

Evaluation Summary Report #1-99

Experience with Conservation Trust Funds



January 1999

SUMMARY REPORT OF THE GEF EVALUATION OF EXPERIENCE WITH CONSERVATION TRUST FUNDS

1. The GEF has supported conservation trust funds in several countries as a means of providing long-term funding for biodiversity conservation. An evaluation was carried out in mid-1998 by the GEF Secretariat's monitoring and evaluation unit to determine to what extent the potential advantages of trust funds have been realized, how the concerns expressed about them have been addressed, what conditions are necessary for funds to function effectively, and what can be said from the experience to date about their impact on biodiversity conservation.*

2. The evaluation analyzed the experience of 13 funds to distill lessons and make recommendations regarding future GEF assistance to trust funds. The evaluation focused on GEF-supported funds, and others selected for geographical balance, to illuminate the relative advantages of funds of various sizes and types, and to provide insights on particular aspects of interest, such as innovative funding mechanisms. The evaluation's recommendations are highlighted in **bold type**.

3. This report focuses on trust funds as a means to achieve GEF objectives and criteria, that is, to finance the incremental costs of protecting globally significant biodiversity resources. There may be instances where a conservation trust fund does not meet GEF criteria but is still a useful mechanism to address national conservation objectives.

* The full evaluation report is available on the GEF web site (www.gefweb.org). Copies may also be requested from the Monitoring and Evaluation Team, GEF Secretariat, telephone (202) 458-7384, fax (202) 522-3240, email geflessons@gefweb.org.

Funds Included in the Evaluation

- Bhutan Trust Fund for Environmental Conservation
- Brazilian Biodiversity Fund (FUNBIO)
- Conservation Trust of Guatemala
- Environmental Foundation of Jamaica (EFJ)
- Foundation for Eastern Carpathian Biodiversity Conservation (Poland, Slovakia, Ukraine)
- Foundation for the Philippine Environment (FPE)
- Jamaica National Parks Trust (JNPT)
- Mexican Nature Conservation Fund (FMCN)
- Mgahinga-Bwindi Impenetrable Forest Conservation Trust (MBIFCT), Uganda
- National Environment Fund (FONAMA), Bolivia
- National Fund for Natural Areas Protected by the State (FONANPE), Peru
- Protected Areas Conservation Trust (PACT), Belize
- Table Mountain Fund, South Africa

4. Overall, the evaluation concluded that conservation trust funds have substantial accomplishments, and that the **GEF should continue to finance conservation trust funds when the necessary circumstances are met**. These circumstances are discussed in the section “Conditions for Success.”

TWO TYPES OF TRUST FUNDS

5. The evaluation showed clearly that there is no “typical” conservation trust fund. The funds’ structure, scope of activities, priorities, and procedures vary according to their purposes, and the situation of the country they serve. However, it was useful in analyzing the funds’ experience to group them into two general categories. “Parks” funds support protected areas within a national system. The majority of GEF-supported funds fall into this category. Examples include MBIFCT in Uganda and the Eastern Carpathians Foundation, which support one or two parks, and funds in Mexico, Peru, and Jamaica which support national park systems. “Grants” funds — such as the Environmental Foundation of Jamaica and Brazil’s FUNBIO — channel

resources to target groups (typically NGOs and community-based organizations) for a broad range of conservation and sustainable development projects. Several of these include strengthening of civil society among their objectives.

6. These two types of funds often differ in their relation to national strategies, the extent and nature of government involvement in their governance structures, their approaches to program management, and the ways and ease with which they meet GEF criteria.

TRUST FUNDS ARE MORE THAN FINANCIAL MECHANISMS

7. Conservation trust funds were often seen by their creators mainly as financial mechanisms that could take large amounts of money from debt swaps or international grants and “retail” them into smaller projects over long periods of time. Their boards of directors and staff reflected this emphasis. This indeed has been a major role played by the funds studied. But a key conclusion of the GEF evaluation is that the overall success of conservation trust funds depends on their ability to participate in developing national conservation strategies, to work with other public and private agencies to develop agile and effective management approaches, and to nurture community groups and other organizations becoming involved in biodiversity conservation for the first time.

8. To succeed, trust funds need the governance structures, staff, and technical support to allow them proactively to influence their environment, monitor their results and learn from experience, maintain credible and transparent procedures, and support participatory approaches to conservation and sustainable development.

ACHIEVEMENTS TO DATE

9. Most of the trust funds included in the evaluation have been operating for three years or less. There have been some setbacks and disappointments, for example, limited NGO acceptance of the national parks fund in Jamaica, and a tentative early response from the business sector that Brazil's FUNBIO sought to involve in conservation. But the funds examined have a number of impressive accomplishments:

- New national parks have been created, or existing protected areas expanded or upgraded, as a result of trust fund support in Jamaica, Bhutan, and Ukraine. Ten national parks in Mexico now enjoy a basic “resource security”—the assurance that their basic operating costs and staff salaries will be covered—which, in turn, allows them to concentrate on conservation activities, attracting project funding, and collaboration with communities and interested organizations.
- Trust funds have generated substantial financial resources that would not otherwise have been available to conservation. The most notable case is Peru, where PROFONANPE pioneered the debt swap mechanism to raise \$17 million beyond the GEF's \$5 million contribution. However, except in Bhutan, most of the resources raised have been in the form of draw-down funds, rather than as additions to endowment capital. In two countries, there was some question whether the resources provided by trust funds have been additional to support that others (including governments) were already providing for protected area management.
- The governance structures of most trust funds—boards with private and public sector members—reinforce country ownership of conservation programs in ways that traditional project implementation arrangements often do not. Several trust funds were the first or only instances in their respective countries where government, NGOs, and representatives of the business and academic sectors have come together to operate a multi-sectoral organization.

- Trust funds have increased the participation of civil society in biodiversity resource management. This has been the result of consultative processes through which many funds were created and are governed. Several funds have also successfully promoted wider, more active stakeholder involvement in protected area management and operating plans, e.g., in Mexico, Peru, and Uganda.

10. Uncertainty remains, however, about trust funds' ability to demonstrate long-term biodiversity conservation impact. In part, this is due to the difficulty of measuring biodiversity impact, and of attributing impact to a particular intervention, especially over the short term. It is also true that trust funds generate relatively small amounts of resources in relation to national conservation needs. However, most of the funds studied have not defined or established measures of the biodiversity conservation impact they intend to achieve, and do not include analysis of biodiversity impact in their monitoring and evaluation activities.

11. The two types of trust funds are addressing concerns about achieving impact in distinct ways. An example from the "parks" funds is the protected areas fund within FMCN (Mexico), which has used a logical framework methodology to define the impacts it intends to have in each protected area and in the system as a whole. Several "grants" funds have chosen a programmatic or geographic niche in which to focus their activities to achieve maximum impact.

12. The evaluation recommends that **GEF and its implementing agencies should provide increased support to help trust funds define their intended impacts on biodiversity conservation and sustainable use and to develop performance indicators and simple, useful monitoring and evaluation systems to measure progress toward these objectives and feed back experience into program improvements and man-**

agement decisions. At the same time, GEF could benefit from the experience of some trust funds in defining program-level indicators for its own biodiversity activities. This is an ideal area for partnership between GEF and conservation trust funds.

GOVERNANCE

13. The majority of the funds studied were set up as non-governmental institutions with mixed public-private governing bodies. Non-governmental representatives on the governing body typically held the majority, with government often limited to one or two seats. The evaluation found that boards worked better when their members served in an individual capacity rather than as formal representatives of a constituency or sector. Individual representatives worked more effectively as a team to implement the fund's mission, while the more formally representative boards tended to see their role in terms of allocating resources among their various agencies and sectors. Few of them do an adequate job of reporting back to their constituencies and keeping them involved.

14. Boards comprising a variety of individuals with diverse skills who are able to lead technical or advisory committees were more effective than boards of limited size or scope. Bringing new people onto boards at regular intervals—ideally through staggered terms to assure continuity—is an important way to build ownership and to get fresh perspectives into the leadership of the organization.

PROGRAM MANAGEMENT

15. It has generally been easier for “parks” funds than for “grants” funds to establish a strategic focus for their activities, because of the “parks” funds’ direct links to protected areas systems. However, “grants” funds have in several cases demonstrated an ability to select program niches in which to focus their

activities for greater impact. Examples include FMCN's linkage to and support of a national priority setting process in Mexico; MBIFCT's focus on "social infrastructure" in Ugandan communities surrounding protected areas; and FUNBIO's focus on public-private partnerships in Brazil.

16. An important factor influencing the management of trust fund programs has been the extent to which there is an "effective demand" for these activities among target groups. Contrary to original expectations, some funds have not been able to effectively utilize the funds they had available without first devoting considerable resources to helping NGOs and community organizations prepare grant proposals and implementation capacity that met their standards, or devising new approaches around burdensome government contracting or financial procedures.

17. Most of the funds studied have been able to keep their operating (non-program) costs in the 20-25 percent range (and some below 20 percent). However, there has been no clear guidance from GEF or its implementing agencies on acceptable levels of operating costs, or the basis on which those costs are calculated. Some funds' percentages are high because they also include costs for program support, such as technical assistance to grantees, and institution building of the fund, that should not count as operating costs. The evaluation recommends that **GEF's implementing agencies should apply clearer and more consistent guidance on operating costs.**

18. Trust funds have generally established fair and transparent project selection procedures. Agile administrative procedures for project implementation have been difficult to establish in several cases, however, often due to donor requirements. **GEF's implementing agencies should consider the impact on trust fund agility and responsiveness, as well as operating costs and recipient transaction costs, of prescribing complex procurement or administrative procedures.**

19. The evaluation found that trust funds have attracted highly qualified personnel but still require capacity-building assistance to develop their potential as institutions. However, among the community of trust funds there is a considerable store of experience and innovation, and potential for developing “learning networks” to share this knowledge. This finding led to three recommendations:

- **Training and technical assistance should be included as components of projects that support trust funds.**
- **GEF support for conservation trust funds, especially for the creation of new funds, should encourage the development of partnerships with international NGOs with experience and recognized abilities in this area, as well as the exchange of information among trust funds.**
- **GEF and its implementing agencies should explore ways in which they could provide resources to sustain partnerships with trust fund “graduates” beyond the supervision period.**

FINANCIAL AND ASSET MANAGEMENT

20. Trust funds have leveraged substantial additional funding for conservation. The six GEF-supported funds with operating experience have raised more than \$33 million in non-GEF contributions. Projects financed by trust funds also generally include substantial counterpart contributions by the recipient organizations. However, only one of the funds studied has met its objectives for raising additional endowment funding. Most of the money raised has been short-term project financing or 6-10 year sinking funds. This has important implications for the design of future trust funds, and led to two recommendations:

- **The initial capitalization, together with other resources available on a recurrent basis, should allow a meaningful program in the chosen area of focus, over a significant period, keeping operating costs within a range of 20-**

25%. Trust funds should not be created without commitments for this minimum amount of capital from the outset.

- **GEF support should be structured to provide incentives to encourage raising additional capital and assistance in developing innovative capitalization approaches.**

Fundraising Innovations

PACT in Belize raises \$500,000 per year through a \$3.75 tax on tourists entering the country by plane or cruise ship.

Uganda's MBIFCT raised funds from bilateral donors to support operations and projects for its first seven years, so that income from the endowment could be capitalized rather than spent.

PROFONANPE in Peru agreed with two of its donors to convert interest income from debt swaps and traditional projects to endowment capital. The donors made their disbursements in a lump sum up front to allow interest to accrue.

21. GEF-supported funds have successfully applied an asset management and asset manager selection model developed by the World Bank. This includes spending rules or practices that preserve capital over the long term by building cushions when returns are good for program support in times of market downturn; development of investment guidelines that reflect a conservative risk strategy and portfolio diversification; competitive, international selection of experienced, professional asset managers; and regular, active oversight by the fund's board of directors of investment performance compared to standard benchmarks, with advice from experienced investment counselors. The evaluation recommended that **GEF should continue to apply this asset management model as standard practice for its capital contributions to trust funds.**

STRATEGIC AND NATIONAL CONTEXT

22. The driving forces for setting up trust funds have included national governments, local conservation leaders, international NGOs, and donors. Some funds have had modest success at involving the private business sector. Having national environmental or biodiversity strategies and/or action plans in place has been helpful to provide a context for trust fund activities. However, in countries where these did not exist, funds have found other ways to focus their programs, including by contributing to processes to identify national priorities for biodiversity conservation.

23. Some countries have established a single, national trust fund; others, one or more trust funds of limited geographical or programmatic scope. Where there is a clear need and strong local support (Uganda, South Africa) the site-specific funds have been effective. Except in the largest countries, the team observed a limited pool of national talent available to be tapped for governance, asset management, and policy oversight, as well as a limited number of potential financial supporters for whom multiple funds would compete. There appear to be significant advantages in combining multiple purposes or “windows” in a single fund.

MEETING GEF CRITERIA

24. Most of the funds studied, and all of the GEF-supported funds, have focused their programs to achieve *global environmental benefits* in GEF’s biodiversity focal area. All of the funds studied fit within GEF’s *Operational Strategy*, usually supporting activities in several of the ecosystem types that define biodiversity operational programs (arid ecosystems, freshwater and marine ecosystems, forest ecosystems, and mountain ecosystems). All of the funds studied are *country-driven*—that is,

governments and other sectors show strong commitment to the fund objectives. The funds reflect broad *public involvement and participation*, as noted earlier, often serving as the first or only example of a public-private organization working on natural resource management, and serving to involve NGOs and local communities to a greater extent than before in protected area management. The funds demonstrate *innovation*, evidenced by new protected area management models, new approaches to community involvement, and support targeted for innovative approaches. Finally, trust funds have *leveraged additional resources* for global conservation.

25. Although the funds examined were largely Pilot Phase projects, their programs illustrate ways that future funds can meet *incremental cost criteria*: in the case of protected areas, through up-front agreements on the percentage of support to be provided by the government and by the fund, and in the case of grants to NGOs and community-based organizations, through requirements for counterpart and matching contributions. To assure that trust funds do catalyze new resources, the evaluation recommends that **GEF support for recurrent costs of protected areas through “parks” funds should include a strategy for increasing other resources for these costs and seeking ways certain activities or areas could become self-financed. Individual conservation, sustainable use, and education projects supported by “grants” funds should have prospects for sustainability and/or achieving their objectives in a reasonable period with no need for continuing funding.**

CONDITIONS FOR SUCCESS

26. Trust funds are only one of an array of financial mechanisms and institutional arrangements used to address issues of biodiversity conservation and sustainable use. Where threats to biodiversity are serious and immediate, where they can be

effectively addressed by the rapid mobilization of relatively large amounts of funding, and where this level of activity can be sustained, traditional project approaches may be more appropriate.

27. The evaluation team concluded **that four conditions are essential for the creation and/or capitalization of conservation trust funds, and recommends GEF support only when they are met:**

- **The biodiversity conservation issue to be addressed requires a long term commitment—at least 10-15 years;**
- **There is active government support—not just agreement—for creating a mixed, public-private sector mechanism that will function beyond direct government control;**
- **There is a critical mass of people from diverse sectors of society who can work together despite their different approaches to biodiversity conservation and sustainable development; and**
- **There is a basic fabric of legal and financial practices and supporting institutions (including banking, auditing and contracting) in which people have confidence.**

28. The evaluation developed “checklists” of other key factors associated with trust fund success—some that determine whether the conservation objective is best addressed by a trust fund or another approach, others affecting the trust fund’s prospects of becoming a viable institution. These checklists are presented on the following pages. While it is not necessary for all of the conditions to be met in any given case, some “critical mass” appears to be a prerequisite for success. The absence of more than a few would greatly increase the risk of delays, difficulties, and failure to meet objectives. When any of these key factors is missing or only partially present, there are risks that need to be addressed in the design of the fund.

FACTORS IMPORTANT FOR ESTABLISHING A TRUST FUND

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

- ✓ **A valuable, globally significant biodiversity resource whose conservation is politically, technically, economically, and socially feasible. Absence of major threats requiring urgent mobilization of large amounts of resources (i.e., the conservation action required is long term and addressable with the flows a trust fund could produce).**
- ✓ **Government support of the concept of a fund outside government control, that bridges the public and private sectors. The support should be active and broad-based, from the President to regional and local bodies, extending beyond environmental ministries and departments to include ministries of finance and planning. A reasonable financial contribution from government, if not directly to the fund, then to co-financing of project activities. This condition often takes a long period of advocacy during the design and start-up phases.**
- ✓ A legal framework that permits establishing a trust fund, foundation, or similar organization. Tax laws allowing such a fund to be tax exempt, and providing incentives for donations from private contributors.
- ✓ **People with a common vision—from NGOs, the academic and private sector, and donor agencies—who can work together despite their different approaches to conservation. The support and involvement of business leaders is crucial to bring in private sector management skills, especially skills in financial management.**
- ✓ **A basic fabric of legal and financial practices and supporting institutions (including banking, auditing and contracting) in which people have confidence.**
- ✓ Mechanisms to involve a broad set of stakeholders during the design process, and willingness of stakeholders to use these mechanisms.
- ✓ Availability of one or more mentors—a donor agency with good program support, a partnership with an international NGO, “twinning” with another, more experienced trust fund—who can provide both moral and technical support to the fund during the start-up and program implementation phases.
- ✓ Realistic prospects for attracting a level of capital adequate for the fund to support a significant program while keeping administrative costs to a reasonable percentage. In most cases this means having clear commitments from other donors beyond the GEF, or debt swap mechanisms established, before starting the fund.
- ✓ An effective demand for the fund’s product, i.e. a client community interested in and capable of carrying out biodiversity conservation activities on the scale envisioned, and sufficient to achieve significant impact.

FACTORS IMPORTANT FOR SUCCESSFUL TRUST FUND OPERATIONS

- ✓ Clear and measurable goals and objectives. A “learning organization” mentality and environment, oriented toward results and achieving objectives, and flexibility to make adjustments in objectives or approach based on feedback and experience.
- ✓ A governance structure with appropriate checks and balances, conflict of interest provisions, and succession procedures. “Ownership” of the fund by its board and other governing bodies, indicated by members’ commitment of time, engagement in policy and leadership, and building support of the fund with varied constituencies.
- ✓ Linkage between the trust fund and the leadership of any national biodiversity strategy or environmental action plan.
- ✓ Ability to attract dedicated, competent staff, particularly a strong executive director. Harmonious and productive board-staff relationships.
- ✓ Basic technical and other capabilities that permit the fund to become a respected and independent actor in the community. Access to, and constructive use of, training, mentoring, and technical assistance programs to build capacity.
- ✓ Constructive relationships with relevant government agencies, with intermediary organizations that provide services to grantees, and with other organizations in the community. The fund should avoid becoming an executing agency itself.
- ✓ Financial/administrative discipline combined with program flexibility and transparency, and procedures that support this and are consistently applied.
- ✓ Mechanisms for continuing to involve a wide range of stakeholders in the fund’s programs and direction, with enough clear vision and leadership to avoid being pulled in many directions and program fragmentation.
- ✓ Asset management competitively selected; diversified portfolio of investments; financial expert to provide regular reporting; and oversight by fund boards comparing actual performance to benchmarks.
- ✓ A supportive, nurturing Implementing Agency task manager, able to bring in the resources and expertise needed.

OTHER GEF MONITORING AND EVALUATION PUBLICATIONS OF INTEREST

The full report of the *Evaluation of Experience with Conservation Trust Funds* is available in English and Spanish on the GEF web site (www.gefweb.org) or from the GEF Secretariat monitoring and evaluation team at the coordinates below.

The following additional publications may be of interest, and can be obtained by writing us or from GEF's web site:

- **Project Implementation Review 1997 (January 1998)**
- **Summary Report of the Study of GEF Project Lessons (January 1998)**
- **Report of the Study of GEF's Overall Performance (February 1998)**
- **Project Implementation Review 1998 (forthcoming, March 1999)**

We also publish a series of *GEF Lessons Notes*. They are a dissemination vehicle for lessons from evaluation studies, annual implementation reviews, and other material of broad relevance to the GEF. The series is aimed primarily at project designers, managers and evaluators in GEF implementing and executing agencies. *GEF Lessons Notes* are available in English, French and Spanish. Four issues were published in 1998:

- **No. 1 - Building Partnerships with Communities (March 1998)**
- **No. 2 - Encouraging Private Sector Involvement in GEF Projects (May 1998)**
- **No. 3 - Lessons from an Integrated Conservation and Development "Experiment" in Papua New Guinea (July 1998)**
- **No. 4 - Partnership with the Private Sector: Lessons from Batangas Bay, the Philippines (November 1998)**

Three issues of *GEF Lessons Notes* that draw on the findings and conclusions of the *Evaluation of Experience with Conservation Trust Funds* will be published in early 1999.

Copies of the *GEF Lessons Notes* can be obtained from the GEF web site (www.gefweb.org). If you would like to be on the mailing list for regular receipt of *GEF Lessons Notes*, please contact us at our email address—geflessons@gefweb.org - or at the address below. Please let us know whether you wish to receive an electronic version or a hard copy, and which language (English, French or Spanish) you would prefer.

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