

Sustainable Finance for Conservation in Africa

A Conference for African Environmental Funds

Report of Proceedings



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Introduction

The Interagency Planning Group on Environmental Funds (IPG) is an international group of donors, NGOs and policymakers dedicated to supporting, in a variety of ways, environmental funds in Africa, Asia and Latin America, as effective, long-term conservation financing mechanisms and sustainable institutions for biodiversity protection and compatible development. Members of the IPG include: Wildlife Conservation Society, The Nature Conservancy, African Wildlife Foundation, MacArthur Foundation, World Wildlife Fund, Conservation International, World Bank, UNDP, USAID, GEF, IRG, Synergos Institute, the European Union, as well as other organizations and independent conservation finance professionals.

The Nature Conservancy, on behalf of the IPG received a grant from the John D. and Catherine T. MacArthur Foundation to organize a Conference for African Environmental Funds. The Wildlife Conservation Society, as chair of the IPG Africa sub-committee, took the lead in the organization of this conference with input and support from IPG members. The African Wildlife Foundation office in Arusha, Tanzania provided local coordination and organization.

This report focuses on the lessons learned and results of the conference. Conference papers, the conference agenda, speaker bios, fund profiles and the list of participants appear on the newly created Conservation Finance Alliance website (www.conservationfinance.org) and are available on CD from the Conservation Finance Program, Wildlife Conservation Society, 1700 Connecticut Ave. NW Suite 403, Washington, DC 20009.

Organization and Objectives

Criteria for workshop topics were developed in consultation with all members of the IPG. The organizers drew speakers from various multi-national and international organizations with extensive expertise in the field of conservation finance. Conference participants also shared their experiences and successes throughout the forum as speakers and through a conference-long poster session.

The conference was the first-ever African forum to bring together Environmental Funds operating on the continent. Fund representatives from 16 African countries and 26 Environmental Funds attended the event, from those that were newly emerging to already well-established funding institutions. Experienced fund managers from Latin America and Asia provided relevant experience from other continents as did experts from the US and Europe. The diversity of funds, participants and experiences offered a unique opportunity for peer learning and for exploration of future collaboration opportunities in support of long-term conservation funding and sustainable development.

The Conference had the following objectives:

- To facilitate a dialogue among African funds in an effort to share experiences and learn about programs, challenges and constraints faced by funds throughout the continent;
- To learn more about issues in conservation finance and their relevance to each fund's specific programs and priorities;
- To identify strategies and actions to meet long-term financing needs in the region; and
- To explore how best to strengthen existing funds and increase the number of environmental funds operating in Africa.

The conference addressed many topics of relevance to environmental funds through panel discussions, concurrent sessions and a poster session. The panels were chaired by individual fund representatives and provided a forum for open discussion, as well as the opportunity to learn from a variety of experts. The more specialized concurrent sessions were designed in an effort to address differing interests and information requirements. The poster sessions gave funds the opportunity to present information about their programs, activities and achievements and to share this information with the other funds and donors in attendance. Posters were left on display through-out the conference.

The content of the conference was decided seeking to expose the funds to a wide range of options and to provide the context for further discussions and exchanges, both among funds and between funds and experts.

In addition to the working sessions, the participants heard opening remarks from the Tanzanian Minister for Water and Livestock Development, the Honourable Edward Lowassa, and a keynote address from Dr. Magnus Ngoile, Director General of the National Environmental Management Council of Tanzania, and board member of the recently established Eastern Arc Mountains Conservation Endowment Fund. Each participating fund also took five minutes to make an introduction and briefly describe its goals and objectives.

Lessons Learned from the Conference

The Conference stimulated discussion on a variety of topics. These issues and lessons appear below under broad headings consistent with the general themes of the conference.

Board Development

There was significant discussion on building excellence in management both at the Board and the Secretariat level. Discussion focused on the following points:

1. *Board composition* – participants agreed on the need to develop diversity on the Board to ensure both participation and proper technical expertise and avoid the trend to include only like-minded people. Experience indicates a need for diversity in interests (balance between public-private sectors, civil society and community members) and background. Good technical experience, especially in the realm of finance, is essential and needs to be developed in sub-committees to assist in policy development. A transparent governance structure represents another essential element of an effective board and organization. There was disagreement about the value of including foreign members on boards. Some argued that international members bring important expertise and fundraising potential while others cited the expense of including an international member and paying travel costs. There was general agreement on the need to develop effective recruitment policies to meet diversity goals.
2. *Remuneration* – participants debated whether boards should be voluntary or remunerated in some way. Some argued that serving voluntarily derives from a western concept that does not apply to Africa. Others argued that remuneration comes from the value derived from contributing to a mission, the honor and prestige, the possibility to network and the overall recognition received. However, even if funds decided to pay their Board members, many have very little money to remunerate trustees above and beyond meeting expenses. Payment of an end-of-year honorarium that Board members can either accept or donate to the Fund is being considered for some newly established funds.

3. *Leadership* – Funds agreed the need to clearly define the roles of the Board and the staff. Just as all funds have operating manuals to provide guidance to the staff, so should Boards also have a manual that explains, in detail, roles and responsibilities, creates and defines committee roles, and sets the guidelines for recruitment and replacement.
4. *Evaluation* - The board needs to evaluate the Director annually, developing appropriate tools for performance review. The board also needs to evaluate itself and get feedback from the Director and staff. Each organization needs an annual work plan with assigned responsibilities against which an evaluation can be conducted.

Program Financing and Fundraising

Many of the Funds participating in the conference continue to look primarily to donors, such as GEF, for funding and investment capital. This is occurring at time of donor retrenchment on environmental issues, increased focus on poverty alleviation and reduced GEF resources. Most of the current GEF funding is programmed and the remaining funds are difficult to access. The conference participants heard about the challenges of accessing GEF funds and were advised to take that level of difficulty into consideration when devising their program financing and fundraising strategy. Funds require other strategies and approaches that leverage donor financing to increase the capital available for conservation. The case of Peru was cited where effective fundraising increased the capital of the PROFONAPE to \$62 million, of which only \$5 million was GEF provided. Funds need to explore creative ways to attract more money for conservation by creating deals and linkages between donors, government and the private sector. This means ensuring greater outreach to donors to ensure that there is sufficient information about each fund's contribution to conservation and sustainable development. It also means exploring creative options to attract funds. Potential financing mechanisms and funding opportunities discussed at the conference included:

1. *Debt relief and debt for nature swaps.* For Africa the opportunities for debt swaps are limited, as most countries have only bilateral debt and 90% of that is already written off. There may be some options for using the remaining 10%. Debt relief under the program for Heavily Indebted Poor Countries (HIPC) offers greater possibilities but those are constrained because funds generated through HIPC are focused on poverty alleviation. Most countries do not link biodiversity conservation and natural resource management to poverty alleviation even though the environment forms an essential component of the sustainable development equation. Environmental funds need to advocate for policy reform so that environmental programs that can help in poverty reduction through more sustainable development initiatives are eligible to receive funding consideration under HIPC.
2. *Climate change and the carbon market.* The emerging carbon market creates new opportunities to fund conservation programs. Global markets for carbon offer environmental funds opportunities, under certain conditions, to acquire financing through the established carbon market. Demand for carbon emission reduction exists and developing countries have the supply. Opportunities exist for countries to link supply with demand to generate money for conservation. Several carbon deals have been developed and more are in process. Energy-related (energy generation and efficiency) projects are particularly attractive for carbon off-sets while conservation projects pose greater challenges. Although reforestation and afforestation projects are eligible under the agreements reached in Marrakech in 2001, avoided deforestation projects are not.
3. *Program-related investments.* Program-related investments (PRI) offer opportunities to finance environmentally-related enterprises and to invest capital for social goals. Foundations provide low-interest credit and loan guarantees as part of a funding package or as an opportunity to leverage funds from other donors. Generally the PRIs support specific ventures that will earn an economic return. Funds developing environmental business ventures can utilize PRIs in support of sustainable development goals. Most major foundations in the US offer this financing instrument.

4. *Market-based instruments.* Funds can be developed by using the market for environmental goods and services to generate money for conservation. The most common mechanism is user fees: charging park entry, diving, gorilla tracking fees, etc. to raise conservation resources. Bio-prospecting also offers opportunities to raise money from biodiversity, and several countries have developed policies related to the use of biological resources by private companies to ensure that payments and royalties return to the country of origin. Tradable permits, development rights, quotas and easements are instruments that can be employed to raise funds.
5. *Fundraising Opportunities.* The fundraising presentation focused on the need for funds to have an established fundraising strategy and to diversify sources of funding. Most environmental funds have small endowments and need to supplement their investment income with other sources of financing. The participants learned about two initiatives. The Global Conservation Fund is managed by Conservation International to provide funding for biodiversity conservation in the world's biological hotspots. The new IUCN Kijani Fund (www.kijani.com) supports green investments in Africa, that is investments which have the twin objectives of creating viable businesses while conserving biodiversity.

Asset Management

For those funds that have insignificant capital, asset management represents a major challenge. Few boards have financial expertise within their membership and only a few have consistent outside financial advice to guide their investment decision-making. Outside consulting services provided by financial institutions managing the assets is rare. Most funds do not develop appropriate spending rules and or fund management strategies, and most have only limited contact with their money managers.

As a result of the presentations and discussions on asset management most participants realized the need for greater technical assistance in finance. Participants recognized the importance of board training in asset management and the need for more technical assistance from the financial sector in reviewing the results of investment strategies. Participants also discussed the nature of investments. Many wondered how best to ensure that the money in their investment accounts is invested in socially and environmentally responsible companies. Environmentally responsible investing can form part of the overall investment strategy for environmental funds and many participants discussed developing that option in future investment strategies.

Next Steps

The conference stimulated significant discussion and thinking about conservation financing and focused attention on the needs and challenges faced by environmental funds in Africa. Most participants viewed the conference as a first step toward improving their programs and creating important linkages with colleagues in other countries. Participants identified several important post-conference follow-up activities.

1. *Creation of a West African and Western Indian Ocean Islands Environmental Fund Network.* The West African and western Indian Ocean Island representatives decided on the importance of creating a regional network to take advantage of what they learned at the conference. Their initiative is based on a need to jointly address common challenges (e.g. use of French language, the existing civil law system common to each country, etc.) and share information and experiences. The group identified training as a high priority and will develop a training needs assessment around which they will develop a workshop that will be scheduled for later in the year. At the outset the network will include the following countries and environmental funds:

- Mauritania (*Banc d'Arguin*)
- Ivory Coast (*Fondation Parcs Nationaux et Réserves - FPNR*)
- Ghana (*Ghana Heritage Conservation Trust*)
- Benin (*Fondation pour les Aires Protégées*)
- Cameroon (*Fondation pour le Développement et l'Environnement au Cameroun - FEDEC and Cameroon Mountains Conservation Foundation - CAMCOF*)
- Madagascar (*Tany Meva Foundation and Fondation Malgache pour les Aires Protégées - FMAP*), and
- Comoros (*Projet de Création de Fonds Fiduciaires pour la Conservation de la Biodiversité*).

The Seychelles Island Foundation has also expressed interest in joining this organization and will determine its participation at a later date.

The network creation was motivated by the success of the Latin American Environmental Fund network initiative (RedLac) and stimulated by the presentation made by the RedLac representative at the conference. However, rather than focus on a continent-wide initiative the group decided on a region-wide effort. This choice reflects language issues (French versus English), a greater felt need for a network in West Africa than in East and Southern Africa, as well as the recognition of the constraints posed by travel between regions.

The group has created sub-regional contact points for West and Central Africa, and the western Indian Ocean Islands. Tiékoura Koné, of Ivory Coast serves as the coordinator. The group is now embarking on design of a training workshop that will be held in Cotonou, Benin in late October or early November of 2002.

East African Funds have opted for a more informal networking arrangement based on internet communication and one-on-one interaction.

2. *Development of an information network and resource center via the Internet.* Participants requested a mechanism for exchanging information, gaining access to relevant papers, documents, and resources as well as contacting people regarding organizing group meetings or travel exchanges. Participants want to utilize a central website to create an information network and develop mechanisms for information dissemination so that the broader community learns more about what is happening in Africa and how funds are working to address biodiversity conservation issues. Moreover, the funds wish to have the site available as a source for learning, for presenting information about their programs to the broader population and to donors, and to discuss and promote programs and approaches that increase long-term funding for biodiversity conservation on the continent.

The participants agreed to use the Conservation Finance Alliance website www.conservationfinance.org to post information, announce meetings, raise issues and exchange information. The site currently exists and WCS will begin the process of meeting this information network objective by placing all conference-related material on the site both in French and English. Included in this information will be planning information related to the organization of the conservation finance stream to be included in the World Parks Congress in Durban in 2003.

3. *Creation of training programs for African Environmental Funds.* The participants at the conference identified additional training as an important need for the future. The West African-western Indian Ocean Island funds will begin to identify priority training needs through the creation of the sub-regional network. Other funds may form interest groups to request specific training. The IPG could also begin to form specific targeted training programs to meet needs. The training guide under development by the Conservation Finance Alliance, under the leadership of TNC, and distributed on CD to all participants may address some of the various training needs identified and may prompt requests for additional information. Although the list of training topics is extensive the participants agreed that future meetings should be organized around a limited number of themes so that each theme receives greater attention and focus. The training needs identified by the Funds at the conference appear in the accompany box.

Conference Identified Training Needs
<ul style="list-style-type: none"> • How to use debt and debt swaps for conservation; • How to write a business plan and do business planning; • Negotiation, negotiating skills and conflict resolution; • Fundraising; • Innovative financing opportunities; • Carbon markets and financing through carbon credits; • Establishing and managing Environment Funds; • Board development and management skills, including human resource development; • Lobbying to better coordinate with both the public and private sector; and • The use of market-based mechanisms, taxes and other fiscal instrument for raising conservation capital

Conclusions

From the group session on next steps and from evaluation forms submitted at the end of the conference it was clear that participants gained a lot of knowledge and clearly felt the conference was useful to their funds and organizations. Many cited the presentations and knowledge gained from expertise, including donors, as one of the best outcomes of the conference, while most agreed that the chance to interact, network and learn from other funds' experience was invaluable.

Of the panel sessions and presentations, participants listed the following three as being of the most interest: and value: *asset management for endowment funds, fundraising strategies, and alternative financing mechanisms*. Most participating funds desire more information, training and expertise in these areas and will request support from the IPG.

It was clear from both the group sessions and the evaluations that the conference gave a great overview of all of the important issues. However, time was often limited for the presenters and for extensive discussions. Many participants showed interest in having a more detailed conference in the near future. Soon the West African and the western Indian Ocean Island funds will convene a meeting in Benin explicitly for capacity building. The Environmental Conservation Trust of Uganda offered to serve as the host for a future continent-wide conference or one that convenes East African or a combination of East and Southern African funds.

Overall, participants considered this conference a success. This resulted from bringing together a dynamic group of environmental fund managers, creating opportunities for interaction and the possibility for future collaboration to support conservation in Africa.