

A RESOURCE BOOK  
FOR THE DESIGN AND  
OPERATION OF  
ENVIRONMENTAL FUNDS

operations

P A R T N E R S H I P S

# The IPG Handbook on Environmental Funds

PUBLISHED BY THE INTERAGENCY PLANNING  
GROUP ON ENVIRONMENTAL FUNDS (IPG)

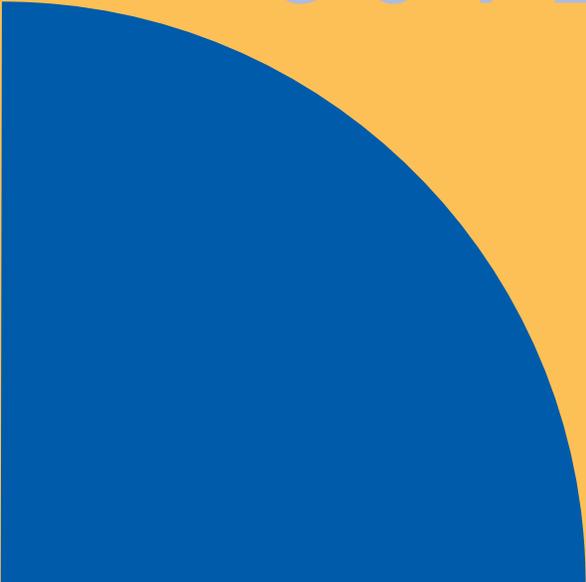
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# **THE IPG HANDBOOK ON ENVIRONMENTAL FUNDS**

A RESOURCE BOOK FOR THE DESIGN AND OPERATION  
OF ENVIRONMENTAL FUNDS

*Ruth Norris, Editor*

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# Contributions to the Handbook

The Interagency Planning Group on environmental funds (IPG) gratefully acknowledges the excellent work of Ruth Norris in editing this handbook. She has worked tirelessly to obtain and guide contributions to the handbook. Even more important, she has brought to this task a unique and highly valued knowledge of virtually all issues relating to the establishment and operation of environmental funds.

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Their valuable advice with respect to audiences for, and the substance of, the handbook are most appreciated.

Please note that this handbook is not copyrighted in whole or in part and may be cited freely by organizations and individuals interested in sharing the contents with others.

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# I. Preface

*Jane W. Jacqz*  
*Chairperson, IPG*  
*Senior Adviser, UNDP/GEF*

As the title suggests, this is a resource book for the establishment and operation of environmental funds (EFs). It is intended to share with a wide audience the experience gained by fund directors and specialists who have been involved over the past ten years in designing, setting up, managing, monitoring, and evaluating environmental funds.

Environmental funds are innovative financing mechanisms that cover the recurrent costs of parks and protected areas, support the conservation of biodiversity, promote the sustainable use of natural resources such as forests and/or strengthen local institutions engaged in conservation and sustainable development. They include trust funds established by special legislation, foundations, common law trusts, and nonprofit corporations. Most environmental funds include representatives from both the host government and non-governmental organizations (NGOs) on their governing boards. With a few exceptions, most “green funds,” the focus of this handbook, are located in Africa, Asia and the Pacific, and Latin America and the Caribbean.

In considering the nature and purpose of environmental funds, the 1999 GEF *Evaluation of Experience with Conservation Trust Funds* observed that conservation trust funds “are not simply financial mechanisms, but must be viewed as institutions that have several roles to play, in addition to channeling funds. These include roles as key actors in the development of national conservation strategies, as technical experts who can work with public and private agencies to develop agile and effective management approaches and, in some countries, as capacity-builders and nurturers of an emerging group of non-governmental organizations becoming involved in biodiversity conservation.”

The environmental fund movement has grown significantly in recent years. At the time of the First Global Forum on environmental funds, held in Bolivia in 1994, there were globally only 21 funds either operating or in the process of establishment; of these, only a handful had been functioning for more than a year. Today there are more than 100 funds operating, in the process of establishment, or in design.

The new interest in environmental funds and the rapid growth of the EF movement suggest that there is a wide, and growing, range of organizations and institutions which could benefit from experience gained to date in setting up and managing a fund. These include, in the first instance, the boards and staff of funds that are already operating but may face new problems as the national context and their situation evolve; the leaders of funds in the process of establishment who must address a host of design questions; governments; and NGOs and other organizations of the civil society, including local groups and international NGOs providing financial resources and technical support for the establishment and operation of environmental funds.

This handbook is intended to meet those needs. A “self-help guide,” it has been designed to provide enough good information on relevant topics so that fund officers and organizers can develop their own fund with local consultative processes and reduce reliance on international experts.

Subjects covered in the handbook include whether or not to address environmental problems by setting up an EF; the national context in which funds operate; legal structures; governance mechanisms, and operational issues, including program strategies, staffing and management issues, resource mobilization, asset management, in-country partnerships, building the capacities of funds’ grantees, monitoring, and evaluation. The handbook contains the best available current knowledge on each of these subjects. By drawing on this compendium of knowledge, EF board and staff members and fund organizers and supporters should be able to identify, address, and resolve most problems and to move ahead to the successful implementation of the fund program.

### **INTERAGENCY PLANNING GROUP ON ENVIRONMENTAL FUNDS (IPG)**

The Interagency Planning Group on environmental funds, generally referred to as the IPG, is an informal body which brings together representatives from multilateral and bilateral donor agencies, international environmental NGOs, philanthropic foundations, environmental funds (when feasible), and other groups that actively promote and support environmental funds. Approximately 32 organizations are currently represented on the IPG, which generally meets in working groups. A list of current participants is included among the Annexes. Staff support services for the IPG have been assured to date by the GEF Coordination Unit of the United Nations Development Programme (UNDP/GEF).

The IPG was formed in 1993 to plan the First Global Forum of environmental funds held in Bolivia. Its principal purposes since then have been to serve as:

- A forum for exchanges of information among supporters of environmental funds.
- A mechanism for the coordination of services and technical assistance to funds.
- An advocate of environmental funds as an innovative approach to promoting conservation of the environment and sustainable development.

Activities sponsored by the IPG have focused on networking and capacity-strengthening. They include:

- The First Global Forum on environmental funds (1994).
- A briefing on environmental funds for members of the OECD/DAC Working Party on Development Assistance and Environment (1995).
- A regional consultation of environmental funds in Latin America and the Caribbean, held in Cartagena, Colombia (1996).
- The First Asia-Pacific Forum on environmental funds, held in Cebu, Philippines (1997).
- A regional workshop to strengthen the capacities of operating funds in Latin America and the Caribbean, held in Mérida, Yucatan, Mexico (1997).
- Three meetings of a regional steering committee of Latin American and Caribbean funds leading to the establishment of REDLAC, the new regional network for communication and capacity building among funds, held in Antigua, Guatemala; Kingston, Jamaica; and Santiago, Chile (1998-1999).

- Regional capacity-building workshops of funds in Latin America and the Caribbean on strengthening the capacities of fund grantees and on monitoring and evaluation; during which an Assembly convened to establish REDLAC, in Antigua, Guatemala (1999).
- An assessment of environmental funds in Africa (1999-2000).
- A survey of the capacity-building needs of EFs in Asia and the Pacific (1999-2000).
- Preparation and dissemination of this handbook (1999-2000).

## **ACKNOWLEDGMENTS OF SUPPORT**

UNDP has helped to finance many of the activities listed above with resources made available by The John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, and The Summit Foundation.

The IPG gratefully acknowledges the support provided by these foundations, which has made so much of its work possible.

The IPG would like also to thank numerous donor agencies participating in the IPG, host governments, international and local NGOs, foundations, and local business enterprises for their contributions in support of particular activities sponsored by the IPG. This coming together of assistance and support reflects the spirit that has characterized the work of the IPG from the outset and is much appreciated.

December 08, 1999

## II. What is an environmental fund, and when is it the right tool for conservation?

*Scott E. Smith*

*Monitoring and Evaluation Officer*

*Global Environment Facility (GEF)*

### KEY POINTS

EFs are appropriate when the issues being addressed are long-term and require a sustained response over a number of years.

EFs can be structured as endowments, sinking funds, revolving funds, or a combination of these.

EFs are appropriate when existing agencies cannot effectively manage the amount of funds and type of activities needed to address the problem – when there is a need for new procedures or a new kind of institution, accountable to and counting on the participation of its stakeholders.

There should be a community of organizations able to implement the range of activities needed to achieve the objective.

EFs cannot succeed without active government support and broad-based participation from a community of agencies and organizations who can work together despite their differences.

EFs can only operate in an environment of rigorous record keeping, transparency, and reliable systems of contracts, banking, and auditing.

### KEY TERMS

**Endowment fund:** a fund that spends only income from its capital, preserving the capital itself as a permanent asset.

**Sinking fund:** a fund that disburses its entire principal and investment income over a fixed period of time, usually a relatively long period.

**Revolving fund:** a fund that receives new income on a regular basis – such as proceeds from special taxes, user fees, etc. – to replenish or augment the original capital.

Environmental funds have been set up in many countries during the past decade as a way to provide long-term financing for biodiversity conservation and other environmental activities. They are typically created in and managed by private organizations, and are capitalized by grants from governments and donor agencies, the proceeds of debt-for-nature swaps, and from taxes and fees specifically designated for conservation. They seek to provide more stable financing for national parks and other protected areas, or grants to private organizations and community groups for projects to expand understanding of conservation and to conserve biodiversity by using resources more sustainably.

A recent evaluation conducted by the Global Environment Facility, *Experience with Conservation Trust Funds*, found that the most successful EFs were more than just financial mechanisms. They were able to act as independent organizations to influence their environment to build effective, responsive, and focused programs. They were the product of broad consultative processes. They had governance structures that involved people from different sectors, credible and transparent operational procedures, and sound financial management practices. The creation of such a trust fund requires a substantial investment of time and resources, and long-term commitment to building a new institution.

One of the questions often asked about environmental funds is whether the advantages of creating a fund outweigh the costs of tying up capital to generate relatively modest amounts of income over a long period of time. However, the choice of approaches depends on what a program is trying to accomplish; it cannot be answered on purely financial grounds.

### KEY ISSUES TO ADDRESS

- What is the nature of the environmental threat to be addressed?
- What are the type and time horizon of conservation activities that are needed to address this threat? Are they conducive to the type of programs that EFs can support?
- What other organizations are presently addressing these threats? What are their strengths and weaknesses?
- Is there a need for – and what value would be provided by – creating a new mechanism for governmental and non-governmental organizations to work together to address conservation issues?
- How committed are government and other key players to support an EF and participate in its work?
- Are the country's legal and financial practices and supporting institutions reliable, and do they inspire confidence domestically and abroad?

### BEST PRACTICES AND LESSONS LEARNED

Environmental funds are appropriate when the threats to the environment that are being addressed are *long-term and require a sustained response over a number of years*. EFs are not the solution when the environmental issue in question faces major, urgent threats requiring mobilization of significant amounts of funding in a short time.

Financially, EFs can be structured in three ways. Creating an *endowment* allows capital to be invested. Only income from those investments is used to finance a fund's activities. *Sinking funds* disburse their entire principal and investment income over a fixed period of time, usually a relatively long period, e.g., 10 years. *Revolving funds* provide for the receipt of new resources on a regular basis – such as 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. Any particular fund can combine these features as part of its mix of resources. Endowed environmental funds can be appropriate for ongoing activities such as basic protected area management costs. Shorter term projects may be better for immediate needs such as infrastructure development. Between these two extremes, sinking funds can provide predictable but medium-term support for activities that

eventually conclude, are handed over to organizations whose capacities have increased, or develop other sources of recurrent funding.

An important question to ask when considering the creation of an EF is *whether an existing agency can effectively manage the amount of funds and type of activities needed to address the problem*. Environmental challenges often require new institutions to provide long-term financial stewardship and to pioneer participative, inclusive approaches to defining priorities and evaluating project proposals. In these cases, the public-private structures typically adopted by EFs can provide advantages, including the ability to time disbursements for effective use.

Another factor to take into account is *whether there is a community of organizations able to implement the range of activities needed* to achieve the environmental objective being sought. This includes not only organizations to conduct field-level activities, but also supporting institutions to carry out monitoring and data collection, raise awareness and provide environmental education, and offer management training to support local groups. EFs have shown an ability to work flexibly to build capacity in partner organizations. For example, some funds help potential recipient organizations plan their activities better and strengthen internal management skills. They also collaborate with others to improve understanding of threats to the environment, and expand environmental education efforts.

It is also important to ask *whether existing operational procedures are appropriate* for the kinds of conservation activities needed. Some EFs have been able to break administrative bottlenecks and develop alternatives to bureaucratic procedures that kept money from reaching the field in a timely manner. In several cases, government procurement and accounting systems are not appropriate for managing the types of disbursements typical in remote protected areas – many small expenses for which formal receipts are not available. EFs that function as private institutions offer an opportunity to bring to bear a more businesslike system of financial management and controls, while maintaining transparency and accountability to contributors and other stakeholders.

Where existing agencies already operate in participative and transparent ways, there may not be a need to create a new institution. However, *when there is a need for a new kind of institution* that will be accountable to its stakeholders and will bring in leaders from various sectors to create open and inclusive mechanisms, an EF can be an effective approach.

The GEF evaluation concluded that two conditions are essential for the success of an environmental fund. First, there must be active government support – not just acquiescence or agreement – for a mixed, public-private sector mechanism in which the government actively participates but that operates beyond its direct control. The most effective funds enjoy broad-based government support at all levels – from senior political leaders to regional and local bodies, extending beyond environmental departments to include ministries of finance and planning. Second, there must be a critical mass of people from diverse sectors of society – NGOs, government, the academic and private sectors, and donor agencies – who can work together despite what may be different approaches to conservation and sustainable development. A common vision is needed for an EF to realize its many potential advantages. Developing this support and vision may require substantial encouragement through broad consultations and advocacy, often over long periods. When prospects for meeting these two conditions are bleak, an EF is not likely to be a viable approach.

Environmental funds can provide a steady stream of resources only if their capital is invested prudently and managed well. Accountability to contributors and the public requires rigorous record keeping and regular, independent audits. Optimum performance depends on the fund's ability to have faith in and enforce contracts with project implementers, technical assistance providers, and others. Thus, a successful EF must be set in an environment with well established systems of banking, auditing, and contracting, including appropriate legislation and oversight. When these systems are absent or cannot be depended on, a project approach that includes other kinds of conditions and safeguards would usually be preferable.

## **RESOURCES FOR FURTHER INFORMATION**

Global Environment Facility (1999a). *Experience with Conservation Trust Funds*. The report of the GEF evaluation, available in English and Spanish. Also available from the GEF Web site, <http://www.gefweb.org/monitor/introme.htm>.

Global Environment Facility (1999b). "When is Conservation Best Served by a Trust Fund?," *GEF Lessons Notes* No. 5, January 1999. Available in English, Spanish, and French. Also available from the GEF Web site, <http://www.gefweb.org/monitor/introme.htm>. Based on the GEF evaluation, this short (6 pp.) article summarizes the main questions to examine when considering creating an environmental fund. Contains two checklists: factors important for establishing a trust fund, and factors important for successful trust fund operations.

Mikitin, Kathleen (1995). *Issues and Options in the Design of GEF Supported Trust Funds for Biodiversity Conservation*. Washington, DC: The World Bank, Environment Department Papers, Biodiversity Series.

### III. Environmental funds in the national context

#### KEY POINTS

EFs play a key role in the definition and implementation of national planning processes, including management of protected areas, sustainable-use practices for conservation of natural resources, economic valuation of natural resources, and monitoring their status.

EFs' important attributes include program continuity, agility, collaboration between the public and private sectors, and ability to strategically direct and leverage financial resources.

EFs can be particularly important for NGOs and community groups that otherwise might not have a dependable source of funding for their projects. Given the mission-driven nature of these groups, their involvement lends significant value in conservation programs.

EFs are often an important source of capacity building, networking, and information exchange.

EFs can be limited by the absorptive capacity of their clients and may need to develop programs to address this challenge.

#### A. EFS AND NATIONAL GOVERNMENTS, NATIONAL PLANNING PROCESSES

*Lorenzo Rosenzweig*

*Executive Director*

*Mexican Nature Conservation Fund (FMCN)*

Countries that have embraced the 1992 Convention on Biological Diversity (CBD) as the principal international organizing framework with respect to biodiversity conservation and sustainable use have committed themselves automatically to the design and implementation of country level conservation strategies. Environmental funds play a key role in the definition and execution of these national planning processes. Among other things, those processes address such key issues as:

- Effective management of natural protected areas
- Sustainable practices for the conservation of natural resources
- Valuation of biodiversity and the environmental services and functions of the ecosystems
- Establishment of baseline information and performance as well as impact conservation indicators at a country level
- Diversification of primary sector activities that as such have a direct impact in the ecosystems

#### KEY ISSUES TO ADDRESS

Biodiversity, culture, society, and government blend together in a mosaic of interactions that does not favor a stereotyped approach to streamline the working relation between environmental funds and

government agencies. However, at least seven key elements, relevant in this context, can be identified that position EFs as strategic players that:

- Give continuity to national conservation policy and national conservation programs across the inevitable changes brought by new government administrations.
- Field test strategic programs such as natural protected areas financial self-sufficiency, wildfire prevention, impacted areas restoration, and environmental education. In this respect EFs can be seen as the research and development arm of potentially successful conservation strategies.
- Serve as an interface between the NGO community and government, fostering the creation of learning networks and communities that link the otherwise diffuse efforts of individual organizations.
- Participate in the design and execution of national environmental policy and strategies.
- Support cooperation between countries in transboundary conservation initiatives.
- Manage and direct economic resources to key market instruments to mitigate climate change, preserve ecosystem services, and in general, conserve biodiversity.
- Magnify conservation initiatives by mainstreaming the biodiversity conservation agenda in large scale government programs.

## **BEST PRACTICES AND LESSONS LEARNED**

Several EFs have been successful as strategic stakeholders that cooperate with national governments that have adopted a policy of conservation and sustainable use of biodiversity.

The Mexican Nature Conservation Fund (FMCN) is a good example of a private institution promoting the continuity of the official conservation agenda during the transition of six-year government periods, or “sexenios” as they are known in Mexico. FMCN was incorporated in 1994 after an extensive and participatory consultation process with the support of all sectors of society. This strong consensus on design and operation issues, together with the strong support of a government convinced that the conservation of natural resources is key to the long-term economic viability of a country, was fundamental to carry on the initiative from President Carlos Salinas to President Ernesto Zedillo’s administration. Early involvement of top-level government personnel during the design process allowed the steering committee to address key issues that secured the political will and later proved fundamental in the capitalization process of the Fund.

After almost five years of operation, FMCN has also proved very useful in field testing conservation initiatives like the protected areas program (FANP) and the recently created Wildfire Prevention and Restoration Program (PPRIF).

For the protected areas program, FMCN has helped to leverage funding from different sources, strengthening the financial self-sufficiency of protected areas. The program’s most relevant achievements to date are:

- Timely disbursement of basic conservation and operation resources to ten key protected areas.
- Close involvement with all sectors of Mexican society through central and regional governance structures of the program.

- Increased credibility with national and international donors through the adherence to administrative procedures that are operational and transparent.

Another good example of field testing a strategic conservation program in coordination with government is the PPRIF, funded by a \$5.75 million grant from USAID to be operated as a sinking fund over a five-year period. This program is part of the National Wildfire Prevention Strategy, funded largely by the government. It originated in the devastating 1998 wildfire season that was particularly intense in Mexico. The FMCN, through the PPRIF, plays a key role in supporting this initiative and incorporates the local NGO community in a targeted effort of wildfire prevention and burnt areas restoration in nine key protected areas and three strategic sites throughout the country.

EFs' strategic role as linking agents between NGO community capacity and government priorities can be best appreciated through the experience of the Mexican Conservation Directory and the Protected Areas Program. In both cases the FMCN has promoted the creation of learning communities and has streamlined otherwise disperse efforts of individual organizations.

With regard to the design and implementation of a national environmental strategy, EFs can and should play an active role supporting national governments under the principles of the Convention on Biological Diversity. Good examples of this joint effort can be seen in Mexico and Costa Rica.

In Mexico, the National Commission for Biodiversity (CONABIO) was assigned to the task of developing a biodiversity country diagnosis (Estudio de País) and a national strategy for the conservation of biodiversity. This government effort, carried on through a participatory process cutting across all sectors of society involved, streamlines the following ruling principles:

- Biodiversity in Mexico has strategic economic, cultural, social, and aesthetic values.
- Decisions relative to the economic and social development of the country must take into account the conservation and equitable share of natural resources.
- A substantial wealth of knowledge on how to conserve our ecosystems is in the hands of indigenous groups throughout the country.
- Conservation of biodiversity is a common responsibility of all sectors of society.
- Biodiversity loss and ecosystem degradation should be dealt with at its origins and causes.
- The protected areas system must be representative at a national and regional scale and at the same time must be, socially, economically, and biologically functional.
- Economic models must take into account environmental costs and the value of ecosystem services.
- The capacity of all groups, public and private, involved with the use, study, regulation, enforcement, and conservation of biodiversity should be permanently strengthened and promoted.
- Public awareness and environmental education should be promoted at all levels and sectors of society.

In relation to cooperation efforts between countries in transboundary conservation initiatives, as one of the key national planning processes where EFs have an important role linking neighboring governments, environmental networks play a strategic role. The Latin America and Caribbean

Environmental Funds Network (REDLAC), under design since 1997 and established in 1999, addresses these cooperation efforts as one of its most relevant goals. REDLAC itself will not execute transboundary conservation projects but will work on creating favorable conditions, through the EFs as members, to promote international cooperation on conservation programs that must address migratory species or transboundary ecosystems.

Finally, the Costa Rican experience through FONAFIFO, on the role of EFs as management tools that help national governments direct economic resources to key market instruments such as joint implementation or environmental services compensation should be reviewed as a valuable experience.

This initiative takes a proposition from theory to practice on the basis that forests and ecosystems in general would be better maintained if land owners were directly compensated for all the environmental services they provide to the rest of the population. FONAFIFO, responsible also for the administration of the national forestry incentives, manages and executes payments to land owners that take part in this environmental initiative giving priority to those that hold a green seal designation issued by an international certification agency in compliance with the sustainable forest management criteria established and approved by the Costa Rican Ministry of Environment. FONAFIFO is thus a good example of an EF acting as a transparent and expedient mechanism that links national conservation strategy in Costa Rica to individual land holders committed to conservation.

## **RESOURCES FOR MORE INFORMATION**

*Please see the Bibliography for general references on EFs with relevance to this topic.*

FMCN's Web site: <http://www.fmcn.org>.

Chomitz, Kenneth et al. (1998). *Financing Environmental Services: The Costa Rican Experience and its Implications*.

Global Environment Facility (1999). "The Mexican Nature Conservation Fund," *GEF Lessons Notes* N° 7. Available from the GEF Web site <http://www.gefweb.org> (monitoring and evaluation page), or request by sending an e-mail to [geflessons@gefweb.org](mailto:geflessons@gefweb.org).

## **B. EFS AND THE NGO COMMUNITY**

*David Smith*

*Executive Director*

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Environmental funds are useful because they can provide a dependable source of funding for environmental projects over the long term. This can be particularly important for NGOs and community groups who suffer from a lack of predictable income streams. EFs can act as grant brokers,

since they usually have access to larger sources of funds than individual NGOs and can handle much larger sums of money. Those funds can be broken down into smaller amounts and used to finance projects of NGOs and CBOs. This saves large funding organizations from having to make many small grants, reducing administrative costs. To strengthen the brokerage role and make them more efficient, some EFs provide client services including capacity building and networking. Additionally, EFs may understand national problems better than foreign-based donors and can help devise and support solutions that work effectively within the national context.

The main benefits of environmental funds to NGOs are:

- Ability to fund operations or core costs
- Predictable sources of funding
- Access to new sources of funds
- Capacity building
- Networking and information exchange

### **KEY ISSUES TO ADDRESS**

NGOs have several advantages in carrying out environmental and developmental projects, and in some areas have unique abilities. Since NGOs tend to be mission-driven rather than profit-driven, considerable value can be obtained by involving NGOs in project implementation and design. The elements of added value include:

- NGOs and CBOs have better mechanisms for community involvement than private firms or government.
- NGOs often develop innovative solutions to local problems.
- NGOs costs may be lower since they are not-for-profit.
- NGOs can credibly adopt politically neutral positions.
- NGOs can facilitate dialogue between communities, government, and the private sector.
- NGOs are often locally focused and try to solve on-the-ground problems.

Despite the clear advantages to their involvement, NGOs are not used to their full potential because of the following constraints.

- Most NGOs are small organizations with a high dependence on volunteer input and few sources of core funding.
- Financial resources are often dictated by the availability of projects funds and it is hard to maintain a mission-driven rather than a project-driven program.
- Many NGOs have limited ability to manage grants. The overhead (accounting, staff, etc.) required is often not seen as an essential part of operating costs, since money needs to be spent on the ground.
- Typically, few fora exist in which experiences can be passed on to other practitioners in the field.
- Many NGOs, particularly those outside capital cities, have limited access to funding sources.
- The ability of smaller NGOs to apply for and manage grants from foreign sources is limited.

EFs can increase the actual involvement of NGOs in national development because they can make grants within a programmatic, medium to long-term period rather than in the context of a short-term three year project cycle. Addressing issues of organizational development and capacity building, and the solution of environmental problems requires time and sustained effort. Short-term projects have not been very successful in creating lasting solutions to development problems.

## **HOW EFs HAVE ADDRESSED THE KEY ISSUES**

### *Providing core funding*

The Environmental Foundation of Jamaica (EFJ) is one of the few sources of core funds in Jamaica for environmental NGOs. The National Parks Trust Fund was set up specifically to support the recurrent costs of operating national parks and makes grants to NGOs that manage them. The ability of these sources to provide funding for staff and other operational costs has made a significant contribution to programs of environmental education and management in the island. Often this has allowed beneficiaries to tackle projects that could not have been done otherwise. Core funds have also been provided in the form of bridging funds to NGOs with cash flow problems. Such problems have been caused in the past by factors such as tardiness of donors to pay tranches on projects in progress, failure of banks, etc.

### *Developing the capacity of grantees*

When the EFJ was established, skeptics felt that a major limit to its ability to give grants would be that the NGO sector was new and many NGOs would not be eligible for grants because of institutional weaknesses. Today, development of institutional capacity is still a major programmatic area for grantmaking in EFJ. Capacity building is not limited to training. Exchanges of staff and cooperative agreements between NGOs also help to develop potential and actual clients. The interventions may take place any time in project development or implementation. Recently, the Foundation undertook an analysis of its projects so far. The results of this analysis are available for potential grantees to learn from.

### *Ensuring realistic overheads*

Funds are sometimes faced with the problem of potential grantees that cannot account for money because of weaknesses in accounting systems or other organizational functions. Small NGOs often contract capacity as needed, and grants should reflect a realistic overhead component and should definitely include enough funding to cover administrative costs and staff time. Funds should review overhead rates of their grantees periodically to ensure that rates on their projects are realistic.

### *Keeping regular dialogue with grantees*

Funds should ensure that their policy-setting body is in touch with local and national problems. One way to do this is to arrange regular meetings among actual and potential grantees, to discuss major environmental issues and strategies to solve problems. The fund should ensure that potential grantees are involved in the development and review of the EF strategic plan. If this approach is not followed,

the fund risks the possibility of not being able to expend money because its grant priorities are not a reflection of national priorities.

### *Providing long term financing for appropriate projects*

It is not commonly possible to solve an environmental or developmental problem in three years. Many interventions to change local community behavior and organization are successful only after six to twelve years of sustained effort. EFs should develop program-based grants of a long and medium duration (7-15 years). The EFJ is currently developing a cooperative agreement with the National Parks Trust Fund to ensure that medium-term support is in place for the Jamaican system of national parks. This will involve a cooperative agreement and annual tranches over several years. The program will help to increase core resources available to an expanding park system.

### *Creating fora for dialogue among practitioners*

The National Parks Trust Fund has sponsored and supported a series of meetings among managers of protected areas and representatives of government to address issues of protected area management. The meetings have allowed the NGO managers of protected areas to develop several positions and a lobbying strategy to influence government to support their operations more substantially. There has been a useful exchange of experiences in management and solutions to common problems have been developed.

## **LESSONS LEARNED**

The EFJ is still limited by the absorptive capacity of its clients. The need to strengthen capacity has been emphasized often and is a major area of the grant program. Despite being operational for seven years, there are only a few NGOs that can handle large grants. Also, the NGO sector in Jamaica has suffered badly in the deteriorating economy. While several NGOs can point to growth and an increase in their capacity, it will take several more years to see large changes in the capacity of the sector as a whole.

The EFJ is a membership organization and has to account for the success of its grant program to donors and to members at an annual meeting. At this time, the members also make nominations to the Board of Directors. Members meet several times during the year: this provides an excellent opportunity for review of the program and has also provided guidance on the strategic direction of the fund.

## IV. Legal structures of environmental funds

### KEY POINTS

The legal structure of an EF depends to a great extent on the way that the legal system of the country in question deals with the concept of a trust fund.

In countries whose legal systems are based on the English common law, the trust – either a perpetual endowment or a sinking fund – is established by a deed of trust or charter. The trustees who have authority over the use of a trust may be an individual, group of individuals, a company set up for that purpose, or another designated organization, such as an NGO.

In civil law countries there is generally no legal foundation to establish a trust fund per se, but foundations or associations can manage EFs, and trusts can be set up by government decree.

The chapter gives examples of EFs set up under the different regimes and guidelines for developing legal documents.

In general, there are two major systems of law that exist in some form or another in most countries today. **Common law systems** are found in most English-speaking countries, and are derived from the English common law tradition of creating and modifying law in the courts, relying on the precedent established by judicial rulings. **Civil law systems** rely primarily on legislation – that is, codification of law through statutes called *civil codes*, and do not recognize the concept of judge-made law. In common law systems, the “law of trusts” was created through centuries of judicial decisions. Civil law systems generally use the statutory concept of a “foundation,” “association,” or “fideicomiso” (in Spanish-speaking countries) to achieve similar results.

### A. TRUST FUNDS IN COMMON LAW COUNTRIES

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### KEY TERMS

**Trust fund** (also referred to as 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, as defined in a charter or deed of trust. Note: In common law countries, trust funds can also be established for specific individual beneficiaries, and be administered by an individual trustee, rather than by a board of trustees. A trust fund in this general sense can take one of several different legal forms, depending on the legal system of the country involved.

**Trustee:** the person(s) appointed (according to the terms of a Trust Deed or Charter) to administer a trust. The trustee can be an individual, a Board of Trustees, or a Trust Company (as in the case EFs in Jamaica, Uganda, and Papua New Guinea, which have incorporated themselves as companies under the Companies Act of their respective countries to serve as the trustee of the Fund).

**Fiduciary responsibility:** the responsibility of a trustee to manage and safeguard the assets of the trust in scrupulous good faith and candor. This includes the responsibility to make prudent investments of the trust's assets, the responsibility to always keep the trust's assets separate from the trustee's own personal assets and the assets of any other trusts which the trustee may administer, a prohibition against personally profiting from serving as trustee (except for being paid an agreed-upon annual fee), and a responsibility to make full disclosure to the intended beneficiaries, as well as to appropriate government supervisory authorities, of all investments of the trust's assets, as well as to fully disclose any potential conflicts of interest.

**Deed of Trust:** a legal document which transfers the ownership of a sum of money or other property, from the donor to the trustee, in order for the trustee to administer it for a specific purpose, or for the benefit of specific named individuals. The Deed of Trust usually specifies the exact purposes for which the money can be used, the way in which the money can be invested, the specific responsibilities of the trustee(s), and what will happen to the money if the purpose for which the trust was established becomes impossible to achieve.

**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; the rights and obligations of its officers, directors, and (if applicable) its shareholders or 'members'; the sources from which it can accept money, the activities and objectives for which it can spend money, the ways in which it can invest money, and the conditions upon whose occurrence the organization may be dissolved. Whether such a legal document is called a Deed, a Charter, Statutes, or Articles of Incorporation, will depend on a particular country's legal system, and the specific legal form of the entity that is set up (i.e., whether it is an association, a foundation, a not-for-profit corporation, a common law trust, etc.).

**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 President, King, etc. (as opposed to an entity which is set up solely by private individuals or groups in civil society).

**Bylaws:** Detailed rules and regulations which address issues that are not covered in the basic legal document (the Charter, Articles of Incorporation, or Deed). The Bylaws are usually adopted after the entity is legally set up, and Bylaws can usually be changed at any time by a vote of the Board of Trustees or Board of Directors. The Bylaws commonly address such issues as the place and times of meetings of the Board, the rules for electing new officers and directors, the procedures for making grants, etc. This document in some countries may be called a "Constitution" or in Spanish, "*reglamento*."

Trust funds (also called “trusts”) have a long history in the English common law, and in those countries whose legal systems are based on English law, including the United States, Canada, Australia, New Zealand, India, and almost all of the English-speaking countries in Africa, the Caribbean, and the South Pacific. Trusts can be defined as a legal arrangement in which one person (or a group of people) – called the trustee(s) – legally own(s) and manage(s) money or other property that has been donated (i.e. “entrusted”) to them exclusively for the benefit of designated other persons – the *beneficiaries* – or for a specifically designated charitable purpose, such as promoting education, the arts, health, or nature conservation.

The common law imposes a fiduciary responsibility on trustees for prudently managing the money that they hold in trust, and for ensuring that the money is only used for the designated beneficiaries or purpose(s) of the trust. The beneficiaries can sue the trustees in court for failure to invest the trust’s assets prudently, or for using any assets for purposes other than those specified in the original legal document that established the trust.

In the common law, a trust can either be perpetual – in which case only the annual interest or income from investing the principle (i.e. capital) of the trust is spent, but none of the principal is ever spent – or alternatively, a trust can be set up to last for only a fixed period of years. At the end of this period, the assets of the trust will either be transferred to the designated beneficiary’s full ownership and control, or else will have been completely spent for the purpose(s) designated by the donor.

Common law rules and doctrines relating to trusts are based on hundreds of years of decisions by judges in specific cases. These decisions collectively serve as the “common law of trusts.” This “case-law” may differ slightly from one common-law jurisdiction to another. Many common law countries have also enacted statutory laws relating to trusts, which codify or replace the common law of trusts.

In particular, many common law countries (including the UK, the US, Canada, Australia, etc.) have enacted statutory laws granting tax exemptions for charitable trusts. If a trust meets specified requirements, then it will be exempt from having to pay taxes on the income that it earns from investing the money that has been donated to it, and individuals who contribute to the trust may also receive some form of tax benefit. Since the legal requirements for obtaining tax-exempt status are often quite complicated, the founders of a charitable trust should obtain the advice of a lawyer or tax specialist before incorporating the trust fund.

Trusts in common law countries can be legally established by registering the trust’s basic legal document (which may be called a Deed of Trust, Charter, or Articles of Incorporation) in the appropriate government office. Sometimes an accompanying set of more detailed statutes or by-laws may also need to be registered. Payment of a one-time registration fee or an annual registration fee, is also commonly required. The statutory laws regarding trusts that have been enacted in particular common law countries specify exactly how and where to register the trust. For example, in the case of Uganda’s Mgahinga-Bwindi Impenetrable Forest Conservation Trust (MBIFCT), it was first necessary to apply for registration as a trust with the section of the Ministry of the Interior that deals with non-governmental organizations; and then to register as a not-for-profit corporation with the Secretary of Corporations at the Ministry of Justice. A trust may also need to obtain additional government approvals, such as the approval of the Ministry of Finance for the trust to receive and hold foreign currency and invest it overseas.

Environmental funds have been established in the legal form of a Trust Fund in the following common law countries: South Africa (the Table Mountain Trust Fund), Uganda (MBIFCT), Belize (the Protected Area Conservation Trust, established by an Act of Belize's Parliament), the Sri Lanka Wildlife Trust, the Bhutan Trust Fund for Environmental Conservation, the Jamaica National Parks Trust, Ghana Heritage Conservation Trust, and the Papua New Guinea Conservation Trust Fund.

## **KEY ISSUES TO ADDRESS**

In the case of trusts that are set up for a specified charitable purpose (as opposed to trusts that are set up for the benefit of named individuals), the Deed of Trust or Charter needs to state the following:

- 1 The purposes for which the trust is established, the duration of the trust (usually “in perpetuity” or “until dissolved by an act of law or a vote of its Trustees”), and the location of the trust fund’s main offices.
- 2 The composition of the Board of Trustees (which can also be called the Board of Directors) of the fund; its powers; the procedures for appointing and replacing Board members; their responsibilities, their term of office, and their remuneration (if any); the required frequency of Board meetings; the number of Board members whose presence is required in order to constitute a quorum; and the number of Board members whose vote is required in order to approve of any proposed action.
- 3 The mode of appointment and responsibilities of the executive director and other staff of the trust fund.
- 4 The mode of establishment and functions of any non-voting advisory committees or councils.
- 5 The potential sources of revenue for the trust fund (by general category).
- 6 Rules on how trust fund monies can be invested and how they can be expended.
- 7 Accounting procedures and provision for outside auditors.
- 8 The categories of activities that can (and cannot) be funded by the trust.
- 9 Rules requiring Board members and staff to disclose any potential conflicts of interest.
- 10 Conditions and procedures for dissolution of the trust, if that should ever be necessary.

These ten issues are very similar to those that are typically addressed in the “Articles of Incorporation” of an environmental fund in a civil law country. The main difference is that judges and other government officials in common law countries are likely to be familiar with many different kinds of trust funds, and therefore be more flexible in allowing different charitable purposes and governance structures. On the other hand, civil law countries tend to impose more specific requirements on how a fund must be structured, and may limit the purposes for which it can be established.

## RESOURCES FOR MORE INFORMATION

Contact trust funds mentioned in this chapter to request copies of by-laws and articles of incorporation.

## B. STRUCTURES TYPICAL OF CIVIL CODE LEGAL SYSTEMS

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*Director, Conservation Finance and Policy*  
*Conservation International with Dillon Kim*

### *The concept of trust funds in civil law*

Civil law has traditionally been hostile to the idea of trusts, mainly because the separation of ownership from control over property is viewed as an illogical arrangement. However, the common law idea of a trust for charitable purposes has achieved widespread recognition as a socially desirable institution. While there is no direct equivalent of a common law trust in civil law, a majority of civil law countries have developed trust-like institutions for their own jurisdictions.

### *Civil law alternatives to the trust*

There are three common institutions in civil law that take the place of the trust: the foundation, the association, and the trust by governmental decree. All of these civil law trust-like charitable institutions share some common characteristics: membership in them is voluntary, they operate for the public benefit, and they do not seek profits. Public benefit is defined differently in each country but usually includes any organization of social assistance, public health, education, scientific research, artistic and intellectual pursuits, and sometimes religious purposes.

Governments view these charitable institutions favorably since limited resources prevent the governments from fulfilling all of their public interest duties. Thus, as in common law countries, civil law countries grant favorable tax benefits to such organizations as long as they can prove that they operate for the public good.<sup>1</sup>

### *The foundation*

The most widely used trust-like institution for charitable purposes in civil law countries is the **foundation**.<sup>2</sup> In particular, the foundation is widely used by environmental institutions in civil law countries across continental Europe and throughout the world.

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<sup>1</sup> Carole Shelbourn George, introduction to *International Charitable Giving: Law and Taxation* (London: Kluwer Law International, 1998), p. 3.

<sup>2</sup> Foundations are called many different names in different countries around the world. A few examples: fondation, fundación, Stiftung, stichting, nadace.

Foundations are generally created with an irrevocable donation and establishment of a fund with the purpose of serving some general public interest objectives. The will of the founder or founders must be expressed, usually in some sort of written document.<sup>3</sup> Often, an organization charter must be drafted that clearly states the will of the founder and submitted to the government.

A foundation is unique in that unlike common law trusts, it acquires a separate legal personality and has the capacity to own property. This legal personality is conditionally designated to the foundation by the government. The assets of the foundation must be completely independent of any member of the organization including the founder. This is usually an attempt to shield the assets of the foundation from creditors.

It can be said that under civil law, foundations live under a regime of constant controls on the part of the administrative authority. The foundations are usually under strict governmental supervision and in some cases, a government official may even sit on the board. They may be subject to annual audits to ensure that their assets are being used for noncommercial purposes consistent with their stated objectives. The government agency has the power to change the purpose of the foundation if the original purpose is no longer achievable or declare through a formal public act that the foundation is to be revoked.

### *The association*

Another entity that has been used in civil law countries is the **association**.<sup>4</sup> An association is created when two or more parties agree to pursue a particular purpose in accordance with governmental procedures. This collective nature of the association is different from the foundation which is generally created by individuals or a small group of individuals. In contrast, the association is usually the result of a larger collective effort. In addition, its strength is largely tied to the number of its members. Sometimes, there is a required number of people before a group can be considered an association. For example, the Dominican Republic requires that a minimum of five people make up the association whereas Argentina only requires two.

In some jurisdictions, associations may also carry out incidental activity for profit in order to benefit the members of the group. However, this practice is under increasing scrutiny with critics claiming that for-profit associations promote unfair competition. To counter this criticism, some jurisdictions have regulated the commercial activity of the association, i.e., as long as the benefits are not distributed to the members and do not fundamentally alter the purpose of the association, they will be allowed. Some countries distinguish between different types of associations depending on the purpose of their existence. For example, in Germany there are *idealistic associations* which exist for the public interest and *economic associations* which exist for profit. Charitable associations generally receive more favorable treatment from the government than other types of associations.

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3 Piero Verrucoli, *Nonprofit Organizations (A Comparative Approach)* (Milano: Dott. A. Giuffrè Editore, 1985), p. 82.

4 Organizations that are functionally equivalent to associations are sometimes referred to as societies or other names. For example, in Germany they are called Verein.

### *National decrees establishing a trust*

Another strategy used by civil law countries is to introduce the trust concept through national legislation. Countries that have attempted this strategy are Japan, Liechtenstein, Mexico, Panama, Venezuela, Brazil, Chile, Colombia, Ecuador, Peru, and Nicaragua. It is not clear, however, how these jurisdictions would deal with the idea of environmental funds. The main concern about establishing environmental funds is whether the fund will be deemed to serve a public interest. While the common law has an expanded definition of what is for charity, the civil law has more rigid guidelines and definitions to follow.

### *Fideicomisos*

In some Spanish-speaking countries trusts can be established through a *fideicomiso*, which is an act or contract through which the control over a right or asset is transferred to a fiduciary agent (usually a bank), so that the fiduciary agent is held responsible for compliance with the terms set out by the original holder of the asset in the act or contract. The named beneficiary may be the original holder or a designated beneficiary(ies).

There are three agents involved in the transaction, the *fideicomitente* who originates the transaction to establish the fund; the *fiduciario* or fiduciary agent, and the *fideicomisario* or beneficiary(ies). The *fideicomitente* has the right to designate the objectives of the *fideicomiso*, designate the beneficiaries and institutions that will carry out the objectives of the *fideicomiso*, and establish a committee to oversee the use of the funds, including setting forth rules for its powers and functions. In some countries, as in the case of the FCG in Guatemala, the law does not recognize *fideicomisos* as nonprofit organizations like foundations or associations. Legally, they are considered businesses and are required to pay the relevant taxes.

## **BEST PRACTICES AND LESSONS LEARNED**

The best policy for extending environmental funds into civil law countries is to first identify whether one of the above mentioned entities or a comparable legal entity exists in the country. This will facilitate any discussion about funds. After seeing the applicable laws, the next step is to be very conscious of and adapt the entity to the country's laws. For example, in 1993, the Foundation for Eastern Carpathian Biodiversity was established among three countries: Poland, the Slovak Republic, and Ukraine. Poland has a legal requirement that a foundation must have a representative office in Poland. To accommodate this, the Foundation declared that it could establish branches and representative offices in any of the three participating nations as decided by the board of directors or as required by law. In this way, the foundation was able to legally establish itself and help in the preservation of the unique Eastern Carpathian mountains ecosystem.

In the case of environmental funds established in other countries that want to extend into civil law countries, any conflicts between legal systems must be resolved prior to the establishment of the fund. In order to avoid disputes, it is advisable to specify in the trust deed which national law shall determine the validity, administration, and construction of the trust (choice-of-law clause). Another strategy is to use the 1985 Hague *Convention on the Law Applicable to Trusts and Their Recognition* which facilitates mutual recognition between party countries.

*Some examples of trust funds established in civil law countries:*

- 1 World Wildlife Fund, established in 1961 as a foundation under article 80 of the Swiss Civil Code.
- 2 Seychelles Island Foundation. The Foundation enjoys a tax exempt status. Currently operating as a revolving fund, based on annual receipts from the Vallee de Mai National Park.
- 3 Fundación VIDA, Honduras. VIDA was granted legal status on April 2, 1992, by Presidential Resolution. Finances the implementation of environmental projects through Honduran and international nongovernmental organizations.
- 4 The Foundation for the Philippine Environment, established through a US Agency for International Development (USAID)-supported debt-for-nature swap.
- 5 Dominican Republic – Fondo Integrado Pro Naturaleza (Pronatura) – operates as a sinking fund. This fund was legally established like an association but also by decree.
- 6 Indonesian Biodiversity Foundation (KEHATI). Although no current statutory definition exists in Indonesian law for a foundation, foundations have a long history in the country and are able to enter into contracts and civil actions.
- 7 Panama – Fundación Natura – a private, nonprofit association.
- 8 Costa Rica – Central Volcanic Cordillera Development Foundation Heritage Fund.

**RESOURCES FOR MORE INFORMATION**

Mikitin, Kathleen (1995). *Issues and Options in the Design of GEF Supported Trust Funds for Biodiversity Conservation*. Washington, DC: Environment Department Papers, The World Bank.

Verrucoli, Piero (1985). *Nonprofit Organizations (A Comparative Approach)*. Milano: Dott. A. Giuffrè Editore

## V. Governance

*Bruce Moffat*  
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### KEY POINTS

Most EFs are established as private organizations with mixed boards.

Attributes of the most successful EF boards include:

- Members who serve in their individual capacity, who are engaged with the mission and activities of the EF.
- Diversity.
- Rotation of terms and well-planned transitions in membership.
- Good board-staff relationships.
- Serious, ongoing attention to the board development process.

As with all organizations, the leadership and decision making mechanisms of EFs have much to do with the future effectiveness of the fund. In fact, it could be argued that they constitute the most important ingredients to fund success. Careful consideration of several key components of a fund's governance structure early in its development can significantly enhance the prospects for the EF's long-term track record.

### KEY ISSUES TO ADDRESS

- What is the ideal composition of the EF's board directors?
- What is the most appropriate size for the board of an EF?
- In what capacity should EF board members serve?
- What mechanisms can an EF employ to involve stakeholders and to tap key areas of expertise?
- What is the right mix of public and private representatives on a fund's governing bodies?
- How can a board continue to develop?

### BEST PRACTICES AND LESSONS LEARNED

No two funds are alike, hence no formula exists as to how to structure and govern an EF. Each fund must discover the correct composition, size, and structure of its leadership mechanisms to ensure its ultimate effectiveness in its particular national or regional context. Nonetheless, certain principles and learnings have begun to emerge that help to characterize the best-governed EFs. While certainly not to be taken as the Ten Commandments, these notions can serve as useful guidelines in structuring – or restructuring – EF governing bodies.

- *Most EFs are established as private organizations with mixed boards.*

Typically, EFs opt to obtain nonprofit status, but their boards of directors are comprised of representatives drawn from both the private and public sectors. This allows the fund to maintain critical linkages to government, while keeping its distance from the potentially negative aspects of excessive government participation. For example, one Latin American EF – chaired by a government representative and with a minority of NGO representatives – has had difficulty establishing a role for itself beyond merely serving as a “checkbook” for the national protected areas system. To strike a better public-private balance, some funds – such as the Mexican Nature Conservation Fund – have opted to include key government officials as *ex officio* board members, so as to benefit from their input without exposing the fund to undue political influence.

- *Effective EFs develop on-going mechanisms to involve key actors and stakeholders.*

Bodies such as board committees, review panels, and advisory committees allow funds to broaden ownership and participation in the fund on the part of important constituencies. Further, such entities can help provide technical input into an EF’s proposal review process and lighten the load for technical staff.

- *Effective funds engage individuals identified with their missions.*

Some EFs have not achieved their full potential, in part because their governing mechanisms contain leaders whose allegiance to a particular sector overrides its concern for the purpose of the fund itself. Funds whose boards are comprised first and foremost of sector representatives (sometimes at the suggestion of a donor) often have greater difficulty establishing a consensus as to the fund’s appropriate mission, purpose, and goals. While board membership is strengthened by its linkages to various sectors of society, leaders serving in their individual capacities have generally proven to more closely identify with the fund’s overarching purpose and key audiences.

- *Diversity in board membership often translates into greater governance capability.*

Board members from different backgrounds, professions, and sectors of society often enable a board to fulfill a broader set of leadership functions. Such boards also bring with them specialized areas of expertise – for example business management – to help meet the EF’s organizational needs in-house.

- *Board rotation is healthy in moderation.*

Periodic rotation of board members is normally a healthy practice for EFs, indeed of any organization. New ideas are injected into the governance mechanisms and ownership in fund is broadened. Still, care must be taken to manage such changes to ensure orderly leadership transition and to ensure a modicum of institutional continuity. Mechanisms such as honorary councils can provide a board member a graceful exit from the formal board, while still retaining access to the individual’s expertise, ideas, and contacts.

- *Healthy board-staff relations are key to effective EF management.*

Mutual respect for the complementary relations of fund board members and their staff counterparts is one of the principles upon which an EF – or any nonprofit organization, for that matter – is based.

The nucleus of these relations is that of the board chair and executive director. The fund will benefit overall to the extent that these two individuals establish a productive working partnership, wherein each sees the other for the strategic advantage he or she brings to the governance equation. The board chair orients and guides the participation of outside leaders, while the executive director provides critical day-to-day leadership to the fund's programs and operations.

- *The participation of donor organizations can be a double-edged sword.*

A number of EFs have benefited from the input, and in some cases almost mentor-like relation, developed with international organizations. In some cases these relationships develop with donor groups, in some cases with international non-governmental organizations. However, if these international representatives happen to also be donors to the fund, the potential for conflict of interest arises. Care should be taken to avoid structures and procedures that allow donor organizations to place their own interests above those of the fund itself. Clear and mutually agreed upon roles and responsibility of all organizations involved can also help maximize the contributions of each group and avoid potential points of friction. The decision making process should make explicit procedures for approval of annual workplans, yearly budgets, and projects to be funded by the EF. Outside organizations can provide valuable input and expertise to a fund, as long as they do not cross the line into micro-management of the fund.

### *The board development process*

As with any individual or group, no board ever possesses all of the elements, skills, and practices it needs to function optimally. In addition, boards are constantly challenged to adapt themselves to their ever-changing external contexts. EF boards are no exception. A sound board is a board that is aware of its own capabilities and shortcomings, and that works to improve itself on an on-going basis.

This process usually begins with some sort of self-assessment. A board can rate itself, for example, according to its effectiveness in carrying out the basic functions of a board (setting the organization's course, mobilizing needed resources, assuring sound management of the organization's resources, etc.). The board of an EF may also wish to obtain feedback from the fund's key stakeholders – especially its grantees – to determine areas for improvement. The board's role in monitoring and evaluating the fund's progress and overall impact, for example, often proves to be a telling indicator of board effectiveness.

Once a fund's board has assessed itself, it will likely want to embark on an explicit process of board strengthening. By establishing clear expectations, assigning responsibilities, and laying out specific activities – as well as their associated costs – the board can assure progress toward meeting its development objectives. Some boards find that they have not participated actively enough in resource development, while others determine that they need to be more engaged in supporting and evaluating the performance of the fund's executive director. Still others choose to emphasize their role in promoting the public's image of the EF.

The key to the board development process is the willingness of the board, along with senior staff, to appraise themselves and to constantly seek ways to improve board performance. A static board – or a

board that chooses not to acknowledge its own weaknesses – is a board destined for under-achievement, or worse, a leadership crisis.

## **RESOURCES FOR FURTHER INFORMATION**

Ingram, Richard (1996). *Ten Basic Responsibilities of Nonprofit Boards*. Washington, DC: National Center for Nonprofit Boards.

Andriga, Robert C. and Ted W. Engstrom (1997). *Nonprofit Board Answer Book*. Washington, DC: The National Center for Nonprofit Boards.

Nonprofit board governance in Latin America and the Caribbean is addressed in some depth in the Spanish language manual:

*Rumbo al éxito: Una guía para juntas directivas de organizaciones sin fines de lucro*. Arlington, VA: The Nature Conservancy, 1997.

This manual was developed in collaboration with the National Center for Nonprofit Boards (NCNB) in Washington, DC. Its contents include sections on the basic responsibilities of boards of directors, structural and operational aspects of boards, and steps to strengthen board performance.

Web site of the National Center for Nonprofit Boards: <http://www.ncnb.org>. Offers publications in English and Spanish as well as information on topics relevant to board development.

## VI. Operational issues

### KEY POINTS

A focused program is crucial to achieving impact as well as operating efficiency.

The basic vision of the fund and its strategic focus should be in place before making decisions on design issues.

A focus that is too broad can leave the EF swamped with many more proposals than it has time to consider or resources to fund. When the great majority of applicants are rejected, the EF can experience conflict with its beneficiary community.

Clear criteria for project selection help to avoid this type of conflict and make selection processes transparent and fair.

Most funds are managed by an executive unit headed by an Executive Director and responsible to the Board. The chapter discusses structure and responsibilities.

It is important to distinguish among program support costs, institution building costs, and operating costs, and to keep operating costs low in relation to program support.

Technical advisory committees are a useful mechanism to add expertise to a lean staff.

Successful EFs have forged strong partnerships with complementary local and international organizations, including community foundations and the GEF Small Grants Program.

Capacity building is an important function of EFs and involves capacity assessment during the selection process, development of a strategy (several approaches are discussed in the chapter), and providing services to grantees.

Monitoring and evaluation are important at both the program and project levels. EFs that have been most effective have defined a clear role for themselves and established measurable indicators for the achievement of identified impacts.

### A. DESIGNING A PROGRAM STRATEGY

*Ruth Norris*

*Independent Consultant*

The amount of money that environmental funds can disburse to support conservation projects is small in relation to the scope of the needs. Funds that lack a focused strategy run the risk of spreading their resources too thinly, financing many discrete efforts but cumulatively failing to achieve any significant impact. Funds that have developed a focused strategy, and targeted their grant programs to have an identified impact, have been successful at reducing the number of funding proposals that have to be

turned down. They have also been better able to identify partners to help strengthen the kinds of organizations and prepare the kinds of projects they seek to support.

### **KEY ISSUES TO ADDRESS: PROGRAM FOCUS**

- Does the fund have broad national purposes or exist to support a selected portfolio of strategically selected activities?
- What is its strategic focus? Thematically? Regionally?
- Will the fund be driven by national planning processes, have its own priority setting process, or link the two to make decisions relative to mission, purposes, and activities to be funded?

### **BEST PRACTICES AND LESSONS LEARNED**

One of the key lessons learned from existing EFs is that it is critical to have the basic vision of the fund in place before making decisions on design issues. In deciding on the scope of the fund, it is necessary to define the environmental problems to be addressed and then identify what kind of activities could be funded to respond to these problems. There are many advantages to exploring the scope (goals and objectives) through a participatory process involving government, donors, NGOs, community groups, beneficiaries, and other stakeholders. These include building awareness of the fund and support for its role, as well as learning from the experience already available among potential grantees and others.

Generally funds that focus their goals and objectives on activities selected for strategic impact, feasibility, and ability to be carried out quickly to build a track record, do better than those that start out with an “open door” policy based on reacting to whatever is proposed. The scope can be broadened later if appropriate. Alternatively, if a fund starts out with a fairly broad mission and purpose, it can declare a “pilot phase” in which it concentrates on a focused area before beginning to accept proposals from other areas. There are several reasons for this:

- 1 If the focus is very broad, the fund is likely to be swamped with more proposals than it can reasonably process (example: MBIFCT in Uganda, in its first call for proposals, had enough money to support approximately 50 community projects at \$5,000 each. It received 4,750 applications and felt obliged to give all of them serious consideration – a process that took several months and left them with 50 “winners” and 4,700 “losers” – not a good public relations position, to say nothing of efficiency.
- 2 The EF’s staff and technical advisory committee can be geared to the areas the fund chooses to support. Consider that the skills required to process and review proposals for watershed management, marine conservation, sustainable agricultural extension, urban solid waste recycling, and micro-credit for alternative livelihoods would be extremely difficult to aggregate in a small staff and advisory committee.
- 3 The EF’s fundraising strategy will be more coherent and successful if there is a focus on a limited range of areas in which the fund can actually expect to achieve a discernible impact in a reasonable period of time.

Most funds' objectives are compatible with national policies, such as a national environmental strategy or action plan, and some are formally linked. Even if linked to a national plan, an EF needs flexibility to focus on selected sub-areas within that overall framework, and to set its own priorities. There have been cases of a fund's work being severely affected when a national plan was overturned or rewritten.

It is more congenial and less controversial to have a vigorous discussion of potential scope and the implications of these issues during the design process, rather than later, when there is already a sum of money over which various constituencies are already competing. Investing time and effort at the design stage can help to reach a consensus that will "hold" for several years. Involving donors in the discussion allows fund designers to be aware of their interests in financing specifically targeted types of activities.

### **KEY ISSUES TO ADDRESS: CRITERIA FOR PROJECT SELECTION**

- What organizations, agencies, and individuals will the fund support?
- What types of activities will be eligible for funding?
- Should the fund seek to give small grants to many organizations, or concentrate its resources in larger grants that would be given to a few organizations (who might then give sub-grants to smaller local organizations)?
- What will the proposing organizations be expected to "bring to the table," e.g., counterpart funding?

### **BEST PRACTICES AND LESSONS LEARNED**

It is important to distinguish between paying recurrent costs (e.g., ongoing management costs of protected areas) and supporting projects (activities that have a specified funding period and then are expected to become self-sustaining, or to terminate). Some EFs have made long-term commitments to recurrent costs such as salaries of protected area personnel, but usually they attach conditions (such as the government's maintaining or increasing its own annual support of basic protection activities). It is more common for EFs to support "additional" or "incremental" costs such as special equipment, training, one-time expenses such as an initial planning process, or boundary demarcation.

Most EFs support projects proposed by NGOs and community-based organizations; a few also allow individuals and even private businesses to apply, under certain conditions. Projects with a development or income-generating potential can be expected to become self-sufficient after an initial seed money or start up phase. Projects of education, capacity building, etc., may require longer periods of support, or may have to be designed for a fixed period after which they terminate. EFs are often under pressure to demonstrate results and success quite quickly. One way to address this is to seek out currently successful or promising projects, organizations, and innovations, and attempt to extend or build on them, as opposed to venturing immediately into unknown territory.

Very few EFs are able to operate simply as a financial mechanism. Unless the country has a robust NGO community with access to training and capacity-building support from sources external to the EF, the fund usually has to engage in significant capacity-building of implementing organizations. Some do this directly (i.e., their own staff deliver training and technical assistance) and others indirectly

(by giving grants to intermediary organizations that provide training and technical assistance to ultimate implementers/beneficiaries).

In general, the success rate of projects is better when there is a requirement for counterpart contributions, which may be in-kind. Even the poorest communities are usually able to contribute labor, for example, if materials are paid for.

Many EFs are interested in developing revolving credit schemes, particularly when they are supporting development of alternative livelihood activities that should be able to repay initial funding. However, none has yet successfully implemented such a program. This appears to be because the “worlds” of grant-making and micro-credit are quite different, and EFs to this point lack the expertise to be effective providers of credit. Partnerships with commercial lending institutions or micro-credit NGOs appear to be a better route.

### *Success stories: How EFs have developed sound program strategies*

*Support of, and linkages to, national or regional priority-setting.* The Mexican Nature Conservation Fund (FMCN) provided financial support to and participated in a national planning and priority-setting process that played an important role in establishing criteria for its selection of grants.

*Use of community or technical advisory committees to identify priorities in particular geographic or thematic areas.* Uganda’s Mgahinga-Bwindi Impenetrable Forest Conservation Trust (MBIFCT) initially received almost 100 times more proposals for small grants than it had planned to finance, but relied on its Local Community Steering Committee to respond to the deluge by first setting clearer priorities and then screening the proposals according to those criteria.

*Use of a logical framework methodology to identify planned impacts and measures to be used to evaluate progress toward achievement of those impacts.* Several funds require the individual projects they finance to prepare logical frameworks. FMCN also uses a logical framework at the overall program level to identify impacts and indicators for its grant portfolio as a whole and its protected areas program.

*Identification of specific types of innovations or catalytic actions that the fund wishes to promote.* The Brazilian Biodiversity Fund (FUNBIO) set as its priority projects that significantly involve the private sector (businesses or private foundations) in conservation activities. This was seen as a key way to attract private contributions to long-term biodiversity conservation and sustainable use.

## **RESOURCES FOR MORE INFORMATION**

This chapter draws significantly on *GEF Lessons Notes No. 6*, “Creating Program Focus in a Conservation Trust Fund.” This publication is available at the GEF Web site <http://www.gefweb.org> (select the Monitoring and Evaluation page). The publication is available in English, French, and Spanish, and can also be requested by sending an email to [geflessons@gefweb.org](mailto:geflessons@gefweb.org).

The Council on Foundations has many publications for grantmaking organizations. Some foundations in developing countries have found them useful, while others find that their US focus limits their

relevance overseas. One publication relevant to this topic, “Principles and Practices for Effective Grantmaking,” is available free. To order, or view a catalogue and descriptions of publications, visit the COF online at <http://www.cof.org>.

Contacting EFs mentioned in this chapter:

*Addresses, telephone numbers, and names of executive directors are listed in Annex 5, list of EFs.*

FMCN: <http://www.fmcn.org>

FUNBIO: [funbio@sede.fgv.br](mailto:funbio@sede.fgv.br)

MBIFCT: [MBIFCT@imul.com](mailto:MBIFCT@imul.com)

Useful materials to request from other EFs:

Statement of goals and objectives

Program logical framework

Criteria for project selection and evaluation

## **B. STAFFING AND MANAGEMENT ISSUES**

*Ruth Norris*

*Independent Consultant*

The key management issues facing environmental funds include:

- Establishing transparent processes for developing program priorities and selection of project activities;
- Establishing efficient structures and processes that meet management objectives within a constrained budget (usually a percentage of the fund’s assets or returns);
- Developing reliable sources of technical expertise for managing assets, planning and administering programs, raising funds, and selecting and supervising projects; and
- Monitoring performance of the investment portfolio and the program portfolio, and incorporating lessons to improve future management.

The final point is discussed in a separate chapter. The first three will be addressed here. Underlying these issues is the over-arching question of *leadership*. In many cases, early success of an EF can be attributed in large part to a single individual. This is commonly the executive director or board chairman. In the best circumstances, this person’s personal attributes (standing in the community, influence with key constituencies), and commitment to the goals and purposes of the EF, make it possible for diverse stakeholders to agree to a program of action, and for the fund itself to exercise discipline in carrying that program out. Thus, the question of management and staffing is as much an issue of *who* can exercise the right kind of leadership as *what* skills and disciplines to emphasize.

## KEY ISSUES TO ADDRESS: STRUCTURE AND STAFFING

- What are the key functions the EF will need to carry out?
- Which of these functions can be performed by the Board, by committees, and by professional staff? What is the minimum professional staff the EF will need to have?
- How can the EF achieve an appropriate ratio of operating costs to project funding?

## BEST PRACTICES AND LESSONS LEARNED

Day-to-day management and administration of a fund's activities generally is carried out by a management unit headed by an Executive Director appointed by and responsible to the Board. The unit is responsible for:

- Preparation of annual work plans and budgets
- Development and implementation of systems for recruiting, receiving, reviewing, and selecting proposals
- Development and implementation of systems for financial management and administration, and supervision of project activities
- Identification of needs for capacity building, and development of strategies to meet those needs
- Audits and other transparent systems for financial accountability
- Regular reporting to the Board on program and project implementation
- Development and implementation (in conjunction with the Board) of strategies for fund raising.

Generally funds have been able to recruit locally for technically qualified professional staff. Different EFs have taken different approaches to the need to strike an appropriate balance between paying enough to attract good people and creating conditions in which their own staff exhibit dedication and commitment commensurate with that of their grantees. This is a difficult balance to strike, and a few funds have experienced image problems when grantees (financially struggling local organizations) perceive that a large share of available funding is spent on the salaries of capital-city staff.

Most funds have been able to keep their operating costs in the 25-30 percent range (and some below 20 percent) but this has come at some cost to the funds as institutions, particularly in their ability to develop technical expertise. In general, the smaller the endowment, the more difficult it has been to stay within operating cost ceilings. Also, funds with relatively straightforward criteria for allocation of their funds (e.g., recurrent costs of protected areas), or a limited range of eligible recipients/activities, incur lower management costs than those conducting more open, competitive grants programs over a broad range of potential activities. Thus, developing a well focused grants program is important as a means for managing costs as well as for maximizing conservation impact.

Donors have not given clear, consistent guidance on the issue of operating costs. Different "ceilings," as well as different criteria for setting those rates, have been applied to different funds. In addition, the definition of what is counted as administrative or operating costs has varied. The following is guidance from the *GEF Evaluation of Experience with Conservation Trust Funds*:

- **Operating costs** are the day-to-day "costs of doing business" for a trust fund. These typically include the annual costs associated with basic trust fund operations: staff salaries, board meetings,

office expenses, equipment and maintenance, costs associated with managing the endowment, and program management (project selection, supervision, and evaluation). Operating costs also include constituency building for biodiversity conservation, coordination with other funds and biodiversity projects, dissemination of experience and lessons learned, networking, and fundraising.

- **Institution building** costs are generally start-up costs incurred primarily in the fund's first year or two, although training and consultations may continue even as the fund matures. These costs include training of the trust fund's own personnel, development of an operations manual and other key documents, legal fees related to applications for tax exemption, orientation for board members, and similar activities.
- **Program support** costs are the services provided to build capacity of recipient organizations, share technical expertise, and support recipients and potential recipients in ways other than direct supervision. When a trust fund decides to provide support for increasing recipient capacity, it typically does so either (a) through project funding, making grants or entering into contracts with organizations skilled in that area (an approach used by FMCN in Mexico) or (b) through direct technical assistance provided by trust fund staff, as in Uganda's MBIFCT or FPE in the Philippines.

Management units generally must be kept lean (executive director, financial manager, one or two project/technical officer(s), clerk), because the percentage of assets available for administrative costs is almost always limited. This often leads to a preference for reliance on short-term and consultant expertise, and especially, developing expertise within other national organizations that can be contracted to provide services, over building permanent staff for the Fund. Several funds have benefited from a full-time Technical Advisor placed within the fund (supported by an external donor) for the first few years of operations to assist in developing an effective team, implementing project selection and oversight start-up, and staff planning.

The management unit's day to day administration is usually governed by operating manuals setting forth procedures for all regular operations (procedures for calls for proposals, proposal review, and project selection; administrative procedures; requirements for financial and technical reporting by grantees; procedures for supervision and monitoring). These manuals are usually publicly available, and the management unit is often required to document its compliance with established procedures, to insure full transparency.

### **KEY ISSUES TO ADDRESS: TECHNICAL ADVISORY COMMITTEES**

- What technical expertise will be needed to determine the fund's strategic focus and to evaluate proposals for funding?
- Can the EF recruit experts to assist on a voluntary basis? From what organizations?
- How much time can the EF reasonably expect these individuals to give to the work of the fund, and what are the most efficient ways to use it?

### **BEST PRACTICES AND LESSONS LEARNED**

Most EFs have established technical committees to assist in review and selection of proposals as well as project oversight (and other functions where the Board and/or management unit require technical

expertise not available within their own personnel). The authority to contract these committees on an ad-hoc basis may be vested in either the management unit or the Board.

Some EFs use their TAC's as a "panel of experts" who are consulted on an individual basis, while others expect the TAC to meet periodically and deliberate on issues important to the fund, or vote as a group on the selection of a slate of projects.

Consultants and technical advisory committees are the main tool by which the management unit can exercise adequate technical and financial review of proposals and projects, and launch extensive consultations and reviews, without building a large permanent staff (with consequent high overheads). Most national funds that have relied on voluntary committees have found them inadequate to meet all their needs. However, they have been able to get a good amount of help from the TACs which is supplemented by occasional consultant contracts. Developing "consultant bases" will also help the EF provide referral services to proposing organizations in need of technical assistance to meet project funding requirements.

### **RESOURCE FOR MORE INFORMATION ON STAFFING AND MANAGEMENT ISSUES**

The Council on Foundations has recently issued the ninth edition of its four-volume "Foundation Management Series." Volume III is dedicated to staffing resources and program issues, grantmaking program policy, and management issues. This is primarily directed toward foundations operating in the US and is available in English only. The set of volumes I-III sells for \$20 to COF members, \$45 to non-members.

The Nature Conservancy's *Resources for Success* contains chapters on managing human resources (including preparing job descriptions, recruiting, objectives, and performance appraisals). Contact the organizational development office, international programs. The Conservancy's Web address is <http://www.tnc.org>.

Request copies of operations manuals from other funds. Those known to have electronic copies that should be available by e-mail include FMCN (Mexico), FUNBIO (Brazil), Nepal Trust for Biodiversity Conservation, and the Conservation Trust Fund of Papua New Guinea.

## C. IN-COUNTRY PARTNERSHIPS AND COOPERATION

### 1. THE ROLE OF COMMUNITY FOUNDATIONS

*Shari Turitz*  
*Program Officer*  
*The Synergos Institute*

A community foundation is a tax-exempt, independent, publicly supported philanthropic organization established and operated as a permanent collection of funds for the benefit of a defined geographic area. A community foundation acts primarily as a grantmaking institution supporting a broad range of charitable activities that address community needs in the geographic area served. Community foundations are also known as community trusts or funds, conveying the idea of an endowment fund to support their activities. A significant portion of their resources comes from contributions from a wide range of donors, usually from the geographic region where the foundation focuses its work.<sup>5</sup>

Community foundations serve as facilitators and conveners around critical community problems. They also build bridges between civil society organizations, the government, and the private sector.

Other types of foundations or foundation-like organizations that can be found in developing countries include:

- **Foundations that combine grantmaking with an operating program.** In some instances, foundations start off as operating NGOs and add a grantmaking function later. Some foundations make grants to selected organizations and also operate their own programs related to their mission and objectives.
- **Membership association.** Some foundations have members. These members might take part in a foundation's activities and pay dues.
- **Charitable trust.** A charitable trust is created by a Deed of Trust. The trustee has the obligation of ensuring that the assets (cash, securities, or property) are used in the way specified for the beneficiaries.
- **Corporate foundation.** A foundation set up by a corporation to professionalize its grantmaking and/or community outreach. The budget is often determined annually by the corporation rather than by endowment.
- **Family foundation.** A foundation that is either managed or strongly influenced by the original donor or members of the donor family. Many family foundations are managed by family members (sometimes second or third generation descendants of the original donor) who might serve as trustees or directors, generally on a voluntary basis.
- **Independent/Private foundation.** A foundation that is usually founded by one individual, often by bequest, and managed by professional staff. Private foundations make grants to other organizations to carry out their charitable purposes.

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<sup>5</sup> This description reflects the characteristics of community foundations as they exist in the United States. Based on definitions from The Council on Foundations and the Council of Michigan Foundations.

- **Social funds.** Social funds are usually set up as autonomous institutions, with transparent and flexible funding, procurement, and disbursement policies. They respond to support requests generated by local organizations (community-based groups, NGOs, and local governments). They do not implement projects but instead focus on supervising implementation and monitoring project effectiveness.

### *How foundations can build inter-sectoral partnerships*

Foundations can play an important role in creating opportunities for civil society organizations to improve their communications with government and the private sector and work together on common agendas. Two common ways they build bridges between sectors are:

- Convening people working on similar issues both within and across sectors by sponsoring meetings, workshops, working groups, and other fora.
- Building partnerships – relationships between individuals or groups around cooperation and responsibility to achieve a mutual goal – that will result in a greater impact against a social or economic goal.

Bridges between sectors are built at many levels where they did not previously exist. These connections, in turn, leverage new resources, create new policy initiatives, and improve the sharing of information and skills.

- **Foundations can play a key role in building collaboration between civil society organizations and governments.** This can take place at both the national and local levels. The collaboration brings multiple benefits. First, it serves to bring innovative ideas and skills into government agencies in both the design of social policy and the delivery of services to the public. Second, it enables civil society organizations to access information and resources that increase their effectiveness. Third, it ensures that both public and private institutions are working together towards common goals avoiding duplication of effort and ensuring maximum impact.
- **Foundations, particularly corporate foundations, are well placed to facilitate cooperation between civil society organizations and the business sector.** Such cooperation can benefit the civil society sector by bringing in additional skills and resources in areas such as financial administration, credit management, and marketing. The business sector benefits from the advice of the NGOs in strengthening the impact of their programs at the community level.

Board membership can be a critical factor in facilitating the building of partnerships with other sectors. Those foundations that have leading representatives of different sectors on their boards are at an advantage when building collaboration and partnerships between sectors. They can draw on a wide array of personal networks to open up opportunities and build trust and confidence.

### *Practical examples on the creation of inter-sectoral partnerships*

#### *Esquel Ecuador Foundation (FEE)*

The Esquel Ecuador Foundation was legally established in 1990 to work as an agent of social change, support initiatives among the most disadvantaged segments of Ecuadorean society to solve their problems, change conditions that restrict their development, and address social injustice. In its nine

years of work and beyond its grantmaking activities, FEE has brought together government, business, and civil society leaders to discuss major concerns facing the nation and jointly craft solutions in a number of areas. In 1997, within the framework of its Civic Education Program, FEE sponsored the Citizens' Dialogues, a series of discussions and analysis fora that aimed to encourage the construction of a culture of dialogue and consensus in Ecuador that would strengthen democracy and break up the old schemes of traditional politics. These dialogues prompted the participation of women, indigenous groups, youth, and other social sectors, as well as government officials and politicians, and served as a bridge between society and the political class. More than 500 people participated directly in these dialogues. Some of the dialogues resulted in a consensus for Constitutional reform. At the same time, points of dispute were presented to the National Assembly for further debate.

FEE has also sponsored dialogues with the private sector through the Conferences on Social Responsibility and Citizenship. The first conference took place in 1997 and was attended by more than 200 people including representatives from the business sector, chambers of production, the media, the government, universities, the church, and non government organizations.

#### *Puerto Rico Community Foundation (PRCF)*

Over its 14-year history, the Puerto Rico Community Foundation has brought together the corporate, government, and civil society sectors a number of times to jointly tackle social and economic problems facing Puerto Rico. One approach it has used successfully has been the creation of broad-based commissions that bring together representatives of different sectors of the community to focus their skills and resources on developing new strategies for addressing specific problems.

An example is the role PRCF played in promoting the Middle School Renewal Initiative through the work of the Commission on Adolescent Education, which it created in 1992. This Commission, made up of eleven experienced educators, was charged with developing recommendations on how to meet the education needs of young people between the ages of eleven and fifteen. The Commission concluded that the task demanded the involvement of a much broader range of community sectors than originally believed, such as official agencies, teachers, school administrators, students, parents, neighbors, the business community, and many others.

#### *The importance of collaboration between foundations and environmental funds*

By working together, foundations and environmental funds can empower themselves with new information and resources and maximize their impact:

- Often community foundations have a longer track record of grantmaking and much to share in terms of skills, contacts, and information.
- Many are also, at least partially, focused on the environment and therefore could be interested in co-funding.
- Community foundations could learn from environmental funds as well, strengthening their grantmaking to environmental projects.
- Being older institutions, foundations might provide valuable contacts for the environmental funds.
- Foundations and environmental funds could collaborate on national policy development.

## 2. WORKING WITH THE GEF SMALL GRANTS PROGRAMME

*Sarah Timpson*

*Global Manager*

*GEF Small Grants Programme*

A growing number of environmental funds are developing in-country partnerships with relevant small grant programs. The Global Environment Facility Small Grants Programme (GEF/SGP) is a good example. The GEF/SGP was launched in 1992 by the United Nations Development Programme (UNDP). It provides grants of up to \$50,000, mainly for community-based activities by NGOs and community-based organizations (CBOs) which help to conserve the global environment by linking concern for the environment to sustainable livelihood concerns. More than 1,200 projects have been funded by the SGP in 46 countries, including many countries with environmental funds.

Collaboration between environmental funds and SGP national programs has involved co-financing projects, sharing information and experience, cooperation in program implementation, institutional linkages, and policy dialogue. Some examples of these partnerships include:

- In **Belize**, cooperation between the Protected Areas Conservation Trust (PACT) and the SGP has involved:
  - Representation by the PACT executive director on the SGP National Steering Committee.
  - Adoption by PACT of SGP formats for proposing projects, screening grant applications, and monitoring projects through field visits.
  - Exchanges of information on grant applications to avoid duplication and promote synergy.
  - Joint field visits to projects of mutual interest.
  - Complementary grants to NGOs; exploration of project co-financing.
  - Implementation by PACT of a GEF medium-sized project to develop a community co-management park system for Belize; this provides an opportunity to mainstream GEF/SGP by cooperating with PACT on a larger-scale project involving communities around four protected areas.
- In the **Dominican Republic**, the SGP is housed at the EF, PRONATURA. This has resulted in:
  - Benefits to the SGP, including a strong institutional base, government and NGO support, outreach to communities, and dissemination of the SGP experience.
  - Benefits to PRONATURA, including a wider geographic and substantive scope of action, strengthened technical staff, and increased resources for projects to be carried out by SGP.
- The possibility of housing the Small Grants Programme in **Peru** at an environmental fund, PROFONANPE, the Fund for Areas Protected by the State, is being explored. The relationship is mutually beneficial in part because:
  - Both PROFONANPE and the SGP are committed to conserving biodiversity.

- PROFONANPE works exclusively within protected areas but the SGP can support projects in buffer zones surrounding protected areas.
  - Co-financing activities allow PROFONANPE to cover the livelihood components of activities that seek to conserve global biodiversity with funding from the SGP.
  - It enables both PROFONANPE and SGP to develop a wide range for other partnerships and to mobilize increased funding from in-country resources, contributing to increased program and project sustainability.
- Collaboration in the **Philippines** between the Foundation for the Philippine Environment (FPE) and the Small Grants Programme has involved:
    - Co-financing by FPE of SGP-assisted projects.
    - Joint sponsorship and implementation of capacity-building activities for community-based grantees.
    - Complementary approaches to project monitoring and evaluation (M&E).
    - Creation of the Communities for Global Environment Foundation, Inc. (CGEF), a foundation to promote biodiversity conservation, renewable energy, and sustainable development in the Philippines.
    - Establishment of a formal partnership between FPE and SGP/CGEF to support community-based activities in six provinces of the Philippines.

### *Other collaboration in Latin America*

The GEF/SGP operates in 12 Latin American and Caribbean countries, of which 10 have one or more environmental funds. In-country collaboration along the lines outlined above has been promoted by UNDP in all countries with both mechanisms. Even closer collaboration between environmental funds and the GEF/SGP can be expected in this region inasmuch as the SGP has recently become a founding member of REDLAC, the new regional network of environmental funds for communication and capacity strengthening. Like other members, the SGP will participate fully in initiatives to share information and experience in grant-making activities at the community level.

Steps to promote increased cooperation among environmental funds, the SGP, and the GEF Mesoamerican Biological Corridor (MBC) project were planned at a meeting in Antigua, Guatemala, in October 1999 involving the SGP and MBC national coordinators from Belize, Costa Rica, Guatemala, and Mexico, and several members of the REDLAC Executive Committee. Participants agreed that the MBC provides a useful planning framework for on-the-ground activities by environmental funds and the SGP.

### *UNF Project*

The Small Grants Programme is also launching a new project, the SGP Community Management of Protected Areas Conservation (COMPACT) project, at six to eight World Natural Heritage Sites and globally significant coral reefs. Under this three-year initiative, the SGP will provide grants of up to \$50,000 for sustainable livelihood activities that reduce threats to the protected area. Sites selected to date include:

- Belize Barrier Reef Reserve System and World Heritage Site, Belize.
- Morne Trois Pitons National Park and World Heritage Site, Dominica.
- Sian Ka'an Biosphere Reserve and World Heritage Site, Mexico.
- St. Pauls' Subterranean River National Park, Palawan, Philippines.

An additional two to four sites located in Africa south of the Sahara, North Africa, and Asia are in the process of selection. The COMPACT project is being funded by a grant to UNDP from the United Nations Foundation (UNF).

## RESOURCES FOR MORE INFORMATION

Information on the GEF Small Grants Programme and projects supported by SGP can be obtained by:

- Contacting the UNDP Country Office in each of the 46 countries offering the SGP.
- Accessing the UNDP/GEF Web site: go to <http://www.undp.org/gef> and click on "Small Grants Programme."
- Sending an email to [marie.khan.kakou@undp.org](mailto:marie.khan.kakou@undp.org).

More information on foundations can be found at the Council on Foundations Web site <http://www.cof.org> and The Synergos Institute's Web site <http://www.synergos.org>.

Also see: **The Synergos Institute: Case Study Series on Foundation Building and Series on Collaboration and Partnership Building.**

A detailed listing of publications available in these two series can be found in the Bibliography.

General information about philanthropy, volunteerism, and the nonprofit sector can be found at:

- International Center for Non Profit Law (<http://www.icnl.org>)
- International Association of Grantmakers (<http://www.imag.org>)
- CIVICUS (<http://www.civicus.org>)
- The Foundation Center (<http://www.fdncenter.org>)
- Independent Sector (<http://www.indeosec.org>)
- National Committee for Responsive Philanthropy (<http://www.ncrp.org>)

Contact information for the foundations mentioned in this chapter:

### **Fundación Esquel – Ecuador (FEE)**

Av. Colón #1346, mezzanine, Of. 12, Quito, Ecuador

Tel (593-2) 520-001 / 526-931 / 526-951

Fax (593-2) 554-029

Email [fesquel3@hoy.net](mailto:fesquel3@hoy.net)

Web site <http://www.esquel.org.ec>

Contact Person: Boris Cornejo, Director of Development

**Puerto Rico Community Foundation (PRCF)**

Edif. Torre de la Reina, 450 Ponce de León Ave. Suite 203, Puerta de Tierra, San Juan, P.R.

Tel (787) 721-1037

Fax (787) 721-1673

Email [nicolon@coqui.net](mailto:nicolon@coqui.net)

Web site <http://www.fcpr.org/ireieng.htm>

Contact Person: Nelson I. Colón, President

## **D. BUILDING THE CAPACITIES OF GRANTEES**

*George Scharffenberger*

*Vice President*

*New Initiatives, PACT*

EFs and other grantmaking foundations strive to achieve ambitious social and economic objectives through the activities that they fund. Their success is therefore directly related to the success of the organizations, agencies, and individuals funded. The selection of the organizations and individuals to fund is as important (and some would argue even more important) as selecting the activities to support. In selecting organizations to fund, an objective assessment of **capacity** is fundamental.

Capacity is a broad concept that boils down to the ability of an organization or individual to do what it is they propose to do. It includes both quantitative and qualitative elements. Does an organization have enough people, infrastructure, tools, and financial resources to get the job done? Are they the “right” people, infrastructure, and tools? Are financial resources used optimally? Does the organization (or the individual) have the necessary knowledge, skills, relationships, management systems, and sustainability strategies? And even if the answer to all of the above is “yes,” does the organization have the ability to bring all those pieces together in an effective, efficient, and transparent manner?

Given the broad definition of capacity, there are likely to be few circumstances in which good project ideas coincide with absolute capacity to carry them out. If they did coincide, there would be little need for support from an environmental fund! EFs identify and address capacity gaps of their grantees. Historically EFs have focused primarily on the financial, infrastructure, and equipment sides of grantee capacity rather than the less tangible aspects. At best EFs have concerned themselves with the specific technical skills and experience to get the job done. Environmental funds have come to learn what other funding and support organizations have learned – that a more holistic approach to capacity, and especially the inclusion of management and sustainability issues, can increase the likelihood of success for grant-funded activities as well as the long term, sustainable impact of their overall grant program.

Addressing capacity issues involves both pre- and post-funding strategies. Prior to funding, holistic capacity assessment increases success rates by providing a realistic basis for assessment of the relative level of risk of various project proposals. In addition to helping in project selection, such an assessment

can also serve as the basis for post-funding risk-management strategies and for the development of an array of approaches and strategies to support capacity development among grantees. Particularly where grants are being made to community based organizations or local NGOs the assessment will often identify areas that could be strengthened in order to increase organizational efficiency and effectiveness in reaching objectives. These include areas of internal management such as accounting and report writing skills as well as skills to build links with other sectors and to develop sustainable sources of financing. The environmental fund can take a direct role in capacity building or it can be more distant. In either case it can itself provide specific capacity-building services or it can provide, allow, or encourage the recipient to use other available resources.

### **KEY ISSUES TO ADDRESS: CAPACITY ASSESSMENT DURING THE SELECTION PROCESS**

- How can more holistic notions of capacity be built into the application and selection process?
- Which areas of capacity are most critical indicators of likely success? How can they be measured in the most accurate yet cost-effective manner?
- How should the examination of past performance be used as an objective basis for assessing capacity and predicting future success?
- If openness and trust between the environmental fund and the organizations and individuals it supports are seen as essential elements of success following funding (see below), how can the initial assessment of capacity (which is often perceived of as being intrusive) be turned into an opportunity to begin building a trusting partnership?
- What level of risk is the environmental fund willing to take with organizations that have good ideas and high potential for impact but relatively lower levels of current capacity?

### **BEST PRACTICES AND LESSONS LEARNED IN PRE-FUNDING CAPACITY ASSESSMENT**

To date, the practices that EFs have used for assessing capacities of potential grantees have included the following:

- “Absorptive capacity” studies, usually carried out by external consultants, often with direct funding from the EF’s donors, during the design process.
- Linkages with NGO networks that work with their members to identify organizational strengths and weaknesses and capacity-building needs.
- Policies of encouraging partnerships between potential grantees and third party organizations (such as international NGOs) that provide assistance in capacity assessment and organizational strengthening strategies.
- Maintaining registries or databases of national NGOs and other potential implementers, including data on organizational capacities.
- Including capacity assessment as part of the selection process. Elements have included use of capacity indicators as part of the peer review process, applicant self-assessment, and reviews by external consultants.
- Funding preparation phases that include assessments of capacities and organizational strengthening plans if needed.

None of these practices in and of itself has proven sufficient to guarantee that grants will always be made to the best possible organizations, or to avoid the pitfalls encountered by grantees who get in over their heads. In many countries – particularly in areas where civil society organizations are just beginning to develop – the EF necessarily makes riskier investments in start-up organizations, or sees its role as strengthening organizations and preparing them to achieve conservation impacts in a second or third generation of funding. However, EFs and other organizations that fund new, emerging, or small community-based organizations have generally found it worthwhile to enter into these funding relationships in phases, assuring successful completion of planning, feasibility analysis, and capacity-strengthening components before making commitments to major ongoing support.

## **KEY ISSUES TO ADDRESS: CAPACITY BUILDING STRATEGIES**

- What approach should the fund take toward capacity-building vis-à-vis its recipients?
- What role should the fund play in providing actual capacity-building services?

## **BEST PRACTICES AND LESSONS LEARNED**

### *Approach of the fund*

EFs and other organizations involved in providing capacity building support take a variety of approaches:

- **Arm's-length:** The fund presents the recipient with its findings/concerns regarding capacity building during grant negotiations. The fund and recipient agree to strategies and/or targets. The recipient is responsible for following-through with periodic re-assessments by the fund to monitor progress. Capacity building may be funded using resources from the fund but often they must rely on the recipient's own funds. Successful follow-through can be a pre-condition for initial or continued funding. **Advantages:** Low cost while maintaining maximum objectivity and "room to maneuver" on the part of the fund. Recipient is uniquely "responsible" for the outcome providing (in some cases) added incentive. **Disadvantages:** Some recipients may not have the ability to follow-through without assistance. Recipient may be less willing to be open/transparent with fund fearing negative funding impacts.
- **Partner/Mentor:** The fund and recipient collaborate more fully on the initial assessment. Strategies are developed together and often financed (or co-financed) by the fund. The fund is more actively involved in providing or locating capacity building services. Joint periodic assessment is used to measure progress but more to refine the strategy than in the context of funding decisions. **Advantages:** Provides support needed by some organizations to effectively follow-through on capacity-building strategies. Greater sense of "ownership" on the part of the recipient can mean greater success in capacity-building effort. **Disadvantages:** Can limit room to maneuver on part of fund. Requires greater investment of fund's own human and financial resources. Risk of building dependency. Level of trust necessary for a partner/mentor relationship can be difficult given unequal power relationship between a funder and its recipients.

These two idealized roles are opposite poles with a continuum of roles between them. A key policy decision for an environmental fund is to decide what its role in capacity-building will be. Some funds

tailor their approach to fit the circumstances and needs of the individual recipient. In this case, criteria and assessment approaches need to be clearly established to guide the fund in determining the specific role to play in each circumstance.

### *Role of the fund in providing services*

- *Minimal:* The EF does not itself provide services but allows the recipient to locate and pay for services from third-party providers. These might be paid for with grant funds or with the recipient's own resources. As part of a grant to an organization, foundations might include funding for the partner to retain technical assistance in areas such as strategic planning, staff development, fundraising, or program development; undertake visits to other organizations, attend training courses or conferences, or participate in internships. **Advantages:** Least costly to the fund; least "liability" for the quality of the services provided. Greatest level of responsibility for success given to recipients. Greatest potential for developing on-going relationships between recipients and service providers. Costs of capacity-building program are clearly part of the EF's "grant" portfolio rather than its overhead costs. **Disadvantages:** Difficult quality control except after the fact. Least possibility for building on learning experiences of others.
- *Certifier:* Funds for capacity-building are included in grants. The fund assesses and "certifies" a limited number of capacity-building service providers that the recipient may use. **Advantages:** Relatively low cost for the EF to organize but the service themselves can be costly. Better quality control. Greater possibility for economies of scale and the benefits of cross learning. **Disadvantages:** Assessment of quality of service providers can be problematic. Quality for individual services can vary despite overall high quality of certified provider. Greater responsibility for results on the part of the fund.
- *Service provider:* The fund itself provides technical assistance, training, or facilitates a range of peer learning programs either directly or through third-party individuals or organizations it contracts or to which it provides grants. Such capacity-building services are tied to the grant program but not funded from the individual grants. **Advantages:** Greatest quality control. High potential for economies of scale and cross learning. **Disadvantages:** Highest cost (can be especially problematic if considered part of "overhead"). Highest "liability" for results. Capacity-building is a specialized profession. Building in-house capacity is difficult to justify unless there is a lack of adequate external providers or sufficient demand. Risk of dependency and lower potential for recipients to develop relationships with service providers.
- *Network facilitator:* The fund itself (or through a third party) encourages the development of a "networked learning system" in which recipients are invited to join together to share experiences, lessons learned, and best practices. While increasingly the Internet is being used to "host" such networks, they can also be established in a more convention, non-electronic form. This role is not exclusive and can complement any of the other strategies. **Advantages:** Potential for on going cross learning that is not dependent on the fund. Learning based on real life experiences. **Disadvantages:** Potential high start-up cost. Success depends on "new" skills associated with networked learning systems.

## BEST PRACTICES AND LESSONS LEARNED IN CAPACITY BUILDING STRATEGIES

Most of the lessons learned about grantee capacity-building are quite neatly summarized in the lists of “Advantages” and “Disadvantages” of the various approaches and methods discussed above. Environmental funds can also learn from the experiences of other funds which in many cases have been addressing capacity-building issues for the past decade.

### *The case of the Abrinq Foundation for Children’s Rights (Brazil)*

The Abrinq Foundation for Children’s Rights was created in 1990 to make children and youth a priority, and to promote and disseminate successful experiences, policies, and actions that can be multiplied. In the course of evaluating its efforts, the Foundation realized that its “Our Children Program,” a grantmaking program providing support to child care organizations in the state of São Paulo, was not having the envisioned level of impact. Abrinq decided to complement its grants with capacity-building to assist grantees to improve the quality of programs. It created a new program called the Technical Management Capacity-Building Program aimed at raising the quality of care provided by 43 of its grantees.

During the first year, Abrinq focused on increasing the awareness of its grantees about the need to improve the quality of the care they were providing. The “quality approach” focused on areas such as strategic planning, management, communications, marketing, and fundraising. The second year focused on improving the management skills of staff and providing the staff of day-care centers, shelters, and youth centers with access to technical and pedagogical resources. Abrinq sponsored seminars, meetings of educators, in-service workshops, and courses, related to the care of 10-to-18-year-olds and management skills for child-care organizations. Abrinq hired consultants to organize the events (seminars, courses, workshops, etc.). The topics were chosen jointly by the technical team of Abrinq’s “Our Children Program” staff and the consultants. Responding to the needs identified in the first year of the program, working groups of practitioners from grantee organizations were formed around four broad themes:

- Work and education of children and adolescents;
- The social responsibility of service organizations for the child and the adolescent: a technical-legal approach;
- The organization as a social business: the challenge of nonprofit organizations; and
- The children’s shelter as special protection: its relations with the community and the legal system.

Abrinq hired a consultant to evaluate the impact of the capacity-building program. The consultant gathered data about the organizations before and after participating in the program. First the consultant evaluated each organization, relying on Abrinq staff reports, before the start of the program. In a second phase, the consultant participated in program events. In the third stage, after the completion of the program, the consultant visited organizations in the field to evaluate the change in organizational capacity. The final result was an individual report on each organization and a final follow-up report of the Technical and Management Capacity-Building Program.

Four aspects of organizational development were chosen as evaluation indicators:

- Management;
- Physical installations;
- Human Resources; and
- Services.

Abrinq monitored the progress of the participating organizations with regard to these aspects to determine the effects of the program. The evaluation concluded that:

In general, participants made important progress. They were exposed to many topics to which they had not given much thought until then. They were eager to implement the new concepts they had learned, applying concrete measures to improve their services or working towards those goals. The whole process of capacity-building and its results transformed the relationship of association with Abrinq to one of greater financial independence and allowed Abrinq to free up resources for new affiliations.

The Abrinq Foundation for Children's Rights intends to publish workbooks that pull together the findings of each of the working groups. They believe this material will contribute to their efforts, within the framework of the "Our Children Project" to build a movement for the improvement of services to children and adolescents.

#### **LESSONS LEARNED FROM THE EXPERIENCE OF THE SYNERGOS INSTITUTE**

- **Capacity-building of civil society organizations (especially community-based organizations and NGOs) is central to the mission of many foundations and thus forms an important part of their grantmaking programs.**

This can be accomplished in many ways ranging from the direct provision of technical assistance and training by foundation staff to the provision of grants to NGOs specializing in the provision of technical support to the nonprofit sector. An increasingly preferred option is to include in the grants to partner organizations, funds to allow them to hire consultant services from the organizations best serving their needs. Civil society organizations generally find it difficult to raise funds for their own human resource development so foundation support can be of critical importance.

- **Training needs are usually very diverse.**

They range from general skills in organizational development and administration to more specific skills related to the problem area being addressed by the grantee/partner organization. Different approaches may be used for different levels of training.

- **Foundations are usually advised to delegate the capacity-building function to one or more specialized organizations.**

It is generally advisable for foundations to take advantage of training capacity in other national organizations rather than build a comprehensive in-house training and technical assistance

capability. However it is common for training that is specific to foundation program/project management such as report writing, monitoring, and evaluation to be conducted by foundation program officers.

- **Peer-to-peer learning is often a key element in capacity-building for the nonprofit sector.**

Foundations can provide opportunities for grantees/partners working on related programs to pool experience and develop new approaches to strengthening their own organizations and increasing program impact. This peer-to-peer learning can be facilitated either by foundation staff, independent consultants, or a grantee support organization.

## RESOURCES FOR FURTHER INFORMATION

### *Organizational capacity indicators and tools*

Pact, Inc. has developed a number of organizational capacity assessment tools for multi-sectoral capacity-building. The following tools have been designed by Pact. For more information, contact the Pact Institutional Capacity-Building Initiatives division at 202-466-5666. Pact website address is: <http://www.pactworld.org>. Pact is located at 1901 Pennsylvania Ave. NW, Suite 501, Washington, DC 20006.

1. **Discussion Oriented Organizational Assessment (DOSA):** A tool designed by Pact and Education Development Center (EDC) with funding for USAID/PVC in order to assess organizational capacities of over 20 international development organizations. The tool measures performance along six core capacities: External Relations, Financial Resource Management, Human Resource Management, Organizational Learning, Service Delivery, and Strategic Management. Thirteen sub-scales of performance have also been developed, including, Program Quality, Financial Sustainability, Fundraising Efficiency, and Monitoring and Evaluation.
2. **Indonesia Advocacy Tool:** A tool designed by 18 advocacy organizations in Indonesia to help them measure their capacities. The tool has 102 indicators and measures the following five capacities: Human Resource Development, Organization Management, Financial Management, Advocacy Programs, and Documentation/Information.
2. **POET – Participatory Organization Evaluation Tool, *Measuring the Capacity of Civil Society Organizations to Support Sustainable Human Development*:** A tool designed for UNDP offices EDC and Pact to measure the readiness of civil society organizations to implement programs. The tool has 100 indicators and measures the following seven capacity areas: Financial Resource Management, Human Resource Management, Equitable Participation, Sustainability of Program Benefits, Partnering, Organizational Learning, Governance, and Strategic Management
3. **MicroAssess:** A tool designed to assess microfinance institutions with 2,000 to 15,000 borrowers. Some of the capacity areas measured in this tool include: Savings and Credit Discipline, Client Services, Financial Management, Information Management, Staff Development, Savings and Credit Design, Human Resource Management, External Relations, Socio-Economic Impact, and Program Planning.

4. **NGO Networks for Health Organization Assessment Tool:** A modularized assessment tool designed by Pact and Education Development Center (EDC) for organizations implementing child survival, family planning, and reproductive health programs. Some of the capacity areas measured in this tool include: Staffing, Organizational Learning and Knowledge Sharing, Partnering and Professional Outreach, Organizational Commitment to Technical Package, and General Management.
5. **MOST/MSH:** This instrument, developed by Management Science for Health (MSH) contains general statements (reference criteria) about an organization's characteristics for 12 essential management components. The 12 components are shared between four basic elements of management: Mission (knowledge and application), Strategic Plan (marketing and links to mission), Structure of organization (allocation of responsibility, delegation of authority), and Systems (collection and use of information, source of funds, financial management). For more information, contact MSH at 617-524-7799.
6. **PRIME/INTRAH:** This tool measures progress towards sustainability through an Index for Capacity Building made up of 21 indicators to measure 13 components of capacity-building. For more information, contact INTRAH at 919-966-5636.

#### USEFUL PUBLICATIONS ON CAPACITY-BUILDING ISSUES

Hesselbein, Frances, Marshall Goldsmith, and Richard Beckhard, Editors (1997). *The Organization of the Future*. Jossey-Bass Publishers.

Weisbord, Marvin R. and Sandra Janoff (1995). *Future Search: An Action Guide to Finding Common Ground in Organizations and Communities*. Berret-Kohler Publishers Inc., 415-288-0260, <http://www.bkpub.com>.

Rothwell, William, Roland Sullivan, and Gary N. McLean (1995). *Practicing Organization Development: A Guide for Consultants*. Jossey-Bass/Pfeiffer, 1-800-274-4434.

Emery, Merrelyn and Ronald E. Purser (1996). *The Search Conference: A Powerful Method for Planning Organizational Change and Community Action*. Jossey-Bass Publishers, 1-888-378-2537.

#### USEFUL WEBSITES

1. **New Directions in Organizational Capacity-Building:** <http://www.edc.org/INT/CapDev/dosapage.htm>
2. **Gateway on Capacity-Building:** <http://www.capacity.org>
3. **Organizational Development Network:** <http://www.odnet.org>
4. **Change Management Toolbox:** <http://www.snafu.de/~h.nauheimer/intro.htm>
5. **Organizational Performance Management Resources:** <http://www.mapnp.org/library/orgperf/orgperf.htm#anchor4293124641>

## E. MONITORING AND EVALUATION

*Scott E. Smith*

*Monitoring and Evaluation Officer*

*Global Environment Facility*

*and*

*Renée González*

*Director, Protected Areas Program*

*Mexican Nature Conservation Fund*

Environmental funds are increasingly being asked by their boards of directors and principal contributors to report on their performance and results, not just on the number of projects they support or the amount of money they have spent. EFs that know what their programs are accomplishing – and understand what is working, what is not, and why – are likely to be more successful in raising funds and achieving their environmental objectives.

Monitoring and evaluation (M&E) are two distinct, but closely related, management tools that allow EFs to measure the performance and assess the impact of their activities. They also provide a structure for EFs and their partners to learn from experience, so this knowledge can be used to improve the projects and programs they support.

### 1. DEFINITION OF KEY TERMS

Because different people often use the same words to mean different things, it is useful to include at the beginning of this chapter definitions of key terms that will be used in this handbook when discussing monitoring and evaluation.

- (a) **Monitoring** is a continuous process of collecting and analyzing information to measure the progress of a project or program toward expected results. Monitoring provides managers and participants with regular feedback that can help determine whether a project or program is progressing as planned. Effective monitoring requires a clear statement of objectives, performance and impact **indicators**, sources of information on these measures (including baseline data), regular reporting, and a feedback mechanism for using monitoring information for decision making.
- (b) **Evaluations** are periodic assessments that answer questions about why results are or are not being achieved, what unintended consequences of a project there may be, and what lessons are being learned from experience. Evaluations can also examine whether **assumptions** continue to be valid or whether causal linkages are proving to be correct.
- (c) A **strategic plan** sets out an EF's organizational purpose, its long-term (usually 5-8 years) **objectives**, and the means for accomplishing them. Ideally, strategic plans are the result of a process of wide consultation with interested stakeholders. The objectives identified in a strategic plan provide the basis for program-level monitoring and evaluation.

- (d) The **logical framework** is a tool used by many EFs and other development organizations to guide the design, monitoring, and evaluation of projects and programs. Typically, a logical framework will identify the broad **goal** toward which a project or program contributes, the specific **objective** that the project or program seeks to achieve, the **outputs** that are needed to achieve this purpose, and the **inputs** that the project or program provides to produce these outputs. For each level, the logical framework identifies **indicators**, the sources of information and the way that these indicators will be measured, and the **assumptions** that are made to link one level of the framework to the next. The logical framework is usually presented in a matrix form. Ideally, it is the product of a participative process of problem analysis and discussion of alternative ways to achieve desired objectives. A participative approach ensures that strategies identified to achieve goals are realistic.
- (e) A **goal** is a statement of a broad, long-term change to which a project or program (together with other activities) contributes. It is the reason why a project or program exists, and it reflects the ideal state in response to a problem.
- (f) The **objective** is the specific result that a project or program seeks to achieve. It defines the strategy to achieve the goal. (This level of the logical framework hierarchy is sometimes referred to as “purpose.”)
- (g) **Outputs** are the products (e.g., trained people, protected area management plans, policy changes) that are needed to bring about the objective. (This level of the logical framework hierarchy is sometimes referred to as “results.”)
- (h) **Inputs** are the resources or activities (e.g., training courses, funding for policy studies, credit funds for alternative income sources, technical assistance, computers, and vehicles) provided by the project or program that are needed to produce the outputs. (This level of the logical framework hierarchy is sometimes referred to as “activities.”)
- (i) **Indicators** are measures of the achievement of the various levels of a logical framework. Indicators are observable phenomena that should be “objectively verifiable,” i.e., different people looking at the same information would reach the same conclusion. **Performance indicators** measure the implementation of activities. **Impact indicators** measure the changes, status, or trends that projects or programs seek to affect, e.g., habitat fragmentation, population living near protected areas, financial sustainability of an organization. Ideally, advances on performance indicators should lead to advances in impact indicators under identified assumptions. To the extent possible, indicators should be precise, direct measures of the intended result and should be practical (i.e., data are available or can be generated when needed at reasonable cost). They should show quantity, refer to quality, and correspond to a clear time frame.
- (j) **Assumptions** are the actions or events beyond a project’s or program’s influence that need to occur in order for inputs to produce outputs, outputs to lead to achievement of objectives, and for the objective to contribute to the goal. They are also important conditions or risks which may endanger a project’s or program’s success.

## 2. MONITORING AND EVALUATION AT DIFFERENT LEVELS

EFs have found it important to monitor and evaluate their activities at both the **program** level and the **project** level. Program level M&E allows EFs to understand their overall performance and results as institutions. Some EFs also carry out groups of similar activities designed to achieve a broader impact. For example, FMCN in Mexico and PROFONANPE in Peru seek to bring about changes in the protected areas *systems* in their countries by supporting individual protected areas; FUNBIO in Brazil seeks to develop partnerships with the private sector by the way it carries out some of its activities. In these cases, managers and participants use program level M&E to measure the broader results sought from the sum of individual activities. Project level M&E allows EFs and the recipients of their support to measure the performance and impact of each individual project or activity.

### PROGRAM LEVEL MONITORING AND EVALUATION

#### KEY ISSUES TO ADDRESS

- What are the EF's long term organizational objectives? Are they clearly articulated and measurable?
- Does the fund's strategic plan identify performance and impact indicators that can be used to measure progress toward its organizational objectives? What sources of information are available for these indicators? Is there a reliable baseline against which to measure progress?
- Does the EF have one or more programs (i.e., groups of individual activities) aimed at achieving a common, broader objective? Do these programs have clearly articulated objectives, outputs, indicators, and assumptions? Are these programs well integrated into the vision of the whole organization?
- Are there clear linkages between the projects and other activities that the EF supports and the fund's broader organizational or program objectives? Are there clear linkages between programs within the EF?
- Is there a monitoring plan in place for program level objectives? Does it identify sources of information; methods, roles, and responsibilities for data collection and analysis; resources available for these activities; reporting procedures; and the ways that monitoring information will be used in decision making? What procedures are there for reviewing monitoring information with key stakeholders?
- Is the timing of program evaluations related to key decision points? Is there flexibility, and adequate resources, to carry out evaluations when needed to understand more fully the reasons behind trends indicated by monitoring information?
- What are the expectations of key stakeholders (including donors) regarding the fund's ability to report on its performance and results?

## BEST PRACTICES AND LESSONS LEARNED

EFs that have been most effective have defined a clear role for themselves within the countries in which they operate. This role is linked to national environmental or biodiversity strategies or action plans. It is also based on a good understanding of the fund's comparative advantage vis-à-vis other organizations working in the same area, and the development of collaborative linkages with them.

Successful EFs have used a participatory strategic planning process to define a clear mission for themselves and reflect this mission in long term (usually 5-8 years or longer) organizational objectives. A realistic assessment of the role the fund can play within its national context and the nature of its relationships to government, private businesses, research institutions, other non-governmental organizations, and social sectors of the country is important to reflect in its mission statement and strategic plan. For example, FMCN in Mexico was designed based on an extensive consultation process that involved over 400 people representing all sectors of society. Since its creation, FMCN's mission, objectives, and indicators have been periodically reviewed to respond to the growth of the organization and to changes in the conservation setting in Mexico. The goal of the institution is "to conserve the biodiversity of Mexico and to insure the sustainable use of its natural resources through strategic actions and medium- to long-term financial support."

Performance and impact indicators based on the EF's long-term organizational objectives provide the basis for monitoring whether these objectives are being achieved as planned, and whether the activities supported by the fund are leading to the accomplishment of its organizational objectives. Revisiting their strategic objectives periodically allows EF's to take into account changes in the overall environment within which they operate and experience using performance and impact indicators.

Workshops that bring together people from different sectors in conservation and experts in planning are good means of generating ideas on possible program indicators. These meetings should not be overly structured, but allow a free exchange of ideas. For example, FMCN's strategic plan in Mexico is periodically reviewed and incorporates performance indicators. The last revision was based on the input that resulted from a workshop, where representatives of all sectors of Mexican society participated. Based on this latest strategic plan, impact indicators are being identified through an ad hoc committee of experts from all sectors in conservation. This committee faces the challenge of defining indicators that measure the impact of a universe of 260 projects in the program. In parallel, the program on natural protected areas at the FMCN defined the planning methodology, its goal, objectives, and indicators through an initial workshop that gathered stakeholders, academics (both in the social and natural sciences), and experts in planning. The directors of the natural protected areas and their staff further reviewed these initial ideas and provided most of the baseline data.

Experience has shown that it is best to limit the number of performance and impact indicators to the smallest number possible to measure the progress of activities and/or results sought. Indicators should be ones for which reliable information is available on a regular basis and at as low a cost as possible. This means using data routinely collected by others whenever possible rather than an EF carrying out its own data collection efforts, especially in the case of impact indicators.

Because of the nature of the results sought or availability of data, it will most likely not be possible to collect information on all program level indicators annually. However, it is useful for the EF

to monitor progress toward its objectives every year using at least some of the indicators chosen. Reviewing monitoring data with all relevant stakeholders is a good way to further understanding of what is occurring, build commitment to the achievement of organizational objectives, and confirm whether key assumptions remain valid.

There are differences in program level M&E between small grants programs funded by EFs and programs to support protected areas. Because of the relative homogeneity and, typically, the small number of protected areas supported by an EF, it is likely to be easier to use common indicators and to link project level indicators to program indicators in protected areas programs than in grants programs.

Monitoring is a continuous process that should be a routine part of management. Evaluations, on the other hand, are done at specific times. These can be planned in advance – such as a mid-term or final project evaluation – or only when the need arises. For example, information from monitoring might raise issues (e.g., progress toward an objective is significantly slower or more rapid than expected) or there might be major changes in the environment within which a project operates. An evaluation would be useful to help understand better why this is happening and the impact on project or program activities.

## **PROJECT LEVEL MONITORING AND EVALUATION**

### **KEY ISSUES TO ADDRESS**

- Do all projects or other activities supported by the EF have clear and measurable objectives, outputs, and performance indicators? Are the key assumptions linking inputs to outputs, and outputs to objectives clearly identified? To what extent are these the results of a genuinely participative process involving all key stakeholders? Do projects use the logical framework approach as a basis for design, monitoring, and evaluation?
- Does each project have a monitoring and evaluation plan? Does it identify sources of information, methods, roles, and responsibilities for data collection and analysis? Are adequate resources available for these activities? Are they in proper proportion to the size and/or innovation of the project? What procedures are there for involving key stakeholders in the collection and/or review of monitoring information? How is information from monitoring reported to those responsible for managing the project, other stakeholders, and to the EF? How will monitoring information be used in decision making?
- Is the timing of project evaluations related to key decision points? Are all planned evaluations necessary? Is there flexibility and adequate resources to carry out evaluations when needed to understand more fully the reasons behind trends indicated by monitoring information?
- Who is responsible for managing and using information from monitoring and evaluation of projects in the EF itself? Do they have sufficient time and resources to carry out these responsibilities, including to make field visits to independently verify monitoring and evaluation data?

- How is information from project level M&E used by the EF? What systems are in place to permit the EF and its partners to adapt to and learn from experience?
- What are the expectations of key stakeholders (including donors) regarding the EF's ability to report on the performance and results of the projects and other activities it supports?

## **BEST PRACTICES AND LESSONS LEARNED**

Protected areas programs have had success focusing on strategic planning at the level of individual parks as a basis for defining objectives and indicators. Small grants, however, are more likely to be focused on the project activity that the EF is supporting. The logical framework methodology has proven to be useful for both processes.

Clear project objectives, outputs, assumptions, and indicators are essential to determine the performance and impact of projects, both individually and in comparison to others. The logical framework has proven to be a valuable tool for doing this. However, like any tool, it can sometimes be more costly to insist on adhering rigidly to the full logical framework process for some projects. Full adherence may also require a level of capacity that many prospective grantees do not have. Therefore, it is more important to emphasize that project proposals have clear objectives and indicators, and use them as a basis for their M&E plans, than to insist that grantees follow rigidly the logical framework process or any other particular method.

Many EFs have found it necessary to develop ways to assist prospective grantees design projects and related M&E plans. They have had greater success working in partnership with and supporting other organizations to do this as much as possible, rather than building up their own staff to do it. For example, organizations that submitted proposals to FMCN's grants program in Mexico that did not meet its evaluation committee's standards for project design were invited to participate in a workshop on strategic planning, the project cycle, and the logical framework. The response has been very positive and a gradual improvement in the preparation of proposals is being observed. In other cases, FMCN's evaluation committee has approved projects with a recommendation that support be provided to strengthen the planning or administrative capacity of the grantee. FMCN has set aside a portion of its grant funds to cover the costs of training for them through Mexican organizations that specialize in this field.

For protected areas, it is important to support strategic planning at individual protected areas and at the system level as the basis for identifying project objectives, outputs, and indicators. EFs have found it valuable to work closely with protected area managers to build their capacity to define their own strategic plans and the way that the resources provided by the EF factor into and relate to their overall objectives and activities. For example, the definition of the goal, objectives, and indicators for the program on natural protected areas at the FMCN in Mexico followed three steps. The first was a workshop with stakeholders, experts in planning, and academics to define the overall program logical framework, the planning methodology, and the program impact indicators. Next, directors from the protected areas participated at a workshop where they became familiar with the planning methodology. Third, regional workshops gathered the technical core teams for each protected area to define the specific logical frameworks for each reserve, including impact and performance indicators.

The frameworks for each individual reserve provide the basis for the overall strategic plan of the program. Both reports and operating plans, including their financial and technical aspects, are based on these frameworks. It has required more than a year to have a polished system both for the program and for each natural protected area, as well as the respective baseline data. The challenge ahead consists of standardizing the methods to collect and analyze data in the program, involving all stakeholders.

It is important to involve all stakeholders in the project planning process, including defining objectives and indicators, and in collecting data on indicators. Once staff in the field and at EF offices understand the need and use of a M&E system, collecting, analyzing, and considering results for decision making can more easily become part of the management of an EF.

## RESOURCES FOR MORE INFORMATION

Aaker, Jerry and Jennifer Shumaker (1994). *Looking Back and Looking Forward: A Participatory Approach to Evaluation*. Little Rock, AR: Heifer Project International.

Gosling, L. (1995). *Toolkits: A Practical Guide to Assessment, Monitoring and Evaluation*. London: Save the Children (UK).

Hitz-Sánchez, Alex, Paquita Bath, Richard Devine, Patricia León, Bruce Moffat, and Monique A. Zegarra (1997). *Rumbo al éxito: una guía para juntas directivas de organizaciones sin fines de lucro*. Arlington, VA: The Nature Conservancy, América Verde Publications. ISBN 1-886765-07-3.

*Rumbo al éxito* is a comprehensive overview of board responsibilities designed to assist nonprofit organizations in Latin America achieve greater levels of performance effectiveness. This book considers the purpose, responsibilities, structure, and composition of nonprofit boards through the analysis of Latin American case studies, practical exercises, and conceptual frameworks that will help all boards and staff.

Kremen, C., A. Merenlender, and D. D. Murphy (1994). "Ecological Monitoring: A Vital Need for Integrated Conservation and Development Programs in the Tropics." *Conservation Biology* 8 (2): 388-397.

Margoluis, Richard and Nick Salafsky (1999). *Measures of Success: Designing, Managing, and Monitoring Conservation and Development Projects*. Washington, DC: Island Press.

A practical, hands-on guide to designing, managing, and measuring the impacts of community-oriented conservation and development projects. Presents specific guidelines and advice on designing a realistic conceptual framework based on local site conditions; developing clearly defined goals, objectives, and activities; creating a monitoring plan that can be used to assess whether goals and objectives are being met; integrating social and biological science techniques to collect the most relevant and useful data in the most cost-effective way; and using the information obtained through the monitoring plan to modify the project and learn from the results.

Mexican Nature Conservation Fund (1999). *Monitoreo y Seguimiento del Fondo para Áreas Naturales Protegidas* (in draft).

A handbook that describes the M&E approach and specific objectives and indicators (at the program level and for individual protected areas) for FMCN's Natural Protected Areas Fund.

The Nature Conservancy (1999). *Planificación para la conservación de sitios: un proceso para la conservación de sitios prioritarios* (in draft).

UNESCO (1996). *Reservas de Biosfera: La Estrategia de Sevilla y el Marco Estatutario de la Red Mundial*. Paris: UNESCO.

United Nations (1996). *Indicators of Sustainable Development: Framework and Methodologies*. New York. ISBN 92-1-104470-7.

United Nations Development Programme (1997). *Who Are the Questionmakers? A Participatory Evaluation Handbook*. New York: UNDP.

Provides an overview of participatory evaluation and a training module consisting of a case study that documents an attempt at participatory evaluation. Annexes provide a sampling of tools for a participatory evaluation and a list of organizations and resource groups supporting participation.

USAID (1996). "Selecting Performance Indicators." Center for Development Information and Evaluation Performance Monitoring and Evaluation TIPS No. 6.

This 4-page summary offers advice for selecting appropriate and useful performance indicators. Answers key questions about indicators, describes four steps in selecting them, and criteria for assessing the quality of performance indicators.

World Bank (1998). *Guidelines for Monitoring and Evaluation for Biodiversity Projects*. Environment Department Papers No. 65, June 1998.

Guidelines for the design and implementation of M&E plans for World Bank biodiversity conservation projects. Describes technical aspects for developing an M&E plan, and provides guidelines for identifying appropriate indicators. An annex provides "menus" of possible biological, socioeconomic, and management indicators.

World Bank (1996). "Designing Project Monitoring and Evaluation." Operations Evaluation Division *Lessons and Practices* No. 8.

A 12-page summary of the key components to designing good M&E elements in World Bank projects: setting clear objectives, selecting indicators, providing for data collection, identifying responsibilities for carrying out M&E, and defining ways that findings will be fed back into decision making.

<http://www.interaction.org/evaluation/tips.html>

Provides a list and online connections to a large number of evaluation resources, tips, and best practices provided by many organizations and agencies, organized by Interaction, a coalition of US development NGOs.

<http://www.wcmc.org.uk>

The World Conservation Monitoring Centre has extensive experience in biological data storage, analysis, and presentation for monitoring purposes. Especially useful for country level programs.

## VII. Raising capital

### KEY POINTS

Successful fundraising generally requires a well-thought-out strategy involving program planning and financial needs assessment as well as research of the various potential sources to determine which may actually be available to any given fund.

In general, multilateral bank funding is available only to governments or to private-sector projects expressly approved by governments. Therefore, close collaboration with government is a prerequisite for eligibility to major sources such as the GEF.

Bilateral donor support to an EF, whether hard or local currency, can be directed to the capitalization of the endowment itself, technical assistance, or parallel funding of programs selected by the EF. This type of funding is also typically negotiated government-to-government and usually requires active government support.

Debt-for-nature swaps or conversions may generate endowment capital or recurrent flows of local currency to support EF projects. The key elements include existing national debt meeting certain conditions, a creditor willing to cancel the debt in exchange for a negotiated (reduced) payment and/or specified commitments to conservation, and a national government willing to authorize and abide by the agreement.

International foundations have not been a major source of capital to EFs but have provided important collaboration and co-financing for EF projects.

EFs have successfully used special taxes and fees as well as other national sources to generate both recurrent and endowment income.

Every EF confronts the question of how and where to raise resources from the beginning of its design. Even well into its operational phase, an EF continuously has needs to raise additional resources to meet co-financing targets set by the original donors, and to build enough capital to carry out its programs and operations over the long term. This chapter addresses each of the key questions with a separate analysis of best practices and lessons learned, contributed by EF managers, donor representatives, and experts in the relevant fields.

### KEY QUESTIONS TO ADDRESS

- What are the elements of a good resource mobilization strategy?
- What multilateral institutions support EFs?
- What are the potential bilateral sources?
- How can an EF benefit from debt-for-nature swaps?
- Are international foundations a potential source of resources?
- What strategies are most successful for raising funds locally?

Each of the sections of this chapter discusses best practices and lessons learned relevant to one or more of these questions.

## A. OVERVIEW/DESIGNING A RESOURCE MOBILIZATION STRATEGY

*Lorenzo Rosenzweig*  
*Executive Director*  
*Mexican Nature Conservation Fund*

Environmental funds are permanent financing mechanisms that have a long time horizon and provide grants and technical assistance to community based groups, indigenous people's organizations, NGOs, and in certain cases (especially protected areas funds), to government agencies. Typically, EFs secure funds from international and in country sources and then disburse them through open or focused conservation and sustainable use programs that answer to thematic and geographic national and in some cases regional priorities.

When designing a resource mobilization strategy, one of the first questions to be asked relates to the nature of funds raised. In very broad terms, the possibilities include earmarked or sinking funds, and capital or endowment funds (see **Chapter II, "What is an environmental fund, and when is it the right tool for conservation?"**). Most EFs combine both types. As a general rule, sinking or project earmarked funds are much easier to obtain and have a greater short term impact. On the other hand, endowment funds are more difficult to raise and fit into long term conservation strategies that, if combined with adequate sinking fund disbursements in the early phases of the programs, secure the permanence of the conservation efforts.

The Mexican Nature Conservation Fund (FMCN) is a good example of an evolving EF that started as a permanent endowment fund supported by USAID and the Mexican Government, contributing on a 2:1 ratio to support grants to organizations of the civil society. Later a protected area fund was added with a capital contribution from GEF. FMCN's \$10 million annual budget is obtained from a combination of contributed sinking funds and revenue from investment of its \$46 million endowment.

### *Designing a resource mobilization strategy*

The development of a fundraising strategy, and actually raising sinking and/or endowment funds, has been always a top priority for all EFs. A questionnaire answered by more than 20 EFs in preparation to the IPG's Mérida, Yucatan, workshop in December 1997 placed this subject as the most important and pressing capacity-building need. Resource mobilization campaigns have been always part of the development programs of conservation NGOs and EFs. Increased competition for philanthropic contributions, ever-growing organizational needs and the gradual reduction of international aid programs are forcing most EFs to implement more organized and intensive fundraising efforts.

The exact nature and design of these efforts, like the nature of EFs themselves, is specific to each institution. Many of the international donors have particular preferences, and national governments

show different degrees of commitment towards conservation of the natural resources. However, the following key components apply in most cases and should be taken into consideration. Any successful resource mobilization strategy must have:

- Support and time commitments from all key groups involved such as the board of directors, the president of the board, the national government through the corresponding ministries, and the grantee or beneficiary community.
- A clear vision and a sound strategic plan for growth and improvement of the grantmaking program.
- Objectives based on clear priorities and accurate plans, budgets, and needs.
- A compelling and authentic case for support (case statement) properly documented and supported.
- A market survey of potential national or international donors whose giving priorities are in line with the EF's profile.

The following summary outlines key steps essential for laying the foundation for a successful resource mobilization strategy.

- a. Examine case as per the mission statement of the EF
  - Why does the institution exist?
  - How does the EF address the country's most pressing needs in relation to biodiversity conservation?
  - How does the EF strategy fit within the national strategy?
- b. Define objectives
  - Mission and goals translated in specific and measurable terms or programs. How does the EF provide solutions to the problems and needs?
- c. Prepare estimated needs statement
  - Program plans projected for at least 5 years
  - In depth financial planning accompanying program planning
  - Estimate resources required for programs
  - Identify endowment and sinking fund needs over a 5-year horizon.
- d. Identify potential funding sources
  - Bilateral sources – direct grant contributions
  - Bilateral sources – debt conversion
  - Multilateral sources
  - Private foundations
  - Private corporations and individuals

- Other sources such as national governments operating potential financing mechanisms like privatization fees, conservation easements, and carbon sequestration.
- e. Based on the potential sources, define a fundraising strategy
- Select fundraising vehicles suited to the potential sources. Determine cost-benefit ratios and testing techniques.
  - Establish management scheme for analysis, planning, implement resource mobilization strategy, and adjust in response to day to day experience and results.

Implementing a fundraising campaign, be it for securing sinking funds or for obtaining a capital endowment, is an expensive time consuming initiative. EFs should tackle it as the first priority and fund it correspondingly.

## RESOURCES FOR MORE INFORMATION

A profile of the financial structure of most EFs of the Latin America and Caribbean Region can be obtained through REDLAC.

BIONET (1999). *Innovative Financing and the GEF: Directions for a New Millennium*.

Dove, Kent (1990). *Conducting a Successful Capital Campaign*. San Francisco: Jossey-Bass Publishers.

## B. MULTILATERAL SOURCES

*Randall K. Curtis*  
 Director, Conservation Finance and Policy  
 The Nature Conservancy  
 with  
*Kari Keipi*  
 Inter-American Development Bank

The term “multilateral donors” refers to the banks (World Bank, International Finance Corporation, Inter-American Development Bank, Africa Development Bank, Asia Development Bank, etc.) and international agencies (for example, of the United Nations Development Programme, European Community, etc.) that support economic development by channeling resources from the developed world. These resources come in the form of loans to central governments, special projects, grants, and sometimes support for private-sector activities.

In recent years, support for conservation programs in general and EFs in particular from the multilateral development banks has increased significantly. The major new thrust is the Global

Environment Facility. However, additional forms of conservation finance are being developed by regional development banks such as the Inter-American Development Bank.

In general, multilateral bank funding is available only to governments or to private-sector projects expressly approved by governments. Sometimes conservation funding might also be attached to an infrastructure development project – for example, as mitigation to the environmental effects of developing roads, railways, dams, etc. Projects submitted to development agencies, especially multilateral banks, usually must have the backing of the appropriate government agencies, and generally be submitted by or with those agencies. There are exceptions, as in the case of the Inter-American Development Bank's small projects that finance NGOs directly or the funding through its private sector windows to environmental enterprise funds.

The major multilateral funding source for EFs is the **Global Environment Facility** (GEF). As of December 1999, the GEF has supported about 15 currently operating funds and about that many more in the preparation phase. To meet GEF eligibility criteria, an EF seeking a grant from this source must be located in a country that has signed the Convention on Biological Diversity and have the active support of the national government, which will have to sign off on the application. It must be able to demonstrate that the conservation activities are consistent with GEF operational programs and strategies and will protect *globally significant biodiversity resources*, and that there will be substantial local contributions (i.e., that only *incremental costs* are to be supported by the GEF).

In addition to providing endowment capital, the GEF has a “window” for medium-size projects (up to US \$1 million) that can support technical or preparatory assistance as well as direct conservation activities. See the section on “resources” below for obtaining information about this program. These proposals can be submitted to UNEP (for research activities), UNDP (technical assistance and capacity building activities), or the World Bank (investments).

The **Inter-American Development Bank** (IADB) has used a loan mechanism to finance three national public environmental fund operations: two in Brazil and one in Colombia, with a total financing of US\$71 million. It is currently studying the application of that mechanism in other countries (Argentina and Paraguay are example of this). The Brazilian National Environment Fund (FNMA), that has been subject to IADB loans in two phases, has financed so far over 530 projects, totaling over US\$30 million, mostly through local NGOs and community groups. The projects financed through grants are for sustainable natural resource management and conservation, environmental management, conservation units, and applied technology development in natural resources and environment. Experience has shown that relying solely on the demand driven approach may not guarantee adequate coverage of problems that may be of national priority. Priority areas are established by the Deliberative Committee of the Fund, whose representation includes state level and academic intertests, in addition to the five representatives of the NGOs throughout the country.

In addition, the IADB has financed five environmental enterprise funds through its private sector windows in order to make use of the opportunities of direct private sector propensity to invest in sustainable management and utilization of natural resources. As examples of financing approved for Central America two operations of the IADB's Multilateral Investment Fund (MIF) should be mentioned. One of them is the capitalization and technical cooperation of “Empresas Ambientales

de Centro América” fund that is providing resources for small companies whose business is in providing energy efficiency, water treatment, pollution abatement, and ecotourism. The second operation is a provision of a \$5 million grant in order to transform environmental NGO income generating activities in agriculture, agroforestry, aquaculture, ecotourism, biogenetic prospecting, and environmental education into commercially viable small enterprises. This Eco-Enterprise Fund is managed by The Nature Conservancy, which is matching the IADB MIF grant with a additional \$5 million. An estimated 20 to 30 ventures will be established during the seven year period of the project.

Another example of an environmental enterprise fund with multiple sources of financing is the regional Terra Capital Fund based in Brazil. It is promoting biodiversity related business ventures. The funding comes from MIF, IFC, the Swiss Government, and private investors. GEF is providing grant resources to meet the Fund’s biodiversity technical needs.

A greater effort is being made by the World Bank and UNDP to help developing countries better plan their development strategies and use the financial resources provided by multilaterals. Civil society organizations are strongly encouraged to become involved in multilateral-sponsored priority-setting exercises such as the World Bank’s recent Comprehensive Development Framework. To the extent that environmental funds can influence the multilateral resource-allocation process by participating in these country strategies, they may stand to benefit as legitimate vehicles for implementing part of the environmental component.

The **European Commission’s** Budget Line (B7 6200) ‘Environment in Developing Countries’ was created in 1982 by the European Parliament. The Budget Line is a specific instrument to implement pilot actions and strategic studies with the broad aim of contributing to sustainable development. The purpose of the budget line is to provide financial assistance for, and technical expertise on, activities conducted in developing countries, which enable the people in these countries to integrate environmental protection and sustainable development concepts more easily into their daily lives.

The Budget Line (B7-6201) ‘Tropical Forests’ was created in 1991 at the initiative of the European Parliament as a response to the Rio ‘Earth Summit’ process. The Budget Line is aimed at supporting the conservation and sustainable management of tropical forests in developing countries. The purpose of the budget line is to support operations to promote the conservation and sustainable management of tropical forests and their associated biological diversity.

Aid recipients and co-operation partners may be not only States and regions but also decentralized departments, regional bodies, public agencies, traditional and local communities, private operators and industries, including co-operatives, NGOs, and associations representing local people. For NGOs, the majority of the organization’s human and financial resources should originate from within the Community or developing countries.

## **RESOURCES FOR MORE INFORMATION**

Every GEF-eligible country nominates **focal points** who are key national contacts for coordination of GEF programs. Typically there is an operational focal point (often in the ministry or department of

environment), a political focal point (finance/planning ministry), and sometimes an NGO focal point. In-country offices of GEF Implementing Agencies (UNDP, World Bank) can usually provide contact information for these people.

The GEF Web site is <http://www.gefweb.org>.

An information packet on medium-sized projects, including an introductory brochure, answers to frequently asked questions, sample project briefs and concept papers, and application forms for project development funding, is available from the GEF Secretariat, 1818 H Street NW, Washington, DC 20433, USA. This packet is generally available at in-country UNDP and World Bank offices as well, and on the GEF web site.

An EF can subscribe to a newsletter, “GEF Lessons Notes,” disseminating findings from monitoring and evaluation of GEF projects, by visiting the monitoring and evaluation page of the GEF Web site, sending an e-mail to [geflessons@gefweb.org](mailto:geflessons@gefweb.org), or writing the GEF Secretariat’s Monitoring and Evaluation Unit at the address above.

IUCN, the World Conservation Union, has published several very useful guides to the GEF aimed at NGOs. *The Global Environment Facility from Rio to New Delhi: A Guide for NGOs* is a 64-page booklet with a good orientation to the GEF, explanation of the processes by which funding is allocated, discussion of each of the four focal areas (biodiversity, international waters, climate change, and ozone depletion), options for NGO involvement, and a directory of contacts. *Biodiversity, International Waters and the GEF: An IUCN Guide to Developing Project Proposals for the GEF* is a step-by-step guide that clearly explains criteria and procedures and includes samples of the “products” – project brief, concept paper, annexes, etc. – that need to be submitted at each stage of the process. For copies, contact IUCN Publications Services Unit, 219c Huntingdon Road, Cambridge CB30DL, UK. FAX (44) 1223-277175, email: [iucn-psu@wcmc.org.uk](mailto:iucn-psu@wcmc.org.uk).

Recently the IADB has made improvements to its Web page to make information about publications, upcoming events, and programs of interest more accessible. The Web page is divided into sections: Integrated Water Resources Management, Urban Environment and Pollution Control, Forestry and Biodiversity Conservation and Management, Coastal and Marine Resources Management, Sustainable Agriculture and Rural Development, Energy Conservation and Alternative Sources of Energy, and Environmental Management, Law and Economics. The Web page is accessible at <http://www.iadb.org/sds/enve.cfm>.

Contact information for the European Commission: European Commission, Directorate General for Development, Environment and Natural Resources, Rue de la Loi 200, B1049 Brussels, Belgium. FAX (32-2) 299-0961, email: [karin.jonsson@cec.eu.int](mailto:karin.jonsson@cec.eu.int) or [frank.jacobs@cec.eu.int](mailto:frank.jacobs@cec.eu.int).

## C. BILATERAL SOURCES

*Victor Bullen*  
*USAID*

Most environmental funds agree that it is very important to diversify funding sources and avoid dependence on a single or a few sources. However, most developing country EFs have one major bilateral or multilateral donor source that is the backbone of the fund. Bilateral donors typically contribute to an EF through a direct hard currency donation or through a local currency donation as part of an official debt (government-to-government debt) conversion. (See **Chapter VII. D, “Debt conversions.”**) Bilateral donor support to an EF, whether hard or local currency, can be directed to the capitalization of the endowment itself, technical assistance, or parallel funding of programs selected by the EF.

Bilateral donors collectively contribute about \$50 billion per year to developing nations’ sustainable development programs, according to the Organization for Economic Cooperation and Development-Development Assistance Committee (OECD-DAC). Though this amount has been gradually decreasing in recent years (the 1997 figure was \$48.3 billion), it is still a significant source of direct funding for environmental programs in developing countries. In 1996, the 21 or so DAC members (i.e., bilateral donors) budgeted about \$1.2 billion in environmental protection out of a total \$55.4 billion for all developing country programs. This environmental protection figure is considered to be an underestimate, as it does not capture environmental programming in other sectors.

Bilateral donors to EFs include Canada, Denmark, Finland, Germany, the Netherlands, Sweden, Switzerland, and the USA. The United Kingdom has recently provided start-up funding for the design of a fund. Most bilateral donors have supported local currency programs. The donor is almost always involved from the inception of the EF. Early contact with the donor is essential.

The US Government (USG) has supported the creation of at least 18 EFs, particularly through the US Agency for International Development (USAID) and the Enterprise for the Americas Initiative (EAI), an official debt conversion program. USAID has considerable experience in establishing endowments and is at the forefront of donor involvement in this area. USAID has supported the creation of about 35 endowments in all sectors; about 10 of these are in the environment. USAID has made about \$100 million available to environmental endowments and another \$20 million in technical assistance or program funding.

### **ENTERPRISE FOR THE AMERICAS INITIATIVE**

The EAI program, launched in 1990, has converted about \$900 million in official USG debt to create over \$175 million in eight local currency funds. EAI was designed to reduce the debt burden in LAC nations while promoting mainly environmental protection, and to a lesser extent child survival and development. To participate, a country must have USAID and/or “PL-480” (also known as “Food for Peace”) debt, must meet the political criteria (democracy, drugs, terrorism, and human rights), and meet economic reform criteria (open investment regime, intellectual property regime, structural

adjustment, and satisfying commercial debt). Nations that qualified for EAI had their official USAID and/or PL-480 debt reduced (by as much as 50%) with the additional benefit of paying the interest on the remaining debt (in local currency) into a locally managed trust fund. The program works through a bilateral agreement between the USG and beneficiary country called the Americas Framework Agreement. Between 1991 and 1993 agreements were signed with the following countries: Argentina, Bolivia, Chile, Colombia, El Salvador, Jamaica, and Uruguay. In 1998 another was signed with Peru.

Under the bilateral agreement, the debtor nation sets up a locally managed board to determine which environmental issues to address and which projects to fund through a grants program. The board includes a majority of representatives from the private sector (i.e., NGOs, community groups, and universities), nominated by the government in broad consultation with the public. In some cases, existing agencies or NGOs serve as secretariats for the board – with mixed results. In most others, a new foundation has been created to administer the grants.

## **THE TROPICAL FOREST CONSERVATION ACT**

In July 1998, the USG expanded the EAI program by passing the Tropical Forest Conservation Act (TFCA). TFCA enables the US Government to favorably treat approximately \$13 billion of outstanding USAID and PL-480 debts in countries with tropical forests. The level of treatment will depend on a calculation of the net present value to the USG budget of their debts. To participate, a country must have USAID and/or PL-480 debt, must have tropical forests, must meet the usual political criteria, and meet the usual economic reform criteria. TFCA (and EAI) are run by a 15-member interagency public/private Board, appointed by the President. This Board is currently chaired by the US Treasury and vice-chaired by State, and includes USAID, Agriculture, Interior, the Environmental Protection Agency, and other federal agencies, plus 7 private members.

TFCA has three mechanisms for treating debt:

- Buy Back
- Third Party Swap
- Reduction

Debt buy backs and swaps do not require any appropriations from the US Congress and can be used at any time. Debt reductions require an appropriation to pay certain costs, but less than one-for-one of the amount of debt reduction. All of the mechanisms include the creation of local currency funds for conserving tropical forests according to the EAI model described above. The Executive Order to implement TFCA was signed in July 1999, and so it is now fully operational. The trigger mechanism to begin the interagency process to determine the eligibility and treatment value of outstanding debt stocks is a letter sent from the Minister of Finance of the debtor country to Treasury Under Secretary Geithner. As of December 1999, no TFCA boards have been set up in the 44 eligible countries, but the President's board has received official inquiries from at least 6 countries.

The next step for these countries and any others that submit letters will be for Treasury, State, USAID, and other federal agencies to make formal determinations on eligibility and net present values on outstanding debt stocks. The debt reduction mechanism requires a special appropriation from

Congress. The Administration requested \$50 million in the USG FY 2000 budget, however, it appears that only \$13 million was appropriated for this purpose – \$12 million for debt reduction and \$1 million for operation expenses. Reduction, of course, is the most attractive and generous treatment and so demand will likely far exceed supply.

## **ADVANTAGES AND LIMITATIONS**

Most bilateral donors are decentralized, so any conversations with them regarding EF support should start with their office in the country in question. If direct endowment support is not possible, be sure to discuss the possibility of support for start-up costs, technical assistance, and parallel funding of projects. Both the positive and negative aspects of bilateral support of a EF should be considered and discussed with donors up front:

Advantages:

- An EF is flexible; can be set up to maintain the principal, to draw down on the principal for a specific time period, ultimately depleting it; or to draw down on the principal only for a specified period, after which the balance would be preserved and only the interest would be available.
- Can be structured to leverage resources; opens up possibilities for financing from other donors, from host government, etc.
- Aids in the development of self-reliant, effective, and sustainable local organizations.
- Investment in an EF may be a good “exit strategy” for a bilateral donor if it plans to scale down its program or leave a country. The EF can continue supporting a former bilateral strategy.

Limitations:

- Bilateral donor usually has to amass a sizeable amount of funds, whether in hard or local currency, although not all in one year.
- EFs require an intensive time commitment to set up the endowment structure and the investment plan; donor should plan on one to two years of set up time.
- Bilateral donor usually has no direct monitoring over grants once the fund is established (though the donor may require representation and voting power on the board); all conditions have to be established up front.
- Five to ten years of oversight or technical assistance may be required before the fund can fully operate independently.

## **RESOURCES FOR MORE INFORMATION**

Details on bilateral donor programs can be researched at the OECD’s Web site, <http://www.oecd.org/dac/htm/online.htm#dac/o>. The OECD’s Web site also provides statistics on external debt. The address is <http://www.oecd.org/dac/Debt/htm/debto.htm>.

USAID. “Endowments as a Tool for Sustainable Development,” working paper #221. Also available on USAID’s Web site <http://www.cdie.usaid.gov/rrs.reports.htm>.

USAID. "1998-1999 Update on USAID-supported Environmental Endowments." Available from the Environmental Information Clearinghouse-PADCO, Inc., tel: (202) 994-2518.

Tropical Forest Conservation Act. For complete text see: <http://thomas.loc.gov/cgi-bin/query/z?c105:H.R.2870.ENR;>; for text of the executive order see: <http://www.fedworld.gov/pub/w-house/0728-3.txt>.

## D. DEBT CONVERSIONS

*Melissa Moye*  
*Independent Consultant*

### KEY TERMS

**Debt conversion programs.** Creditor or debtor country officially-sponsored programs for the conversion of external debt that generally involve the issuance of program guidelines or regulations.

**Debt buy-back.** The repurchase by the debtor government of its external debt at a discount from the face value (original value) of the debt.

**Three-party debt-for-nature conversion (swap, exchange).** The cancellation of debt in exchange for a commitment to mobilize domestic resources for the environment. Negotiated between a conservation organization, debtor government, and a creditor.

**Paris Club debt conversion clause.** Included in most debt rescheduling agreements concluded between creditor and debtor governments since 1991, the clause allows for conversion on a voluntary basis of up to 100% of official development assistance loans and a limited percentage (10-20%) or amount (US\$ 10-30 million) of non-concessional loans.

**Secondary debt market.** An informal market for trading of discounted developing country commercial debt.

The debt crisis in Latin America in the 1980s led to the introduction of the debt-for-nature conversion, a financial mechanism that has enabled developing countries to reduce external debt while increasing support for conservation. The first debt-for-nature conversion was negotiated between the Government of Bolivia and Conservation International and resulted in the creation of the Beni Biosphere Reserve. Since this first conversion in 1987, it is estimated that over 30 countries have benefited from debt-for-nature conversions and bilateral debt conversions which have generated over \$1 billion for the environment.

The economic rationale for debt conversion is based on the willingness of a creditor (government or private) to accept less than face value for debt that is not likely to be repaid at full face value and of the

debtor government to make payment at a higher value, but usually at less than 100%. The following steps are necessary to implement a **three-party debt-for-nature conversion**:

- 1) A conservation organization raises funding from private or bilateral donors.
- 2) The conservation organization then purchases commercial debt at a discount from face value on the secondary debt market or solicits debt donations from a commercial creditor (e.g., commercial bank). Bilateral debt can also be purchased through bilateral debt sales programs for conversion of non-concessional debt owed primarily to creditor country export credit agencies.
- 3) At the same time, the conservation organization negotiates separately with the debtor government for cancellation of the debt in exchange for a commitment to provide funding or protection for conservation. Some EFs have been the beneficiary of debt conversions negotiated in the context of debtor government debt conversion programs (e.g., Madagascar, Mexico, the Philippines).
- 4) The conservation organization (or beneficiary organization) then implements the project with the allocated local currency funding or monitors policy changes agreed with the debtor government.

## **BILATERAL DEBT CONVERSIONS**

Following the introduction of the **Paris Club conversion clause** in debt rescheduling agreements in the 1990s, some bilateral creditors established debt reduction programs to convert ODA debt owed by developing countries. In a bilateral debt conversion of ODA debt, a creditor government cancels debt owed by a debtor government in exchange for the debtor setting aside an agreed amount of local currency counterpart funds for development and/or environmental programs. Many of Latin America's EFs were first capitalized through bilateral debt conversion programs. (See **chapter VII.C, Bilateral sources for descriptions of the US government's EAI and TFCA programs**).

**Canada:** Debt Conversion Initiative for Environment and Development in Latin America

**Germany:** Debt-for-environment

**USA:** Enterprise for the Americas Tropical Forest Conservation Act

### **KEY ISSUES TO ADDRESS:**

**Feasibility Research:** Because of the complexity of implementing debt conversions, it is important to evaluate the feasibility of debt conversions prior to developing a debt conversion proposal. Typically, the following questions will need to be addressed:

- Is debt available for conversion?
  - bilateral or commercial debt
  - owed to a creditor that is willing to sell or donate the debt

- Is the debtor government interested in and able to implement swaps?
  - experience with conversions and legal framework (e.g., debt conversion program)
  - fiscal resources available for local currency funding
- What are the potential financial terms for swaps?
  - discount rates for purchase and conversion of debt
  - exchange rate
  - schedule for payment

**Preparing a Debt Conversion Proposal:** In a three-party debt-for-nature conversion, a debt conversion proposal to the debtor government will typically include the financial terms proposed for the conversion along with a description of the EF that provides information about the EF's legal status and objectives, the rationale for supporting a conversion benefiting the EF and the proposed use of the debt conversion proceeds generated by the debt conversion.

## BEST PRACTICES AND LESSONS LEARNED

**Importance of advocating for conversions.** As EFs in Mexico and Peru have shown, EFs can play an important role in advocating for debt conversions both with creditor and debtor governments. Advocacy can take the form of advice on the technical aspects and potential uses for funding generated through conversions.

- **Need for financial/legal assistance.** It is often necessary to call on specialized financial and legal advisors in order to implement swaps. For example, in the case of a three-party debt conversion, a lawyer will be needed to draft a debt purchase agreement and debt conversion agreement. A financial intermediary may be necessary to identify debt for purchase.
- **Partnership with international NGOs.** International conservation NGOs can often provide technical expertise in negotiating conversions and access to hard currency funding that may be necessary in order to purchase debt.
- **Sinking funds.** Because debt conversions generate local currency, they have been a good funding source for sinking funds, but not for endowment capital. Experience has shown that is important to consider ways to counter the risk of loss of value due to inflation or currency depreciation.
- **Debt profile.** Debtor countries that are eligible for significant debt write-offs from bilateral creditors through the Heavily Indebted Poor Countries Initiative (HIPC) may be less interested in negotiating debt conversions.

## SUCCESS STORIES

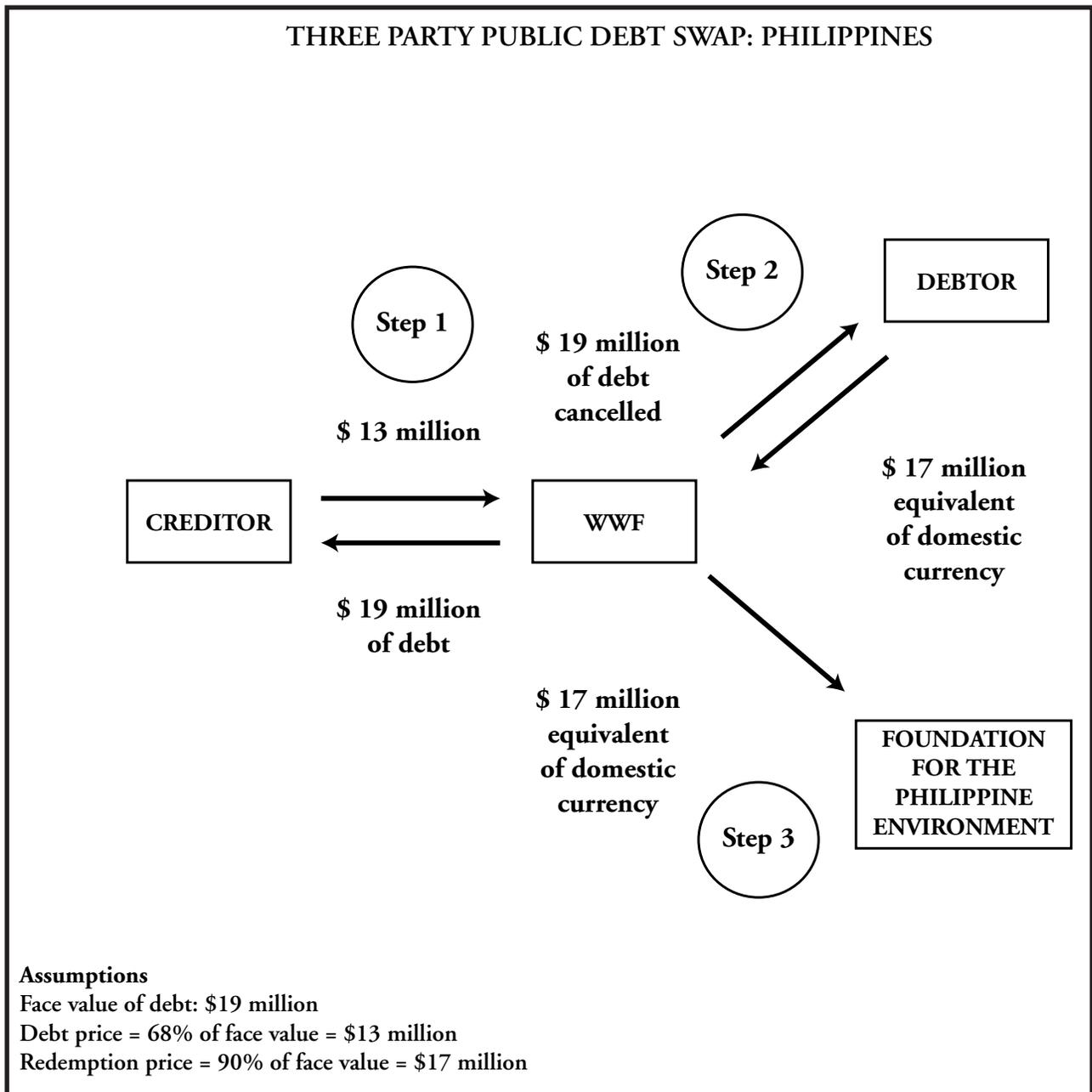
### *Three-Party Debt-for-Nature Conversion: Foundation for the Philippine Environment*

In 1993, with US\$13 million in funding provided by USAID, the World Wildlife Fund was able to purchase US\$19 million in commercial debt owed by the Government of the Philippines, which represented a purchase price of 68% of face value. In exchange for cancellation of the debt, the Government of the Philippines agreed to pay Philippine pesos and peso notes valued at the equivalent of US\$17 million (or a redemption price of 90% of face value). The conservation funds generated were

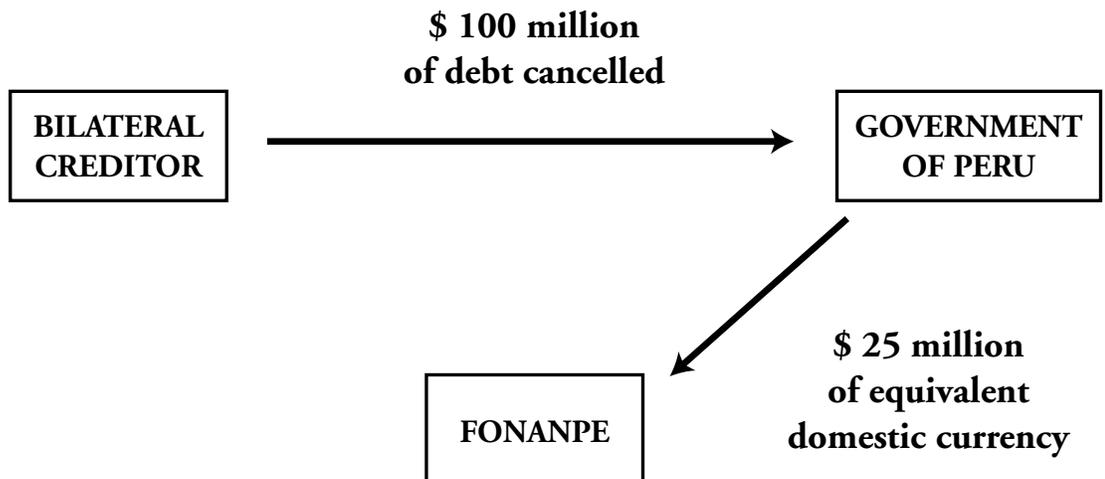
used to assure long-term funding for the environment through the creation of an endowment for the Foundation for the Philippine Environment.

*Bilateral Conversions: FONANPE*

The Government of Peru was able to negotiate bilateral debt conversions with six of its bilateral creditors (Canada, Germany, Finland, the Netherlands, Switzerland, and the USA). The discount rate applied to the face value of debt for these conversions was close to 75% (which is equivalent to paying 25% of the original face value of the debt). Much of the funding has been channeled through Peru's National Trust Fund for Protected Natural Areas (FONANPE).



## BILATERAL DEBT CONVERSION: PERU



### Assumptions

Counterpart fund payment 25%

### RESOURCES FOR MORE INFORMATION

This chapter draws significantly on “Debt-for-Environment Swaps for National Desertification Funds,” an introductory guide which can be requested from the UNDP Office to Combat Desertification and Drought (UNSO) by calling (212) 906-6497 or by e-mail at [unso@undp.org](mailto:unso@undp.org).

Another useful guide “Debt Swaps for Sustainable Development: A Practical Guide for NGOs” can be ordered from IUCN Communications and Corporate Relations Division, Rue Mauverney 28, CH-1196 Gland, Switzerland.

NGOs such as Conservation International, IUCN-the World Conservation Union, The Nature Conservancy, the Swiss Coalition of Development Organizations, and WWF can provide information about their experience with debt-for-nature.

Creditor and debtor governments can be contacted directly for information about their debt conversion programs.

## **E. INTERNATIONAL FOUNDATIONS**

*Ruth Norris*

*Independent Consultant*

*and*

*Randall K. Curtis*

*Director, Conservation Finance and Policy*

*The Nature Conservancy*

Of the EFs with which the IPG maintains contact, only one has received endowment capital from an international foundation: the Foundation for Eastern Carpathian Biodiversity, which received \$300,000 from the John D. and Catherine T. MacArthur Foundation. However, there have been several examples of EFs receiving foundation funding to support specific parts of their grant portfolio (for example, KEHATI in Indonesia and the Foundation for the Philippine Environment received foundation grants for project disbursements during the first year of operations, before their endowment capital had generated income). Foundations may also be a potential source of funding for programs of capacity-building among grantees, policy initiatives by the EF and/or its grantees, or specific kinds of project activities.

- There are a few basic points to be understood about foundation donors at the outset.
- A partnership with a conservation organization in the country where the prospective foundation donor is located can be a very useful point of entrée.
- The activities that a foundation can support must meet the definition of charitable purposes in the country where the foundation is located.
- Foundations have missions, goals, and objectives. Your project will have a much greater chance of success if it is presented in terms of meeting those aims. (Information about specific foundations' aims can be researched through directories, libraries, or copies of their annual reports.)
- Foundations are publicly regulated in the countries where they are registered. Their missions, officers and directors, and grant-making data are generally a matter of public record, and most will respond to requests for information. Many foundations issue guidelines for prospective grantees, and it is wise to consult these before making an approach.

## WHAT DO ENVIRONMENTAL FUNDS HAVE TO OFFER?

*Dan M. Martin*

*Director, World Environment and Resources Program*

*John D. and Catherine T. MacArthur Foundation*

1. They can respond to the growth of NGOs and the decentralization of government. They can work with commercial enterprises and reinforce the growth of civil societies. The traditional methods of development assistance just were not designed to work in that environment.
2. They can distribute funds on a more appropriate scale (smaller than is practical for foreign agencies to manage) over a longer time frame, spending money when needed, and respond more quickly to new circumstances.
3. They elevate the potential for coordinated, mutually reinforcing effects of foreign aid funds – reducing potential for the current pattern of uncoordinated, often conflicting programs, supported by various donor agencies.
4. They can improve the efficiency of donor agencies by enlisting the positive energy and creativity of developing country leadership.
5. They build capacity in developing countries to plan, manage, and sustain their own development programs. Appropriateness and local commitment are bound to increase.
6. They can diminish the debilitating gap that exists between macro-level policy and successful local community-based projects.
7. They can reduce reliance on expatriate experts and sectoral thinking, allowing growth of more comprehensive, systemic programs.
8. They can support trans-boundary programs (as in the Eastern Carpathian Mountains), regional programs (as in Central America or the insular Caribbean), and sub-state programs (as in the Mgahinga-Bwindi Impenetrable Forest Conservation Trust in Uganda). National boundaries and environmental problems rarely coincide. Limiting development assistance to national governments is clearly insufficient and archaic.
9. They can provide models of transparency for government agencies, building experience in open, more democratic decision making and avoiding some of the official corruption that has not been avoided by established modes of development assistance.
10. They offer a reasonably safe and orderly way for donor agencies to experiment with reducing control of Official Development Assistance funds to appropriate levels.

## F. IN-COUNTRY RESOURCE MOBILIZATION

*Barry Spergel*

*Director and Legal Advisor for Conservation Finance, WWF-US*

In addition to relying on grants from international donors, environmental funds are often able to tap a variety of potential in-country sources of financing.

The first place to look for in-country sources of revenue for an environmental fund, is a country's national or provincial governments. There are basically two options: a one-time government grant to endow the fund, or a government commitment to make annual budget allocations to support the fund. In some cases, the government of a developing country may actually be required by an international donor to make some kind of matching contribution to an environmental fund (usually, on a less than one-to-one basis), as a condition for obtaining the international donor's contribution. For example, the Mexican Nature Conservation Fund was established by a \$20 million contribution from the US government, which was conditioned upon the Mexican Government's agreeing to make a matching contribution equal to half of that amount, i.e. \$10 million. By contrast, the Government of Bhutan was not required by donors to the Bhutan Conservation Trust Fund to make any matching cash contribution to the endowment capital of the trust fund, but was, however, required to make a matching contribution each year (by providing labor and office space) equivalent in value to 10% of the trust fund's annual budget. In Ecuador, the government recently contributed the sum of \$1 million to establish a new national environmental fund, by using money which came from privatizing certain state-owned enterprises. The Ecuadorian government did this in order to impress potential international donors with the depth of its commitment to the new environmental fund, and thereby set an example for international donors to follow.

Other potential in-country revenue sources for an environmental fund include:

- a. Donations from individuals in the country.
- b. Donations from local or international corporations operating in the country.
- c. Donations from already established local philanthropic foundations.
- d. Money from pollution fines. For example, many "brown" environmental funds in Eastern Europe are financed in this way, and some of these funds allocate a fixed percent of their budget for "green" nature conservation and protected areas.
- e. Money paid as part of judicially approved out-of-court settlements in pollution cases. For example, in many cases in the US, courts have ordered industrial polluters to contribute money to trust funds for long-term conservation of the particular rivers or ecosystems damaged, rather than paying fines to the government.
- f. Charging a nature conservation fee in addition to an existing airport departure tax, and channeling the extra revenue into an environmental fund (this is how the Belize Protected Areas Conservation Trust is largely financed).
- g. Imposing a tax on airline tickets that is earmarked for a national environmental fund (as is currently done in Egypt and Algeria).
- h. Adding a surcharge on gasoline taxes and earmarking the resulting revenue for an environmental fund (this is how Namibia hopes to finance a proposed new "Environmental Investment Fund")

- i. Imposing excise taxes on sales of hunting and fishing equipment (which is how several hundred million dollars are raised annually for the US Wildlife Restoration Fund and the US Aquatic Resources Trust).
- j. Earmarking the revenues that are collected by government as payments for off-shore oil drilling leases, to go into an environmental fund (which is how the \$1 billion US Land and Water Conservation Fund is financed).
- k. Adding an environmental surcharge to consumers' monthly water bills (which is how watershed forest conservation funds are financed in Bogotá, Colombia and Quito, Ecuador).
- l. Imposing a surcharge on local property taxes, that is earmarked for the acquisition of undeveloped private land in order to create or expand parks and other protected areas (which is done in more than 40 states in the US, and is also done by local governments in France in specially designated "scenic areas").
- m. Lottery revenues (which is how the US state of Colorado finances its \$60 million per year Great Outdoors Colorado Fund, which buys up privately owned 'wildlands' to protect them from future development).
- n. Adding a 1% or 2% surcharge to the price of tourists' hotel rooms (which is how the newly established Turks and Caicos Islands Conservation Fund is financed).
- o. Earmarking part of the money that is collected by the government as timber royalties (which is how the Sabah Parks Foundation is funded in Malaysia).

In most countries, an act of Congress or Parliament is required in order to impose any kind of new taxes or mandatory fees. It may take several years and considerable effort for such legislation to be passed. On the other hand, it may take a similar amount of time and effort to secure large grants from international donor agencies with which to endow an environmental fund.

If governmentally imposed fees and taxes are the sole source of financing for an environmental fund, the fund may readily come to be "controlled" by the government. If, however, the environmental fund also receives substantial contributions from international donor agencies and foundations, or from individual and corporate contributions, then the government's role in managing the fund will usually be balanced by the roles taken by these other donors to the fund, who will want to have a voice in how the fund's money is spent. The most successful environmental funds are those that rely on a variety of different funding sources, including international donors and in-country sources, both public and private.

## VIII. Asset management

*Mary McClellan*

*Senior Advisor for Conservation Finance*

*The Nature Conservancy*

The management of an environmental fund's financial or investment assets is an important aspect of ensuring the success of the fund's environmental objectives and its long term sustainability. However, the choice of both the asset manager and the investment criteria is often overlooked until the fund is nearly established. The professional investment management of an EF can significantly impact both its capital and its attractiveness to future donors. In addition, the management of an EF's financial resources can provide an important learning process as part of building the EF as an effective and sustainable organization. An effective structure for managing a fund's assets is also important for establishing a productive relationship between the EF and stakeholders.

### KEY ISSUES

The EF and its asset manager must balance maximizing the fund's annual income and capital growth with minimizing the risk to the portfolio value. The asset manager should also maximize both the growth of the EF's capital and investment income. The investment income is usually divided annually between an amount for EF organizational expenditures and a percentage that is reinvested in the fund and added to the core capital. The annual amount permitted to be withdrawn should be determined in advance as part of the EF's "Spending Rule" (see the GEF project document for the protected areas of Peru for an explanation of one way to calculate this amount). This rule is designed to ensure that the higher income generated in more successful investment return years will augment the capital amount and provide sufficient operating income in years with lower investment returns. The rule should be established with the help of experienced financial expertise and take into account economic factors such as inflation, market benchmarks, and average historical and anticipated market returns.

The annual dispersment amount often provides critical funding for operating costs and some basic program activities. This income is important because it can provide the assurance of stable and difficult to obtain long-term operating funding, since many donors will only finance specific projects. The assurance of this funding helps provide stability for the EF and enables it to support long-term biodiversity protection and develop new conservation tools.

The assets should be managed by a private sector investment firm or bank that is experienced in the management of portfolios with similar objectives and of similar size as the EF. Thus a government central bank, a billion-dollar pension fund manager, or an inexperienced retail bank without an investment department are not good candidates. In addition, the firm should have a portfolio management department separate from its corporate finance or securities issuance division so that there are no conflicts of interest between the EF's portfolio management and the firm's interest in selling investment assets. This issue created a serious problem for one EF when its assets were invested in a bankrupt company controlled by the fund's portfolio manager.

The EF's objectives, spending needs, and potential for additional capital determine the portfolio structure and its investment risk and return goals for the asset manager. Most of the EFs have a fairly conservative risk profile and asset management requirements given their long term funding objectives, the need to provide stable annual operating income, and the importance of capital growth. Above all, the difficulty of obtaining additional contributions to the EF, particularly for endowment funds, would suggest that the funds follow a more conservative investment approach.

Given this generally conservative risk profile the assets should ideally be invested outside of emerging market countries and in more stable, hard currency international markets. If the EF would like to take some additional risk in order to augment its investment return, for example, it could invest a small percentage of its assets (5% to 10%) in growing local or regional emerging market economies. Funds locally invested should be more liquid and of higher quality (such as Treasury bills) and meet market benchmarks.

In a more conservative portfolio composed of equities and fixed income instruments one might expect to earn slightly lower, but more stable returns over time. This evaluation of some of the existing EFs show returns to range around 7% to 10%. Some of the existing EFs accepted higher risk and obtained much higher returns in their early years but then incurred losses when the international investment markets became highly volatile, particularly in emerging market countries. Only the highest investment quality assets (rated BBB or above) should be purchased for a conservatively managed portfolio to avoid incurring capital losses.

In an endowment fund being managed for the long term, an estimated asset allocation would be 20 to 40+ percent invested in high quality long term equities, with the remainder in fixed income assets, depending in part on the market risk and the strategy of the portfolio manager. The growth in equity values contributes to the long term growth of capital, while the annual expenditures are generated by the fixed income of the fund that should be made up of revenue-producing investment grade assets such as corporate and treasury bonds, certificates of deposit, and cash. Unsecured commercial paper and repurchase agreements secured by secondary equities should make up only a very small part, if any, of an EF portfolio.

Other key asset management issues include the diversification of the investments. The fund should be as diversified as possible over asset types and industry sectors and reasonably balanced, while taking into consideration the portfolio manager's investment strategy and which sectors are expected to have the best investment performance. A portfolio that had, for example, 50% of its assets invested in one industry sector would most likely be overweighed in that sector and would have excessive non-market risk for well managed portfolio.

An EF can now consider a strategy that includes environmentally responsible investments given the number of internationally competitive social and environmental funds that are now offered, without overly increasing their portfolio risk. An EF might consider investing a portion of its money in these funds to maintain its portfolio diversification. Included is information on environmental and social funds, which should be chosen with the assistance of a financial expert and under normal investment guidelines for liquidity, risk, and return, and comparison to market benchmarks.

EFs can be structured as endowment or sinking funds or a combination. An endowment fund is designed to only spend the portfolio earnings but not the original fund capital. Sinking funds are designed to fund a project over a fixed period of time and so an allocated amount of the principal is spent each year. Endowment funding is the most difficult for EFs to obtain because most donors have fixed time limitations. Sometimes donors will permit EFs to accrue the interest earnings of a sinking fund into an endowment account even though the original grant amount has to be spent within a fixed period of time. The Peruvian fund, PROFONANPE, designed this type mechanism to help build their endowment capital. This mechanism, however, is not a replacement for donor endowment capital since it can take as long as 10 years to accrue enough earnings from the sinking fund to reach a significant capital level.

The EF itself can do a number of things to improve the results of its portfolio manager and thus its income and capital growth. For instance, the investment management guidelines should be included in the initial contract with the portfolio manager including the general types, quality, and diversification of the securities the manager can invest in and the parameters for the amount in fixed income or equity securities. The contract should be for a limited period, e.g., one year, and should include a clause that permits the EF to terminate the contract after an agreed upon notice period (30 days) at any time. The EF should receive and review regular monthly or, at most, quarterly investment reports that clearly present the portfolio's rate of return, type and quality of assets, fixed income duration, diversification, and comparison to portfolio benchmarks. A financial expert and the EF's Board of Directors, which should include at least one person with financial expertise, should carefully review these reports.

In addition, the EF should provide its asset manager with an annual schedule of anticipated cash withdrawals, based on the EFs annual budget and workplan, to assist the portfolio manager in maximizing the portfolio's return by keeping the assets fully invested. The EF should also expect to pay a market-based fee for the services of an asset manager since historically below market fees for the investment manager have produced poor returns for EFs. The EF should utilize financial professional and technical assistance at all implementation stages and its design budget should include funding for this technical assistance. Financial expertise can be often provided by donors, international NGOs, or specialized consultants.

## **BEST PRACTICES AND LESSONS LEARNED**

The EF lessons learned reflect the prior investment analysis. EFs have historically earned higher returns by investing in stable financial markets in hard currency assets outside of local capital markets or offshore. Best practices for investment management call for the use of a professional portfolio manager as well as in-house financial expertise – ideally on the board – to supervise the asset manager. There should be a written investment strategy adopted by the board and a (minimum) annual evaluation of the portfolio and asset manager's performance. The EF and asset manager must balance maximizing the fund's annual income with minimizing the risk to its portfolio and long term capital. Some of the principles of asset management good practices used by EFs historically include:

- The professional asset management firm should be selected competitively for its ability and financial stability. The investment firm should have an experienced portfolio management staff, research capability well-developed risk management and reporting systems, and no potential

conflicts of interest. The fees should be reasonable<sup>6</sup> but the EF should avoid trying to reduce costs by requesting pro bono services or below market fees.

- The EF should have a clear investment strategy that matches the financial needs and objectives of the Fund. This should include a statement of investment objectives, criteria for selecting the securities, the minimum asset quality, the industry or sector concentration, and portfolio liquidity. The investment strategy should also include asset mix objectives (between fixed income assets such as bonds or certificates of deposit, equities, and cash).
- The EF should negotiate a management contract that meets its needs and includes the minimum investment guidelines and a clause that permits the EF to change financial institutions for any reason.
- The portfolio manager should produce clear, easily read, and professional reports on a monthly or quarterly basis and his/her performance should be monitored regularly.

EFs that invest in major international financial markets have selected asset managers based on competitive proposals sought from a list of internationally recognized investment firms. EFs that invest locally have used local competitive searches and have usually relied for advice from banks – sometimes identified through board members. Many funds also rely on international financial experts (often identified by the donor) to assist with preparation of initial investment strategies as well as the asset manager selection, due in part to a limited pool of in-country expertise for these types of funds upon which they can draw. Outside professional advice has also been used to monitor investment and asset manager performance. FMCN in Mexico and FUNBIO in Brazil are examples of EFs that have engaged professional financial advisors to supervise, monitor, and provide guidance for the asset management firm.

Professional asset managers, usually drawn from major international investment firms, have, in the experience of EFs to date, generally performed as well or better than the benchmark indices against which funds monitor their performance. Early investment strategies and indices for evaluating performance were designed by the asset management firms or financial advisor. Recently, EFs have become more active participants in their asset management programs. A lesson highlighted by the case of PROFONANPE in Peru is that investment strategies should be revisited regularly, particularly in high-risk investment markets, and action taken promptly by the board when market conditions change.

A recent World Bank study of asset management strategies by EFs concluded that five principles of “active management” contribute to better investment performance:

- a. Investment management strategies that are explicit in setting goals appropriate to long-term investors;
- b. Rigorous determination of initial and annual cash needs (net income);

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<sup>6</sup> Asset management costs are generally 0.5 to 1 percent of the value of the capital, including the manager's fees and commissions, and the services of a custodian – an independent bank or agent which serves an independent accounting and gatekeeper function.

- c. Use of benchmarks or simulated portfolios with market and asset-class specific indices (rather than a general world index) to monitor performance;
- d. Identification of the fund's specific situation and reporting needs in the asset manager's contract; and
- e. Establishment of target performance at a level above the benchmark.

There is little actual experience among EFs with “responsible” or “green” investing, although several funds have specified that they do not wish to invest in certain categories of stocks (logging, toxic waste, armaments). In the early years, most EFs have focused on maximizing income and there was limited expertise and options for “green” investing. However, more options are now available and EF implementation of responsible investment practices has been noted as a priority for some EFs.

### **SUCCESS STORIES: HOW EFs HAVE DEVELOPED SOUND INVESTMENT STRATEGIES**

The Mexican Nature Conservation Fund (FMCN) was originally funded through an agreement between the Governments of Mexico and the United States. In 1997, FMCN received World Bank technical assistance to review its investment management practices as part of the restructuring of a GEF project into a trust fund to be operated by FMCN. FMCN, a fund whose board includes considerable financial expertise, recognized the value of professional counsel and hired a financial expert to help with the re-structuring of its portfolios. The financial advisor oversees the investment of USAID funds (\$19.5 million) and GEF capital (\$16.5 million), monitors the performance of FMCN's three asset managers, and maintains an investment strategy.

### **RESOURCES: MORE INFORMATION ON ASSET MANAGEMENT**

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Richard Sutton, Financial Advisor, Braehead Treasury Management, 1181 De La Montagne, Quebec, Canada, H3G1Z2 Tel: 514 866-2200, Fax: 514 866-3576, email: [braehead@total.net](mailto:braehead@total.net) will provide sample investment management reports and has advised a number of GEF Trust Funds.

Red de Fondos Ambientales de Latinoamérica y el Caribe (REDLAC) members include 23 National environmental funds. Lorenzo Rosenzweig, Chairman of the Executive Committee; contact the Executive Secretary for members and information on Environmental Trust Funds at email: [ralvarez@attglobal.net](mailto:ralvarez@attglobal.net).

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The Green Money On-Line Guide for Index Funds: <http://www.greenmoney.com>.

### **CONTACTING EFS MENTIONED IN THIS CHAPTER:**

*Addresses, telephone numbers, and names of executive directors are listed in Annex 3, list of EFs.*

FMCN: <http://www.fmcn.org>.

### **USEFUL MATERIALS TO REQUEST FROM OTHER EFS:**

- Sample Operating Manual: Fondo Mexicano
- Sample Investment guidelines: PROFONANPE
- Calls for proposals used in recruiting asset managers: PROFONANPE, Fondo Mexicano
- Recommendations on specific asset managers and technical consultants: The Nature Conservancy's Conservation Finance and Policy, Mary McClellan, World Bank Environment Department

## **Annexes**



## Typical steps in the creation of an environmental fund

1. Define general vision – who and what the trust fund will support, and why. This is usually done in a consultative process in which the proponents of the fund convene a series of meetings with potential stakeholders and stakeholder groups.
2. Organize a steering committee. It needs to include both “workers” – people who have the expertise and time to work out the detailed design, and people with clout, who can secure the necessary high-level agreements and meetings (government ministries, international donors, etc.). The committee should also be representative of stakeholders.
3. Develop a list of potential donors and begin meetings – they should be approached by government, together with influential members of steering committee.
4. Secure financial support for planning/development phase – usually this is at least \$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.
5. Develop a more specific vision and strategy – this should be done by the steering committee in an open process that stakeholders can participate in. Questions to address:
  - 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 grantmaking program – purpose, objectives, who is eligible to receive grants, criteria for selecting them. Obviously this will change and develop over time but a well-developed starting point is essential.
  - Financial projections – how much money will the fund need? What percentage will be endowment, what percentage long-term sinking or replenishing funds? This should be commensurate with the objectives of the grantmaking program – enough to achieve a reasonable percentage of the objectives. If that calculation runs into an impossible figure, narrow the objectives.
6. After thorough discussion of the above points, draft conclusions into a proposal for the establishment of the fund. Consultations with donors should have been ongoing through the process. The committee is now ready to present the proposal to them. This may involve meetings with in-country officials as well as at the donor’s own national or international headquarters. See Chapter VII, “Raising capital” for more discussion of this point.

7. AFTER there is reasonable expectation of a donation (it's in process with the donor) hire a lawyer to draft papers of incorporation and statutes or by-laws. These will define the processes for electing the governing body.
8. Incorporate the fund and elect the governing body (which should include mostly people who have served on the steering committee).
9. Receive initial funding, hire staff, open office, initiate grant program. If there is a delay between steps 8 and 9, and if there is sufficient start-up money, this period can be spent developing the board, preparing the operating manuals, drafting the terms of the first call for proposals, developing application forms, etc. Public meetings for interested parties and potential recipients explaining what the fund is all about should also be ongoing during this period.

# Glossary

**Debt-for-nature swap** (or conversion). The cancellation of debt in exchange for a commitment to mobilize domestic resources for the environment.

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

**Fideicomiso.** In some Spanish-speaking countries trusts can be established through a *fideicomiso*, which is an act or contract through which the control over a right or asset is transferred to a fiduciary agent (usually a bank), so that the fiduciary agent is held responsible for compliance with the terms set out by the original holder of the asset in the act or contract. The named beneficiary may be the original holder or a designated beneficiary(ies).

**Revolving fund.** A fund that provides for the receipt of new resources on a regular basis – such as proceeds of special taxes designed 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.

**Sinking fund.** A fund that disburses its entire principal and investment income over a fairly long fixed period, e.g., 10 years or more.

## LEGAL TERMS

**Trust fund** (also referred to as 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, as defined in a charter or deed of trust. Note: In common law countries, trust funds can also be established for specific individual beneficiaries, and be administered by an individual trustee, rather than by a board of trustees. A trust fund in this general sense can take one of several different legal forms, depending on the legal system of the country involved.

**Trustee:** the person(s) appointed (according to the terms of a Trust Deed or Charter) to administer a trust. The trustee can be an individual, a Board of Trustees, or a Trust Company (as in the case EFs in Jamaica, Uganda, and Papua New Guinea, which have incorporated themselves as companies under the Companies Act of their respective countries to serve as the trustee of the Fund).

**Fiduciary responsibility:** the responsibility of a trustee to manage and safeguard the assets of the trust in scrupulous good faith and candor. This includes the responsibility to make prudent investments of the trust’s assets, the responsibility to always keep the trust’s assets separate from the trustee’s own personal assets and the assets of any other trusts which the trustee may administer, a prohibition against personally profiting from serving as trustee (except for being paid an agreed-upon annual fee), and a responsibility to make full disclosure to the intended beneficiaries, as well as to appropriate government supervisory authorities, of all investments of the trust’s assets, as well as to fully disclose any potential conflicts of interest.

**Deed of Trust:** a legal document which transfers the ownership of a sum of money or other property, from the donor to the trustee, in order for the trustee to administer it for a specific purpose, or for the

benefit of specific named individuals. The Deed of Trust usually specifies the exact purposes for which the money can be used, the way in which the money can be invested, the specific responsibilities of the trustee(s), and what will happen to the money if the purpose for which the trust was established becomes impossible to achieve.

**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; the rights and obligations of its officers, directors, and (if applicable) its shareholders or 'members'; the sources from which it can accept money, the activities and objectives for which it can spend money, the ways in which it can invest money, and the conditions upon whose occurrence the organization may be dissolved. Whether such a legal document is called a Deed, a Charter, Statutes, or Articles of Incorporation will depend on a particular country's legal system, and the specific legal form of the entity that is set up (i.e., whether it is an association, a foundation, a not-for-profit corporation, a common law trust, etc.).

**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 President, King, etc. (as opposed to an entity which is set up solely by private individuals or groups in civil society).

**Bylaws:** Detailed rules and regulations which address issues that are not covered in the basic legal document (the Charter, Articles of Incorporation, or Deed). The Bylaws are usually adopted after the entity is legally set up, and Bylaws can usually be changed at any time by a vote of the Board of Trustees or Board of Directors. The Bylaws commonly address such issues as the place and times of meetings of the Board, the rules for electing new officers and directors, the procedures for making grants, etc. This document in some countries may be called a "Constitution" or in Spanish, "*reglamento*."

## MONITORING AND EVALUATION TERMS

- (a) **Monitoring** is a continuous process of collecting and analyzing information to measure the progress of a project or program toward expected results. Monitoring provides managers and participants with regular feedback that can help determine whether a project or program is progressing as planned. Effective monitoring requires a clear statement of **objectives**, performance and impact **indicators**, sources of information on these measures (including baseline data), regular reporting, and a feedback mechanism for using monitoring information for decision making.
- (b) **Evaluations** are periodic assessments that answer questions about why results are or are not being achieved, what unintended consequences of a project there may be, and what lessons are being learned from experience. Evaluations can also examine whether **assumptions** continue to be valid or whether causal linkages are proving to be correct.
- (c) A **strategic plan** sets out an EF's organizational purpose, its long-term (usually 5-8 years) **objectives**, and the means for accomplishing them. Ideally, strategic plans are the result of a process of wide consultation with interested stakeholders. The objectives identified in a strategic plan provide the basis for program-level monitoring and evaluation.

- (d) The **logical framework** is a tool used by many EFs and other development organizations to guide the design, monitoring, and evaluation of projects and programs. Typically, a logical framework will identify the broad **goal** toward which a project or program contributes, the specific **objective** that the project or program seeks to achieve, the **outputs** that are needed to achieve this purpose, and the **inputs** that the project or program provides to produce these outputs. For each level, the logical framework identifies **indicators**, the sources of information and the way that these indicators will be measured, and the **assumptions** that are made to link one level of the framework to the next. The logical framework is usually presented in a matrix form. Ideally, it is the product of a participative process of problem analysis and discussion of alternative ways to achieve desired objectives. A participative approach ensures that strategies identified to achieve goals are realistic.
- (e) A **goal** is a statement of a broad, long-term change to which a project or program (together with other activities) contributes. It is the reason why a project or program exists, and it reflects the ideal state in response to a problem.
- (f) The **objective** is the specific result that a project or program seeks to achieve. It defines the strategy to achieve the goal. (This level of the logical framework hierarchy is sometimes referred to as “purpose.”)
- (g) **Outputs** are the products (e.g., trained people, protected area management plans, policy changes) that are needed to bring about the objective. (This level of the logical framework hierarchy is sometimes referred to as “results.”)
- (h) **Inputs** are the resources or activities (e.g., training courses, funding for policy studies, credit funds for alternative income sources, technical assistance, computers, and vehicles) provided by the project or program that are needed to produce the outputs. (This level of the logical framework hierarchy is sometimes referred to as “activities.”)
- (i) **Indicators** are measures of the achievement of the various levels of a logical framework. Indicators are observable phenomena that should be “objectively verifiable,” i.e., different people looking at the same information would reach the same conclusion. **Performance indicators** measure the implementation of activities. **Impact indicators** measure the changes, status, or trends that projects or programs seek to affect, e.g., habitat fragmentation, population living near protected areas, financial sustainability of an organization. Ideally, advances on performance indicators should lead to advances in impact indicators under identified assumptions. To the extent possible, indicators should be precise, direct measures of the intended result and should be practical (i.e., data are available or can be generated when needed at reasonable cost). They should show quantity, refer to quality, and correspond to a clear time frame.
- (j) **Assumptions** are the actions or events beyond a project’s or program’s influence that need to occur in order for inputs to produce outputs, outputs to lead to achievement of objectives, and for the objective to contribute to the goal. They are also important conditions or risks which may endanger a project’s or program’s success.

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Note: **Bold page numbers** denote where (in this index) terms are defined/explained. “EF” stands for “environmental fund” (as in the main text).

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# DRAFT

## GLOBAL LIST OF ENVIRONMENTAL FUNDS

*Established Funds, Funds in the Process of Establishment and Possible New Funds*

### AFRICA

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#### COUNTRY

#### CONTACT

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#### BURKINA FASO

##### POSSIBLE NEW FUND

##### National Environmental Fund

Donor: IUCN (TA)

Status: (3/99) National Environmental Code legally creates the NEF, but so far the NEF only exists on paper.

Ibrahim Thiaw  
Regional Coordinator for West Africa  
IUCN Regional Office for West Africa  
B.P. 1618, Ouagadougou 01, Burkina Faso  
Tel: (226) 30 85 80  
Fax: (226) 30 75 61  
E-mail: ithiaw.uicn@fasonet.bf

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#### CAMEROON

##### FUND IN THE PROCESS OF ESTABLISHMENT

##### National Environment Foundation

Donor: WWF-Netherlands  
(start-up and capital pledge of US\$500,000)

Status: (10/99) Legal registration submitted to the Government of Cameroon.

Dr. Steve Gartlan  
Country Representative  
WWF-Cameroon  
B.P. 6776, Yaounde, Cameroon  
Tel: (237) 21 42 41  
Fax: (237) 21 42 40  
E-mail: sgartlan@wwfnet.org

## **POSSIBLE NEW FUNDS**

### **Mount Cameroon Fund**

Donor: DFID (start-up)

Status: (10/99): Terms of Reference drafted for preparation work in context of Mount Cameroon project.

Joseph Besong, Project Director  
Alex Forbes, Project Manager  
Mount Cameroon Project  
Tel/Fax: (237) 43 18 83/85/72/76, ext. 381

### **Foundation for Environment and Development in Cameroon (FEDEC)**

Donors: US\$3.5 million to be provided by COTCO, a joint venture pipeline company consisting of Exxon, Shell, Elf and the Government of Cameroon

Status: (10/99) Establishment of FEDEC pending approval of project loan.

Dr. Amar Inamdar  
Director  
The Environment and Development Group  
11 King Edward St., Oxford OX14HT, UK  
Tel: (44) 1865 263400  
Fax: (44) 1845 263401  
E-mail: amar@edg.org.uk

(EDG provided consulting services regarding design of the foundation)

---

## **CENTRAL AFRICAN REPUBLIC**

### **POSSIBLE NEW FUND**

#### **Trust Fund for Dzanga-Sangha Reserve**

Donor: GTZ (start-up)

Status: (2/2000) Initial feasibility work.

Jean Yamindou  
WWF-CAR Office  
B.P. 1053,  
Bangui, Central African Republic  
Tel: (236) 61 42 99  
Fax: (236) 61 10 85  
E-mail: wwfcар@intnet.cf

---

## **COMORES**

### **POSSIBLE NEW FUND**

#### **National Environmental Fund**

Donor: IUCN (TA)

Status: (2/2000) Feasibility work 11/99.

Suzie LeBlanc  
Conseillère Technique Principale  
MDE, Ex-CEFADER  
B.P. 2445  
Moroni  
Comores (via Paris)  
Tel/Fax: (269) 73 62 22  
E-mail: sleblanc@snpt.km

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## REPUBLIC OF CONGO

### POSSIBLE NEW FUND

#### **Fund for Odzala National Park**

Donors: Conservation International (TA)

Status: (2/2000) Proposal under development

Conrad Aveling  
Coordonnateur, Cellule de Coordination ECOFAC  
AGRECO-GEIE  
B.P. 15155, Libreville, Gabon  
Tel: (241) 73 23 43/44  
Fax: (241) 73 23 45  
E-mail: ecofaccoord@internetgabon.com

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## COTE D'IVOIRE

### FUND IN THE PROCESS OF ESTABLISHMENT

#### **Foundation for the Financing of Protected Areas (*Fondation pour le Financement des Aires Protégées*)**

Donors: GEF PDF-B (US\$322,000)

Status: (2/2000) Legal statutes prepared. Fundraising and asset management work to be commissioned. Task force members (CI, WWF) will guide further preparation.

Ngoran Djé Francois  
Coordonnateur du PCGAP  
Programme Cadre de gestion des aires protégées  
B.P. V178, Abidjan, Côte d'Ivoire  
Tel: (225) 21 91 41  
Fax: (225) 21 09 90  
E-mail: ipcgap@africaonline.co.ci

Jean-Michel Pavy  
World Bank  
01 BP 1850, Abidjan 01, Côte d'Ivoire  
Tel: (225) 44 22 27  
Fax: (225) 44 16 87  
E-mail: jpavy@worldbank.org

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## ETHIOPIA

### POSSIBLE NEW FUND

#### **Trust Fund for the Conservation of Ethiopia's Protected Areas**

Status (9/99): Workshops and feasibility work conducted in 1995-96 by WWF-UK with funding provided by UNDP. No recent action.

Ato Leykun Albulie  
Manager  
Ethiopian Wildlife Conservation Organization  
P.O. Box 386, Addis Ababa, Ethiopia  
Tel: (251) 1 152 001  
Fax: (251) 1 550 298

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## GABON

### POSSIBLE NEW FUND

#### **Fund for Protected Areas**

Donors: WWF International (TA)

Status (2/2000): Feasibility work scheduled for Spring 2000.

Olivier Langrand  
Regional Representative – WWF  
B.P. 9144, Libreville, Gabon  
Tel: (241) 73 00 28  
Fax: (241) 73 80 56  
E-mail: o.langrand@inet.ga

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## GHANA

### EXISTING FUND

#### **The Ghana Heritage Conservation Trust (GHCT)**

Donors: USAID (start-up and initial capitalization of \$2 million), CI (TA)

Status: (11/99) Registered in August 1997.

Executive Secretary  
GHCT  
P.O. Box KAPT 30426  
Accra, Ghana  
Tel: (233) 21 773893  
Fax: (233) 27 571773  
E-mail: cioaa@ghana.com

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## GUINEA BISSAU

### DORMANT FUND

#### **National Environment Fund**

Donors: Government of Switzerland (US\$300,000 debt conversion)

Status: (3/99): Fund suspended operations because of conflict in Guinea-Bissau.

Ibrahim Thiaw  
IUCN Regional Office for West Africa  
B.P. 1618  
Ougadougou 01, Burkina Faso  
Tel: (226) 20 70 47 / 30 85 80  
Fax: (226) 30 75 61  
E-mail: ithiaw.uicn@fasonet.bf

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## KENYA

### POSSIBLE NEW FUND

#### **Biodiversity Conservation Trust Fund (BIOTF)**

Donors: European Union (start-up)

Status: (11/99) Under review by EC

Dr. John Waithaka  
African Conservation Centre  
P.O. Box 62844  
Nairobi, Kenya  
Tel: (254) 2 335044 / 223569  
Fax: (254) 2 251969  
E-mail: acc@africaonline.co.ke

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## MADAGASCAR

### ESTABLISHED FUND

#### **Tany Meva - The Malagasy Environment Foundation**

Donors: USAID (US\$12 million), Government of Madagascar (debt conv.)

Status: (2/2000) Established in 1996.

Laurent Rasolofonirina  
Executive Secretary  
Tany Meva  
B.P. 4300  
Antananarivo 101, Madagascar  
Tel: (261) 20 22 403 99  
Fax: (261) 20 22 403 99  
E-mail: tanymeva@dts.mg

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## MALAWI

### FUNDS IN THE PROCESS OF ESTABLISHMENT

#### Malawi Environmental Endowment Trust (MEET)

Donors: DANIDA (US\$1 million start-up), USAID (US\$600,000 start-up). UNDP-Malawi (TA), UNSO (TA)

Status: (11/99) Registered as Trust in 1999. Endowment fund to be created in 2000.

Carl Bruessow  
MEET Coordinator  
Malawi Environment Endowment Trust  
Private Bag 344, Chichiri, Malawi  
Tel: (265) 636 496  
Tel: (265) 829 655 (cellular)  
Tel: (265) 634 117 (home)  
E-mail: meet@malawi.net

#### Mulanje Mountain Conservation Trust (MMCT)

Donors: GEF (US\$300,000 PDF-B, US\$700,000 1st two years, US\$4 million endowment requested), DFID (technical studies)

Status: (11/99) Registered as Trust in 1994. Preparation work for Conservation Trust Fund (CTF) almost completed.

Jones Njala  
Programme Coordinator  
Mulanje Mountain Conservation Trust  
P.O. Box 139, Mulanje, Malawi  
Tel: (265) 465282, 465241  
Fax: (265) 465241  
E-mail: MMCT@malawi.net

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## MALI

### POSSIBLE FUND

#### National Environmental (Desertification) Fund

Donors: IUCN (TA), UNSO (TA)

Status: (3/99) NDF/NEF created by legislation in September 1998, but only exists on paper due to lack of funding.

Moctar Traore  
Chef de Mission  
IUCN Country Office Mali  
B.P. 1567  
Bamako, Mali  
Tel: (223) 227 572  
Fax: (223) 230 092  
E-mail: uicn@spider.toolnet.org

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## MAURITIUS

### EXISTING FUND

#### National Environmental Fund

Donors: Ministry of Environment, Human Resource Development and Employment; hotel sector.

Satyadev Seebaluck  
Ministry of Environment,  
Human Resource Development and Employment  
Ken Lee Tower.  
Port Louis, Mauritius  
Tel: (230) 212 71 81

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## NAMIBIA

### EXISTING FUND

#### **Namibia Nature Foundation**

Donors: Danish Government, Finnish Government, German Embassy, GTZ, Netherlands, Norwegian Embassy, SIDA, corporate donors.

Status: Founded in 1982.

Dr. Chris J. Brown  
Executive Director  
Namibia Nature Foundation  
P.O. Box 245  
68a Robert Mugabe Ave., Kenya House, 4th floor  
(physical)  
Windhoek, Namibia  
Tel: (264) 61 248 345  
Fax: (264) 248 344  
e-mail: nnf@iwwn.com.na

### FUND IN THE PROCESS OF ESTABLISHMENT

#### **Environmental Investment Fund**

Donors: USAID (design work)

Status: (11/99) Minister of Environment expected to submit statutes to Cabinet.

Joseph McGann  
EIF Coordinator  
Ministry of Environment and Tourism  
Private Bag 13306  
Windhoek 9000, Namibia  
Tel: (264) 61 249 015  
Fax: (264) 61 240 339  
E-mail: joemcg@dea.met.gov.na

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## NIGER

### POSSIBLE NEW FUND

#### **Protected Areas Trust Fund**

Donors: IUCN (technical assistance), UNDP (technical assistance), GEF (World Bank) - under consideration

Status: Technical studies completed in 1997/98.

Mamadou Mamane  
Chef de Mission  
UICN-Niger  
B.P. 10933 Niamey, Niger  
Tel: (227) 724 028  
Fax: (227) 724 005  
E-mail: iucn@intnet.ne

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## SENEGAL

### POSSIBLE NEW FUND

#### **National Environmental Fund**

Donors: IUCN (start-up)

Status: Much of preparation work completed, but Government needs to approve registration.

Alioye Faye  
UICN-Sénégal  
B.P. 3215, Avenue Bourgiba x Rue 3, Castors  
Dakar, Sénégal  
Tel: (221) 824 05 45  
Fax: (221) 824 92 46  
E-mail: iucnsn@sonatel.senet.net

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## SEYCHELLES

### EXISTING FUND

**Seychelles Island Foundation**  
Government of the Seychelles

Donors: tourism receipts

Status: Established in 1979.

Lindsay Chong-Seng  
Executive Director  
Independence House, P.O. Box 853  
Victoria Mahe, Republic of Seychelles  
Tel: (248) 324883, 241104  
Fax: (248) 324884  
E-mail: sif@seychelles.net

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## SOUTHERN AFRICA

### EXISTING FUND

**Peace Parks Foundation**  
(Botswana, Lesotho, Malawi, Mozambique, Namibia,  
South Africa, Swaziland, Zambia, Zimbabwe)

Donors: Corporate and institutional

Status: (2/2000) Established in 1997.

Note: contact information beginning May 15, 2000.

Dr. John Hanks  
Executive Director  
Peace Parks Foundation  
P.O. Box 12743  
Die Boord  
Stellenbosch, 7613  
South Africa  
Tel: (27) 21 887 6188  
Fax: (27) 21 887 6189  
E-mail: parks@ppf.org.za  
Web-site: www.peaceparks.org.za

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## SOUTH AFRICA

### EXISTING FUNDS

#### **The Green Trust**

Donors: Nedbank, Nedbank clients using Nedbank's  
Green Affinity products

Status: Founded in 1990

Thérèse Brinkcate  
Coordinator  
The Green Trust  
P.O. Box 456  
Stellenbosch 7599, South Africa  
Tel: (27) 21 887 2801  
Fax: (27) 21 883 8175  
Cell: (27) 83 212 7980  
E-mail: tbrinkca@wwfsa.org.za

#### **Table Mountain Fund**

Donors: GEF (US\$5 million), private donors (US\$2  
million)

Status: (11/99) Established in 1993 by WWF and  
registered as a trust in 1998.

Brent Myrdal  
Coordinator  
Table Mountain Fund  
C/O WWF-South Africa  
P.O. Box 456  
Stellenbosch 7599, South Africa  
Tel: (27) 21 762 8525  
Fax: (27) 21 762 1905  
E-mail: bmyrdal@wwfsa.org.za

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## SWAZILAND

### POSSIBLE NEW FUND

#### **Swaziland Environment Fund**

Donors: UNSO (start-up)

Status: (12/99) Legal documentation prepared and will be presented to Parliament in March 2000.

Bongani S. Masuku  
Ministry of Agriculture and Cooperatives  
P.O. Box 162, Mbabane, Swaziland  
Tel: (268) 43858 / 463361  
Fax: (268) 43858 / 44700  
E-mail: lups@realnet.co.sz

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## TANZANIA

### POSSIBLE NEW FUNDS

#### **Eastern Arc or Usambaras Mountain Trust Fund**

Donors: GEF (PDF - start-up), World Bank (feasibility work)

Status: (2/2000) Initial feasibility work in 1998.

Dr. W.A. Rodgers  
GEF Regional Coordinator  
John Salehe  
P.O. Box 1041  
57 Old Moshé Rd., Cr. Haile Selassie Rd.  
Arusha, Tanzania  
Tel: (255) 578 398  
Fax: (255) 578 791

Peter DeWees  
Senior Environmental Economist  
The World Bank  
1818 H Street, NW  
Tel: (1) 202 473 3959  
Fax: (1) 202 473 8185  
E-mail: pdeweess@worldbank.org

#### **Tanzania Land Conservation Trust**

Status: (10/99) The Trust Constitution has been drafted and is being circulated to members.

Dr. James Kahurananga  
Senior Project Officer  
African Wildlife Foundation  
P.O. Box 2658, Arusha, Tanzania  
Tel/Fax: (255) 57 4453  
Mobile: (255) 0811 510933  
E-mail: jkahurananga@awf-tz.org

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## UGANDA

### EXISTING FUND

Mgahinga and Bwindi Impenetrable Forest Conservation Trust (MBIFCT)

Donors: GEF (US\$4.35 million endowment), Netherlands (US\$3 million - operational), USAID (US\$890,000 - operational)

Status: (11/99) Established in 1995.

Christine Oryema-Lalobo  
Trust Administrator, MBIFCT  
Mutebile Road  
P.O. Box 1064  
Kabale, Uganda  
Tel: (256) 0486 24120  
Fax: (256) 0486 24122  
E-mail: mbifct@imul.com

### **FUND IN THE PROCESS OF ESTABLISHMENT**

Environmental Conservation Trust (ECOTRUST)

**Donors:** USAID (start-up)

**Status:** (10/99) Trust is registered. Funding proposal submitted to USAID.

Isaac Kapalaga  
Acting Executive Director  
ECOTRUST  
P.O. Box 8986  
Kampala, Uganda  
Tel: (256) 041 543 562/3/4  
Fax: (256) 041 543 565  
E-mail: isaac.gmu@imul.com

### **POSSIBLE NEW FUNDS**

#### **Uganda National Desertification Fund**

Stephen Muwaya  
Ministry of Agriculture, Animal, Industry and  
Fisheries  
Tel: (267) 350523

#### **Uganda National Environment Fund**

Dr. John Okedi  
Executive Director  
National Environmental Management Authority  
(NEMA)  
6th floor, Telecom House  
1st Portal, Collville Street  
P.O. Box 22255, Kampala Uganda  
Tel: (256) 41 251064/5/8  
Fax: (256) 41 257521/232680  
E-mail: NEMA@imul.com  
NEIC@stracom.co.ug

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## **WEST AFRICA**

### **EXISTING FUND**

West Africa Rural Foundation (WARF)  
(Gambia, Guinea, Guinea-Bissau, Mali and Senegal)

**Donors:** The Ford Foundation, International  
Development Research Centre (Canada)

**Status:** 11/99

Fadel Diamé  
Executive Director  
WARF/FRAO  
Sicap Amitié III – Villa 4318  
Allees Seydou Norou Tall  
C.P. 13 Dakar Fann  
Dakar Sénégal  
Tel: (221) 824 1400  
Fax: (221) 824 5755  
E-mail: WARF@CYG.SN

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*May 2, 2000*

# DRAFT

## ASIA-PACIFIC

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**COUNTRY****CONTACT**

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**BHUTAN****ESTABLISHED FUND****Bhutan Trust Fund for Environmental Conservation (BT FEC)**

Donors: Royal Government of Bhutan, Denmark, Finland, Netherlands, Norway, Switzerland, WB/GEF, WWF-US, UNDP (TA)

Status: established May 1991

Tobgay S. Namgyal

Director

Bhutan Trust Fund for Environmental Conservation (BT FEC)

P.O.Box 520, Thimphu, Bhutan

Tel (975.2)323.846/326419

Fax (975.2)324.214

Email: namgyal@druknet.net.bt

www.bhutantrustfund.org

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**CHINA****ESTABLISHED FUNDS****Local Environmental Funds in China**

Donors: World Bank, Municipal taxes

Status: several municipal funds have been established since 1988

Jinnan Wang

Associate Professor

Environmental Management Institute

Chinese Research Academy for Environmental Sciences (CRAES)

Beijing 100012

Fax (86.10)649.015.32

Email: emicraes@public.east.cn.net

LU Xinyuan

Deputy Director General

Department of Supervision and Management

National Environmental Protection Agency (NEPA)

115 Xizhimemei Nanxizojie

Beijing 100035, Peoples Republic of China

Tel (86.10)661.51925

Fax (86.10)661-51768

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## FIJI

### ESTABLISHED FUND

Fiji Heritage Foundation (FHF)

Donor: Donations from business in Fiji

Status: established July 1992

Birandra Singh  
Secretary  
Fiji Heritage Foundation (FHF)  
PO Box 2089  
Government Buildings  
Suva, Fiji  
Tel (679) 301-807  
Fax (679) 305-092  
Email: nationaltrust@is.com.fj

### FUND IN THE PROCESS OF ESTABLISHMENT

#### **Sovi Basin Trust Fund**

Donors: CI (TA), New Zealand  
Overseas Development Aid

Annette Lees  
Director, CI New Zealand  
PO Box 2089  
Government Buildings  
Suva, Fiji  
Tel (679)301-807  
Fax (679)305-092  
Email: ci-newzealand@conservation.org

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## INDONESIA

### ESTABLISHED FUND

#### **KEHATI**

Indonesian Biodiversity Foundation (IBF)

Donors: USAID, John D. and Catherine T. MacArthur  
Foundation, UNEP, World Bank, IPGRI, Indonesia

Status: established January 1994

Ismid Hadad  
Executive Director  
KEHATI/Indonesian Biodiversity Foundation (IBF)  
Patra Jasa Bldg. Room IC2  
Jl. Gatot Subroto Kav. 32-24  
Jakarta 129501, Indonesia  
Tel (62.21)522.8031/522.8032  
Fax (62.21)522.8033  
Email: ihadad@kehati.or.id

## FUND IN THE PROCESS OF ESTABLISHMENT

### **West Papua Conservation Fund**

Donors: Conservation International (CI) (TA), WWF (TA)

Yance de Fretes  
Secretary, Steering Committee  
West Papua Conservation Fund  
P.O. Box 334  
Jl. Sentani, No. 11  
Abepura, Jayapura, IRJA 99351  
Indonesia  
Tel (62)967.834.36  
Fax (62)967.834.36  
Email: ci-irian@jayapura.wasantara.net.id

Augustinas Rumansara  
Vice-Chair, Steering Committee  
West Papua Conservation Fund  
WWF-Jayapura, IRJA  
Indonesia  
Tel (62.967)542.765  
Mobile (62.811)803.794  
Email: arumansara@wwfnet.org

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## **FEDERATED STATES OF MICRONESIA**

### PROPOSED FUND

#### **Conservation Trust Fund**

Donor: TNC (TA)

The Nature Conservancy  
P. O. Box 216, Kolonia, Pohnpei 96941  
Federated States of Micronesia  
Tel: (691) 320-4267  
Fax: (691) 320-7422  
Email: braynor@mail.fm

Scott E. Smith  
The Nature Conservancy (TNC)  
4245 N. Fairfax Drive, Suite 100  
Arlington, Va. 22203-1606  
Tel: (703) 841-8175  
Fax: (703) 525-0208  
Email: scott\_smith@tnc.org

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## **MONGOLIA**

### ESTABLISHED FUND

#### **Mongolia Environmental Trust Fund (METF)**

Donors: UNDP/GEF, Environment and Development Group (EDG) of UK (TA), Mongolia

Status: established November 1998

N. Battogtokh  
Executive Director  
Mongolia Environmental Trust Fund (METF)  
P.O.Box 960  
Ulaanbaatar-46, Mongolia  
Tel/fax (976.1)312.771  
Email: metf@magicnet.mn  
www.un-mongolia/metf

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## NEPAL

### FUND IN THE PROCESS OF ESTABLISHMENT

#### Nepal Trust Fund for Biodiversity (NTFB)

Donors: WB/GEF, TMI (TA)

Nabina Shrestha  
Special Projects Officer  
The Mountain Institute  
P.O.Box 2785, Kathmandu, Nepal  
Tel (977.1)419.356/414.237  
Fax (977.1)414.902  
Email: nshrestha@mountain.org  
Email: njain@mountain.org

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## PACIFIC

### FUND IN THE PROCESS OF ESTABLISHMENT

#### Pacific Conservation Trust Fund (PCTF)

Donors: New Zealand, UNDP/GEF

Joe Reti  
Programme Manager  
South Pacific Biodiversity Conservation Programme  
(SPBCP)  
PO Box 240 Apia, Samoa  
Tel (685)21.929  
Fax (685)20.231  
Email: joer@sprep.org.ws  
Email: sprepinfo@sprep.org.ws

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## PAKISTAN

### FUND IN THE PROCESS OF ESTABLISHMENT

#### Mountain Areas Conservancy Trust Fund

Donors: UNDP/GEF, IUCN- Pakistan (TA)

Christopher Shank  
Project Manager  
Mountain Areas Conservancy Trust Fund  
IUCN, 26, St.87, G-6/3  
Islamabad, Pakistan  
Tel (92.51)270-686  
Fax (92.51)270-688  
Email: chris@iucn-isb.sdnpc.undp.org

---

## PAPUA NEW GUINEA

### ESTABLISHED FUND

#### PNG Conservation Trust Fund (PNGCTF)

Donors: Australia, WB/GEF, TNC (TA)

Anthony Patrick Power  
Chair, Board of Trustees  
PNG Conservation Trust Fund (PNGCTF)  
PO Box 772 Wewak East  
Sepik Province, Papua New Guinea  
Tel (675)856.2425 and  
PO Box 1907 Port Moresby NCD, Papua New  
Guinea  
Tel/fax (675)323.5662  
Email: powerap@daltron.com.pg

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## PHILIPPINES

### ESTABLISHED FUNDS

#### Foundation for the Philippine Environment (FPE)

Donors: USAID, Bank of Tokyo, John D. and Catherine T. MacArthur Foundation, Ford Foundation, Netherlands, UNDP/GEF, IPG, WWF/US (TA), TNC (TA)

Status: established January 1992

Julio Galvez Tan

Executive Director

Foundation for the Philippine Environment (FPE)

77 Marahimik St., Teachers Village

Quezon City 1101 Philippines

Tel (63.2)927-9403/927-2186/433-0565

Fax (63.2)922-3022

Email: [jujutan@pworld.net.ph](mailto:jujutan@pworld.net.ph)

Email: [fpe@info.com.ph](mailto:fpe@info.com.ph)

#### Foundation for Sustainable Societies, Inc. (FSSI)

Donors: Sweden, Foundation for the Philippine Environment (FPE) -TA

Status: established January 1996

Eugene Gonzales

Executive Director

Foundation for Sustainable Societies, Inc. (FSSI)

Samar Avenue cor. Scout Albano St.

South Triangle, Quezon City

Philippines

Tel (63.2)928-8671/928-8422

Fax (63.2)928-8671

Email: [fssi@fssi.com.ph](mailto:fssi@fssi.com.ph)

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## SRI LANKA

### DORMANT FUND

#### Forest Conservation Trust Fund (FCT)

Donors: NORAD

Status: established October 1996

Deputy Conservator of Forests

Forest Department

Rajamalwatta Road

Battaramulla, Sri Lanka

Tel (94.1)866-631/866-632/866-634

Fax (94.1)866.633

Email: [forest@slt.lk](mailto:forest@slt.lk)

Email: [wrmswick@slt-net.lk](mailto:wrmswick@slt-net.lk)

### ESTABLISHED FUND

#### Wildlife Trust of Sri Lanka (WLTSL)

Donor: USAID

Status: established August 1991

Jinasiri Dadallage

Executive Director

Wildlife Trust of Sri Lanka (WLTSL)

229 Kirula Road, Colombo 05

Sri Lanka

Tel (94.1)502-271/508-345

Fax (94.74)516-324

Email: [wltrust@itmin.com](mailto:wltrust@itmin.com)

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**THAILAND**

**ESTABLISHED FUND**

**Thailand Environment Fund**

Donors: Thailand Fuel Oil Fund, OECF

Status: established 1992

Krisana Choeypun  
Chief, Standard and Criteria Subdivision  
Thailand Environment Fund  
Office of Environment Fund, OEPP  
60/1 Phibulwattana 7  
Rama VI Road, Bangkok 10400  
Thailand  
Tel (66.2)279.8087  
Fax (66.2)271.4239  
Email: envifund@asiaaccess.net.th

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*May 2, 2000*

# DRAFT

## LATIN AMERICA AND THE CARIBBEAN

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**COUNTRY****CONTACT**

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**ARGENTINA****EXISTING FUNDS****Fondo Iniciativa de las Américas – Argentina**

Jorge Bilbao/Silvia Tissoni  
Presidente de la Comisión Administradora  
Fondo para las Américas  
San Martín 459, Entrepiso Of. 69  
Entrepiso Of. 69  
(1004) Buenos Aires, Argentina  
Tel: (54-011) 4348-8253  
Fax: (54-011) 4348-8521  
Email: stissoni@sernah.gov.ar

**POSSIBLE NEW FUND****National Environmental Fund**

Secretariat for Natural Resources and  
Human Environment, IDB, IUCN National Committee

(To be appointed)  
Coordinador  
Fondo Nacional Ambiental  
Secretaría de Recursos Naturales y Ambiente Humano  
San Martín 459, Piso 2 Oficina 215  
Capital Federal (1004) Buenos Aires, Argentina  
Tel: (541) 348-8452/3  
Fax: (54-1) 348-8495  
Intercon@interlink.com.ar  
mailto:intecon@interlink.com.ar

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## BAHAMAS

### EXISTING FUND

The Bahamas National Trust

Gary E. Larson  
Director  
The Bahamas National Trust  
P.O. Box N-4105  
Nassau, Bahamas  
Tel: (242) 393-1317/393-2848  
Fax: (242) 393-4978  
<bnt@bahamas.net.bs>  
mailto:bnt@bahamas.net.bs

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## BELIZE

### EXISTING FUND

Protected Areas Conservation Trust (PACT)  
Tourism taxes

Valerie Woods  
Executive Director  
Protected Areas Conservation Trust  
(PACT)  
2 Mango Street  
P.O. Box 443  
Belmopan, Belize CA  
Tel: (501-8) 23657/20642  
Fax: (501-8) 23759  
<val.pact@btl.net>

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## BOLIVIA

### EXISTING FUNDS

Enterprise of the Americas Fund

Consuelo Wolfhard, Coordinator  
c/o FONAMA  
Edificio Mariscal Ballivián, Mezzanine  
Casilla 862, Calle Mercado No. 1328  
La Paz, Bolivia  
Tel: (591-2) 392-370/392-367  
Fax: (591-2) 391-774  
fonama@mail.megalink.com

**Fundación para el Desarrollo del Sistema Nacional  
de Areas Protegidas de Bolivia (FUNDESNAP)**  
GEF, Canada, Switzerland, Germany

Roberto Jordán Mealla  
Executive Director  
FUNDESNAP  
heidyrjm@ceibo.entelnet.bo

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## BRAZIL

### EXISTING FUNDS

Fundo Brasileiro para a Biodiversidade (FUNBIO)  
GEF (World Bank), private sector

Pedro Wilson Leitao Filho/Arminda Campos  
Executive Director , FUNBIO  
Largo do IBAM, 1-6o.  
Andar Humaitá 22271-070  
Rio de Janeiro-RJ, Brazil  
Tel/fax: (55-21) 579-0809  
<funbio@openlink.com.br>  
<pleitao@openlink.com.br>

Fundo Nacional de Meio Ambiente (FNMA)  
Government, IDB

Luiz Carlos Ros/Manuel Serrao/Karen Oliveira  
Fundo Nacional de Meio Ambiente (FNMA)  
Ministerio do Meio Ambiente (MMA)  
Esplanada dos Ministérios  
Bloco B – 7<sup>o</sup>. andar, CEP: 70.068-900  
70068-900 Brasilia – DF  
Brazil  
Tel: (55-61) 317-1203  
Fax: (55-61) 224-0879  
luiz.ros@mma.gov.br  
<manoel.sampaio@mma.gov.br>  
<karen.oliveira@mma.gov.br>

### FUND IN PROCESS OF ESTABLISHMENT

Mamirauá Sustainable Development  
Reserve Endowment Fund

Sociedade Civil Mamirauá  
Universidade Federale do Para  
Campus do guama  
Departamento de Antropologia – CFCH  
66073-250 Caixa Postal 531  
Belem, Para  
Brazil  
Tel: (55-91) 249-6369  
Fax: (55-91) 249-6369  
<ayerswes@libnet.com.br>

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## CENTRAL AMERICA

### FUND IN PROCESS OF ESTABLISHMENT

Central American Fund for Environment and  
Development (FOCADES)  
Central American Governments, GEF, IDB/MIF

Erick Cabrera  
Director, a.i., FOCADES;  
Director for International Cooperation and  
International Affairs  
Ministry of Environment and Energy 1338-1002  
Paseo Los Estudiantes  
San Jose, Costa Rica  
Tel: (503) 2896131  
Fax: (506) 2896124

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## CHILE

### EXISTING FUND

Fondo de las Américas – Chile  
Government, EAI

Jorge Osorio Vargas/Rodrigo Calcagni  
Director Ejecutivo  
Fondo de las Américas – Chile  
Consejo de las Americas  
Huerfanos 786, of. 708  
Santiago de Chile, Chile  
Tel: (562) 633-5950  
Fax: (562) 632-7017  
Josorio@fdla.cl  
Rodrigoc@fdla.cl

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## COLOMBIA

### EXISTING FUNDS

**Corporación ECOFONDO**  
EAI, CIDA

Rafael Colmenares/Julio César Uribe  
Secretary-General  
Corporación ECOFONDO  
Calle 82, No. 19-26  
Apartado Aereo 350.224  
Santa Fe de Bogotá, Colombia  
Tel: (57-1) 691-3452/63/74  
Fax: (57-1) 691-3485  
ecodir@colnodo.apc.org  
ecotodos@colnodo.apc.org

**National Environmental Fund**  
Government of Colombia, IDB

Maria Victoria Cifuentes  
Coordinadora General  
Unidad Coordinadora  
Ministerio del Ambiente  
Carrera 10 No. 27-27 of. 705  
Bogota, Colombia  
Tel: (57-1) 284-9262/9102  
Fax: (57-1) 342-7242

### FUND IN PROCESS OF ESTABLISHMENT

**Environmental Fund for the Sierra Nevada de  
Santa Marta**  
GEF (World Bank)

Rafael Gómez/Armando Calvano  
Fundación Pro-Sierra Nevada  
Calle 17 No. 3-83 Santa Marta  
Colombia  
Tel: (57-5) 4310551  
Fax: (57-5) 4310552  
snevada@uniandes.edu.co  
prosierra@compunet.net.co

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## COSTA RICA

### EXISTING FUNDS

#### **Fondo Nacional de Financiamiento Forestal (FONAFIFO)**

Jorge Mario Rodriguez Zuñiga  
Executive Director  
FONAFIFO  
Ave. 7 & 9, Calle 5  
San José, Costa Rica  
Tel: (506) 257-8475  
Fax: (506) 257-9695  
Email: fonafifo@ns.minae.go.cr

#### **Fundacion de Parques Nacionales**

Karla Ceciliano  
Executive Director  
Apartado 1108-1002 Paseo de los Estudiantes  
San José, Costa Rica  
Tel: (506) 257-2239  
Fax: (506) 222-4732  
Email: kcecilian@ns.minae.gov.cr

#### **Foundation “Funde-cooperación” for Sustainable Development** Government, Netherlands

Milton Rojas  
Fundación Fundecooperación para el Desarrollo Sostenible  
Apartado 1108-1002  
100 M al oeste, 100 m. sur de la Iglesia de Fatima  
Los Yoces, San Pedro  
San José de Costa Rica  
Tel: (506) 2838327/2800221  
Fax: (506) 225-5900  
Email: fundecop@sol.racsa.co.cr

#### **Centro Agrícola Siquirres**

Félix Méndez Morales  
Hatillo5, San José, Costa Rica  
Tel (506) 768 6825  
Fax (506) 7686171

#### **FUNDECOR (Fundación para el Desarrollo de la Cordillera Volcánica Central)** USAID

Carlos Herrera Arguedas  
Sub-Director Ejecutivo  
FUNDECOR  
200 m. al Este y 50 m. al norte del Banco Nacional de C.R.  
Moravia, San José, Costa Rica  
Tel: (506) 240-2624  
Fax: (506) 297-1044  
<herrera@fundecor.or.cr>

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**CUBA**

**POSSIBLE NEW FUND**

**National Environmental Fund**

Gricel Acosta Acosta/Cristobal Díaz  
CITMA  
Capitolio Nacional  
C. de la Habana, 10200  
Cuba  
Tel: (537) 570598/570615  
Fax: (537) 33-8054  
<cdmdpa@yahoo.com  
dpa@ceniai.inf.cu  
cdmdpa@yahoo.com  
dpa@ceniai.inf.cu

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**DOMINICAN REPUBLIC**

**EXISTING FUND**

**Fondo Pro Naturaleza (PRONATURA)**

Puerto Rico Conservation Trust, MacArthur  
Foundation, TNC/USAID

René Ledesma  
Director Ejecutivo  
PRONATURA  
c/o Paseo de los Periodistas #4 Ens. Miraflores  
Santo Domingo, Dominican Republic  
Tel: (809) 687-5799  
Fax: (809)687-5766  
<pronatura@codetel.net.do>

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**ECUADOR**

**EXISTING FUND**

**Fondo Ambiental Nacional**

Ministry of Finance

Reyna Oleas  
Directora Ejecutiva  
Fondo Ambiental Nacional  
Ministerio de Medio Ambiente  
La Pradera N30 258 y Mariano Aguilera  
Edificio Santorini, 6o. Piso  
Quito, Ecuador  
Tel: (593-2) 557-691  
Fax: (593-2) 557-691  
<roleas@fan.or.ec>  
<FAN1@fan.org.ec>

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## EL SALVADOR

### EXISTING FUNDS

Fondo Iniciativa para las Américas (FIAES)  
EAI

Ana Maria Majano  
FIAES  
Ave. Maracaibo No. 645  
Colonia Miramonte,  
San Salvador, El Salvador  
Tel: (503) 260-1269/1442  
Fax: (503) 260-1286  
<fiaes@sal.gbm.net>

Fondo Ambiental de El Salvador  
(FONAES)

Antonio Villacorta  
Presidente  
FONAES  
29 Avenida Norte y Calle  
Gabriela Mistral No. 1013  
San Salvador, El Salvador  
Tel: (503) 226-3058/PHX 226-3000  
Fax: (503) 226-4339

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## GUATEMALA

### EXISTING FUNDS

Fideicomiso para la Conservación en Guatemala (FCG)

Maria José González  
Directora Ejecutiva  
Fideicomiso para la Conservación en Guatemala  
(FCG)  
Ruta 7 6-42  
Zona 4 OF. 201  
01004, Guatemala C.A.  
Guatemala  
Tel: (502) 334-3547  
Fax: (502) 334-3548  
<fcgua@inteln.net.gt>

FOGUAMA (Fondo Guatemalteco del Medio  
Ambiente)

Comisión Nacional del Medio Ambiente  
(CONAMA), Government of Guatemala

Erick Cabrera  
Executive Director  
FOGUAMA  
7av.7-09 Zona 13 Guatemala  
Guatemala  
Tel: (502) 475-3551  
Fax: (502) 475-3568  
<foguama@infovia.com.gt>

Fondo Nacional para la Conservación de la Naturaleza  
(FONACON)

Juan José Narcisco  
Executive Manager  
Via 5 4-50, Zona 4  
Edificio Maya Nivel 4  
Tel: (502) 332-0463  
Fax: (502) 331-5528  
<seconap@guate.net>

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## HAITI

### FUNDS IN PROCESS OF ESTABLISHMENT

#### Haiti Environmental Foundation (FHE)

Jean-André Victor/Juliette Nicolas/Hans  
Tipperhauer/Guisse Samba  
Chair, Steering Committee  
Haiti Environmental Foundation  
c/o Asset Project  
Att.: Samba Guisse  
60, rue Villatte  
B.P. 15771  
Pétion-Ville, Haiti  
Tel.: (509) 510-7728  
Fax: (509) 257-6492  
<htipn@hotmail.com>  
<jcnicolas@hotmail.com>  
sambaguisse@hotmail.com  
kathyowen@hotmail.com  
fhe\_haiti@yahoo.com

#### Fonds pour la Protection et la Conservation de la Biodiversité (FOPECOB)

ATPPF, Ministry of Environment; World Bank

Micha Gaillard  
Haiti Solidarité Internationale  
P.O. Box 320  
Port-au-Prince, Haiti  
Tel: (509) 45-8681 / 45-5217  
Fax: (509) 45-1022  
<atppf@compa.net>

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## HONDURAS

### EXISTING FUND

#### Fundación Hondureña de Ambiente y Desarrollo "Vida" (Fundación Vida)

Government, USAID, UNDP

Oscar Lanza/Jorge A. Quinonez /Carlos Pineda  
Executive Director  
Fundación Vida  
Boulevard Suyapa, Edificio Florencia  
2do. Piso, 203  
Apartado Postal 4252  
Tegucigalpa, MDC, Honduras  
Tel: (504) 239-1642  
Fax: (504) 239-1645  
<fundvida@sdnhon.org.hn>  
<quinonez@sdnhon.org.hn>

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## JAMAICA

### EXISTING FUNDS

The Environmental Foundation of Jamaica (EFJ)  
EAI

Selena Tapper/Patrick Daily  
Executive Director  
Environmental Foundation of Jamaica (EFJ)  
Unit 27 Seymour Park 2, Seymour Ave, Kingston 10,  
Jamaica  
Tel: (876) 978-6925  
Fax: (876) 978-6557  
<deacond@cwjamaica.com>

**Jamaica National Park Trust Fund**  
USAID, Conservation Trust of Puerto Rico, TNC

David Smith  
Executive Director  
Jamaica Conservation and  
Development Trust (JCDDT)  
95 Dumbarton Ave.,  
Kingston 10, Jamaica  
Tel: (876) 960-2848/9  
Fax: (876) 978-6557  
<jcddt@kasnet.com>

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## MEXICO

### EXISTING FUND

Fondo Mexicano para la Conservación de la Naturaleza  
(FMCN)  
GEF (World Bank), Government, USAID, MacArthur  
Foundation

Lorenzo Rosenzweig Pasquel  
Director General  
Fondo Mexicano para la Conservación  
de la Naturaleza (FMCN)  
Calle Damas No. 49  
Col. San José Insurgentes  
C.P./ 03900  
México, D.F.  
Tel: (525) 611-9779  
Fax: (525) 611-9779  
<laros@infosel.net.mx>

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## NICARAGUA

### EXISTING FUNDS

Fondo Canadá – Nicaragua para el Manejo del Medio  
Ambiente  
Canada

Mercedes Salgado  
Secretario Técnico  
Fondo Canadá-Nicaragua para el Manejo del Medio  
Ambiente  
Bolonia de los Pipitos 2 C. Abajo  
Managua, Nicaragua  
Tel: (505) 268-1983/4  
Fax: (505) 268-1985  
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## PANAMA

### EXISTING FUND

Fundación para la Conservación de los Recursos  
Naturales (NATURA)  
Government, USAID, TNC

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Director Ejecutivo  
Fundación Natura  
Apartado Postal 2190  
Panamá, zona 1  
República de Panamá.  
Tel 507 232-7615/17/16/7435  
Fax 507 232-7613  
e-mail: natura@sinfo.net

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## PERU

### FUND IN THE PROCESS OF ESTABLISHMENT

**The Americas Fund for Peru**  
EAI

Tim Miller  
USAID/Peru  
Larra Bure y Unanus 110  
Lima, Peru  
Tel: (51-1) 433-200  
Fax: (51-1) 433-7034

### EXISTING FUND

**Fondo Nacional para las Areas Naturales Protegidas  
por el Estado (FONANPE)/PROFONANPE**  
GEF (World Bank), KFW/GTZ (Germany), CIDA-  
FINIDA

Alberto Paniagua Villagra  
Coordinador General, PROFONANPE  
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apaniagua@profonanpe.org.pe

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## SURINAME

### SURINAME CONSERVATION FUND

Government of Suriname, Conservation International,  
UNDP/GEF, United Nations Foundation (UNF),  
World Wildlife Fund (WWF)

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Executive Director  
Conservation International Suriname  
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**TURKS AND CAICOS**

**EXISTING FUND**

Turks and Caicos Conservation Fund  
Department for International Development

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**URUGUAY**

**EXISTING FUND**

Fondo de las Américas – Uruguay  
EAI

Jonathan D. Farrar/ Alvaro Mendy/Alba Peralta/Mabel  
Gómez  
US Representative  
Fondo de las Américas – Uruguay  
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*May 2, 2000*

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