
		Endowment	Sinking fund	In-kind	Total	
	Source					
	Global Environment Facility (GEF)					
	Bilateral donor agency (specify)					
	Bilateral donor agency (specify)					
	Domestic source 1 (specify)					
	Domestic source 2 (specify)					
	Private foundation (specify)					
	Individuals (specify)					
	Other					
	Totals					

To open this excel sheet for modification, click [here](#)

3 IMPLEMENTATION PHASE

3.1 Designing and establishing a CTF

3.1.1 Goals and Objectives

If not already constituted, a *CTF Steering Committee*, composed of a broad cross-section of stakeholders – will need to be established to spearhead the Design Phase. A first step in the process of fund establishment is defining its overall goal and objectives. One of the key lessons learned from past experience is the importance of having the basic vision of the fund in place before making decisions on key design elements. In deciding on the goals / objectives, a first step is to define the issues to be addressed, and then the types of activities that a fund could support to address these issues.

One common objective of most CTFs is to provide a stable source of financing to meet the recurrent (i.e. ongoing) costs of operating and maintaining protected areas and/or to ensure the sustainable use of natural resources through community support (Mikitin 1995). However, other objectives have varied in breadth and depth. CTFs can be **narrowly focused**, such as the maintenance of a specific individual protected area (PA) or the PA system as a whole. For example, the Jamaica National Parks Trust Fund was established to fund two pilot national parks and the establishment of a National Parks and Protected Areas System in Jamaica (Norris et al. 2000). One of the principal goals of Suriname's ICBG project, which involves establishment of a CTF, is to record and secure indigenous knowledge of rainforest plants with medicinal value. (See case study in Bioprospecting chapter). When the objectives of a trust fund are narrow, they are easier to understand and communicate, and leave less room for disagreement among governing board members.

At the other end of the spectrum are funds that incorporate **broad goals and objectives**. For example, the main objective of Peru's national CTF (FONANPE) is to finance PA projects in Peru. Such all-encompassing goals can support national environmental agendas and allow experimentation with new forms of partnerships between the public and private sectors (Norris et al. 2000).

Generally, **funds are more successful when they focus goals and objectives on a specific range of activities** selected for strategic impact and feasibility, and which can be carried out quickly to build a track record. The scope of a fund can always be broadened later, if appropriate. Alternatively, if a fund starts out with a fairly *broad* mission and objectives, a "pilot phase" can focus on one or more specific areas before accepting proposals from other areas. There are several practical reasons for taking this approach:

- A fund can only process so many proposals, and finance even fewer. It is better for a fund to narrow its focus, receive fewer proposals, and select as many *high quality* proposals as can be funded, in order to establish a track record;
- A narrower focus will allow selection of fund staff and advisory committees with specific technical skills (e.g., conservation-friendly enterprises around PAs, ecotourism), avoiding the necessity of staffing for multiple disciplines;
- Fund-raising for a CTF with a narrow focus will be more directed and able to achieve quicker results;
- A narrower focus will enable the fund's management and trustees to acquire expertise and competencies, which over time will translate into greater efficiency in the handling of its operations. Lessons and skills acquired could subsequently be applied to other areas.

Reaching **agreement on the goals** and objectives of a trust fund will normally entail a series of stakeholder meetings convened by the CTF Steering Committee to discuss the fund's focus. If consensus cannot be reached, an **outside facilitator** may be hired to help build consensus and arrive at a set of goals and objectives.

3.1.2 Legal Framework

The basic legal framework of a CTF is quite simple: the property (money, land, other assets) is managed by one or a group of trustee(s) to achieve the established goals (see above). In this *fiduciary* role, the trustee(s) hold **legal** (custodial) title to the property under a fiduciary duty to manage it for the benefit of the beneficiaries – identified in the papers of incorporation – who hold the **equitable** title. This ‘splitting’ of title ensures that if a trustee is indebted personally or through other enterprises, those creditors cannot make claim to the CTF assets, and that, in case of mismanagement of the assets, the beneficiaries can sue the trustee(s) to carry out the agreed terms of the trust. CTFs are typically established as a public or ‘charitable’ trust. While the **charitable trust** is the most suitable legal form in “common law” countries (essentially current of former members of the British Commonwealth), most modern law systems based on continental European “civil law” use the appropriate form of a **foundation**. More detailed treatment of the key legal issues, such as some distinct rules and the powers and obligations of the Trustee, are provided in Mitikin (1995: 14-20).

3.1.3 Origination document (constitution, charter, deed, articles of incorporation)

Typically, CTF proponents (e.g., Steering Committee) will contract a lawyer to draft the required origination documents. Origination documents are the legal documents that formally establish the trust (under defined goals and objectives) and institute the mechanisms by which grants will be awarded and other benefits distributed.

There are five commonly required origination documents (which can often have different names in different countries):

- constitution;
- charter;
- deed of trust; and
- articles of incorporation, and/or by-laws.

A constitution often serves as the principal origination document, defining the fund structures as well as specific guidelines for the use of money. These origination documents are defined in the glossary and other materials listed in the Resources Section.

Fundamentally, the origination documents are the “law” under which the new fund will be administered and by which the activities of the board and management staff will be held accountable to. The origination documents establish the legal right of the governing board to initiate lawsuits on behalf of the trust to support its objectives, and provide a legal basis for removing board members, and even dissolving the trust, when the goals and objectives are not carried out or when there is egregious violations.

While the main origination documents are designed to govern general operations for the life of the trust, **by-laws** govern the day-to-day operations of the trust. They can be drafted even after the trust is in operation and be changed where necessary to handle day-to-day operations. One of the most important (and often controversial) elements of these legal documents is effective “checks and balances” for the Fund. Several of these are outlined in the sidebar box. Among these checks and balances, Governing Board voting rules and operations is particularly important. Key issues include, for example:

- size and composition of Board;
- terms of Board members; and,
- voting rules for approving grants, “invading” endowment capital, dissolving the Trust and other more controversial actions.

Possible Checks and Balances for Fund Management

- Advisory committees should include outside participants who will provide a fresh, objective perspective;
- For governing board voting rules, certain types of votes could require super-majorities (75%, 80% or 100%) ;
- Board membership terms could be staggered, with members serving terms that expire at different times;
- International arbitration and dispute resolution provisions could be instituted;
- Detailed provisions on auditing, accounting and reporting requirements.

3.1.4 Governing Structure

Typically, the Steering Committee will work out the details of the CTF's governing structure. CTFs are overseen by a **governing board** that has ultimate fiduciary responsibilities, defines the grant making program, approves grants, and decides on key policy and other issues facing the Fund. The governing board's decisions should be *open* and *transparent* (e.g., documented and available to the public), and an internal checks and balances system should be in place (see above).

The **composition of the board** is critical to success of the Fund. A primary requirement of governing boards is diversity – that they represent the interests of a broad group of stakeholders in the society, including government, communities, the commercial private sector, and the NGO sector. The board members must be committed to the goals of the CTF, and fulfilling their obligations as stipulated in the origination documents. Sometimes, board members serve in their *individual* capacity, but can also “*represent*” their constituencies. In constituting the board, some consideration should also be given to how well the board members will work together. In most cases, successful boards have a chairman who leads and shepherds the board and the fund to success during its infancy.

Examples of actual board composition can be examined by accessing the web sites of existing CTFs listed in the Resources Section. The Board of the Mexican Nature Conservation Fund (Fondo Mexicano para la Conservacion de la Naturaleza), a fund with a truly national scope, is comprised of 21 members, to ensure adequate representation from a cross-section of Mexican society. Most board members serve in an *individual* capacity (not representing their institutions) and are prominent businessmen, philanthropists, scientists, NGO activists and government representatives (see [case study](#)). In contrast, the board of the Forest People's Fund in Suriname is relatively small, with only five members, including two representatives from the Saramaka Maroons (a local indigenous group), two representatives from Conservation International (CI), and one representative from the Surinamese pharmaceutical partner. The smaller size of this board reflects the regional and community focus of the fund (See case study in Bioprospecting Chapter).

Equally important when deciding upon the composition of the board is **consideration of perceptions of and attitudes towards the fund**. For example, if a board does not have *any* government representation, the government may distrust the organization and believe that it is trying to undermine its authority regarding management of natural resources. If there are *too many* government representatives, the NGOs, communities, researchers, and other stakeholders may feel that the fund serves only the national government's agenda. The U.S. Agency for International Development (USAID) and the Global Environment Fund (GEF), for example - both significant donors to CTFs - will not contribute to the capital of a fund whose board has more than 50% government representatives. This reflects the general desire of donor agencies to promote and build civil societies. Usually donors only hold observer status to CTFs, without board voting rights. In cases where donors are represented on the board, they will need to be judicious with their voting rights to avoid perceptions that the Fund is donor-controlled.

Securing the **explicit support and goodwill of the national government** is nearly always critical to CTF success. Limited (i.e., minority) representation on the board, without sacrificing the independence or objectivity of the CTF, is a common design element to build governmental support and involvement.

Operating procedures for boards should also be clarified to ensure transparency, checks and balances, and maintenance of standards over time. This can be elaborated in the CTF's Operations Manual, and cover, for example: frequency and rules for board meetings, mechanisms for making Board deliberations and decisions available to the public, periodic audits and annual financial reporting, etc.

3.1.5 Financial Structure

In designing the financial structure of a trust fund, you will need to consider such factors as the time period and goals of the fund, and urgency of threats to be addressed. There are four main options:

- endowment;
- revolving fund;
- sinking fund; or
- a combination of two or more of these structures.

An **endowment** is a fund that permanently maintains a bulk sum of money as principal and only disburses the investment income earned on that amount (Mitikin 1995). Only under specific

circumstances can the capital (corpus) of an endowment be invaded. The Mexican Fund for Nature Conservation (FMCN) is an endowment whose one main objective is to support and strengthen the capacity of Mexican NGOs through mid- and long-term financing of initiatives for conservation and sustainable natural resource use. The capital of the fund was US \$36 million in 1994, including US \$16 million granted by the GEF for protected area management and \$20 million from USAID for sustainable development (see FMCN-Case Study below).

A **revolving fund** is periodically (e.g., annually) replenished through fees, taxes or levies collected or through donor contributions or swapped interest payments, e.g. on forgiven debt. The Belize Protected Areas Conservation Trust is a revolving fund whose capital comes partially from a US \$3.75 fee on visitors entering the country, and partially from a 20% earmark of PA entrance fee, recreation licenses and permits, and cruise ship fees. Five percent of the collected revenues are managed as a permanent endowment for emergency purposes.

A **sinking fund** is designed to disburse its entire capital plus its income over a designated period of time. This type of structure can be well adapted to the funding of projects with development or income-generating potential that are expected to become self-sufficient after an initial seed money or start-up phase. The Dominican Republic's PRONATURA exemplifies a sinking fund: donations are converted to national currency as they are received and immediately deposited in separate accounts for each project (Mikitin, 1995). Sinking funds are rare, however, partially because of the perception that the time and effort necessary for their creation merit a more permanent structure. Furthermore, most conservation-oriented projects require long-term funding that sinking funds cannot guarantee. Therefore, most sinking components end up being one component of more complex financial structures that include endowments and/or revolving funds.

With over a decade of CTF experience, many experts and fund managers now agree that the most effective trust funds often involve a *combination* of two or three funding mechanisms. For example, it is useful to bear in mind that the new trust funds will be under pressure to demonstrate concrete results and success quite rapidly. Such early success can be critical to securing contributions to the CTF from other donors. It might therefore be advisable, in the start-up phase, to sink (i.e., spend down) a percentage of the fund and finance some priority projects that can generate immediate impacts and benefit key stakeholders – while the remainder of the funds remain as an endowment. In addition, some donors are prohibited to contribute to endowments, but could support *sinking fund* components of trust funds, allowing for other funds to be used to further build the endowment.

3.1.6 Sources of Funding

CTFs traditionally receive funding from three categories of donors: multilateral donor agencies, bilateral donor agencies, and private and NGO donors. In many cases, host governments also provide financial or in-kind support. Examples of multilateral donor agencies that support conservation trust funds are the World Bank, Global Environment Facility (GEF) and the United Nations Development Programme (UNDP) – with the GEF by far the largest single supporter of CTFs. The United States and Canada are examples of countries with bilateral donor agencies that support environmental funds (e.g., USAID, Canadian International Development Agency - CIDA). Much of this support has been generated through debt conversion programs such as the U.S. Enterprise for the Americas Initiative (EAI) and Tropical Forest Conservation Act (TFCA) Program. Many European bilateral donors provide substantial support to cover the start-up costs and technical advice; some provide limited seed capital. Also private foundations (e.g., MacArthur, Mott and Summit Foundations in the U.S.) have supported training and design work for the creation and strengthening of CTFs. MacArthur has also provided limited capital to trust funds.

Some national governments have also committed specific amounts to funds in their own countries. For example, the Royal Thai Government has earmarked specific budgetary line items to be channelled directly into the Thailand Environmental Fund and indirectly through support programs. The Belize Government commits roughly US \$600,000 per year to the Belize Protected Areas Conservation Trust (PACT) through the US \$3.75 fee on visitors entering the country. Such reliable streams of *domestic* contributions to a CTF can be crucial to meeting the ongoing capitalization needs of the fund.

Funds created through specific sources (e.g., debt-swaps or biodiversity prospecting projects) could receive financing from *additional* donors if the fund's goals match the donor's priorities. In some

situations, it may be advisable / necessary to widen the funds' goals or create a "sub-account" to facilitate contributions from other donors, who may be interested in channeling long-term project funds through existing CTF mechanisms which have project management experience, effective accounting and monitoring procedures and other advantages. However, this needs to be balanced with identity, focus on program priorities and board independence.

3.1.7 Location of Trust and Assets

Trusts must be physically located in a selected country. Two main components of trusts that must have a physical base are the (i) board of trustees; and, (ii) the trust's assets. These components may be located in different countries, depending on various factors. Options include:

- A domestic trust with a domestic and/or off-shore asset management account;
- An off-shore trust with off-shore asset management.

In determining where to locate a trust, the following factors should be considered:

- 1) Are there good reasons not to locate the trust in the country? For example, is the government stable? Does the local economy offer sufficient investment opportunities?
- 2) Even if the country's government is stable, is there a legal framework to support a trust, foundation, etc.?
- 3) What types of investment laws exist in the country? Will the country prohibit off-shore investment? Is the local economy stable? Is there enough technical expertise to manage the assets domestically?
- 4) Are the intended beneficiaries located in only one country?

If the answers to these questions are affirmative, then a local trust would be advisable. If negative, then an off-shore fund would make more sense. Cases will not always be clear-cut, however, and it may be necessary to come up with a creative solution. Other options may include: establishing a trust by national act and obtaining a government exemption to invest abroad; establishing a trust under the auspices of the United Nations or other international agency; and establishing a two-tier trust (see side box). This last mechanism may work particularly well because it allows an off-shore trust to be combined with local beneficiaries.

Pros and Cons of Trust Location

Domestic funds are local institutions, whose Boards hold title to their assets. Their capital, however, can be invested domestically or off-shore. Domestic management of funds can increase local management capacity as well as the perception of national ownership, and can even contribute to domestic awareness and community participation in environmental issues (Mikitin 1995). However, domestically managed funds can suffer from political instability, thin capital markets, currency devaluation, or legal status conflicts with other countries. Bolivia's domestically managed National Environmental Fund, for example, lost much of its autonomy when a new government took control in 1993 (ECOFONDO, 1996). Domestic management of the fund, along with the fund's close ties to the national government, led to significant political influence on the fund, which impaired the fund's activities and undermined its principles.

Off-shore funds can be advantageous because they provide a secure, hard currency market and access to professional asset managers, both of which foster donor confidence. Offshore management, on the other hand, does not foster domestic capacity-building or a sense of national ownership of assets, as can be the case with domestically managed funds. In addition, this type of management may not respond as promptly and effectively to the needs of the designated beneficiaries. It may also result in a lost "connection" with the intended objectives and targets if the line of communication is not properly established.

Domestic fund with off-shore asset management or a "two-tier" structure allows a domestic fund to be paired with an offshore trust. The offshore trust holds title to the assets invested offshore, insuring that hard currency investments are located in an account in a secure market. The local fund is designated as the sole beneficiary of the trust and ensures that local stakeholders are fully represented. The local fund holds title to local assets (e.g. proceeds from a debt swap) and can choose to invest some of the benefits domestically (e.g. government bonds or interest-bearing accounts in local bank).

3.2 Worksheet for Summarizing Design Stage Data

Instructions for EF3: Worksheet for Summarizing Design Stage Data

This worksheet is intended as a tool to help organize, summarize and decide upon the major design elements of a trust fund. It can be used, for example, in consultation meetings involving groups of stakeholders and in decision meetings involving the CTF Steering Committee.

- Review the data input categories provided as defaults; modify as needed.
- To the extent possible, fill in key information for each design element. Drawing on the Design Phase Section above, the worksheet should be self-explanatory.

To open this excel sheet for modification, click [here](#) and go to the third sheet

EF3: WORKSHEET FOR SUMMARIZING DESIGN STAGE DATA		← Env. Trust Funds		← CFP-Guide				
Name of Trustee(s):								
Size of Governing Board:								
Composition of Board		Government	Academia and experts	Indigenous and local communities	Local NGOs	Commercial private sector	International Donor/NGO	Other
Names	1							
	2							
	3							
	4							
Total # of members								
Other structures		<u>Technical Advisory Committee</u>		<u>Stakeholders Assembly</u>		<u>Other</u>		
Size and composition								
Purpose								
Meetings								
Trust Fund Goals / Objectives		Goal:						
		Objectives						
		1)						
		2)						
		3)						
Grant-making Focus		Focus and types of projects to be funded:						
		Thematic or geographic programs						
		1)						
		2)						
		3)						
Minimum Required Funds		Endowment: US\$						
		Non-endowment: US\$						
Target for Annual Grant Disbursement		US\$						
(when fully operational)								
Legal Documents		Deed of trust		Tax-exempt charity registration				
(check those required)		Constitutions		Asset management agreement				
		By-laws		Charter				
		Articles of incorporation		Other				
Asset Management		Name and locations of asset managers/firms:						
		1)						
		2)						
		3)						
Staffing		Executive Director						
		Program Officer (specify)						
		Field Staff (specify)						
		Administrative staff (specify)						
		Training needs (specify):						
		Technical assistance ("mentor") for start-up phase:						
Phases of CTF		Phase 1: (e.g., Start-up phase: 2002 - 2005)						
		Phase 2: (e.g., Initial Implementation Phase: 2005 - 2010)						
		Other phases						
Monitoring and evaluation		Annual monitoring						
		Five-year comprehensive evaluations						

3.3 Implementation and Operation

3.3.1 Steps for implementation

Following the feasibility, design and establishment steps outlined above, there are several additional steps which must be completed to fully implement a conservation trust fund. They include:

Step 13: Establish technical committees to advise the board.

- For example, a finance Committee would advise and inform the board about the fund's economic health, potential investments, and support the management team on financial issues. A Scientific Committee might advise on research, geographic, and other priority-setting.

Step 14: Train the board, managers, and administrative staff.

- These groups will need training in board development, fund management, capacity building technical conservation issues, etc.

Step 15: Initiate grant solicitation process.

- Provisions in the operations manual will need to cover grant solicitation procedures: outreach to local stakeholder groups to inform them of grant procedures, proposal development support, for grant applicants, standardized grant application formats, etc.

Step 16: Review grant applications and approve slate of first-year grants

Step 17: Draft a monitoring and evaluation plan.

- These plans are essential to ensure that the fund meets its goals and continues to be responsive to changing needs.

3.3.2 Criteria for Fund Disbursement and Compensation

Once the feasibility and design phases are settled, criteria for approving grants must be agreed upon. The following list of factors can act as a starting point for the development of more detailed criteria used in the evaluation of grant proposals:

- Is the project in conformity with the underlying principles, general scope and priorities of the fund?
- Does it have the potential to have a significant impact on conservation of biodiversity and sustainable development?
- Will it meet the priority needs of target communities/institutions/stakeholders, as defined by these groups?
- Does it recognize and reward the contributions of stakeholders?
- Will it promote the development of domestic and local capacity to conserve biodiversity?

A clearly defined set of criteria, a reasonably simple application and transparent evaluation process are all necessary in order to facilitate efficient grant application and approval processes.

3.3.3 Flexibility and Efficiency

The creation of a trust fund will not be the answer to all organizational needs. Sometimes it may be more efficient to channel money through a local NGO or to integrate a trust fund into an existing environmental fund as a "sub-account", thereby reducing the costs associated with building a fund from the ground up.

An integrated fund might be particularly attractive in cases where financial benefits only arrive after a number of years (sometimes decades, e.g. for bioprospecting), or in smaller sums spread across many years. Without a steady source of income, a fund risks running out of operating finances and jeopardizing its new programs. By associating with an already established fund mechanism, a new fund could focus its resources on substantive activities.

Well designed monitoring systems also help to monitor spending, ensure that the fund meets its goals, and ensure that the fund is responsive to changing needs.

4 RESOURCES

4.1 Bibliographic references

To open a document from this CD, click if there is a hyperlinked document name. In addition, URLs show download locations or sources.

Bayon, Ricardo; Carolyn Deere; Ruth Norris; Scott E. Smith (1999): [Environmental Funds: Lessons Learned and Future Prospects](http://biodiversityeconomics.org/pdf/topics-18-01.pdf). IUCN/GEF. <http://biodiversityeconomics.org/pdf/topics-18-01.pdf>

GEF (1999): [Evaluation of Experience with Conservation Trust Funds](http://www.gefweb.org/ResultsandImpact/Monitoring_Evaluation/eval_all.pdf). Washington. http://www.gefweb.org/ResultsandImpact/Monitoring_Evaluation/eval_all.pdf

GEFs Web-page also provides various [GEF Lessons Notes](#). Some important ones are also on this CD:
[No. 9](#), Best Practices in Preparing National Biodiversity Strategies and Action Plans, Dec99
[No. 8](#), 1998 Project Performance Report, June 1999
[No. 7](#), The Mexican Nature Conservation Fund, April 1999
[No. 6](#), Building Strategic Focus in a Conservation Trust Fund, February 1999
[No. 5](#), When is Conservation Best Served by a Trust Fund? January 1999

Klug, Uwe (2001, forthc.): Courses of action open to DC for the support of nature conservation projects by environmental funds. Eschborn: GTZ Toeb, N^o: ABS-7e (Already available in German www.gtz.de/toeb/pdf/ABS_Handlungsoptionen_der_EZ_zur_Foerderung_von_Naturschutzvorhaben_durch_Umweltfonds.pdf). Order English file or hardcopy from michaela.hammer@gtz.de , pdf file for download soon at <http://www.gtz.de/toeb>

Mikitin, Kathleen (1995): [Issues and Options in the Design of GEF Supported Trust Funds for Biodiversity Conservation](http://www-wds.worldbank.org/pdf_content/00017883098101912355299/multi_page.pdf). Environment Department Paper 011. Washington, DC: The World Bank. http://www-wds.worldbank.org/pdf_content/00017883098101912355299/multi_page.pdf

Moye, Melissa; Ruth Norris (2000): [Preliminary Assessment. The Current Situation And Capacity Building Needs Of Environmental Funds In Africa](http://www.pactpub.com/Info/ipg001.htm). Interagency Planning Group on Environmental Funds (IPG). New York: Pact Publications (hardcopy order <http://www.pactpub.com/Info/ipg001.htm>)

The IPG has published a range of useful tool books. A key source is the handbook:

Norris, Ruth (ed.)(2000): [The IPG Handbook on Environmental Funds](http://www.undp.org/gef/ipg/ipg.pdf). Washington, DC: Interagency Planning Group on Environmental Funds (IPG)/ New York: Pact Publications. <http://www.undp.org/gef/ipg/ipg.pdf> (hardcopy order <http://www.pactpub.com/Info/ipg001.htm>)

4.2 Web sites

For sites on specific funds see **the fund contacts in the IPG Handbook on Environmental Funds** in Norris et al 2000: pp 107-133 (see reference above). For an April 2001 revision of many **trust funds addresses** [click here](http://www.geocities.com/shores_system/ef/ef_list.html) or go to: http://www.geocities.com/shores_system/ef/ef_list.html

For a **list of contacts to Environmental Funds in Africa** (Status 1/2001): [click here](#)

List of Latin American trust funds and RedLAC contacts at <http://www.redlac.org/FonAmb.htm>

Here some examples partly not covered there:

Belize [Protected Areas Conservation Trust](http://www.pactbelize.org/) PACT <http://www.pactbelize.org/> or
<http://www.belizenet.com/pact.html>

Chile	Fondo de las Americas (Fund of the Americas)	http://www.fdla.cl/ or http://www.interaccess.cl/fdla
Guatemala	Conservation Trust Fund of Guatemala	http://www.sigloxxi.com/FCG/index.html
México	Fondo Mexicano para la Conservación de la Naturaleza (Mexican Nature Conservation Fund)	http://www.fmcn.org
South Africa	Natal Parks Board Conservation Trust http://www.wildnetafrica.co.za/kwazulunatalparks/profile/contrust.html	
United States & Canada	(Primary focus) Trust for Public Lands	http://www.tpl.org/
Indonesian	Biodiversity Foundation - Yayasan KEHATI	http://www.kehati.or.id/
Philippines	Foundation for Philippine Environment – FPE	http://www.fpe.ph
Bhutan	Trust Fund for Environmental Conservation	http://www.bhutantrustfund.org/

ASSET MANAGEMENT

Social Funds Investing:	http://www.socialfunds.com
The Domini Social Equity Fund:	http://www.domini.com/domini-funds/Domini-Social-Equity-Fund/index.htm
Pax World Fund (ethical investing):	http://www.paxfund.com/
Calvert Fund and Calvert Foundation:	http://www.calvert.com and http://www.Calvert.com/foundation
The Green Money On-Line Guide for Index Funds:	http://www.greenmoney.com
Social Investment Forum	www.socialinvest.org
	Online Guide to Socially Responsible Investing, articles on screening, shareholder activism, community investment, and social venture capital.
More that Money Journal published by and for socially conscious people with financial abundance (inherited or earned).	www.morethanmoney.org

4.3 Contacts

[Readers are invited to suggest further experts !]

TECHNICAL ASSISTANCE

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BILATERAL GOVERNMENT DONOR OFFICIALS

◀ Go to homepage

[. To be completed - Readers are invited to suggest further individuals – we will ask them for willingness to be listed !]

Canada:

European Union:

Finland:

France:

Germany: KfW (German Bank for Reconstruction): Ralph Kadel, +49-69-7431 4436, Ralph.Kadel@kfw.de
GTZ, Protected Area Management Sector Project: +49-6196-79 1437 Rolf.Mack@gtz.de
<http://www.gtz.de/listra/index.html>

Netherlands:

Switzerland:

United States: Peter Gore, Director, Secretariat Office, Tropical Forest Conservation Act Program, US
AID

United Kingdom:

[. . .]