iied

A Review of Conservation Trust Funds for Sustainable Marine Resources Management

Conditions for Success

Annabelle Bladon, Essam Yassin Mohammed, and E. J. Milner-Gulland

Working Paper

June 2014

Economics; Fisheries; Sustainable markets

Keywords:
Conservation trust fund, Marine conservation, innovative financing

About the authors

Annabelle Bladon is a PhD student in the Imperial College Conservation Science research group. She works on Payments for Ecosystem Services and developing world fisheries.

Essam Yassin Mohammed is Senior Researcher in Environmental Economics and leads a work programme on Economics of Marine and Coastal Fisheries at the International Institute for Environment and Development (IIED)

E.J. Milner-Gulland is Professor of Conservation Science and Director of the Grand Challenges in Ecosystems and the Environment initiative at Imperial College London. Her research interests include exploring incentivising and engaging stakeholders in conservation.

Contact:
Essam Yassin Mohammed (eymohammed@iied.org)

Acknowledgements

We would like to thank everyone who gave their time to be interviewed for this study: José Luis Gómez R., María José González, Robbie Bovino, Nayari Diaz-Perez, Lorenzo Rosenzweig Pasquel, Ana Laura Barillas Gómez, Mohamed-Lemine Dhehby, Tueau Toato, Farid Uddin Ahmed, Anwarul Islam, John Claussen, Ricardo Bayon, Andrew Soles, Ann Marie Steffa Avila and Sylvie Goyet. We also thank Barry Spergel, Kathy Mikitin, Katherine Short and Lorenzo Rosenzweig Pasquel for their comments and advice. This study would have not been possible without the financial support from DFID and the Darwin Initiative.

Produced by IIED's Sustainable Markets Group

The Sustainable Markets Group drives IIED's efforts to ensure that markets contribute to positive social, environmental and economic outcomes. The group brings together IIED's work on market governance, business models, market failure, consumption, investment and the economics of climate change.

Published by IIED, June 2014

Annabelle Bladon, Essam Yassin Mohammed, and E. J. Milner-Gulland. 2014. *A Review of Conservation Trust Funds for Sustainable Marine Resources Management: Conditions for Success.* IIED Working Paper. IIED, London.

http://pubs.iied.org/16574IIED

ISBN 978-1-78431-025-7

Printed on recycled paper with vegetable-based inks.

International Institute for Environment and Development
80-86 Gray's Inn Road, London WC1X 8NH, UK
Tel: +44 (0)20 3463 7399
Fax: +44 (0)20 3514 9055
email: info@iied.org
www.iied.org

@iied
www.facebook.com/theIIED

Conservation Trust Funds (CTFs) are a source of sustainable financing for long-term biodiversity conservation, in particular for protected areas management. Through a review of 12 case studies from Africa, Asia, Latin America, the Caribbean, and Australasia, this research report provides a broad overview of how to create a CTF, describing its legal and institutional structure, fund generation and delivery, and identifying when it might be an appropriate tool. The lessons learnt from the case studies provide guidance on best practice and an insight into the conditions for the sustainability and success of the funds, and thereby their value to conservation.

Contents

Abbreviations

AFD	*Agence Française de Développement*/French Development Agency
BACoMaB	*Fonds Fiduciaire du Banc d'Arguin et de la Biodiversité Côtière et Marine*/Banc d'Arguin and Coastal and Marine Biodiversity Trust Fund
BTFEC	Bhutan Trust Fund for Environmental Conservation
CAFE	Consortium of African Funds for the Environment
CARPE	Central African Regional Programme for the Environment
CBD	Convention on Biological Diversity
CBF	Caribbean Biodiversity Fund
CFA	Conservation Finance Alliance
CI	Conservation International
CTF	Conservation Trust Fund
EAI	Enterprise for the Americas Initiative
ES	Ecosystem Services
EU	European Union
FANP	*Fondo para Áreas Naturales Protegidas*/Mexican Natural Protected Areas Fund
FFEM	*Fond Français pour l'Environnement Mondial*/ French Global Environment Facility
FMCN	*Fondo Mexicano para la Conservación de la Naturaleza*/Mexican Nature Conservation Fund
FIBA	*Fondation Internationale du Banc d'Arguin*
FONAG	Fund for the Protection of Water (Ecuador)
FSC	Finance Standing Committee
GEF	Global Environment Facility
GIZ	*Deutsche Gesellschaft für Internationale Zusammenarbeit*/German Agency for International Cooperation
KfW	*Kreditenanstalt für Wiederaufbauung*/German Development Bank
MAR	Mesoamerican Reef Fund
MPA	Marine Protected Area
NEA	New England Aquarium
NGO	Non-Governmental Organisation
PA	Protected Area
PACT	Protected Areas Conservation Trust, Belize
PES	Payments for Ecosystem Services
PIPA	Phoenix Islands Protected Area
PNBA	*Parc National du Banc d'Arguin*/Banc d'Arguin National Park
PTEF	PIPA Trust Endowment Fund
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RedLAC	Latin American and Caribbean Network of Environmental Funds
TFCA	Tropical Forest Conservation Act
TNC	The Nature Conservancy
TNS	*Fondation Tri-National de la Sangha*/Sangha Tri-National Foundation, Cameroon
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USAID	United States Agency for International Development
WCS	Wildlife Conservation Society
WWF	World Wide Fund for Nature
UNFCCC	United Nations Framework Convention on Climate Change

Executive summary

Background and context

Finding sustainable financial resources is a major challenge for biodiversity conservation, particularly for developing countries. Although the pool of funds potentially available is enormous, traditional conservation organisations are failing to tap into them at the scale required, and governments bear the main responsibility for investment and related action. Efforts to address the shortage in conservation funding also tend to focus on revenue generation rather than on capacity building.

Conservation Trust Funds (CTFs) provide sustainable financing for biodiversity conservation at regional and national level, such as for protected areas (PA) management, using diverse financing mechanisms. With good design and management, CTFs can provide the institutional capacity at local and national level for transparent and accountable fund generation and allocation. As legally independent grant-making institutions, they are designed to mobilise and invest funds from a range of sectors, thereby initiating and strengthening inter-sectoral collaboration.

Preconditions for the creation of CTFs

More than 70 CTFs have been established to date, with best practice being shared among networks. A set of preconditions for the creation of CTFs has emerged:

- a group of diverse stakeholders with a common vision willing to come together
- a demand for funds from capable implementing organisations
- the existence or possibility of quickly establishing a basic legal and financial framework
- government buy-in.

Prior to making decisions about the design of the CTF, the conservation needs and how they are to be addressed should be identified in order to provide a clear vision of the CTF and its strategic focus. This is a consultative process and should take into account the relevant political, legal and governance contexts, all potential sources of funding, and ideally be linked to existing regional or national environmental strategies or PA management plans.

Factors for success

Ultimately, the success of a CTF is defined by its conservation impacts. However, since many CTFs are still young, these impacts may not be seen for many years. In addition, external factors may play a part in their success or failure, and limited monitoring and evaluation strategies to date make impact assessment difficult. For these reasons, this report focuses largely on the establishment and sustainability of the CTF mechanism itself, using CTF performance in terms of financial and institutional sustainability as a proxy for conservation impact.

A feasibility study

Before beginning the process of creating a CTF, a feasibility analysis is imperative in order to consider both the funding needs and the urgency of the threat to biodiversity, so as to establish whether a CTF is the most appropriate mechanism.

Diversified system of financing

Diverse sources of finance are critical for financial sustainability, they also ensure the mobilisation of sufficient resources and protect against over-reliance on a single source of funding, and on donor support.

Strategic and financial planning

Successful resource mobilisation should be based upon a comprehensive strategic and financial plan.

Strategic partnerships

A CTF should nurture relationships with a variety of stakeholders – national and international policy-makers, organisations capable of assisting with capacity-building, grantees, NGOs, other CTFs and institutions with financial expertise.

Political support

Although independence is desirable, it is also essential to establish and maintain government links.

Financial expertise

A CTF is first and foremost a financial instrument and ideally the governing body of the fund should have financial experience, and there should be at least one board member with expertise in the fields of finance, business or economics. External assistance is also essential; either through a specialised financial advisory committee or through partners.

Reporting, monitoring and evaluation

The need for reporting, monitoring and evaluation has to be considered at an early stage and incorporated into the strategic and financial planning. Reporting is essential for transparency; annual reports should be publicly available and financial records should be made available to donors. Regular internal reporting by staff is required for the board to make informed decisions.

Lessons learnt

There is no one-size-fits-all approach to designing a CTF. The optimum decisions and the challenges encountered will depend on the political and legal contexts, the purpose of the CTF and the sources of funding available, but there are a set of 'best practices' based on available experience and lessons to date. Certain factors have emerged in the creation of CTFs which make them more likely to fulfil their potential:

- A CTF may not be a suitable tool in all circumstances, and its feasibility should always be assessed before embarking on its creation.
- A CTF should have a clear focus, and it should be a priority to identify whether the initiative or activities it is intended to fund will actually have a conservation impact. It does not matter how successful a CTF is in financial terms unless it is funding activities which are based on sound science and its outcomes are rigorously assessed.
- Its governance should be diverse and participatory, and a balance must be struck between autonomy and political support; a CTF is unlikely to get off the ground or achieve permanence without high-level political buy-in.
- Strategic partnerships with organisations or individuals which can provide mentorship, technical assistance and financial advice are essential.
- A diverse system of financing is critical; CTFs need to be creative in terms of resource mobilisation and move away from reliance on donor support to utilise new opportunities which place more of the onus on the users of ecosystem services.

1 Introduction

Marine and coastal resources provide millions of people across the global South with livelihoods, and provide the world with a range of critical 'ecosystem services', from biodiversity and culture to carbon storage and flood protection (Mohammed 2012). Fisheries alone offer multiple benefits to poor and impoverished coastal communities in many developing countries. However, marine and coastal resources continue to be degraded or altered at an alarming rate. According to Murray *et al*., (2011) this is mainly because markets do not easily capture the value of coastal and marine ecosystem services (ES); therefore, these values are not accounted for in national statistics. Consequently, they continue to lack sufficient attention from policy makers. This has led to over-exploitation and degradation of resources, reducing the quality and effectiveness of the services they provide (MEA 2005).

To tackle this problem, there has been a growing number of initiatives to introduce direct economic incentive mechanisms as the most viable and effective tool to reward resource users for improved natural resource use practices or compensate for the benefits foregone from complying with certain natural resource use regimes (Mohammed and Wahab 2013).

However, one of the main challenges of such an approach is the limited availability of financial resources, particularly in developing countries (Balmford & Whitten 2003; McCarthy *et al.* 2012; Waldron *et al.* 2013). Although there has been a resultant increase in conservation funding through both private philanthropy and markets, shortfalls are substantial; the capacity to deliver the required changes is still lacking, and responsibility is still falling largely on the shoulders of governments (Balmford & Whitten 2003; Evans *et al.* 2012; Miller *et al.* 2013).

Conservation Trust Funds (CTFs), also called Conservation Funds and Environmental Funds, have been advocated as one way to meet the need for recurrent, long-term conservation funding (Bayon & Deere 1998; Castro 2003; Balmford & Whitten 2003; RedLAC 2010; TNC 2012), particularly in the case of protected area (PA) management (CFA 2013). Not only can they lead to financial sustainability through the diversification of financing mechanisms, they can also help to initiate and strengthen inter-sectoral collaboration and build institutional capacity at local and national levels (GEF 1998; Spergel & Taieb 2008; CFA 2013). In addition, they have demonstrated the potential to advance economic incentive mechanisms such as payments for ecosystem services (PES), by serving as an instrument for financial administration and an intermediary between buyers and sellers of ecosystem services (Spergel & Taieb 2008; Spergel & Wells 2009; RedLAC 2010; Goldman-Benner *et al.* 2012).

The first CTFs emerged in the early 1990s as mechanisms to absorb and disburse the capital which was becoming available through national government payments resulting from debt-for-nature swaps[1] (Bayon & Deere 1998). More than 70 CTFs have since been established, the majority in Latin America and the Caribbean, some in Africa and fewer in Asia and Eastern Europe. Best practices have been shared among networks such as RedLAC (Latin American and Caribbean Network of Environmental Funds) and CAFE (Consortium of African Funds for the Environment); CTF performance, biodiversity impacts and conditions for

[1] Financial transactions in which foreign debt owed by a developing nation is forgiven in exchange for local investments in conservation measures.

success have been evaluated (Bayon & Deere 1998; GEF 1998; Bayon *et al.* 1999; Norris 2000; Oleas & Barragan 2003; RedLAC 2008; Spergel & Taieb 2008); and practice standards have recently been developed by the Conservation Finance Alliance (CFA), both for the creation and for the evaluation of CTFs (Spergel & Mikitin 2013). However, it seems that some donors and governments are yet to be convinced of their value and potential complementarities to traditional project finance approaches (CFA 2013). Furthermore, since the most recent comprehensive review of CTFs (Spergel & Taieb 2008), new experience has emerged.

This report is not intended to be an exhaustive review of CTFs or a set of comprehensive instructions, but instead pulls together past and more recent lessons from a range of CTFs around the world, using both a literature review and semi-structured interviews, to provide a broad overview on how to create a CTF, when it might be an appropriate tool, and conditions for success. The report first discusses the key characteristics which define a CTF before presenting 12 case studies, selected to give a broad spread in terms of geography, age (length of existence), source of finance and size. We then use lessons from these case studies to examine the key factors which are likely to influence the success or failure of a CTF, and thereby its value to conservation. Where possible, these case studies have been based on semi-structured telephone interviews with their representatives (see Annex 1), and that information has been cross-checked and elaborated using the available literature and websites. Semi-structured interviews were also conducted with five external experts in sustainable finance for conservation, who were expected to have more critical and less biased views than direct representatives of the CTFs.

What is a Conservation Trust Fund?

CTFs are commonly defined as legally independent grant-making institutions which provide sustainable financing for biodiversity conservation and related sustainable development (Spergel & Taieb 2008). They can be described as a 'bridge' between donors and implementing organisations. They generally do not carry out conservation activities directly, rather they are designed to mobilise and invest funds from a range of sectors, before re-granting to a range of stakeholders. Furthermore, they differ from other grant-making organisations, because they tend to carry out more targeted actions, investing locally in a country or region (Ann Marie Steffa Avila, pers. comm., January 2014).

The structures and strategies of CTFs and the ways in which they are established vary considerably according to purpose, legal and political context, human resource capacity and donor requirements. In particular, differences have been noted between CTFs which support protected areas (PAs) and those which channel funds for a broader range of conservation objectives, sometimes referred to as 'parks' and 'grants' funds (GEF 1998). Nevertheless, the key building blocks of a CTF are the institutional structure, fund generation, and fund delivery mechanisms (GEF 1998; Norris 2000; Oleas & Barragan 2003; Spergel & Taieb 2008). These are explained in detail below.

Institutional structure

A CTF must have a structure of social order and organisational process. This institutional structure encompasses both legal arrangements and institutional governance.

Legal structure

In some countries CTFs can be established in the form of a trust – a legal arrangement whereby a trustee (individual, group, company or organisation) legally owns and manages financial resources or property that has been donated exclusively for a designated charitable purpose, as defined in a charter or deed of trust, or for specified beneficiaries (Norris 2000; Guerin-McManus 2001). In countries where there is no legal basis to establish a trust, foundations and civil associations are often used to the same end, or a CTF might be established through national legislation or decree (Norris 2000). For example, in order for the Belize government to legally earmark tourist taxes for the financing of the Protected Area Conservation Trust (PACT), national legislation had to be passed (see Case Study 11).

It is often the case, particularly for civil law countries, that CTFs are established in an offshore location. This may be due to the lack of legal basis for the creation of a CTF in its own country, a result of political or financial instability, restrictions on offshore investment, lack of transparency and/or confidence in the country's governance, a measure taken in order to gain access to specific donors, or one taken in order to gain tax exemption (Norris 2000; Klug *et al.* 2003; Spergel & Taieb 2008). Most common law countries (e.g. the UK, USA, Belize) have enacted statutory laws granting tax exemptions for income earned by charitable trusts, but many civil law countries still tax this income (Norris 2000). If new legislation cannot be enacted to prevent taxation, whether at source or in the destination country, CTFs tend to be registered in a country with a more flexible legal system – often the UK or USA. For example, Mauritania's Banc d'Arguin and Coastal and Marine Biodiversity Trust Fund (BACoMaB), like a number of Francophone African funds, was registered as a UK charity mainly due to the lack of a foundation law in Mauritania (see Case Study 4).

Governance structure

A CTF is managed by some kind of governing body – usually a Board of Directors or sometimes a governing council or oversight committee, depending on the legal framework. This governing body (hereafter referred to as 'the board') is usually independent of any national government; it may be completely private or it may be comprised of public and private stakeholder representatives, but there is rarely a governmental majority (Spergel & Taieb 2008). All CTFs reviewed in this study have a fairly equal public-private split, apart from FMCN, whose board is dominated by private sector representatives. The Bhutan Trust Fund for Environmental Conservation (BTFEC), although now making moves towards an equal split, was once government-dominated, but did not suffer as might be expected because conservation has such a high profile in Bhutan. Donor agencies are often represented, though commonly in a non-voting capacity (Spergel & Taieb 2008). Board sizes tend to range from five to twenty members (Spergel & Mikitin 2013), those managing larger amounts of money and multiple accounts tending to have larger boards. However, some of the recently established CTFs reviewed here have smaller boards; for example, the Phoenix Islands Protected Area (PIPA) Trust has only three members.

A full-time Executive Director or Secretary, or the equivalent, is recruited by the board to oversee the implementation of the board's decisions conducted by staff, which typically number between four and twenty-five (Spergel & Taieb 2008). The CTFs reviewed here, however, indicate that the number of staff is again dependent on the amount of money and number of accounts managed, and therefore perhaps on period of existence. For example the Mexican Fund for the Conservation of Nature (FMCN), a mature CTF which manages a large endowment (US$120 million) and several sinking funds, has over forty permanent members of staff, whereas BACoMaB, which is relatively young and manages an endowment of €10 million, has only a couple of members of staff. Most CTFs establish specialised committees composed of board members themselves and/or external experts to advise the board on technical, financial or administrative issues (Spergel & Taieb 2008). For example, the Sangha Tri-National (TNS) Foundation has subcommittees for fundraising and investment, the Mesoamerican Reef (MAR) Fund has four subcommittees and FMCN has seven subcommittees. Some large boards, like that of FMNC, have also created executive committees – comprised of board members who are considered to be the most participative and committed, and who meet more regularly than the board itself for the oversight of day-to-day operations.

Fund generation

Financial structure

In theory, CTFs have a stable and enduring financial structure, providing a normalised flow of funds not subject to the vagaries of project funding. They can be structured as endowments, sinking funds, revolving funds, or any combination of these (Bayon & Deere 1998), see Table 1. Compared by one interview respondent[2] to 'drip irrigation', an endowment is designed to last in perpetuity, preserving its capital and using only the interest or return on investment to finance activities.

A sinking fund is designed to disburse a proportion of its capital each year over a defined period of time until it sinks to zero. A revolving fund is replenished or augmented on a regular basis, usually through fees, taxes or levies collected by a government, and the revenues may be disbursed or a proportion set aside to create an endowment. The choice of approach depends on the purpose and size of the CTF (GEF 1998). Relatively small CTFs like the Arannayk Foundation, or those which finance a single PA like BACoMaB, tend to operate a single endowment, sinking or revolving fund, but larger and more mature CTFs, like FMCN and Fondo Acción, tend to manage a number of sub-accounts as individual funds.

Investment strategies range from local banks and fixed-income government bonds, stocks, and real estate, to more complex investment portfolios, in accordance with the goals of the CTF, the local economic context and donor requirements (Mathias & Victurine 2012). It is increasingly common for investment strategies to be developed by an investment committee in collaboration with an independent investment advisor or consultant who in turn manages several professional asset managers (Spergel & Taieb 2008). Investment strategies tend to be conservative, minimising risk while focusing on capital growth; revenue is usually divided into that to be withdrawn and spent on operations and that which is reinvested, providing insulation from annual variations in revenue flows (Norris 2000; Spergel & Taieb 2008). Many CTFs use 7 per cent as a nominal target for investment performance, and the 2012 annual Conservation Trust Investment Survey (CTIS) found the previous five-year average returns to be 5.2 per cent, a rate described by the CTIS as 'fairly strong', given the recent global financial crisis (Mathias & Victurine 2012).

[2] Lorenzo Rosenzweig Pasquel.

Table 1. Summary of types of fund. It is common for the financial structure of a CTF to combine these features.

	PROS	CONS
Endowment fund Where the financial assets of a fund are invested and only the income from this investment is used to finance activities.	• Suitable for PA and national park financing, which require a long-term source of financing. • Can cover a CTF's basic operation costs. • Can be useful to leverage additional sources of funding.	• Ties up substantial amounts of resources with relatively low returns. • Takes time to start producing income. • Least attractive to donors.
Sinking fund Where activities are financed using both principle and investment income over a fixed period of time (usually 6-15 years), or until the fund sinks to zero.	• Suitable when large amounts of money are required on a one-time basis. • More attractive to donors as they like to see the effects of money being spent.	• Lack of permanence.
Revolving fund Where a fund is replenished or augmented on a continuous basis, for example through earmarked taxes, user fees, and so on.	• Can last in perpetuity if the source is financially sustainable. • Can cover a CTF's basic operation costs. • Can connect ES beneficiaries with providers.	• If used in isolation, withdrawal of the source of replenishment could cause the collapse of the fund.

Resource mobilisation

CTFs often bring together various donors and streams of funding in a manner which is rare in conservation (CFA 2013). As mentioned previously, the most common source of funding in the past has been bilateral debt-for-nature swaps, whereby debt owed by a developing nation is forgiven in exchange for local conservation measures (Bayon & Deere 1998). For example, Arannayk was the first of many CTFs to be established under the provisions of the US Tropical Forest Conservation Act, which allowed the US government to favourably treat approximately US$13 billion of outstanding debts in countries with tropical forests. Direct grants from bilateral and multilateral institutions are also common; USAID, European donors such as KfW (German Development Bank), and GEF through the World Bank or UNDP have been the major sources so far (Bayon *et al.* 1999; Spergel & Taieb 2008). International conservation Foundations like Packard Foundation have contributed to CTF endowments and international NGOs like TNC, CI or WWF have been more significant in terms of lobbying donors and providing technical assistance and facilitation (Spergel & Taieb 2008).

National governments have provided substantial financial support to CTFs, both from their national budgets and through the creation of mechanisms such as PES and user fees (Spergel & Taieb 2008). Some CTFs pursue the use of funds from donor sources as a way of leveraging additional resources from governments or other donors, for example through co-financing requirements, which can provide an incentive for governments to increase budgets for PAs or to generate new revenues. International donor agencies often require matching contributions of some kind, whether as a demonstration of commitment, or to create a sense of ownership (Miller & Yu 2012). For example, the Kiribati government has matched Conservation International (CI) funding for the PIPA Trust's Endowment Fund (PTEF), and the Caribbean Biodiversity Fund (CBF) is exploring the requirement for participating governments to institute creative financing schemes which would generate continuous streams of revenue for their national level CTFs. In Bhutan, the government was required by BTFEC not to make any cash contributions, but to provide labour and office space equivalent to 10 per cent of the CTF's annual budget (Norris 2000).

Examples of CTFs being used as financial and institutional mechanisms for disbursing PES, user fees, REDD+, climate adaptation funding, biodiversity offsets and environmental compensation are becoming more and more common (Spergel & Taieb 2008; RedLAC 2010). Belize PACT's sole source of revenue until quite recently was an earmarked tourism tax (see Case Study 11), and Mauritania's BACoMaB was partially capitalised with finances from its EU fisheries agreement (see Case Study 4). Three interview respondents[3] made comments indicating that donors have become less interested in giving large amounts of capital to endowments, and more interested in mechanisms to create sustainable streams of revenue. In parallel, partnerships with the corporate sector are also becoming more common. Examples include the German brewery Krombacher, which contributes funds from a marketing campaign to the TNS Foundation through WWF Germany (see Case Study 5), and Ecuador's FONAG, which has received contributions from Quito's electrical utility, a private brewery and a water bottling company (see Case Study 10).

Philanthropy is the least common source of financing for CTFs, but has begun to play an increasing role in recent years (Spergel & Taieb 2008). For instance MAR Fund, BACoMaB and FMCN have received grants from a number of philanthropic foundations such as the Summit, MAVA and Ocean Foundations, and large CTFs like Colombia's Fondo Acción have even been exploring the concept of 'citizen philanthropy' through innovative approaches such as crowd funding, where contributions are leveraged directly from the public.

Fund delivery

The recipients of CTF funds may be government agencies, NGOs or local community organisations, depending on the purpose of the fund. Some are established to support national environmental plans or strategies (e.g. BTFEC), some to support the management of PAs (e.g. BACoMaB) or PA networks (e.g. TNS), and others to fulfil broader conservation missions (e.g. Fondo Acción). Some, such as the FMCN, combine these purposes, making grants for PA management as well as a range of other conservation objectives, including ecosystem and species conservation and the sustainable use of natural resources. Recent years have seen an increase in numbers of regional CTFs like TNS Foundation, MAR Fund, and the newly established CBF, which involve multiple countries.

Although CTFs are generally not implementation organisations, some are more interested in implementation activities than others, which may act simply as conduits for funding. For example, RedLAC members, such as FMCN, PACT and Fondo Acción, are becoming more active in the monitoring and evaluation of the activities which they fund, and directing strategy accordingly, and FONAG now implements projects directly.

[3] John Claussen, Andrew Soles, Maria José Gonzalez.

2

Case studies

The following case studies were selected to give a broad representation in terms of geography, age, source of financing and size of capital. Where possible, the case studies were reviewed using semi-structured telephone interviews with their representatives (see Annex 1); all except Case Studies 5, 8, 9 and 10, which were based solely on literature review.

Table 2. Summary of eleven CTF case studies. Yasuni-ITT is not included here due to its failure to become operational.

(Blank cells indicate information not available)

CTF	LEGAL STATUS AND GOVERNANCE	YEAR EST.	CURRENT SOURCES OF REVENUE	ORGANISATIONS ELIGIBLE FOR SUPPORT	AREAS FUNDED	NUMBER OF BOARD MEMBERS	NUMBER OF PERMANENT STAFF MEMBERS	SPECIAL COMMITTEES
FMCN	Non-profit civil association governed by a Board of Directors & a 32-member general assembly	1994	US$120 million endowment (capitalised by US and Mexican governments) and additional sinking funds from various sources, including philanthropic donors	NGOs, organised rural communities & conservation professionals	National PAs, watersheds & forests, oceans & coasts, 'special programmes'	19	44	7, including an executive committee
Arannayk Foundation	Non-profit company governed by a Board of Directors under domestic law	2003	US$3.5 million endowment capitalised through multilateral and bilateral aid, including the unspent balance of a debt reduction agreement	NGOs and other organisations involved in forest protection, conservation, restoration or maintenance	National tropical forests	7	8	2
PIPA Conservation Trust	NGO governed by a Board of Directors under the laws of the Republic of Kiribati	2009	US$5 million endowment capitalised by CI & Kiribati government, with additional sinking funds from regional governments and multilateral aid	PIPA & the government of the Independent and Sovereign Republic of Kiribati	MPA	3	2	None

CTF	LEGAL STATUS AND GOVERNANCE	YEAR EST.	CURRENT SOURCES OF REVENUE	ORGANISATIONS ELIGIBLE FOR SUPPORT	AREAS FUNDED	NUMBER OF BOARD MEMBERS	NUMBER OF PERMANENT STAFF MEMBERS	SPECIAL COMMITTEES
BACoMaB	Foundation governed by a Board of Directors under UK law	2009	€10 million endowment capitalised through bilateral aid, philanthropic foundations & an international PES	Currently national parks, but plan to extend support to oceanographic institute and communities in PAs	MPA	7	2	1
TNS Foundation	Company limited by guarantee registered as a charity under UK law and governed by a Board of Directors	2007	€27.5 million endowment capitalised by bilateral aid and private company and €8 million sinking funds for Congo and Central African Republic	National public institutions and local and international NGOs	TNS forest complex	11	5	2
MAR Fund	Charitable foundation governed by a Board of Directors under US law	2009	US$14.8 million endowment	National NGOs, community organisations, governmental institutions, scientific & academic organisations	Marine and coastal ecosystems of and watersheds draining into the MAR region	13	6	4
CBF	UK charity governed by a Board of Directors	2012	US$425 million endowment capitalised by GEF, TNC, KfW and US$22 million more pledged	National level CTFs	Marine and Terrestrial PAs in Caribbean region	2, but more eventually	None yet	Not yet

CTF	LEGAL STATUS AND GOVERNANCE	YEAR EST.	CURRENT SOURCES OF REVENUE	ORGANISATIONS ELIGIBLE FOR SUPPORT	AREAS FUNDED	NUMBER OF BOARD MEMBERS	NUMBER OF PERMANENT STAFF MEMBERS	SPECIAL COMMITTEES
BTFEC	Foundation governed by a Board of Directors under US law	1991	US$44 million endowment capitalised by GEF and various governments	National public institutions, individuals, companies, municipalities, NGOs	National environmental programmes	7	11-25	2
FONAG	Private trust fund with a *Fideicomiso Mercantil* governed by a Board of Directors	2000	US$12 million endowment capitalised by private companies, NGOs and governments	Implements projects directly	Conservation of water resources	6	38	None
PACT	Foundation governed by a Board of Directors under domestic law	1996	Revolving fund financed through a conservation tax, a BZ$6 million endowment & a sinking fund financed through a debt swap	National public institutions, municipalities, NGOs	National PA network	11	17	2
Fondo Acción	Private NGO governed by a Board of Directors	2000	US$33 million endowment from a debt-for-nature-swap between the governments of the US and Colombia. US$7 million from a second debt swap among the governments of the US and Colombia and TNC, CI and WWF	NGOs, community organisations, governmental institutions, scientific & academic organisations	National PAs, watersheds & forests, buffer zones, 'special programmes'	8	21	

Case study 1: Mexican Fund for the Conservation of Nature (FMCN)

FMCN was established in 1994 as a non-profit civil association, following a three-year participatory consulting process funded by US government agencies and a number of philanthropic organisations. It is one of the largest CTFs in the world, both in terms of revenues available and number of projects supported.

Fund generation and delivery

Seed capital was provided by the US and Mexican governments and a group of US private philanthropic donors, and FMCN now manages an endowment of US$120 million, which is complemented by a stream of earmarked sinking funds raised from diverse sources at a rate of US$3–4 million per year. Asset managers were initially given control of FMCN's discretionary decisions on financial strategy, but it was soon realised that advice from an independent financial expert and an investment committee would be more practical and reduce financial risk (Locker & Rosenzweig 2011).

In 1996 FMCN was appointed manager of a separate endowment of US$16.48 million from GEF, the Fund for Natural Protected Areas (FANP) (Locker & Rosenzweig 2011). This is not a legal entity, but a fund which is segregated from FMCN's other programmes and established to support 10 national PAs. It later received further capitalisation from GEF to include 12 additional PAs in the programme, contingent upon one-to-one matching funds. FANP surpassed the required match, and today supports the management of 29 of Mexico's 176 PAs with an endowment of US$76 million, many of which were previously paper parks. By covering basic operation costs of the PAs and capacity building, FANP has helped attract additional funds from both public and private sources. Furthermore, FANP has been able to customise disbursements to PA needs, making them available at a time of the year when government resources are not.

FMCN was created to finance biodiversity conservation in Mexico through four conservation programmes: PAs, forests and watersheds, oceans and coasts, and special projects – which include business sustainability projects and cooperation schemes (e.g. with RedLAC and MAR Fund). It has distributed over US$65 million in support of nearly 1000 conservation projects, and helped to promote sustainable business and public-private partnerships, build institutional capacity, and play a role in consolidating and improving Mexico's PA system (Locker & Rosenzweig 2011).

Institutional structure

FMCN is governed by a general assembly composed of thirty-two members, representing both Mexican civil society and the international conservation community. The assembly is responsible for approving annual reports and financial statements, and for appointing the Board of Directors, which provide the next level of authority. The board is composed of 19 members from business and civil society organisations, selected from the assembly members to meet the needs of the CTF and the diversity of its stakeholders, and include the Minister of Environment as an *ex officio*[4] member. Due to the size and diversity of its board, FMCN has established seven specialised technical committees to assist with the day-to-day operations of the CTF, including an executive committee.

Lessons learnt

The financial sustainability of FMCN has been attributed to strong leadership and favourable economic and political climates when it was being established, including support from the Mexican government.[5] The critical role of the early involvement of high-level government officials in FMCN's advisory committee has demonstrated how important political support can be for CTF capitalisation (Norris 2000; Locker & Rosenzweig 2011). At the same time, FMCN has been autonomous and this has allowed it to last through four changes in federal government. FMCN's FANP programme has also provides some specific lessons. First, it is an example of how diversified revenue sources can be a source of strength – with FANP and government funding complementing each other's deficiencies. Second, its role in encouraging stakeholder participation, particularly that of communities around the PAs, shows how a CTF can strengthen civil society engagement in conservation.

Case study 2: Arannayk Foundation, Bangladesh

The Arannayk Foundation – also known as the Bangladesh Tropical Forest Conservation Foundation – was established in 2003 by the governments of Bangladesh and the USA, with the aim of facilitating the conservation, restoration and sustainable use and management of tropical forests in Bangladesh. Key objectives include the capacity development of stakeholders and the building of partnerships between NGOs, the government, and private sector organisations engaged in activities related to forestry.

[4] Member by virtue of holding another office.

[5] Lorenzo Rosenzweig Pasquel.

Fund generation and delivery

Arannayk was established through a debt reduction programme under the provisions of the US Tropical Forest Conservation Act (TFCA) of 1998. Early on, little attention was given to fundraising and communication strategies, despite the fact that debt reduction funds (a total of US$8.5 million over 18 years) were expected to be exhausted by 2018. But since 2007, Arannayk has received US$4 million from the World Bank, US$1 million from GIZ, and financial and technical support from other development partners, and it has invested this together with the remaining debt reduction balance to create a tax-exempt endowment (currently US$3.5 million).

Arannayk did not start allocating grants until 2006; this has been attributed to delays in the US and Bangladesh governments reaching a consensus over the modalities of channelling the funds.[6] It has since given over 80 financial grants – ranging in size (US$1.54 million in total) and provided support to NGOs and other organisations active in forest and biodiversity conservation, and in 'exceptional circumstances' to the national government. An external evaluation found Arannayk's policy and framework for grant-making met best practice standards for effective and efficient operations (Spergel & Mikitin 2013), and with financial accountability and transparency (Mikitin *et al.* 2008). Its grant-making procedure starts with a call for the proposed implementation plans within defined priority areas and issues, to provide a geographic and strategic focus. This is followed by a peer review process and a ranking of proposals based on a competitive scoring system (Box 1). Although this procedure is very transparent, it is sometimes seen as a hindrance to making grants to well-reputed organisations in target areas, which may not need to go through this process.

BOX 1. ARANNAYK FOUNDATION'S COMPETITIVE GRANT-MAKING PROCEDURE

Step 1: Financial planning

The Secretariat submits the annual financial plan to the Finance Standing Committee (FSC) for review, which makes recommendations for the board's approval.

Step 2: Programme development

The Secretariat identifies, prioritises and selects new programmes/projects to be funded before preparing a plan describing this process and the budgetary allocation for these programmes/projects. This plan is approved by the Chair of the Programme and the Operations Standing Committee (POSC) and then the Board of Directors.

Step 3: Public Call for proposals on approved programmes

The Secretariat will send a draft public call for proposals to the POSC and all board members, before making the public call. Proposals received within the stipulated time are listed and given a serial number.

Step 4: Evaluation and selection of project proposals

The Secretariat proposes a Peer Review Team (PRT) comprised of two to three professionals to the POSC. The appointed PRT members evaluate the proposals according to the Project Proposal Evaluation Tool (PPET) and related guidelines for assessing and scoring the proposals. The Secretariat compiles the scores of the PRT members and calculates the averages. Proposals receiving 60 per cent or higher qualify for further consideration by the Secretariat, which assigns them a score based on physical facilities, existing human resources and quality of work, and checks their relevant documents, visits their offices and field sites and interviews key stakeholders. The Secretariat combines the scores of the PRT and that of the Secretariat, allocating 60 per cent and 40 per cent weights respectively, and ranks these proposals accordingly.

Step 5: Grant disbursement

The Secretariat submits the combined scores along with other remarks and recommendations to the board, which makes the final selection for awarding grants. The grantees are notified of the decision by the Secretariat, which disburses grants on the basis of the grant agreement, signed between Arannayk and the grant recipient.

Adapted from AF 2003

[6] Farid Uddin Ahmed.

Institutional structure

Arannayk is registered as a non-profit company without shares under Section 28 of the Bangladesh Companies Act (1994: Act 18). Although these organisations are subject to more stringent government oversight than other NGOs registered under the Society Act (1860: Act 21), Arannayk is exempt from the usual government requirement for all foreign donations to pass through the governmental NGO Bureau (Farid Uddin Ahmed, pers. comm., 21 November 2013).

It is a small CTF, with only eight core members of staff (the Secretariat) and the Executive Director, appointed by a Board of Directors comprised of representatives from USAID and the Bangladesh Ministry of Environment and Forests, and five civil society representatives from national NGOs, the indigenous Chakma tribe and the financial sector. Though it abides by Bangladesh governmental policy, the board has complete authority over grant-making decisions, using a panel of external experts to evaluate proposals.

Lessons learnt

Arannayk demonstrates the advantages that a CTF can have over alternative grant-making organisations in overly bureaucratic countries. It is also an example of how a CTF can achieve its objectives with a relatively small amount of starting capital, if an endowment is secured.

Case study 3: Phoenix Islands Protected Area (PIPA) Conservation Trust, Kiribati

The PIPA Trust was established in 2009 by the government of Kiribati, Conservation International and the New England Aquarium, with the aim of providing sustainable financing for the protection of PIPA, one of the largest MPAs in the world.

Fund generation and delivery

The PIPA Trust has some sinking funds (e.g. US$1 million from GEF and support from regional governments) which are allocated to projects that require major capital expenditure. It also established the PIPA Trust Endowment Fund (PTEF) to cover the operation costs of the Trust itself, the core costs of PIPA in accordance with the management plan and, most importantly, to finance the 'conservation contract' or PES arrangement between the PIPA Trust and the government of Kiribati. Often termed a 'reverse fishing license', the arrangement compensates the government for the fishing licenses which would have been sold to foreign fishing operations if the PIPA were not protected, in return for the closure of agreed areas to fishing. Though still in its infancy, the PTEF has been capitalised with US$2.5 million by CI and matching funds from government reserves. Currently only 3.12 per cent of the MPA is no-take, but with further fundraising, PTEF aims to generate more compensation and thereby phase out commercial fishing (Davis 2013). By the end of 2014, it is expected that the PTEF will be adequately capitalised to compensate for losses from 25 per cent no-take coverage, although the government is now calling for closure of the entire MPA, which would require the PTEF to grow to about US$25 million.

Institutional structure

The PIPA Trust was established under the Phoenix Islands Protected Area Conservation Trust Act of 2009 and is governed by the law of the Republic of Kiribati. The lack of a legal framework for marine conservation and CTFs was a key challenge in its creation. Although the Board of Directors is independent of the Kiribati government, the Minister of the Environment is a member, forming an equal management partnership with representatives from CI and the New England Aquarium. This government buy-in can be traced back to the strong interest and support of the President of Kiribati, and has played a critical role in attracting the donor community.

Lessons learnt

This case study is an example of how a CTF framework can be used in an economic incentive scheme, acting as an intermediary to generate and channel funds from donors to the providers of an ES. It also demonstrates the value of publicity and communication, in this case through engaging senior government officials and in a public communication strategy which began with Kiribati's designation as a World Heritage Site. Furthermore, it shows the value of strategic partnerships, benefiting from Kiribati's previous positive experience with trust funds and early relationships developed with New Zealand and Australia, which provided technical experience.

Case study 4: Banc d'Arguin Coastal and Marine Biodiversity Trust Fund (BACoMaB), Mauritania

BACoMaB was established in 2009 with the aim of ensuring long term financing for Banc d'Arguin National Park (PNBA), a UNESCO World Heritage Site and the largest marine park in Africa – established over 40 years ago – and other Mauritanian coastal and marine sites.

Fund generation and delivery

BACoMaB is partially financed through the EU-Mauritania Fisheries Partnership Agreement, an international PES scheme (Binet *et al.* 2013). In exchange for commercial exploitation of Mauritania's Exclusive Economic Zone (EEZ), the EU pays Mauritania a fee and, since 2006, a proportion of this has been set aside to finance the operating costs of the National Park. There was an initial period where the Mauritanian government agreed to earmark this proportion of the Fisheries Agreement funds, but used it in place of its own contribution to the park. This situation was rectified in 2008, and in 2009, part of this annual payment was allocated to BACoMaB as an endowment.

The endowment is currently worth €10 million, two million of which has come through the fisheries agreement, the rest from KfW and MAVA Foundation. Commitments have also been made by AFD (the French Development Agency) and FFEM (the French Global Environment Facility), and additional revenues are being explored, including revenues received from royalties received in connection with oil and gas exploitation concessions. BACoMaB has also received €14,000 from Tasiast gold mine, through the Lundin Foundation, for CTF operations. Annual revenue is eventually expected to guarantee the effective management of the PNBA and other marine and coastal sites, but given the current economic conditions, funds would need to amount to €100 million in order to generate substantial revenues, and by 2017 funds are not expected to exceed €50 million. It expects to make its first disbursal in imminently (in the year 2014).

Institutional structure

BACoMaB is a foundation governed by UK law; it was established abroad due to the lack of a foundation law and political instability in Mauritania. The Board of Directors has seven members: two from the Mauritanian government, two from donors, one from an international NGO, and two experts, respectively, in finance and conservation. However, BACoMaB has experienced governance challenges and a lack of clarity amongst board members over roles and responsibilities. Poor executive and board leadership eventually led to the suspension of some donor commitments in 2014, and it is expected that it will take some time to recover, both institutionally and financially.

Lessons learnt

BACoMaB is the first example of an international marine PES scheme to be documented in the peer-reviewed literature, and indicates that a CTF framework may play a useful role in marine PES schemes. The mechanism has set a precedent and an attempt to replicate it is underway in Guinea-Bissau, where the CTF BioGuinea has formed an agreement with the EU which is being delayed by political constraints. BACoMaB also demonstrates the length and complexity of the process of establishing a CTF. The idea of creating a CTF emerged in 2002, but it took time to get the Mauritanian government on board, and enabling preconditions set out in a feasibility study had to be established, which involved the modernisation and restructuring of the PNBA authority. It was not until 2007 that a steering committee was finally put together, led by the main partners – GIZ and the International Foundation of Banc d'Arguin (FIBA), which required a ministerial decree. This also highlights the importance of publicity and official support in attracting donors. A key factor in the creation of BACoMaB was the support of FIBA and GIZ, which helped strengthen the management of PNBA and prepared a communication strategy built on PNBA's heritage. These partners also helped to lobby the Brussels Commission into supporting the Fisheries Partnership Agreement negotiations, which were in turn championed by the Director of the EU Common Fisheries Policy, who helped to push for a proportion of the EU-Mauritania Fisheries Agreement to be earmarked for BACoMaB (Binet *et al.* 2013).

Case study 5: Sangha Tri-National (TNS) Foundation

The TNS Foundation was established in 2007 with a view to strengthening the long-term financing of the transboundary forest complex formed by three adjoining National Parks and their buffer zones in Cameroon, Central African Republic and Republic of Congo.

Fund generation and delivery

As a multi-stakeholder and tri-national CTF, the process of creation was lengthy and expensive, with key support coming from WWF, GIZ, WCS, French Cooperation and the Central Africa Regional Programme for the Environment (CARPE). A consultative meeting was held in which all actors involved in the management and financing of the TNS discussed the proposed plan and the composition of a steering committee (Klug *et al.* 2003). The selected steering committee then worked with experts in finance and a regional coordinator to bring together financial needs assessments for each TNS PA, which formed the basis of a business plan (Spergel & Taieb 2008; Usongo 2010). The Foundation is thus tailored to the specific needs of each National Park with four funding windows: one for transboundary management and one for each of the parks. In addition to some sinking funds, an endowment has been capitalised by KfW, French Development Agency (AFD), and WWF Germany's Regenwald Stiftung, which channels funds through a targeted marketing campaign by Krombacher Brewery (TNS Foundation 2009). However, the Foundation is still a way off its target of

€35million, and it has been suggested that TNS should be exploring other mechanisms such as PES to secure the levels of funding required (Usongo 2010).

Institutional framework

The creation of the Foundation began with the signing of a formal cooperation agreement to establish and manage the transboundary complex between the governments of the three countries in 2000. The formal links between the relevant ministries and the Foundation led to political endorsement which was crucial in its establishment (Klug *et al*. 2003; Usongo 2010). Due to the financial insecurity and political instability of the TNS countries, the Foundation was registered as a UK charity, a decision which took more than two years for the TNS governments to agree to (Usongo 2010).

TNS Foundation is managed by an independent Board of Directors with representatives from the public and private sectors: the governments of the TNS countries, WCS, WWF, Regenwald Stiftung, AFD and KfW (TNS Foundation 2009). These Directors nominated three private sector members from the TNS countries with expertise in conservation, law, business or finance. The board is led by an Executive Director, based in Cameroon, and supported by two subcommittees specialising in fundraising and investment (Spergel & Taieb 2008). In 2009, TNS appointed a reputed investment manager through an international tender process to manage funds according to the Foundation's Investment Policy Statement.

Case study 6: Mesoamerican Reef Fund (MAR)

MAR was created in 2004 to help support financing of the conservation and sustainable use of the marine and coastal ecosystems of the Mesoamerica Reef, an ecoregion shared by four countries (Mexico, Belize, Guatemala and Honduras). By encompassing an entire ecoregion, it aims to consolidate and allocate donor contributions to common and strategic objectives with an ecosystem perspective and local action.

Fund generation and delivery

MAR launched its fundraising campaign in 2007, but the economic climate made it difficult to raise project funds. Over six years it developed a partnership with the German government via KfW for a first direct donation of €1 million. Having proved that it could operate effectively at the regional level, it managed to secure a second grant from KfW of €10 million, this time from endowment resources. Consequently, MAR Fund has attracted additional investment from FFEM (€1 million) and is optimistic about growth of the endowment, the revenue from which will help finance operation costs and ensure a steady flow of finance to conservation initiatives in the region. Although this investment took longer to raise than would have been desirable, the Director noted that this time has allowed MAR to incrementally improve and strengthen its framework and procedures.[7]

Fund generation and delivery

Together with the establishment and growth of its endowment, the MAR Fund has expanded its grant allocation from a small grants programme and a community fisheries programme to operate larger projects focusing on a number of clearly defined priority PA sites. Requests for proposals have defined objectives, and rather than funds being disbursed equitably between the member CTFs, grants are made on the basis of competitive selection to ensure that funds are used as effectively as possible.

Institutional framework

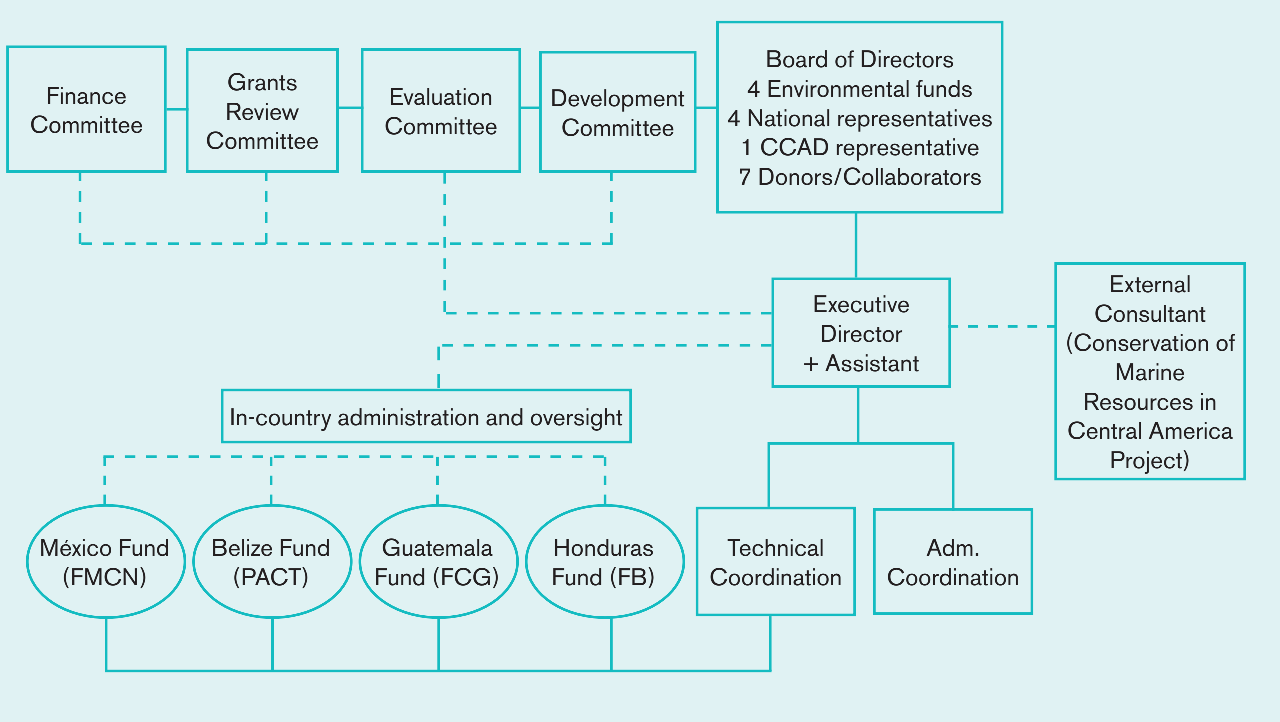
The MAR Fund was established with the endorsement of RedLAC and technical and financial support from WWF and TNC as a US charitable foundation. Not only did this increase access to US donors who often require US charity status and allows the CTF tax exemption, it also avoided navigation of the complex legislation and bureaucratic challenges in the participating countries. It was created in an atmosphere of strong political support for conservation of the ecoregion, which led to the signing of the Tulum Declaration in 1997 by the governments of the four countries. It was also built on the technical, administrative and financial capacities of four pre-existing national CTFs in Mexico (FMCN), Honduras, Belize (PACT) and Guatemala. The Board of Directors has 13 members, with representation from the four member CTFs, four national representatives, one member from the Central American Council on Environment and Development (CCAD) and up to seven additional representatives. Although decisions are made by the board, the Executive Director passes technical coordination to the member CTFs, allowing MAR to benefit from their experience and save on costs. There are also four subcommittees: a finance committee, a grants review committee, an evaluation committee and a development committee.

Lessons learnt

MAR Fund is an example of how a large-scale regional CTF can benefit from the experience and coordination of pre-existing CTFs; the bringing together of four national CTFs enabled the establishment of the fund. However, this case study also shows how difficult it can

[7] Maria José Gonzalez.

Figure 1: MAR Fund Organizational Structure



be to capitalise an endowment through donations alone; perhaps the introduction of a mechanism generating a continuous stream of revenue could have sped this up.

Case study 7: Caribbean Biodiversity Fund

The Caribbean Biodiversity Fund (CBF) is a regional endowment fund, launched in 2012 by TNC, GEF/World Bank and KfW as a vehicle to achieve commitments made by the participating countries under the Convention on Biodiversity and the Caribbean Challenge Initiative.

Fund generation and delivery

In 2015, the CBF aims to start disbursing funds to some of eight proposed national level CTFs (Antigua and Barbuda Trust, Bahamas Trust, St Vincent and the Grenadines Trust, Grenada Trust, St Kitts and Nevis Trust, Jamaica Trust, Dominican Republic Trust, St Lucia Trust), and if it succeeds, it will be the first regional endowment in the world to support multiple national level Trust Funds for marine and terrestrial PA management (TNC 2012). This design decision was made on the basis of economies of scale; investing the donor capital as one endowment fund made more financial sense than investing it in eight separate funds. The hope is that the CBF will over time attract additional donor capital, allowing different thematic windows to be opened for the growth of the endowment.

Vertical agreements will be set out between each national CTF and the CBF before disbursements can be made. The CBF is also exploring mechanisms for the generation of matching funds by each participating country. Initial plans were to require each government to institute a financing scheme such as ‘user fees’ which would generate revenue and allow the creation of a revolving fund, but due to the current economic climate the CBF is now considering more creative and less government-centric financing tools. It is also important to note that CBF disbursements must supplement, not replace, current government financing.

Institutional framework

The CBF currently has two members on its Board of Directors representing KfW and TNC, and in January 2014, hired a new CEO. As each national CTF signs an agreement with CBF, it will be able to nominate a representative to sit on the board, the only restriction being that the CBF Board retain a non-government majority. The CBF hopes this will be an incentive to sign early on, so in this case creating the first agreement quickly will be a key factor in success of the CBF. However, only two of the national-level CTFs are already established (Dominican Republic Trust and

Jamaica Trust). Initially the intention was to establish each CTF via 'special' legislation; i.e. new legislation, in several of the participating countries (namely those where conservation trusts did not already exist). Later, after conducting individual institutional analyses, it was decided to pursue other means such as formation under existing companies' legislation.

Lessons learnt

The CBF is still in very early stages, but there are already lessons to be learnt from its experience. For example, it has benefited from its partnership with TNC and KfW, saving on administration costs through housing its Secretariat in a local TNC office. It also demonstrates the inevitable bureaucracies inherent in a project of this size, involving so many stakeholders, and the politically complex nature of the region. An interview respondent[8] noted that the greatest hurdle has been political process; there is limited experience of public-private partnerships in the Caribbean, so there are understandably reservations about the prospect of governments channelling resources into a fund over which they do not have control. Although CBF has gained a lot of technical support in the development of the mechanism, it still needs to expand government and private sector buy-in and wider recognition from influential figures.

Case study 8: Bhutan Trust Fund for Environmental Conservation (BTFEC)

BTFEC was established in 1991 by the Royal Government of Bhutan with financial support from WWF and technical assistance from UNDP. It aims to provide sustainable financing for environmental programmes in the country and allow the national treasury to focus more on direct poverty reduction (Namgyal 2003).

Fund generation and delivery

BTFEC received US$10 million from the GEF in 1992, and went on to raise additional capital from the governments of Bhutan, Denmark, Finland, Netherlands, Norway and Switzerland (GEF 1998). The original capitalisation of just over US$21 million has since risen to US$44 million. Despite an initial overly conservative investment strategy, the success of BTFEC's fundraising has been attributed to a combination of pre-existing political will, links with aid agencies and the disbursement of GEF contributions in tranches which were conditional on, among other factors, securing other donor contributions (GEF 1998).

Much of BTFEC's support has been directed towards building institutional and human capacity; this was Bhutan's largest constraint to conservation, and donors like to see their investments yielding immediate results (Namgyal 2003). Bhutan's government agencies are the largest recipients of BTFEC grants, but not only has BTFEC strengthened the absorptive and implementation capacity of government agencies, it has also played a role in the creation and expansion of Bhutan's first NGOs (GEF 1998; CFA 2013). However, BTFEC's grant-making procedures were criticised for a lack of clear focus at an early stage (GEF 1998), and it is unclear as to how these have been improved.

Institutional framework

BTFEC is governed by the 1996 Royal Charter of the Trust Fund for Environmental Conservation and managed by a board of seven Bhutanese members, including the Director who acts as an *ex-officio* Member Secretary. Five of these members are government-appointed, and include the Minister of Agriculture and Forests as the chairman, the Secretary of the National Environment Commission, the Director of National Budget, Head of Policy and Planning in the Ministry of Works and Human Settlements. The non-governmental representative is the Executive Director of a national NGO, though the board once also included two donor representatives. The Director chairs a seven-member technical advisory committee, and the board is also advised by an asset management committee. Board decisions are implemented by a small Secretariat of staff. BTFEC has a tax exempt status with the US government and assets have been managed by a professional asset manager based in the US since 1996 (Namgyal 2003).

Lessons learnt

BTFEC is another example of the role government support can play in attracting donor support. It is also an unusual example of a CTF long governed by a government majority, indicating that there are some circumstances where this may not hinder success. In this case, CTF strategy has been strongly interlinked with a national environmental strategy, and conservation has a high national profile. However, it took time before BTFEC could start providing significant financial assistance to grant recipients because there were capacity issues to resolve first.

[8] Robbie Bovino.

Case study 9: Yasuni-ITT Trust Fund

The Yasuni-ITT Trust Fund was established in 2010 under the President of Ecuador's Yasuni-ITT initiative.

Fund generation and delivery

Under the Yasuni-ITT initiative, the national government proposed to forego exploitation of the Ishpingo–Tambococha–Tiputini (ITT) oil fields which lie under the core of the Amazonian Yasuni National Park, thought to be one of the most biodiverse parks in the world (Bass *et al.* 2010). In exchange it asked for US$3.6 billion in public and private donations from the international community over a 13-year period, the interest from which would accrue in the Trust Fund for use in funding national sustainable development projects (Larrea 2009). The government proposed to issue guarantee certificates reflecting the carbon value of contributions, tradable on the EU carbon credit market (Finer *et al.* 2010). The initiative therefore promised not only to protect biodiversity and indigenous territory, but by preventing deforestation and locking away over 850 million barrels of crude oil, it would also prevent emissions and thus address climate change. This compensated moratorium was described as 'innovative' and 'precedent-setting'. It garnered support from the Ecuadorian public, from Germany and the EU; received endorsements from high profile figures including UN General Secretary Ban Ki Moon; and the UNDP even suggested that it might serve as a model for conservation around the world (Larrea 2009; Finer *et al.* 2010; Marx 2010). But despite pledges from governments, NGOs and individuals, only US$13 million was deposited and by August 2013 the liquidation of the Trust Fund was announced (Petherick 2013).

Institutional framework

It was clear from its inception that the Yasuni-ITT initiative was to be driven by the Ecuadorian government itself, despite promises of increased engagement with civil society (Arsel & Angel 2012). Discussions were conducted at an institutional level; civil society and particularly indigenous populations were largely excluded from the decision-making process, and the Board of Directors was government-dominated (Arsel & Angel 2012). Ironically, the initiative was born outside of the state, but those who had initiated and been involved in early discussions were soon offered state positions and continued their involvement not as representatives of civil society but of the government (Arsel & Angel 2012). It is also likely that the way the Ecuadorian government handled the negotiation process, which has been termed 'environmental extortion', bred scepticism (Petherick 2013). Multiple changes in institutional design called governmental integrity into question (Arsel & Angel 2012), and not only did the President continue to pursue the licensing procedure for oil extraction in case of failure of the initiative, there was nothing to stop Ecuador reneging on its promise to forego drilling after payment and no guarantee that funds would be returned if this happened (Petherick 2013).

Lessons learnt

Many factors may have played a part in the failure of the Yasuni-ITT Trust Fund. Economists criticised the estimation of lost revenues, citing flawed valuations and unclear accounting (Finer *et al.* 2010; Haddad 2012). Some blame the fundraising process; its compensation framework essentially shifts the burden of responsibility from the state to the international community (Haddad 2012). Perhaps it was largely a product of the global financial crisis (Petherick 2013), or the political instability of Ecuador and resulting lack of trust from the outset (Finer *et al.* 2010). But the greatest flaw in the CTF's design was its governance. It provides a clear demonstration of the negative effects that too much government ownership can have.

Case study 10: Fund for the Protection of Water (FONAG), Ecuador

FONAG is a water conservation fund and public-private partnership established in Quito, Ecuador, in 2000 (Benítez *et al.* 2009). Quito derives most of its water flows from upland PAs in the Andean region, so FONAG was created with the aim of pooling demand for watershed services among its various beneficiaries through PES, in order to improve Quito's water quality and quantity in the long term.

Fund generation

FONAG is an 80 year endowment fund, regulated under Ecuador's stock market law, and launched by TNC, local NGO *Fundación Antisana*, the Mayor of Quito through the Quito water utility, and USAID with a seed capital of US$21,000 (RedLAC 2010). In the last decade it has received contributions from Quito's electrical utility, a private brewery and a water bottling company, returns from which have allowed it to leverage matching funds from international and local NGOs and governments, and has grown to an endowment of US$12 million. All contributions were initially voluntary, but in 2006 an ordinance was passed which established a mandatory two per cent contribution on fees collected by the water utility, increasing long-term financial stability of the fund without increasing water user fees (Goldman-Benner *et al.* 2012). Funds are invested by an independent financial manager (Postel & Thompson 2005).

Fund generation and delivery

Eighty per cent of annual returns are invested in conservation projects within the watersheds that supply the city, which by 2008 had amounted to US$9.3 million (RedLAC 2010). Although FONAG was criticised in the early days for making very small grants to conservation projects despite large amounts of money coming into the fund (Benítez *et al.* 2009), it has nevertheless made contributions to watershed conservation; there is evidence that FONAG has reforested 2,033 ha of land with two million trees, engaged children in environmental education programmes and families in community development projects, trained and employed community-based park guards, maintained ecosystems in a pristine state, and ensured the sustainable and transparent use of resources (Goldman-Benner *et al.* 2012). It also clearly establishes the activities for which funds would be used, identifying five watersheds as priority areas.

Institutional framework

FONAG is governed by a Board of Directors which includes representatives from local communities, local NGOs, government, the national PA authority and business (Benítez *et al.* 2009). In 2004 it hired a technical Secretariat with expertise in watershed management which strengthened the institutional capacity. This Secretariat led a strategic planning process to develop FONAG's projects, with approval of the Board of Directors.

Lessons learnt

FONAG was the first water fund to be established and has since served as a model for a number of others in Ecuador and throughout the Andes region (Goldman-Benner *et al.* 2012). It provides an example of the role that PES can play in the sustainable financing of a CTF, and the administrative role that a CTF can bring to a PES scheme. It also demonstrates the value of publicity. A major factor in its successful creation was the willingness of beneficiaries to invest from the outset, despite legal challenges, political instability and a lack of clear science linking watershed services with downstream benefits (Echavarria 2001; Postel & Thompson 2005). This was in part due to effective communication of the benefits to all stakeholders from the start. For example, it produced a short publication which was also used to raise awareness amongst the city's residents and to gain support from the Mayor's office, support which was critical due to its authority over the municipal water utility (RedLAC 2010).

Case study 11: The Protected Areas Conservation Trust (PACT), Belize

PACT was established as a public-private CTF in 1996 with the aim of financing the management of Belize's extensive PA network.

Fund generation and delivery

Initial capital was provided by USAID (US$72,000), but PACT is primarily financed through a revolving fund generated through tourism taxes or conservation fees, including a 20 per cent commission on cruise ship passenger fees and a US$3.75 visitor departure fee (about 10 per cent of total departure fees). Five per cent of total revenues are now deposited in an endowment fund, to be used in extreme circumstances and is currently approximately BZ$6 million. PACT also manages a sinking fund created through a small debt-for-nature swap with the US government under the TFCA. However, PACT is in a state of change which has been referred to[9] as a period of 'stagnation'. Following an institutional assessment completed in 2010, PACT is now pursuing growth more aggressively and is in the process of creating a private PACT Foundation which will be able to raise additional donations inaccessible to the main CTF, due to factors such as government involvement.

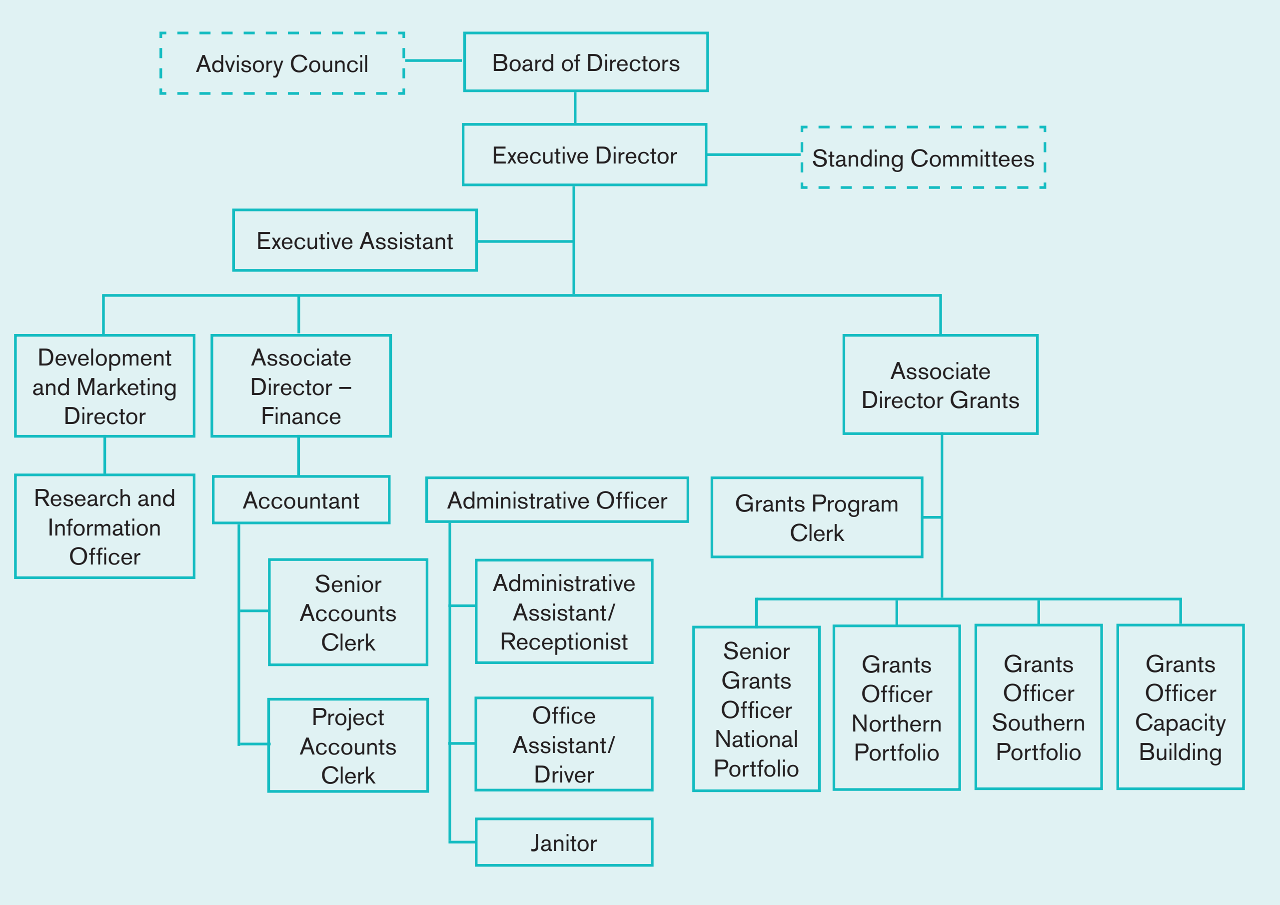
Fund generation and delivery

PACT started out as a small grants programme and has since expanded to give grants of ten types which fall under two broad categories – project grants and capacity building grants – and gained an international reputation for its strong policies and structures. Furthermore, PACT is working with RedLAC to pilot a monitoring and evaluation methodology which incorporates biodiversity impacts more systematically – impacts which have really only been assessed on an *ad hoc* basis in the past.

PACT ensures that it complements governmental funding, rather than supplementing it, by ensuring that grants are awarded based on conservation criteria evaluated by a technical advisory panel which makes recommendations to the board. Furthermore, PACT legislation prohibits the funding of salaries or any recurring expenses of government agencies or NGOs, or any profit-making organisation; although NGOs have been lobbying for PACT to support a portion of their core costs as donor contributions diminish, and a clause allowing for the support of up to 20 per cent of NGO project-related core costs has been under negotiation.

[9] Nayari Diaz-Perez.

Figure 2: PACT Organizational Chart



Institutional framework

PACT was established under new legislation – the Protected Areas Conservation Trust Act (Chapter 218 of the Substantive Laws of Belize). Although the bill had already been drafted by 1992, the stakeholder consultation process was very lengthy and it was another five years before PACT became operational; a delay which was largely a result of lengthy negotiations with the tourism sector. There was concern that the size of the fees on top of other taxes already in place would discourage tourists and concern over a proposed government majority on the Board of Directors. A general election and lack of interest from the new ruling party also delayed the bill. Negotiations were eventually successful and PACT is now governed by a non-governmental majority Board of Directors with representatives from all stakeholder groups, including an independent finance expert.

Lessons learnt

PACT shows how a CTF can be established in some circumstances through a special legislative act. Its experiences also highlight the value of developing strategic plans in line with national needs; the financial needs of Belize's PA network were not clear until PACT conducted a formal needs assessment and begun working in line with national priorities through a national PA System Financial Sustainability Strategy. If PACT had conducted this needs assessment earlier, or if a good PA financing plan had been available, perhaps this would have motivated PACT to begin exploring additional modes of fundraising earlier. Although it is a useful model for the use of taxes in financing a CTF, it also demonstrates the advantages which a diversified system of financing can provide; now that an endowment fund has also been established, PACT hopes to play a greater role in filling the US$6 million gap in Belize's PA management.

Case study 12: Fondo Acción, Colombia

Fondo Acción, also known as the Fund for Environmental Action and Childhood, was established in 2000 with the aim of co-financing projects intended to protect and sustainably manage Colombia's natural resources whilst promoting child development.

Fund generation and delivery

Fondo Acción has origins in a bilateral agreement between the US and Colombian governments in 1993, which created the Enterprise for the Americas Initiative Account (EIA) and channelled US$41.6 million of capital into a fund through a debt reduction agreement. In 2000, Fondo Acción took over the administration of the EIA account from a failing NGO platform. In 2006, the account was divided into a sinking and endowment fund in order to increase financial sustainability. The sinking fund has since been depleted, and the endowment fund, now US$33 million, has been used to successfully attract new donors, establish new sub-accounts for specific purposes and has allowed Fondo Acción to grow substantially in size and gain permanence.

Furthermore, in 2004 its bylaws were modified, allowing Fondo Acción to manage other additional accounts, and a debt-for-nature swap was signed under the TFCA by the same governments with TNC, WWF and CI, generating another US$10 million over 10 years for use by NGOs and community-based organisation with previous experience in tropical forest conservation in the targeted areas. Some of this is managed as an endowment and used to fund the management of PAs, buffer zones and corridors, while the remainder is a sinking fund used to provide direct funding for sustainable development and conservation activities.

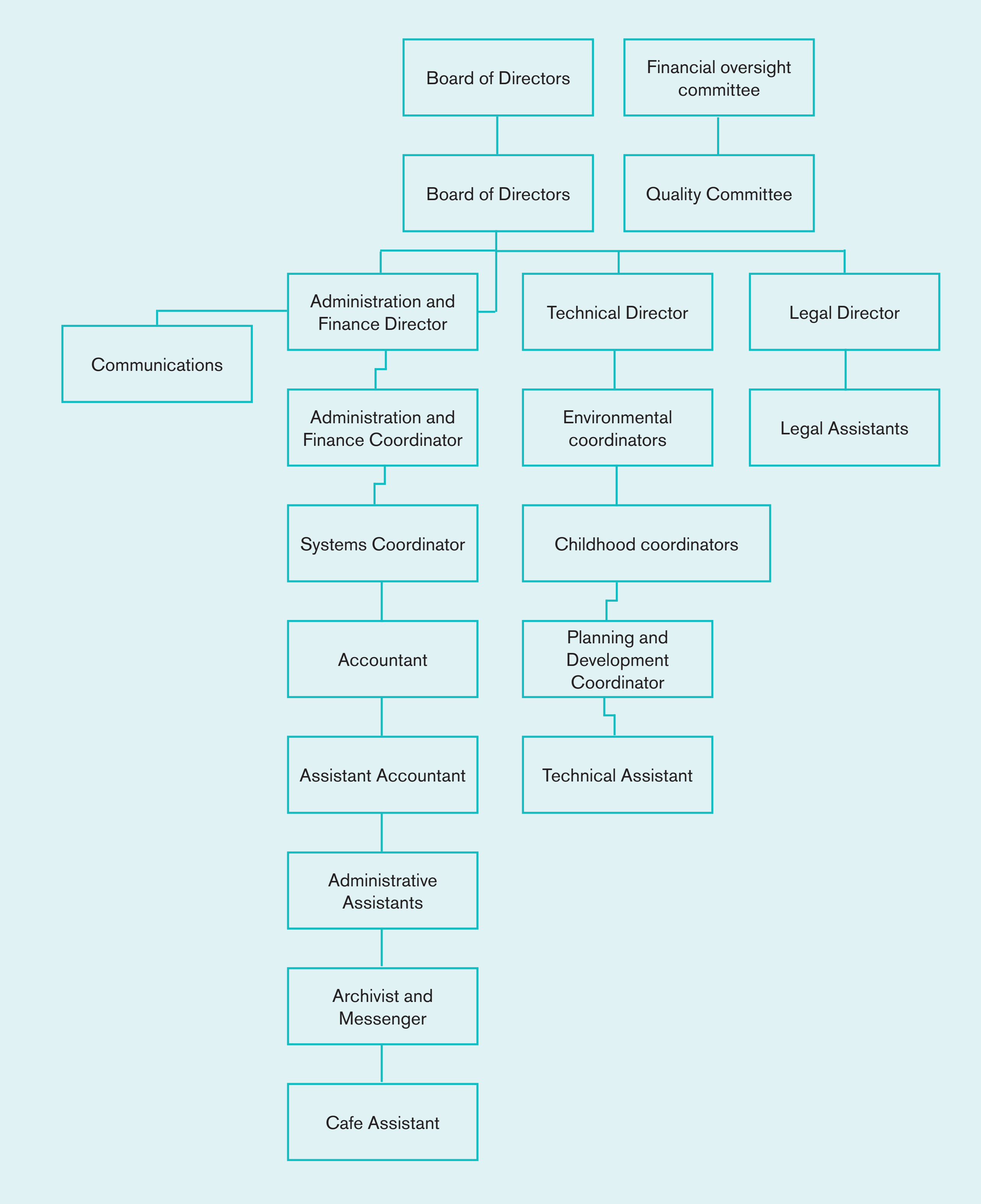
Institutional framework

Fondo Acción is a private NGO. The Directive Council or Board of Directors makes decisions and recommendations through an Executive Secretary who oversees the Executive Secretariat, a team of twenty-one. The TFCA account is managed by a separate Oversight Committee. Financial management is overseen by a financial commission of three members, and performance is monitoring by the Directive Council and Executive Secretariat. The board has always comprised of diverse representatives; one from USAID, two from the Colombian government, and five from civil society. Representation from the corporate sector has been deemed valuable in terms of strategic planning, and has contributed to growth of the CTF.

Lessons learnt

Fondo Acción provides an example of how one CTF can manage multiple accounts with different areas of focus – a more cost-effective approach than creating multiple separate CTFs. It also demonstrates how operations can be improved through formalised systems of management and communication. It is one of only two Latin American CTFs to have its own quality management standard, similar to that of private enterprises, which standardises processes and has been particularly useful for the arrival of new members.

Figure 3: Fondo Acción Organigram, August 2013



3

Factors for success

Ultimately, the success of a CTF should be assessed by its conservation impacts. However, there has been very little evaluation of these impacts, due to a combination of methodological limitations, lack of baseline data, poor monitoring and evaluation strategies, and the fact that many CTFs are still young, yet impacts may not be seen for many years after establishment (GEF 1998; RedLAC 2008, 2012). As a result, this report focuses largely on the establishment and sustainability of the CTF mechanism itself, using CTF performance in terms of financial and institutional sustainability as a proxy for conservation impact.

Successes and failures are influenced by a multitude of factors, including external factors such as economic and political climates. Some of the CTFs reviewed here have been subject to independent evaluations (e.g. Arannayk; Mikitin *et al.* 2008), making their performance easier to ascertain, while others have not. Most have taken many years to become established (e.g. MAR Fund), or are still in the midst of the process (e.g. CBF); those which are most mature (e.g. FMCN) appear to have achieved financial sustainability, while others (e.g. Yasuni-ITT) have failed to establish themselves at all. While it is not possible to develop a set of step-by-step instructions for the creation of a successful CTF applicable to each and every circumstance, interviews yielded a number of major challenges which are commonly experienced, and it is possible to draw out some key factors for consideration which can help to avoid or overcome these challenges.

Strategic and financial planning

Before beginning the process of CTF creation, it is important to conduct a feasibility analysis and consider both funding needs and urgency of threat to biodiversity, and therefore whether a CTF is the most appropriate mechanism.

'What we've seen in the last 10 years is conservation groups who have identified a need or a purpose and decided a Trust Fund is what is required, without necessarily thinking through why or whether that is the most appropriate vehicle.' John Claussen, Western Pacific Programme Officer, Packard Foundation.

In comparison with traditional project finance, a CTF ties up resources over the long term, its conservative approach to risk generating relatively low returns (CFA 2013). The mechanism therefore lends itself to situations where the issues to be addressed are long term and require a sustained response over many years, rather than to those where threats are strong and imminent, where a direct injection of funds may be preferable (GEF 1998; Norris 2000). For example, the maturity of Mauritania's PNBA made it amenable to financing from the BACoMaB CTF; its financial requirements were mainly recurrent operation costs, rather than the hard, heavy investment which a newer MPA might have required (see Case Study 4).

Over the years a set of preconditions for the creation of a CTF have emerged (GEF 1998; Norris 2000; CFA 2013); there should be demand for funds from capable implementing organisations, the existence or possibility of quickly establishing a basic legal and financial framework, government support for the concept, and a group of stakeholders with a common vision willing to come together for its creation.

Moreover, a CTF can be particularly valuable where existing institutions lack the capacity to make use of funds, where existing mechanisms are inefficient, where there is political instability or where private sector funds are available. For instance, low capacity in Bhutan led BTFEC to focus on capacity building early on, which resulted in the creation and expansion of Bhutan's first NGOs (see Case Study 8).

For CTFs intended to finance PAs, the availability of clear management plans which can form the basis of a transparent CTF business plan is critical for feasibility (Klug *et al.* 2003). The experiences of BACoMaB demonstrate this need; its feasibility analysis led to a restructuring of PNBA's operations and institutional arrangements (see Case Study 4).

It is also worth investigating whether any pre-existing CTFs might be capable of administering a sub-account, as do FMCN and Fondo Acción. Two respondents[10] pointed out that the creation of a new CTF is not always the best option; the process is time-consuming and expensive, and it might be more cost-effective to use existing legally established mechanisms or institutional frameworks.

'My sense is that there are a lot of small CTFs out there which only just cover their own costs…One way to manage these costs is not to create an independent Fund but to create an account within an existing national Fund and pay them some management fees.' Andrew Soles, Senior Business Advisor at TNC.

Before making any decisions on design, a clear vision of the CTF and its strategic focus should be in place (Norris 2000). In order to establish this focus it is necessary to define the needs and how they are to be addressed. This process should be consultative, taking into account the relevant political, legal and governance contexts, all potential sources of funding, and should ideally be linked to national environmental strategies or PA management plans – a need demonstrated by the experiences of The Belize Protected Areas Conservation Trust (PACT; see Case Study 11). It should then be elaborated with good accounting and financial analysis – the key to convincing donors and partners of the CTF's value. Potential donors should be approached at a very early stage and involved in the development of the CTF; they may have requirements which influence governance structure and will appreciate being treated as active partners (Chemonics International 2001).

Three respondents[11] stated the importance or difficulty of keeping operation costs (i.e. staff salaries, operational costs and consultancy fees) low, particularly if a CTF is small. It is essential to assess all the possible ways in which resources could be used from the outset, taking into account both programme and operation costs, and work out how to best realise objectives at the lowest cost.

The process of developing these financial plans also plays an important role in bringing stakeholders together. It is important for all stakeholders to agree on and commit a minimum amount of capital from the outset if the CTF is to be successful in its creation (GEF 1998). One respondent[12] spoke about the value of taking a business-like approach to creating a CTF, bringing something of the transactional nature of a business deal into the process. It is not necessarily the amount of capital that is important, but the natural sense of urgency which it creates; if a goal is set with commitment from all partners within a certain time period, a CTF is much less likely to end up undercapitalised. Another respondent[13] suggested that the minimum threshold of capital for the sustainable financing of a CTF is US$10 million, though there are exceptions in the case studies reviewed here (see Table 3), and perhaps GEF's proposed threshold of US$5 million is more plausible (GEF 1998). Arannayk, for instance, has been operating on interest alone in recent years despite the relatively small size of its endowment, and was established with total debt reduction funds of less than US$10 million, and MAR Fund started with no capital, yet managed to eventually capitalise an endowment. Those which use PES-like mechanisms (e.g. FONAG and PACT Foundation) also have less than US$10 million in capital, though it should be noted that they were established with larger sums.

'It is very difficult to play an Environmental Fund with anything below US$10 million because the amount of money and time you have to spend on governance, administration, follow-up, reports and so on will take a big bite of the income from that small capital… For these financial tools to work you need to think big or pool money with some other sources to get the benefits of scale.' Lorenzo Rosenzweig Pasquel, FMCN.

A lack of clear strategy or criteria for grant-making is a common problem for CTFs and one experienced by Arannayk and BTFEC at various stages (see Case Studies 2 and 8). Legal documents should clearly define what can and cannot be financed and the criteria should be well-publicised if a transparent grant-making

[10] Ann Marie Steffa Avila, Andrew Soles.

[11] John Claussen, Lorenzo Rosenzweig Pasquel, Nayari Diaz-Perez.

[12] Andrew Soles.

[13] Lorenzo Rosenzweig Pasquel.

Table 3. Capital available to eleven case study CTFs in the year they were established and in 2012.

CTF	CAPITAL IN YEAR OF ESTABLISHMENT (MILLION US DOLLARS)	CAPITAL IN 2012 (MILLION US DOLLARS)
FMCN	0	>120
Arannayk Foundation	8.5	0–5
PIPA Conservation Trust	5–10	5–10
BACoMaB	–	10–20
TNS Foundation	–	10–20
MAR Fund	0	10–20
CBF	20–30	20–30
BTFEC	10	40–50
FONAG	20–30	10–20
PACT	60–70	5–10
Fondo Acción	40–50	30–40

process is to be established (Spergel & Mikitin 2013). If calls for proposals are too general, the board is likely to be flooded with proposals; although, it has been suggested that unsolicited proposals may in some cases be useful for CTFs to capture innovative ideas and solutions which may not otherwise be discovered (CFA 2013). Furthermore, though it is not best practice to rely on recommendations for the identification of grantees, there are some circumstances in which this may be beneficial. For example, interest has been voiced in this approach where bureaucracies are causing delays in grant allocation[14] (see Case Study 2).

One respondent[15] noted that CTF grants should be complementary and additional to any existing government budget allocations, rather than a replacement. There is no consensus on whether CTFs should fund recurrent costs of PA management, such as staff salaries, which should in principle be a government responsibility (Spergel & Taieb 2008), but it is commonplace for CTFs to prohibit the funding of salaries or recurrent expenses of government officials, as is the case for PACT (see Case Study 11). CTF grants should certainly not result in a reduction in government budget allocation, and ideally a written commitment should be obtained stating as much (Chemonics International 2001), but in some cases a CTF may feel the need to fill a void where governments are unable.

A diversified system of financing

Capitalisation of CTFs is a major challenge and successful resource mobilisation should be based upon a comprehensive strategic and financial plan, as described above (Norris 2000). Practice standards direct that CTF financing should be diversified, and that it should make provisions for long-term capital and short-term funding (Spergel & Mikitin 2013). Some respondents[16] mentioned the necessity for a diversified system of financing, one[17] of them emphasising that this should be in place from the outset, using the example of PACT which, until recently, relied on tourism tax as a sole source of revenue (see Case Study 11). If there had been a downturn in the tourism industry, perhaps due to natural disaster, PACT would have had no other source of revenue.

[14] Farid Uddin Ahmed.

[15] Nayari Diaz-Perez.

[16] José Luis, Nayari Diaz-Perez, Lorenzo Rosenzweig Pasquel, Sylvie Goyet.

[17] Nayari Perez.

'I think to create a CTF the greatest concern should be the source of financing – it has to be a diversified system.' Nayari Diaz-Perez, PACT.

The CTFs which raise the most capital tend to be those with catalytic resource mobilisation strategies (Spergel & Taieb 2008). These CTFs attract initial contributions from one or two international donors and, after demonstrating a high level of accountability and performance, manage to build relationships with other donors (see Case Study 6: MAR Fund; Case Study 8: BTFEC and Case Study 1: FMCN).

The value of endowments in terms of longevity was emphasised by some interview respondents,[18] but others[19] noted that endowments have become much less attractive to donors in the last decade or so, who may ask the question: why give up large amounts of capital for it to be invested with relatively low rates of return when you could manage it yourself? The need to think more about alternative ways of capitalising CTFs and reducing reliance on donor funds was widely expressed;[20] it seems that endowments can be used strategically to leverage additional contributions, but can rarely be relied upon as the primary funding source.

'Most donors, whether they be big foundations or individuals, are very reluctant to give money to endowments. The idea that capital is only going to be invested in conservation at 5 per cent per year is off-putting…I think we're having better luck unlocking funds through asking for long-term financial commitments rather than big chunks of capital … For example, you can look at various income sources that the state or national government have and work out how you could earmark those for conservation such that you can create a permanent stream of funding.' Andrew Soles, TNC

Five respondents noted the importance of a continuous stream of revenue for the success of a CTF.[21] A number of CTFs, particularly water funds like FONAG, incorporate PES-like systems of user fees and taxes into their financing systems, generating a reliable and steady flow of funding over a long period of time. An increased use of earmarked taxes and charges has been advocated for PAs in particular, and CTFs are typically in a much better position than are donor-funded projects to manage earmarked revenues from sources like PES (CFA 2013). If designed and implemented properly, such taxes and charges could yield large, stable and predictable revenues for PA management.

'CTFs can in some cases be well suited to capture money from PES. In many PES [schemes] it's not like a transaction for a coffee or a sandwich where you have one buyer and one seller. In some cases there are multiple buyers and multiple sellers. Trust funds may be the ideal structure in that situation, where the multiple buyers are comfortable seeing their money going into a mechanism with clearly established governance structures… they know that there is some level of control and responsibility in how that money is getting disbursed.' Ricardo Bayon, EKO Asset Management.

Independent and participatory governance

Development of an effective governance structure was mentioned as a key challenge in the creation of a CTF by six respondents,[22] particularly for regional and multi-stakeholder CTFs like MAR, and should therefore be considered as early as possible in a consultative process.

The composition of the board is critical to ensuring the CTF is managed and used as intended, but can be the most difficult and time-consuming step (Spergel & Taieb 2008). Practice standards direct that board members should have 'a high level of autonomy, competency, stakeholder representation, and commitment to achieving the CTF's mission' (Spergel & Mikitin 2013). Perhaps most importantly, it should be managed independently of any government agency (Spergel & Taieb 2008). Firstly, this independence facilitates permanence; a CTF is more likely to withstand changes in government and political priorities than a state-

[18] Anwarul Islam, Mohammed Lemine Dhehby, Farid Uddin Ahmed.

[19] John Claussen, Lorenzo Rosenzweig Pasquel, Maria José Gonzalez, Andrew Soles.

[20] Andrew Soles, Nayari Diaz-Perez, John Claussen, Lorenzo Rosenzweig Pasquel, Sylvie Goyet, José Luis.

[21] Andrew Soles, Nayari Diaz-Perez, John Claussen, Lorenzo Rosenzweig Pasquel, Teuea Toatu.

[22] Andrew Soles, Ricardo Bayon, Lorenzo Rosenzweig Pasquel, Sylvie Goyet, Ann Marie Steffa Avila, Maria José Gonzalez.

managed mechanism. Second, it confers flexibility; a CTF can more easily adapt and redefine priorities and strategies over time without constraints from government regulations. Both these benefits can be seen in the experiences of FMCN, for instance (see Case Study 1). Third, it reduces bureaucracy; CTF procedures tend to be less complex than those of government or international donor agencies, and as a result, it may be able to disburse funds more quickly and according to needs. Arannayk's ability to act without the approval of the Bangladesh government NGO Bureau provides a clear example of this (see Case Study 2). Finally, a non-governmental majority shields a CTF from political agendas and increases transparency and cost-efficiency, thereby helping to attract private and international donors, particularly in countries with unstable political systems (Spergel & Taieb 2008).

'The fact that you have an independent financial mechanism means letting go of some of the power that governmental institutions see they have. Many authorities, and I see this repeatedly, find that there is a competition with the Environmental Fund, but that is not the case; the Environmental Fund is usually the mechanism that raises funds for their policies and strategies. Where this has been established very clearly from the start, Funds have been extremely successful because they are moving ahead with the blessing of the authorities as an independent mechanism they have that agility. It is a perfect alliance; it's an independent mechanism that raises funds and allocates those funds for conservation needs. The authority tells you what the priorities are, and having the financial mechanisms as a separate entity makes it a very transparent and accountable process.' María José González, MAR Fund.

There are cases where CTFs have achieved success with a government-dominated board. BTFEC is one example; Bhutan's government agencies are the largest recipients of BTFEC grants and as such BTFEC has financed the key components of its national environmental strategy (see Case Study 8). In this case, a governmental majority is therefore fairly representative.

However, in general no single organisation should be perceived as controlling the CTF (Spergel & Mikitin 2013); case studies indicate that the board should be composed of a diverse range of stakeholders – representatives of local and international NGOs, community-based organisations, academia, corporations and the public sector. This participatory structure means funds are more likely to be distributed equitably and resist the 'elite capture' sometimes typical of market and state mechanisms (Spergel & Wells 2009). Furthermore, it can contribute to the development and involvement of civil society institutions, which in turn promote coordination between the public and private sectors (see FMCN, Case Study 1). Corporate sector representation in particular is becoming more important; the integration of the corporate sector into Fondo Acción's board has been very valuable in terms of strategic planning and innovative approaches, and has contributed substantially to its growth (see Case Study 12), and tourism industry representation has been very influential for PACT, leading to a change in initially proposed levels of tourism tax (see Case Study 11). Caution[23] has been voiced regarding representation of beneficiaries, or potential beneficiaries on the board, which has in the past led to conflicts of interest and governance issues (Spergel & Taieb 2008).

Both the literature and interviews indicate that CTFs often suffer from poor leadership and conflicts between the board and the Director or CEO (Spergel & Taieb 2008). The board should oversee a competent Director who can build good relationships with the board itself, donors and national governments.[24] BACoMaB provides an example of what can happen when this trust is not in place (see Case Study 4). However, there should not be too much reliance on the charisma of the Director; the board must also be strong, with members selected on the basis of their personal competencies and engagement with the CTF's mission (Spergel & Taieb 2008). Respondents[25] pointed out that the entire board should receive solid and professional training on key concepts in order to make informed decisions, not just in terms of asset management but also in terms of their responsibilities as trustees, as demonstrated by Fondo Acción (see Case Study 12).

Strategic partnerships

A CTF should nurture relationships with a variety of stakeholders – national and international policy-makers, organisations capable of assisting with capacity-building, grantees, NGOs, other CTFs and institutions with financial expertise. As one respondent said,[26]

[23] Sylvie Goyet.

[24] Mentioned by Sylvie Goyet and Ann Marie Steffa Avila.

[25] Sylvie Goyet, Ann Marie Steffa Avila.

[26] Sylvie Goyet.

establishing a CTF is a 'technical and tedious process' which requires the support of an organisation which can provide mentorship throughout the process, promoting the CTF, assisting in access to international partners and providing technical assistance. This might be an NGO, it might be a donor agency, or it may be another CTF. For instance, BACoMaB received vital technical support and lobbying from FIBA and GIZ (Case Study 4); the creation of MAR was triggered by WWF (Case Study 6); Fondo Acción (Case Study 12) and Arannayk (Case Study 2) benefited from a close relationship with USAID; and CBF relies heavily on its partnership with TNC (Case Study 7).

One respondent[27] pointed out that it can also be beneficial in the early stages to identify a respected individual to act as champion of the CTF, for publicity and credibility. For example, the FMCN steering committee was chaired by a respected businessman and philanthropist (Locker & Rosenzweig 2011). However, one respondent[28] warned against the dangers of over-reliance on particular partnerships; CTFs have struggled in the past as donor agency assistance has been withdrawn in later stages.

Political support

Although independence is desirable, it is also essential to establish and maintain government links – a factor noted as either a requirement or a challenge by the majority of respondents. These should be established at an early stage; involving government officials in the FMCN's advisory committee is thought to have played a role in the CTF's successful capitalisation (see Case Study 1). Case studies indicate that choosing a high-level government representative for the board, for example from a Ministry of Finance or the Environment, can increase support and acceptance, help to build the reputation of the CTF, and facilitate national ownership. Furthermore, the support of government officials or ministries can increase funding opportunities, and in the case of multilateral donors, government support is often a prerequisite (Norris 2000). For example, the PIPA Trust was conceived with the strong support of the President of Kiribati and the Minister of Environment as a board member (see Case Study 3); whereas for FONAG it was the local government which played a fundamental role in its success (see Case Study 10). Support can even have a positive impact on national environmental policy and conservation strategies, as evidenced by BTFEC and FMCN.

Political support is essential where, as in many cases, the creation of a CTF requires the adoption of new legislation (Klug *et al.* 2003). But difficulties are often encountered where CTFs intend to mobilise resources through public revenues such as taxes (e.g. PACT, see Case Study 11); the concept of a government channelling resources through an institution over which it does not have any control is likely to lead to some objections. Some countries lack a tradition of public-private initiatives, making it difficult for governments to accept the principle of mixed management where they do not hold the majority position, a challenge currently experienced by the CBF (see Case Study 7).

To an extent, the political will is either there or it is not. FMCN, for example, benefited from excellent timing with respect to the international and national political climates (Locker & Rosenzweig 2011). Without allies in the Mexican government, its creation may have been much more difficult. And in Bhutan, the government's clear integrity played an important role in attracting donor support to BTFEC (see Case Study 8). On the other hand, one respondent[29] noted that in some countries even if you work very hard to generate relationships, the government may not be receptive.

'I think government participation and buy-in is critical. We're not going to get anywhere with the design we have in mind without government ownership…and in particular Ministry of Finance participation. Sensitising the right people early and getting champions early [is important]. We definitely worked mostly with technical people for a long time. A lot of times you're constrained because political people aren't particularly interested in talking about pie in the sky stuff so you need to get to a certain level of project development before you can take it to them. But finding that sweet spot and making sure they're on board from an early stage would probably be very helpful.' Robbie Bovino, CBF.

Political support should also be approached with caution; as previously mentioned, a CTF needs the commitment and support of someone without a political agenda to get it off the ground. For example, the ownership of the President of Ecuador and the suspect integrity of his administration most likely contributed to the failure of Yasuni-ITT Trust Fund (see Case Study 9). Government involvement can also reintroduce the bureaucracies which CTFs should be able to avoid. Arannayk, for instance, experienced long delays in becoming operational while the US and Bangladesh

[27] Robbie Bovino.

[28] Sylvie Goyet.

[29] Lorenzo Rosenzweig Pasquel.

governments reached a consensus over modalities of channelling funds for its capitalisation (see Case Study 2).

Financial expertise

A CTF is first and foremost a financial instrument and two respondents highlighted the importance and difficulty of striking a balance between risk and income.[30] It is helpful if the Director has financial experience, as evidence by FMCN (Case Study 1), and there should be at least one board member with expertise in the fields of finance, business or economics (Spergel & Mikitin 2013). External assistance is also essential; there might be a specialised financial advisory committee, or partners may provide assistance – for instance BACoMaB benefited from the financial expertise of FIBA's President in the early stages (see Case Study 4). Most importantly, asset management and investment criteria should be considered at an early stage (Norris 2000), and experience suggests that the hiring of independent financial advisors is desirable. FMCN and BTFEC both initially lacked an independent financial advisor and benefited from the later addition (Case Studies 1 and 8).

'Getting the money is the short term problem; the long term problem is actually using and investing it wisely.' Ricardo Bayon, EKO Asset Management Partners.

Reporting, monitoring and evaluation

Practice standards direct that reporting, monitoring and evaluation should be conducted at four levels: grantee level, CTF level, donor level and governmental level in the countries where the CTF is registered or operates (Spergel & Mikitin 2013). It is therefore essential that a CTF considers the need for reporting, monitoring and evaluation at an early stage and incorporates it into strategic and financial planning; many CTFs have in the past considered it too low a priority (Spergel & Taieb 2008).

Reporting is essential for transparency; a CTF should make its annual reports publicly available, financial records should be made available to donors and regular internal reporting by staff is needed for the board to make informed decisions. The operations of Fondo Acción, for instance, have been improved since it introduced a more organised system of reporting (see Case Study 12). A CTF should also monitor and evaluate its institutional performance and conservation impacts; it should require grantees to develop goals and indicators for biodiversity conservation in their proposals, collect relevant baseline data and submit this multiple times during implementation and after grant completion, and should help them build the capacity to do so (Spergel & Taieb 2008). This will then allow the CTF to evaluate the impact of its grants in relation to its mission and strategic plan, and in relation to national or site-level PA management plans and biodiversity indicators, targets and strategies (Spergel & Mikitin 2013).

Four respondents noted the need for more due diligence and rigorous assessment of the activities which CTFs fund.[31] The literature also indicates that although CTFs do a good job of monitoring institutional performance, actual impacts on biodiversity conservation are rarely known, and their measurement is key to improving CTF strategy (RedLAC 2008; Spergel & Taieb 2008). Indeed, a common criticism of CTFs reviewed here (e.g. BTFEC), is the need to develop technical capacity for the monitoring of biodiversity impacts. One respondent[32] noted the importance of designing projects with this need in mind, shaping biodiversity indicators from the beginning, something which many of the more mature CTFs such as FMCN did not do, but which new CTFs are trying to do.

However, the limits to and challenges of monitoring and evaluating biodiversity impacts of CTFs are well recognised (RedLAC 2008). It may be simpler in the case of CTFs which finance PAs than those with broader objectives, where it is difficult to aggregate results from individual grants (Spergel & Taieb 2008), and where a great deal more progress has therefore been made (RedLAC 2012). For instance, until recently PACT has been trying to measure biodiversity impacts where possible, in an *ad hoc* manner, but it is now working with RedLAC to start taking a more systematic approach.

[30] Lorenzo Rosenzweig Pasquel, Sylvie Goyet.

[31] John Claussen, Lorenzo Rosenzweig Pasquel, Ana Laura Barillas Gómez, Nayari Diaz-Perez.

[32] Lorenzo Rosenzweig Pasquel.

4

Conclusions

Efforts to address the shortage in conservation funding tend to concentrate on revenue generation rather than capacity building. The pool of funds potentially available to conservation is enormous, but traditional conservation organisations and project approaches are failing to tap them at the scale required. With good design and management, CTFs can provide the institutional capacity for transparent and accountable fund generation and allocation that is so often lacking in the field of conservation. As independent third party entities, they can also have a flexibility and efficiency more akin to private sector corporations than government agencies or NGOs, their professionalism and business-like approach complementing the more traditional activities of the conservation sector.

There is no one-size-fits-all approach to designing a CTF. The optimum decisions and the challenges encountered will depend on the political and legal contexts, the purpose of the CTF and the sources of funding available, but there are a set of 'best practices' based on available experience and lessons to date. Furthermore, the conclusions of this study are largely based on anecdotal evidence; systematic evaluations of a greater number and wider range of CTFs will be required for the key steps to success to be identified with more certainty. The lack of monitoring in terms of biodiversity impacts is a major hurdle here, and it is only once the technical capacity to monitor CTF projects has been improved that this 'success' can really be measured. Nevertheless, certain design themes have emerged which would appear to come together to create CTFs which are more likely to fulfil their potential:

- A CTF may not be a suitable tool in all circumstances, and its feasibility should always be assessed before embarking on its creation.
- A CTF should have a clear focus, and a priority should be to identify whether the initiative or activities you intend to fund will actually have a conservation impact. It does not matter how successful a CTF is in financial terms unless it is funding activities based on sound science and its outcomes are rigorously assessed.
- Governance should be diverse and participatory, and a balance must be struck between autonomy and political support; a CTF is unlikely to get off the ground or achieve permanence without high-level political buy-in.
- Strategic partnerships with organisations or individuals which can provide mentorship, technical assistance and financial advice are essential.
- A diverse system of financing is critical. In order for CTFs to keep up with the natural evolution of conservation finance and achieve their full potential, they need to be creative in terms of resource mobilisation and move away from reliance on donor support to utilise new opportunities which place more of the onus on ES users.

Finally, CTFs are particularly well suited to act as administrators of ES revenues such as PES. Organisations like RedLAC have begun to explore the role of CTFs in PES (RedLAC 2010), but it is an area which has received little research attention. It is clear that PES-like mechanisms can generate a continuous stream of revenue for CTFs and in turn leverage additional support from other sources. Furthermore, it seems that CTFs may have the potential to advance PES schemes by providing an appropriate institutional framework.

References

Arsel, M., and Angel, N.A. 2012. "Starting" Nature's Role in Ecuadorian Development: Civil Society and the Yasuni-ITT Initiative. *Journal of Developing Societies* 28:203–227. Retrieved December 18, 2013, from http://jds.sagepub.com/cgi/doi/10.1177/0169796X12448758

AF. 2003. Arannayk Foundation Organisational Profile. Arannayk Foundation. Bangladesh.

Balmford, A., and Whitten, T. 2003. Who should pay for tropical conservation, and how could the costs be met? *Oryx* 37:238–250. Retrieved October 30, 2013, from http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=163645&fileId=S0030605303000413

Bass, M.S., Finer, M., Jenkins, C.N., Kreft, H., Cisneros-Heredia, D.F., McCracken, S.F., Pitman, N.C.A., English, P.H., Swing, K., Villa, G., Di Fiore, A., Voigt, C.C., Kunz, T.H. 2010. Global conservation significance of Ecuador's Yasuní National Park. *PloS one* 5:e8767. Retrieved December 18, 2013, from www.pubmedcentral.nih.gov/articlerender.fcgi?artid=2808245&tool=pmcentrez&rendertype=abstract

Bayon, R., and Deere, C. 1998. Financing Biodiversity Conservation: The Potential of Environmental Funds. Presented at a workshop on Financial Innovations for Biodiversity, Bratislava, Slovakia, 1–3 May 1998. Retrieved October 30, 2013, from http://conservationfinance.org/guide/guide/images/9_bayond-2.pdf

Bayon, R., Deere, C., Norris, R., and Smith, S.E. 1999. Environmental funds: lessons learned and future prospects. Retrieved October 30, 2013, from http://economics.iucn.org

Bayon, R., Lovink, J.S., Bank, I.D., and Wouter, J. 2000. Financing Biodiversity Conservation. Inter-American Development Bank Sustainable Development Department Technical Papers Series. Washington D.C. Retrieved January 11, 2014 from http://conservationfinance.org/guide/guide/images/40_bayon.pdf

Benítez, S., Blanco, A., Cole, J., Ibáñez, M., Rodríguez, J.J., and Halloy. S. 2009. Using water funds to finance watershed conservation in the Andes and Costa Rica. Retrieved January 11, 2014 from http://lib.icimod.org/record/14627/files/5502.pdf

Binet, T., Failler, P., Chavance, P.N. and Mayif, M.A. 2013. First international payment for marine ecosystem services: The case of the Banc d'Arguin National Park, Mauritania. *Global Environmental Change*. Elsevier Ltd. Retrieved November 14, 2013, from http://www.sciencedirect.com/science/article/pii/S0959378013001672

Castro, G. 2003. Estimating the Costs Conservation Finance: The Long Road to Sustainability. V[th] World Parks Congress: Sustainable Finance Stream, September 2003, Durban, South Africa.

Chemonics International. 2001. The Bangladesh Tropical Forest Conservation Fund: Preventing and Arresting Accelerating Species Loss in Bangladesh. Task Order under the Biodiversity & Sustainable Forestry IQC (BIOFOR). CFA, Washington, D.C.

CFA, 2013. Comparative advantages of Conservation Trust Funds and Project Approach to support Protected Areas. Retrieved January 11, 2014, from http://conservationfinance.org/upload/library/arquivo20131212034735.pdf

Davis, J. B. 2013. The Reverse Fishing License Mechanism for Kiribati's Phoenix Islands Protected Area: An Experiment in MPA Financing. *MPA News* 15:1–3.

Echavarria, B. M. 2001. Financing watershed conservation: The FONAG Water Fund in Quito, Ecuador. The Nature Conservancy, Quito. Retrieved 16 December, 2013 from http://citeseerx.ist.psu.edu/viewdoc/download;jsessionid=42E981945C2B73F0A94400579C29D895?doi=10.1.1.194.7373&rep=rep1&type=pdf

Evans, D. M., Barnard, P., Koh, L.P, Chapman, C.A., Altwegg, R., Garner, T.W.J., Gompper, M.E.,Gordon, I.J., Katzner, T.E., and Pettorelli, N. 2012. Funding nature conservation: who pays? *Animal Conservation* 15:215–216. Retrieved November 8, 2013, from http://onlinelibrary.wiley.com/doi/10.1111/j.1469-1795.2012.00550.x/full

Finer, M., Moncel, R., and Jenkins, C.N. 2010. Leaving the Oil Under the Amazon : Ecuador's Yasuni-ITT Initiative. *Biotropica* 42:63–66.

GEF. 1998. GEF Evaluation of Experience with Conservation Trust Funds. Global Environmental Fund, Washington D.C.

Goldman-Benner, R. L., Benitez, S., Boucher, T., Calvache, A., Daily, G., Kareiva, P., Kroeger, T., and Ramos, A. 2012. Water funds and payments for ecosystem services: practice learns from theory and theory can learn from practice. *Oryx* 46:55–63. Retrieved October 23, 2013, from http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=8499110&fileId=S0030605311001050

Guerin-McManus, M. 2001. Conservation Trust Funds. *UCLA Journal of Environmental Law and Policy* 20:1.

Gutman, P., and Davidson, S.. 2007. A review of innovative international financial mechanisms for biodiversity conservation with a special focus on the international financing of developing countries' protected areas. WWF-MPO, Washington, D. C. Retrieved October 23, 2013, from http://sp10.conservation.org/global/gcf/Documents/rev_int_financial_mechanisms.pdf

Haddad, R. 2012. An un-conventional approach: Ecuador's Yasuní-ITT. *Sustainable Development Law and Policy* 12:15–18.

Hein, L., Miller, D.C., and R. De Groot, R.. 2013. Payments for ecosystem services and the financing of global biodiversity conservation. *Current Opinion in Environmental Sustainability*: 1–7. Elsevier B.V. Retrieved January 17, 2013, from http://www.sciencedirect.com/science/article/pii/S1877343512001911

Klug, U., Moye, M., and Carr-Dirick, B. 2003. Establishing Environmental Funds for Protected Areas in Francophone Africa: Challenges and Opportunities. The experience of the Sangha Tri-National Initiative and proposed Madagascar Foundation for Protected Areas and Biodiversity. V[th] World Parks Congress: Sustainable Finance Stream, 2003, Durban, South Africa.

Larrea, C. 2009. Yasuni-ITT: A big idea from a small country. UNDP. Quito Ecuador. Retrieved December 21, 2013, from http://mdtf.undp.org/document/download/4545

Locker, L., and Rosenzweig, L. 2011. National Environmental Fund – Case Study Mexico. Fondo Mexicano para la Conservación de la Naturaleza, A.C. Mexico.

Marx, E. 2010. The Fight for Yasuni. *Science* 330:1170–1171.

Mathias, K., and Victurine, R. 2012. Conservation Trust Investment Survey for calendar year 2012. Conservation Finance Alliance. Washington, D. C.

McCarthy, D.P., Donald, P.F., Scharlemann, J.P., Buchanan, G.M., Balmford, A., Green, J.M., Bennun, L.A., Burgess, N.D., Fishpool, L.D., Garnett, S.T., Leonard, D.L., Maloney, R.F., Morling, P., Schaefer, H.M., Symes, A., Wiedenfeld, D.A., Butchart, S.H. 2012. Financial costs of meeting global biodiversity conservation targets: current spending and unmet needs. Science 338:946–9. Retrieved November 7, 2013, from www.ncbi.nlm.nih.gov/pubmed/23065904

Mikitin, K., Chowdhury, N., and Iman, S. 2008. Independent evaluation of the Arannayk Foundation and the Tropical Forest Conservation Fund. USAID. Washington, D.C.

Miller, D. C., A. Agrawal, and J. T. Roberts. 2013. Biodiversity, Governance, and the Allocation of International Aid for Conservation. *Conservation Letters* 6:12–20. Retrieved November 14, 2013, from http://onlinelibrary.wiley.com/doi/10.1111/j.1755-263X.2012.00270.x/full

Miller, S., and Yu, B. 2012. Mobilizing resources for supporting environmental activities in developing countries: the case of the GEF trust fund activities in developing countries. IDB Working Paper Series No. IDB-WP-329.

Namgyal, T. S. 2003. Sustaining conservation finance in Bhutan : The experience of the Bhutan Trust Fund. V[th] World Parks Congress: Sustainable Finance Stream, 2003, Durban, South Africa.

Norris, R. 2000. *The IPG Handbook on Environmental Funds: a Resource Book for the Design and Operation of Environmental Funds.* Pact Publications, New York.

Oleas, R., and Barragan, L. 2003. *Environmental Funds as a mechanism for conservation and sustainable development in Latin America and the Caribbean.* Translation by Ruth Norris from Spanish original.

Petherick, A. 2013. Pipe dream. *Nature Climate Change* 3:859–860.

Postel, S. L., and Thompson, B.H. 2005. Watershed protection: Capturing the benefits of nature's water supply services. *Natural Resources Forum* 29:98–108. Retrieved from http://doi.wiley.com/10.1111/j.1477-8947.2005.00119.x

RedLAC. 2008. Measuring the impact of environmental funds on biodiversity. RedLAC.

RedLAC. 2010. Workshop 1: Environmental Funds and Payments for Ecosystem Services. RedLAC Capacity Building Project, Mexico, Guadalajara.

RedLAC. 2012. Monitoring the Impact of Environmental Fund Projects on Biodiversity Conservation in Protected Areas. RedLAC.

Spergel, B., and Mikitin, K. 2013. Practice standards for conservation trust funds. CFA, Washington, D.C.

Spergel, B., and Taieb, P. 2008. Working Group on Environmental Funds Rapid Review of Conservation Trust. Second Edition. CFA, Washington, D.C.

Spergel, B., and Wells. M. 2009. Conservation trust funds as a model for REDD+ national financing. In: A. Angelson and M. Brockhaus, editors. *Realising REDD+: National Strategy and Options*. CIFOR.

TNC. 2012. Conservation Trust Funds. Background Brief UN CBD COP11, India.

TNS Foundation. 2009. The Sangha Tri-National Foundation. TNS Foundation, Cameroon. Retrieved December 19, 2013, from http://toolkit.conservationfinance.org/users/trinationalsangha

Usongo, L. 2010. Case study 2: Lessons learned from the Sangha Tri-National Landscape. in D. Yanggen, K. Angu, and T. Nicodème, editors. *Landscape-scale Conservation in the Congo Basin: Lessons Learned from the Central African Regional Program for the Environment (CARPE)*. IUCN.

Waldron, A., Mooers, A.O., Miller, D.C., Nibbelink, N., Redding, D., and Kuhn, T.S. 2013. Targeting global conservation funding to limit immediate biodiversity declines. *PNAS* 110: 12144–12148.

Annex

Annex 1. List of interview respondents

Ana Laura Barillas Gómez, Protected Areas Programme Coordinator for the Mexican Nature Conservation Fund (FMCN)

Andrew Soles, Senior Business Advisor, the Nature Conservancy (TNC)

Ann Marie Steffa Avila, Executive Secretariat of the Latin American and Caribbean Network of Environmental Funds (RedLAC)

Anwarul Islam, Board member of Arannayk Foundation, Bangladesh

Farid Uddin Ahmed, Executive Director and CEO of Arannayk Foundation, Bangladesh

John Claussen, Western Pacific Programme Officer, Packard Foundation

José Luis Gómez R., Executive Director of Fondo Acción, Colombia

Lorenzo Rosenzweig Pasquel, Director of the Mexican Nature Conservation Fund (FMCN) and CFA Executive Committee member

María José González, Executive Director of Mesoamerican Reef Fund (MAR Fund)

Mohamed-Lemine Dhehby, Executive Director of Banc d'Arguin and Coastal and Marine Biodiversity Trust Fund Limited (BACoMaB), Mauritania

Nayari Diaz-Perez, Acting Associate Director of Protected Areas Conservation Trust (PACT), Belize

Ricardo Bayon, Partner at EKO Asset Management Partners

Robbie Bovino, Senior Policy Representative of the Nature Conservancy (TNC) responsible for a project overseeing the establishment and operationalization operationalisation of the Caribbean Biodiversity Fund (CBF).

Sylvie Goyet, FIBA General Director and CFA Executive Committee member

Teuea Toato, Executive Director of the Phoenix Islands Protected Area (PIPA) Trust, Kiribati

Conservation Trust Funds (CTFs) are a source of sustainable financing for long-term biodiversity conservation, in particular for protected areas management. Through a review of 12 case studies from Africa, Asia, Latin America, the Caribbean, and Australasia, this research report provides a broad overview of how to create a CTF, describing its legal and institutional structure, fund generation and delivery, and identifying when it might be an appropriate tool. The lessons learnt from the case studies provide guidance on best practice and an insight into the conditions for the sustainability and success of the funds, and thereby their value to conservation.

iied

International Institute for Environment and Development
80-86 Gray's Inn Road, London WC1X 8NH, UK
Tel: +44 (0)20 3463 7399
Fax: +44 (0)20 3514 9055
email: info@iied.org
www.iied.org

Knowledge Products

Funded by:

UKaid from the British people

DARWIN INITIATIVE

This research was funded by UK aid from the UK Government, however the views expressed do not necessarily reflect the views of the UK Government.