Cultivating Successful Cooperation Between Environmental Funds, Donors and Investors

1

Project K: RedLAC – CAFÉ Knowledge for Action

café
Consortium of African Funds for the Environment

RedLAC

Cultivating Successful Cooperation Between Environmental Funds, Donors and Investors

1

Project K: RedLAC – CAFÉ Knowledge for Action

café
Consortium of African Funds for the Environment

RedLAC

Negotiations with the private sector and international cooperation for EFs

The Latin American and the Caribbean Network of Environmental Funds - RedLAC was founded in 1999 and the Consortium of African Funds for the Environment – CAFÉ was established in 2011. The objective of the two networks is to strengthen EFs operation in their respective regions, by helping them to achieve excellence in their operations and practices, promoting innovative financing mechanisms and impact monitoring.

The "Knowledge for Action project – Project K" grew from the lessons learned after the final evaluation of the previous project, "RedLAC Capacity Building for EFs", which was implemented by Funbio (the Brazilian Biodiversity Fund) on behalf of RedLAC, from 2010 to 2014, in close collaboration with the RedLAC secretariat. Project K is co-financed by the French Fund for the Global Environment (FFEM), Mava Foundation and the Global Environment Facility (GEF through UNEP).

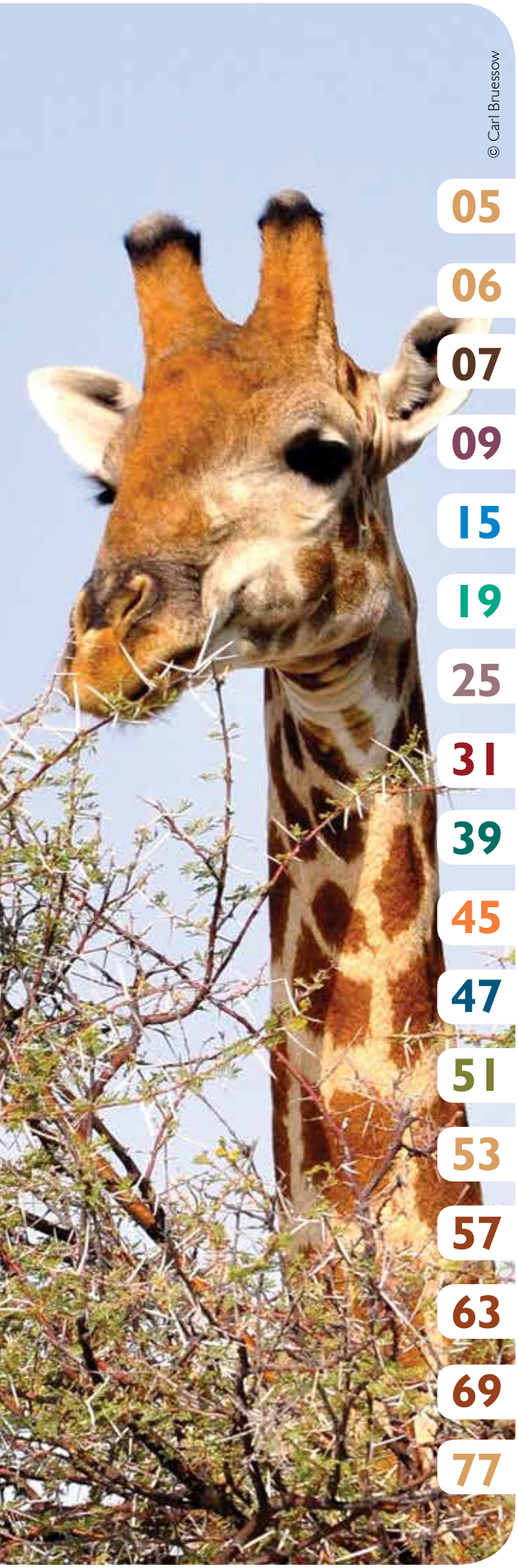
The current proposed project aims at enlarging the EFs' portfolios of innovative financial mechanisms that take up the challenges of biodiversity conservation and climate change. In addition, it aims at strengthening capacities by providing support for EFs to adopt standards of excellence. The project is designed to provide the 40 RedLAC and CAFÉ EFs with an opportunity to test new financial mechanisms that they would otherwise be unable to test due to a lack of both resources and support for their ventures. In parallel, it is an opportunity to exchange and learn from the experience of other EFs and to document and disseminate their solutions.

This handbook was prepared for the 1st workshop of Project K (Knowledge for Action project). It focuses on how to negotiate with the private sector and address international cooperation for EFs. Funbio organized this workshop in collaboration with CAFÉ – the Consortium of African Funds for the Environment (through the network Secretariat at Tany Meva Foundation) and with the support of the Fondation Parcs et Réserves de Côte d'Ivoire - in the city of Abidjan, Ivory Coast, on September 23 to 25, 2015.

Organization:

Sponsored by:

Index


© Carl Bruessow

05 Acknowledgements

06 Acronyms and Abbreviations

07 Introduction

09 Global Review of Conservation Funding

15 Strategic Relationship Management for Environmental Funds

19 Traditional Donors: Multilateral and Bilateral Agencies

25 Traditional Donors: International NGOs and Foundations

31 Traditional Donors: Private Sector Partners

39 Changing Landscape of Conservation Investments

45 National Governments

47 Challenges of Multi-stakeholder Partnerships

51 Conclusions and Workshop Recommendations

53 Annexes

57 Case Study I

63 Case Study II

69 Case Study III

77 References and Works Cited

Author: Thomas W. Stephens (Conservation Philanthropy Facility)

Case studies were written with the collaboration of:
Fábio Leite (Funbio - Brazil), Alberto Paniagua (Profonanpe - Peru) & Maria Alexandra Jorge (Biofund – Mozambique).

Coordination in Funbio: Suelen Marostica

Support: Laura Nagele (RedLAC) and Ravaka Ranaivoson (CAFÉ)

S855 Stephens, Thomas W.
Negotiations with the private sector and international cooperation for EFs: Project K: RedLAC – CAFÉ Knowledge for Action / Thomas W. Stephens. - Rio de Janeiro: RedLAC, 2015.

100 p. e 29 cm

1. Environmental funds. 2. International cooperation. 3. Biodiversity conservation. 4. Financing mechanisms. 5. Case studies. I. Thomas W. Stephens. II. Título.

CDD 363.7

Acknowledgements

This Handbook has been prepared as a contribution to the objectives of the Knowledge for Action Project ("Project K") that is supported by the French Fund for the Global Environment (FFEM), the Mava Foundation, and the Global Environmental Facility (GEF). Project K grew from a previous project, RedLAC Capacity Building for Environmental Funds, which lasted from 2010 to 2014. That project was implemented by Funbio (Brazilian Biodiversity Fund) in close collaboration with the Executive Secretariats of both networks of Environmental Funds: RedLAC and CAFÉ; and was focused on capacity building and sharing of experiences among the Environmental Fund members of RedLAC and African EFs -- members of the Consortium of African Funds for the Environment (CAFÉ). The objectives of the current Project K are to strengthen the institutional capacity of the member-organizations of RedLAC and CAFÉ and to help them in identifying innovative financial mechanisms to address the challenges of conservation and climate change that they face in their respective countries.

As a part of Project K, a series of workshops are being organized to allow EF-members to exchange experience on specific topics or themes. This Handbook was been written on the occasion of the first Project K workshop held for CAFÉ members in Abidjan, Côte d'Ivoire from 23 to 25 September 2015. The theme of the workshop was"Negotiations with the private sector and international cooperation for EFs." The workshop was hosted by the Fondation pour les Parcs et Réserves de Côte d'Ivoire. A list of workshop participants can be found in Annex 1 and the workshop agenda is found in Annex 2.

This Handbook reflects the active discussion that took place during the Abidjan workshop and includes the major ideas and points raised by the presenters and panelists and the view points expressed during working group sessions. Further references and concepts have been included in the Handbook to bring added context to the topics that were discussed.

Much appreciation is therefore due to the excellent presentations and case studies prepared by Alberto Paniagua (PROFANAPE-Peru), Fabio Leite (Funbio-Brazil), Alexandra Jorge (Biofund - Mozambique), Ben Guillon (WRA Associates – USA), Katy Mathias (WCS – USA), and Edwin Wanyonyi (Kenya Wildlife Service). Tom Stephens (Conservation Philanthropy Facility – USA) served as workshop facilitator and was the author of this Handbook.

Finally, a special word of thanks is due to the workshop organizers – Suelen Marostica (Funbio), Laura Nägele (Fondo Acción), and Ravaka Ranaivoson (Tany Meva), as well as Fanny N'golo and the staff of the Fondation pour les Parcs et Réserves de Côte d'Ivoire. Their commitment, courteous support, and the workshop's excellent logistical arrangements were greatly valued by all the participants.

Acronyms and Abbreviations

Acronyms and abbreviations	Definition
AfDb	African Development Bank
BIOFIN	Biodiversity Finance Initiative
CAFÉ	Consortium of African Funds for the Environment
CBD	Convention on Biological Diversity
CBO	Community-based Organization
CBFF	Congo Basin Forest Fund
CFA	Conservation Finance Alliance
CI	Conservation International
COP	Conference of the Parties
CTF	Conservation Trust Fund
EFs	Environmental Funds
EU	European Union
FFEM	French Global Environment Facility
FIP	Forest Investment Program
GEF	Global Environmental Facility
IDA	International Development Association (of the World Bank)
IFC	International Finance Corporation (of the World Bank)
IFI(s)	International financial institution(s)
LAC	Latin America and the Caribbean
NGO(s)	Non-governmental Organization(s)
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PA	Protected Area
PES	payment for ecosystem services (or environmental services)
REDD+	Reduced Emissions from Deforestation and Forest Degradation
RedLAC	Latin American and Caribbean Network of Environmental Funds
ROI	Return on Investment
UN	United Nations
UNCCD	UN Convention to Combat Desertification
UNDP	United Nations Development Programme
UNEF	United Nations Environmental Fund
UNFCCC	UN Framework Convention on Climate Change
USAID	United States Agency for International Development
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund

Introduction

This Handbook has been prepared as part of a series of background presentations, case studies and documentation on the occasion of the RedLAC –CAFÉ Workshop that was held in Abidjan, Côte d'Ivoire from 23-25 September 2015. The workshop was held following the annual General Assembly of 18 member-organizations that comprise the Consortium of African Funds for the Environment (CAFE).

This Handbook is meant to summarize the discussion and viewpoints expressed during the workshop, provide relevant background information on the topics examined, and share practical guidelines and experiences from participating Fund managers and staff as well as the expertise of other invited participants.

The theme of the workshop -- *Cultivating Successful Cooperation between Environmental Funds, Donors and Investors* – was selected by the CAFE members in response to the common challenge facing all Funds: financial uncertainty from year-to-year creates significant management challenges in planning and programming over the medium to long term. Inconsistent resource flows may lead to not achieving the Fund's intended goals and often result in having to choose among equally urgent conservation and biodiversity priorities. While it is commonly understood that conservation and biodiversity protection is significantly under-funded at a global level, experience from Latin America and other regions has shown that more effective cooperation and support between Environmental Funds (EFs) and donors/investors are possible based on improved management and outreach practices. Greater funding is ultimately based on effective interaction and confidence-building between EFs and a range of stakeholders and partners, not merely donors or investors.

The Handbook is organized into a number of sections that correspond to the topics discussed at the Abidjan workshop.

The second section provides an overview of global funding requirements for conservation and biodiversity protection as well as different estimates of the aggregate amount of funding actually allocated and disbursed for conservation and biodiversity. This section highlights some of the wide disparities in both the demand and supply for conservation funding, whether from public or private sources. The section notes the growing attention being given to making national-level estimates of both funding needs and actual disbursements using public expenditure reviews that cover both capital and recurrent commitments.

The third section of the Handbook examines "strategic relationship management" as an overriding framework for more effective cooperation with all stakeholders, not just donors. The underlying assumption is that effective organizations are organizations that track and analyze how they interact with their partners and stakeholders in order to establish their credibility and bona fides as a trusted partner.

The next three sections explore what are the common sources of funding for EFs, namely, section 4, multilateral and bilateral donors; section 5, foundations and international environmental NGOs; and, section 6, private sector donors. Both public and private donors are often perceived as difficult to approach and having less-than-transparent bureaucratic procedures to master. The objective of these sections is therefore to offer suggestions, guidelines and best practices in establishing productive relationships with different kinds of donors.

The seventh section turns to what all agree is the growing importance of investments in conservation as a new and still largely under-utilized source of funding. This section makes a distinction between private sector donations (discussed in section 6) and investors looking for some level of return on investment (ROI). This kind of investment is generally associated with social – or in this case, environmental – impact investing, where the investor is not to seeking to maximize his return, but rather receive a reduced return along with social and environmental benefits to which the investor attaches equal or greater importance.

The eighth section turns to look at national governments both as a funding source and as a key stakeholder/partner for successful EF operations.

The ninth section brings together all of the earlier sections to explore the challenges of multi-stakeholder partnerships and the kinds of managerial and organizational strains caused by the demands and reporting requirements of different donors and partners.

A final section summarizes the key points covered in the Handbook as well as the major recommendations and observations emerging from the CAFÉ workshop.

The Annexes form an integral part of the Handbook by providing the full case studies prepared and discussed at the workshop a well as a list of Workshop participants and the Workshop agenda.

Global Review of Conservation Funding

This section offers a general overview of conservation funding by exploring global and regional data that are available from different sources. This review does not examine country-level funding for conservation, a task well beyond the scope of this short Handbook. While it is generally agreed that aggregate funding for conservation and biodiversity protection is significantly below what is needed, there are still wide variations on estimates of how much is necessary to fully meet all requirements as well as how much funding is currently available from multiple sources. The discussion below highlights some of these different estimates of supply and demand for conservation funding. The purpose of this review is to offer EFs some general guidelines and better understanding of the direction and trends in conservation funding and how those trends impact their own fund-raising efforts.

Global Targets

Over the past several decades, the international community has shied away from promulgating monetary targets for conservation and biodiversity, instead of setting implementation and outcome targets for conservation. The international community's targets for conservation funding were spelled out in the often-cited Aichi Biodiversity Targets that were negotiated at the Convention on Biological Diversity's (CBD) tenth meeting of the Conference of the Parties (COP 10) that was held in Japan in 2010.

Box 2.1: Main Aichi Biodiversity Targets

Target 11

By 2020, at least 17 per cent of terrestrial and inland water, and 10 per cent of coastal and marine areas, especially areas of particular importance for biodiversity and ecosystem services, are conserved through effectively and equitably managed, ecologically representative and well connected systems of protected areas and other effective area-based conservation measures, and integrated into the wider landscapes and seascapes.

Target 12

By 2020 the extinction of known threatened species has been prevented and their conservation status, particularly of those most in decline, has been improved and sustained.

Target 13

By 2020, the genetic diversity of cultivated plants and farmed and domesticated animals and of wild relatives, including other socio-economically as well as culturally valuable species, is maintained, and strategies have been developed and implemented for minimizing genetic erosion and safeguarding their genetic diversity.

Target 20

By 2020, at the latest, the mobilization of financial resources for effectively implementing the Strategic Plan for Biodiversity 2011-2020 from all sources, and in accordance with the consolidated and agreed process in the Strategy for Resource Mobilization should increase substantially from the current levels. This target will be subject to changes contingent to resource needs assessments to be developed and reported by Parties.

The main Aichi targets (see box 2.1) essentially called for halting of all biodiversity loss and the protection of endangered species and habitats by 2020. Even the most optimistic of observers would agree that progress in achieving the Aichi targets is well behind schedule and, at current trends, unlikely to be achieved.

More recently, the COP 12 deliberations held in Pyongyang, Republic of Korea in October 2014 laid out the following resource mobilization targets – without specifying any monetary targets, instead using a baseline and percentage metric. The targets are notable for the increased emphasis on the calculation of domestic resource expenditure patterns for biodiversity along with accompanying national financial plans for biodiversity and conservation.

The exact text from Decision XII/3 from the Pyongyang meeting is as follows:

> *"1. Reaffirms its commitment to an overall substantial increase in total biodiversity-related funding for the implementation of the Strategic Plan for Biodiversity 2011–2020 from a variety of sources, and adopts the following targets for resource mobilization, under Aichi Target 20 of the Strategic Plan for Biodiversity 2011-2020, as follows:*
>
> *(a) Double total biodiversity-related international financial resource flows to developing countries, in particular least developed countries and Small Island developing States, as well as countries with economies in transition.*
>
> *(b) Endeavour for 100 per cent, but at least 75 per cent, of Parties to have included biodiversity in their national priorities or development plans by 2015, and to have therefore made appropriate domestic financial provisions;*
>
> *(c) Endeavour for 100 per cent, but at least 75 per cent, of Parties provided with adequate financial resources to have reported domestic biodiversity expenditures, as well as funding needs, gaps and priorities, by 2015, in order to improve the robustness of the baseline;*
>
> *(d) Endeavour for 100 per cent, but at least 75 per cent, of Parties provided with adequate financial resources to have prepared national financial plans for biodiversity by 2015 . . .*
>
> *(e) Mobilize domestic financial resources from all sources to reduce the gap between identified needs and available resources at domestic level, for effectively implementing by 2020 Parties' national biodiversity strategies and action plans, in accordance with Article 20..."*

> **While the Aichi Targets and the CBD COP 12 decision on resource mobilization are instructive, they are not a substitute for knowing how much funding is actually going for conservation and biodiversity, and if possible where and for what that funding is going.**

From Targets to Monetary Estimates

While the Aichi Targets and the CBD COP 12 decision on resource mobilization are instructive, they are not a substitute for knowing how much funding is actually going for conservation and biodiversity, and if possible where and for what that funding is going.

The Global Canopy Programme Study

One of the most widely cited studies was prepared by the UK NGO, the Global Canopy Programme (GCP). The study, entitled *The Little Biodiversity Finance Handbook,* was first written in 2010 and then updated in 2012. The study is still widely cited and provides some useful ways of analyzing conservation funding.

The book's authors found that funding for biodiversity and ecosystem services was estimated at USD 51.8 billion in 2010, the year in which the world missed the CBD target to "achieve a significant reduction of the current rate of biodiversity loss." They argued that even greater levels of finance will be needed if the international community is to meet the more ambitious and wide-reaching Aichi Targets. In order to achieve these targets by 2020, all 17 finance generation mechanisms discussed in the book must be harnessed – no single mechanism or group of mechanisms can alone scale-up finance to the level required by 2020.

Based on the information then available, the 2012 edition of the book identifies sources of finance that can be harnessed to raise up to USD 159 billion by 2020 in order to help meet the target of halting global biodiversity loss. This loss is currently costing at least USD 740 billion annually in lost ecosystem services that are vital to national economies and human well-being.

Crucially, however, the distribution of biodiversity finance must also change; 78% of finance is currently generated in developed countries, but as much as 59% is also delivered in those same countries, while only 41% is delivered in developing countries where the majority of the world's biodiversity exists and the impacts of biodiversity loss are most strongly felt.

The GCP's breakdown of biodiversity funding is as follows:

Total: USD 51.8 billion, of which

- USD 25.5 billion - domestic budgetary spending
- USD 7.8 billion - agricultural subsidy reform
- USD 5.3 billion - Official Development Assistance
- USD 1.7 billion - philanthropy
- USD 6.6 billion - "green" commodities, such as coffee
- USD 3.8 billion – direct market
  - Offsets
  - Direct biodiversity fees
  - Direct ecosystem service fees
  - Auctioning of allowances
  - Bio-prospecting
  - Debt-for-nature

Box 2.2: How Much Conservation Funding is Going to Africa?

There are no reliable disaggregated data on conservation funding going to Africa. One study suggests that as little as US $200 million per year in conservation funding is donated to Africa (Brockington et al. 2010). At the same time, the estimated funding needs for African protected areas range from around US$ 400 – US$ 2,000/km2 (or more where there are highly vulnerable species such as rhinos). However, actual funding for parks is often as low as US$ 50/km2. The funding gap for parks and protected areas has been estimated to be as much as US$ 850 million annually.

See: https://www.facebook.com/africanwildlifeconservationnews/posts/250341071818659

The GCP uses a number of analytical constructs to examine conservation funding, which can be useful to EF managers and staff. The first looks at funding by source, the second by type of market transaction.

Funding Source

Broadly speaking revenue generation mechanisms can be implemented by (1) a private organization, (2) by local and national governments, or (3) by a public body at the international level. In GCP's view, the level at which revenue is generated will have important implications for both the adequacy and predictability of biodiversity finance.

Private finance is defined as revenue that is generated through a mechanism implemented in the private sector. Private finance can use voluntary mechanisms, e.g. green commodities or direct ecosystem services fees, or can be driven by national or international policy regulation. The key to private finance is that the finance raised does not enter the hands of the public sector.

Public sector finance is similarly defined as revenue that is generated through a mechanism controlled by a public body and can be divided into national and international sources of finance. National level mechanisms raise finance that is initially generated by local or national governments, and include general taxes and natural capital levies. International mechanisms raise finance that is initially generated at a supranational level and include such mechanism as a financial transaction tax and debt-for-nature swaps.

Revenue generated at the national level is often considered to be an unpredictable source of international finance due to the domestic revenue problem. While revenue generation at the international-level is, in theory, a simple solution to this issue, it faces political challenges, as contributing countries have historically preferred to maintain visibility and control over their contribution to international finance,

Market Transaction Type

The second analytical lens developed by GCP looks at conservation funding by market transaction type: Direct Market, Indirect Market, Other-market, and Non-market.

Direct market mechanisms create a link between the beneficiary/polluter of biodiversity or ecosystem services and the provider of those services. For example, a biodiversity offset market links polluters or degraders of ecosystems with protectors of other natural habitats.

Indirect market mechanisms raise finance by implicitly linking the value of biodiversity and ecosystem services to more traditional markets, which then develops indirect markets for ecosystem services. For example, green commodities bundle consumer demand for ecosystem services and biodiversity into international markets for commodities such as coffee or tea. The protection of biodiversity is a prerequisite for the generation of finance under direct and indirect market mechanisms.

Other market mechanisms are not dependent or necessarily linked to the provision or protection of biodiversity, and such other-market transactions may have a wide variance in their relationship to biodiversity. For example, a tax on all financial transactions (where the financial market is the other-market) is independent of the biodiversity impact of the transaction. However, a natural capital levy placed on a mining company (where mining is the other-market) is dependent on the biodiversity impact of the company's operations. These options have the potential to raise large-scale finance for biodiversity and ecosystem services, but are generally considered to be less politically feasible to implement than direct or indirect options.

Finally, the non-market option includes mechanisms that generate revenue from traditional sources of finance, including donor agency grants and philanthropy. Since many of these options are linked to government actions, the delivery of biodiversity and ecosystem service benefits is dependent upon the source of funding and government-donor relationships, not market transactions.

Bottom-Up Approach to Estimating Conservation Funding

One of the more promising trends in estimating conservation funding relates to a bottom-up or national level determining of spending levels. The CBD COP 12 decision on resource mobilization, quoted above, refers specifically to this approach:

> *Endeavour for 100 per cent, but at least 75 per cent, of Parties provided with adequate financial resources to have reported domestic biodiversity expenditures, as well as funding needs, gaps and priorities, by 2015, in order to improve the robustness of the baseline;*

The need for such a national level approach stems from the experience of many countries in preparing their first round of National Biodiversity Strategic Action Plans (NBSAPs), as called for in many of the COP meetings of the CBD. It became apparent that many countries had difficulty preparing viable and realistic action plans because they did not have adequate data to know either how much money was being spent on conservation and biodiversity or how much was available. The early NBSAPs pinpointed what needed to be done, but not how much it would cost to implement the plan

"One of the more promising trends in estimating conservation funding relates to a bottom-up or national level determining of spending levels."

One of more interesting efforts of the donor community to address this problem was the establishment of the Biodiversity Finance Initiative (BIOFIN) in late 2012. [See http://www.biodiversityfinance.net/home] BIOFIN is funded by Germany, Switzerland, Norway, Flanders (Belgium), the European Commission, and UNDP (which also serves as the secretariat for BIOFIN). The mandate of BIOFIN is to help governments to implement comprehensive national resource mobilization strategies at the national level. BIOFIN supports governments to:

- review policies and institutions relevant for biodiversity finance;
- determine baseline investments and assess the costs of implementing National Biodiversity Strategies and Action Plans ;
- Quantify the biodiversity finance gap.

BIOFIN is currently supporting 19 countries: Botswana, Chile, Colombia, Costa Rica, Ecuador, Fiji, Guatemala, India, Indonesia, Kazakhstan, Malaysia, Mexico, Peru, Philippines, Seychelles, South Africa, Thailand, Uganda, and Zambia. BIOFIN is in discussion with another 10 countries, and hopes to expand to more countries if additional funding becomes available discussion with 10 other countries

Funding Trends and Implications

Conservation funding is also discussed in other sections of this Handbook, but from a general perspective three are several implications for managers and Boards of EFs in assessing trends in conservation funding.

First, global estimates of the supply and demand for conservation funding can be misleading and ambiguous. Even if the global estimates may not be reliable, it is still clear that funding commitments have not historically come close to the international community's declarations and rhetoric.

Second, EFs can expect to see significant shortfalls in funding for at least the medium- and probably the long-term. This will place greater emphasis on the role of individual EFs in generating their own funding and articulating the business case to donors and investors of why channeling funds through their organization is a "good deal."

Third, funding trends will give growing importance to private investments for conservation IF investable projects and programs can be identified. For EFs, this will require more "business intelligence" to understand donor/investor conservation priorities that may entail:

- specific threatened biodiversity or ecosystems;
- cost of the intervention;
- location and size of the area to be conserved;
- parallel social and economic benefits; and
- cost effectiveness (the likelihood of investment success)

Abidjan Workshop Discussion

- With respect to funding trends, some EF participants noted that funding can be very country-specific, even regional specific within a country.
- Countries that are located in areas deemed a biodiversity hotspot may have advantages over EF in countries given lower biodiversity priority.
- Assuring continuity of funding over time and between and among donors was a major preoccupation for many EFs.
- Participants identified with the bottom-up approach of the BIOFIN Initiative, even if not happening in their own countries, and saw a valuable role in becoming involved in environmental public expenditure analyses and national costing exercises.

©Abigaile Herimanitra (Tany Meva Fondation)

Strategic Relationship Management for Environmental Funds

This section turns to a discussion of strategic relationship management as a key element in promoting improved cooperation and confidence between EFs and their donors and partners. The major premise of this section is that a proactive relationship management plan of action is an effective means within EFs' operational guidelines for clarifying relations with stakeholders and for increasing the likelihood of encouraging greater donor support.

In the private sector, many companies around the world employ a number of tools and metrics to track and improve their relations with customers and partners. Relationship management as a business concept refers to the practices, strategies and technologies that institutions use to manage record and evaluate their interactions with their customers and partners. Relationship management aims to create a partnership between the organization and its "audience" rather than to consider the relationship merely transactional. Maintaining a level of communication with one's audience allow the business to identify potential sources of problems before they become acute.

From an organization's perspective, relationship management is built on some common-sense principles:

Trust: This is the foundation of every good relationship. When trust is felt between organizations and their stakeholders, powerful bonds are formed that encourage more collaborative work and communication.

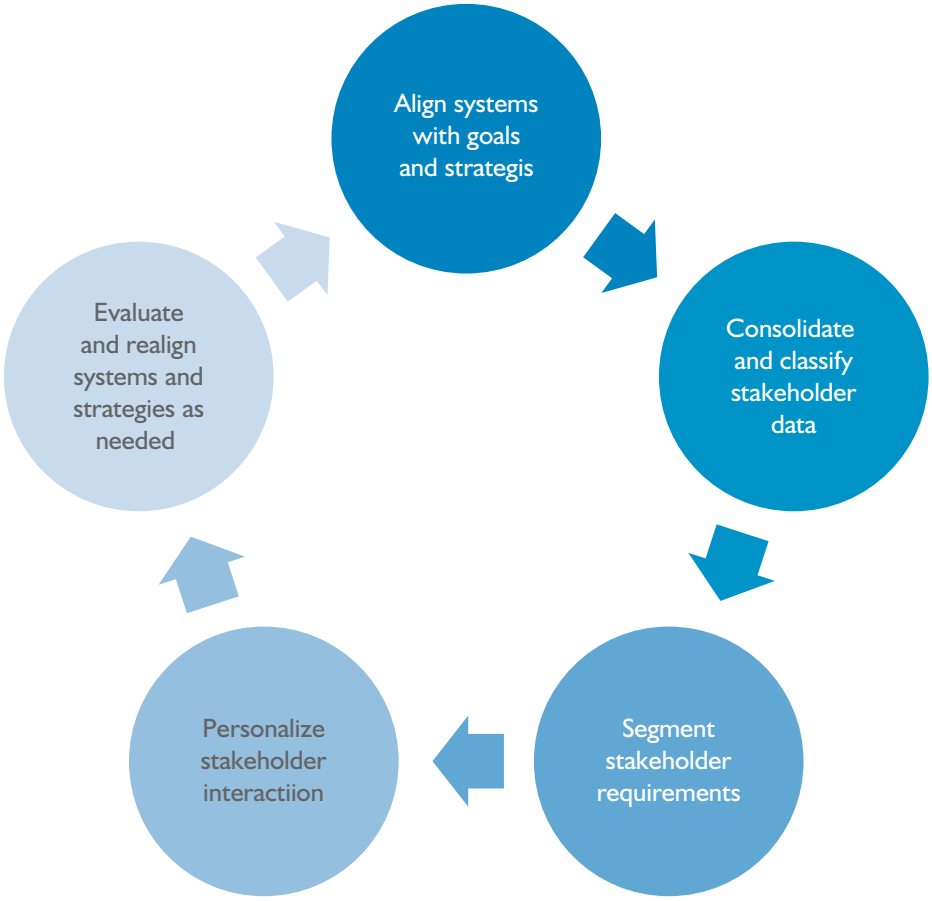
Mutual Respect: When there is respect and dialogue among colleagues and associates, working together can result in effective solutions based on collective insight, wisdom and creativity.

Mindfulness: This means taking responsibility for the words and actions of one's organization. Organizations that are mindful are careful about how they communicate and mean what they say.

Open Communication: Organizations communicate all day, whether sending emails and IMs, or meeting face-to-face. The better and more effectively an organization can communicate with those around it, the richer those relationships will be. All good relationships depend on open, honest communication.

The diagram below captures the essence of relationship management as an explicit ongoing process, whether for private companies or for organizations such as EFs.

Figure 3.1: Relationship Management Process



For Environmental Funds, Relationship Management With Whom?

While the diagram above provides a generic guideline for a classifying and working with different stakeholders, who are the specific stakeholders relevant to EFs? The list below provides a range of different stakeholder groups with whom EFs generally work:

- Board of Directors (or equivalent)
- Fund asset managers
- Donors
- National implementing organizations
  - National environmental NGOs
  - Community organizations
- Local recipient communities
- National government
  - Parliament, elected officials
  - Government agencies and regulatory bodies

- Local government
- Local private sector
- Other civil society groups and organizations (not conservation-related)
- Associations of environmental organizations

The relationships with these specific stakeholder groups are obviously specific to each EF and its own country contexts; however, there are no doubt common criteria by which stakeholders would judge the competence and effectiveness of an environmental fund. Some of these would include:

Governance skills and professionalism of the Board and staff

Donors and national governments alike tend to be keenly interested in the governance skills and professionalism of the EF's staff and Board of Directors. Their trust and confidence in the ability of the staff and Board to perform effectively are obviously highly correlated with the support – and therefore funding and resources – they bestow upon an organization.

Internal management and accounting systems

Closely related to governance and professionalism are the management and accounting systems that an Environmental Fund (EF) uses to oversee and direct its operations and programs. Potentially there will be noticeable difference between well-established EFs that have many years of experience and a proven track record and new EFs that are in the process of designing and developing their management systems

Fiduciary oversight and responsibility

EFs, by their very nature, must have high standards in the way in which their endowments are managed and protected. Depending upon their founding articles of incorporation, many EFs use third-party asset management firms (based nationally or internationally) that have the independent responsibility to ensure the fiduciary integrity of the endowment and the proper deployment of funds. Needless to say, a donor or investor are more like to support an EF that can demonstrate high levels of fiduciary responsibility and stewardship of the funds given to it.

Cost-effectiveness of projects and programs

The ultimate success and confidence given to an EF is a direct function of its delivery of cost-effective projects and programs. Boards, donors, government agencies and others would therefore expect to see:

- Demonstrated impact on the ground – ecosystems and communities;
- Responsiveness and timeliness of delivery;
- Ongoing and positive relations with implementing partners;
- Monitoring and evaluation systems and procedures to determine the above expected outcomes;
- Transparency in operations and procedures.

Communications Strategies

An EF could have all of the above listed management and operating procedures but still not have strong and effective relationship with all of its stakeholders. It is therefore incumbent upon an EF to have effective communication strategies to effectively convey its competencies and effectiveness. Key elements of such a strategy would include:

- Proactive interaction and meetings with partners;
- Ongoing and regular advocacy with national government;
- "Open-door" policy for partners;
- Annual reports;
- Periodic reports to each donor;
- Proactive public relations campaign, including e-newsletters, and social media such as Facebook, LinkedIn and others;
- Participation in national and regional associations of environmental NGOs and/or other NGO associations.

Responsibilities of the Board

Finally, in examining relationship management, we turn briefly to the question of the relationship between the Board of an EF and the staff of the Fund. This often overlooked element of relationship management is sometimes neglected as the written rules and responsibilities of a Board may become outdated or less effective as EFs grow and mature and taken on new tasks and challenges.

As the EF grows and evolves, so too should the roles and responsibilities of the Board. In broad terms, there are a number of basic responsibilities of non-profit Boards that need to be reviewed and potentially modified over time. These include:

- Determine and adapt mission and purpose ass required;
- Ensure effective planning;
- Monitor and strengthen programs and services;
- Protect assets and provide proper financial oversight;
- Ensure legal and ethical integrity;
- Enhance the organization's public standing.

Abidjan Workshop Discussion

- Different participants pointed to the challenges of defining and then delimiting in practice the agreed roles and responsibilities between the Board of Directors and senior managers of the EF.
- There was general agreement on the need for a strategic plan not only for funding raising but also for relationship management that was different from a strategic operational plan.
- The need for more sophisticated communications and marketing tools - not just a website, brochures, and printed reports -- was pointed out as an important element in developing relationship management plan.

© Abigaile Herimanitra (Tany Meva Fondation)

Traditional Donors: Multilateral and Bilateral Agencies

Following the previous section's overview of relationship management as the basis for an effective strategy for stakeholder interaction, including donors, attention is now given to lessons, strategies, and best practices in working with traditional donors. For purposes of this Handbook and the Abidjan workshop, the term "traditional donors " refers to multilateral and bilateral agencies – discussed in this section – foundations and International NGOs discussed in Section 5, and private sector partners discussed in Section 6. As a general rule, these traditional donors have not been able to meet the funding needs of EFs, but it is still necessary to understand some of the "drivers" which determine when and how they set their priorities and then consider what are the "hooks" upon which potential relationships could be established. Even if traditional donors have not historically been able to meet tall the funding needs of EFs, they will continue to be a major partner and source of financial support.

Multilateral Donors

There are numerous multilateral agencies that have supported conservation and biodiversity in one way or another. There are the international financial institutions such as the World Bank and regional development bank such as the Inter-American Bank, African Development Bank, Asian Development Bank, and the International Fund for Agricultural Development. Discerning exactly how (and with how much funding) these institutions support conservation is not an easy task, since conservation and biodiversity are often subsumed programmatically within a broad umbrella which may include environment, rural development, smallholder agriculture, energy, water, and climate change.

While not the focus of this analysis, the Inter-American Development Bank (IDB) has perhaps the most well articulated program of support specifically targeted for conservation, biodiversity protection and ecosystem services, through the IDB's Biodiversity and Ecosystem Services Program.

The following is a brief summary of funding by different multilateral funding institutions, specifically targeted toward Africa, which was the focus of the Abidjan Workshop.

World Bank

The World Bank is, by all accounts, the largest donor for environmental projects in Africa, notably through the "soft loan window of the World bank – the International Development Association (IDA), as well as a number of grants and co-funded Initiatives. As a general rule, the World Bank views conservation and biodiversity within the context of environmental sustainability. In 2012, the World Bank came out with a new Environmental Strategy to promote a "green, clean and resilient world for all." The Bank's green agenda focuses on nurturing more inclusive growth, while protecting biodiversity and ecosystems through three major program areas:

- enhancing countries' decision making through the Wealth Accounting and Valuation of Ecosystem Services global partnership that supports valuing countries' natural capital assets and incorporating them into their systems of national accounts;
- finding ways to restore the world's oceans to health and economic productivity through working with a broad coalition of governments, international agencies, nongovernmental organizations and private companies; and
- testing the market's willingness to encourage protection of critical habitat areas while also providing carbon storage benefits through continuing innovative work on forests and land use linked to the Reducing Emissions from Deforestation and Forest Degradation program.

Within the World Bank, the Environment and Natural Resource Practice (which crosses departmental lines) has a broad mandate encompassing both "green" and "brown" environmental issues. This group provides expertise, technical assistance and financing to help low- and middle-income countries manage land, sea and freshwater natural resources in a sustainable way that helps create jobs, improve livelihoods, enhance ecosystem services (such as carbon sequestration or water regulation), decrease pollution and increase resilience to climate change. Precise data on overall funding is difficult to pinpoint where overlap between sectors makes estimates difficult. The Environment and Natural Resources Global Practice states that it oversees a portfolio of about 165 projects worth about $5.3 billion. More generally, World Bank data suggest greater spending on environment but not necessarily more spending on conservation and biodiversity.

- Between 2004-2013, only US$1 billion spent on 74 projects in 74 countries;
- US$17 billion allocated for water supply and sanitation in last 3 years;
- US$19 billion committed for energy efficiency and renewable energy in last 6 years;

Box 4.1: Examples of World Bank Projects in Africa for Conservation and Biodiversity

In **Zambia**'s Kafue National Park, the "Support for Economic Expansion and Diversification Project" that supported park authorities led to private investors tripling available tourism accommodations. Visits to the park rose markedly and park revenues grew ten-fold between 2005 and 2011, much of which directly benefited local communities.

In **South Africa**, through the Greater Addo Elephant National Park project (2004-2010), a US$5.5 million investment spurred US$14.5 million in private sector investment and the creation of 614 well-paying jobs.

In **West Africa**, where fisheries support almost 3 million jobs, a regional program designed to increase the overall wealth generated by sustainable fisheries is producing results: As part of the program, Sierra Leone and Liberia have created conservation zones along the coast dedicated to small-scale fishing communities. Some of these communities have experienced up to a 40 percent increase in fish catch.

In the Sahelian and Saharan countries, a $1.1 billion Bank-funded program that supports Africa's Great Green Wall Initiative has had a positive impact on local communities and farmers. In Ethiopia, for example, a government program supported by the World Bank has boosted the livelihoods of 30 million people and helped put 15 million hectares of communal and individual land to more productive use.

Source: http://www.worldbank.org/en/topic/environment/overview#2

> **"Even if traditional donors have not historically been able to meet all the funding needs of EFs, they will continue to be a major partner and source of financial support."**

African Development Bank

The African Development Bank (AfDB) has seen a small but hopefully rising role in supporting conservation and biodiversity as part of its environmental lending and grants. Over the past decade, this has occurred during a period of growing support and institutional credibility for the AfDB under the leadership of former President, Donald Kaburuka.

Generally speaking, however, AfDB support for biodiversity and conservation is bundled within a broader sectoral perspective, which includes agriculture and rural development as well as environmental issues. For example, in 2014, operations approved 232 projects for a total of US$ 7.3 billion, of which

- Agriculture and rural development – US$ 700.3 million (10.9%);
- Environment - US$ 46.7 million (0.7%).

Perhaps of more interest to African EF mangers is the designation of the AfDB as the Implementing African partner/focal point for the US$ 8.1 billion Climate Investment Funds. The CIF actually consists of 4 programs: (i) Clean Technology Program, (ii) Pilot Program for Climate Resilience, (iii) Scaling Up Renewable Energy Program, and (iv) Forest Investment Program.

Of these 4 programs, the Forest Investment Program is of most interest to EFs. The $785 million Forest Investment Program (FIP, supports developing countries' efforts to reduce emissions from deforestation and forest degradation and promote sustainable forest management and enhancement of forest carbon stocks (REDD+). [1] The FIP, is notable for the swift pace of project approval and disbursements, making it the fastest moving portfolio within the larger CIF and resulting in significant cofinancing. Currently:

- US$ 501 million is allocated to 38 projects and programs, expecting co-financing of $1 billion from other sources.
- US$ 208 million (42% of the FIP allocations) is approved and under implementation for 12 projects with expected co-financing of $742 million.

Channeled through the AfDB and other multilateral development banks as grants and near-zero interest credits, FIP financing addresses the many dimensions on REDD+, including:

- Promoting forest mitigation efforts, including protection of forest ecosystem services;
- Providing support outside the forest sector to reduce pressure on forests;
- Helping countries strengthen institutional capacity, forest governance, and forest-related knowledge;
- Mainstreaming climate resilience considerations and contribute to biodiversity conservation, protection of the rights of indigenous peoples and local communities, and poverty reduction through rural livelihoods enhancements.

[1] An overview of the Forest investment Program can be found at http://www.climateinvestmentfunds.org/cif/Forest_Investment_Program

Box 4.2: Forest Investment Program Pilot Countries

- Bangladesh
- Brazil
- Burkina Faso
- Cambodia
- Cameroon
- Congo Republic
- Côte d'Ivoire
- Democratic Republic of Congo
- Ecuador
- Ghana
- Guatemala
- Guyana
- Honduras
- Indonesia
- Laos
- Mexico
- Mozambique
- Nepal
- Peru
- Rwanda
- Tunisia
- Uganda
- Zambia

Global Environmental Facility

The Global Environmental Facility (GEF) is the best known to EFs among the multilateral institutions supporting conservation and biodiversity. Since it was established in 1991, the GEF has provided over $14 billion in grants and mobilized in excess of US$ 70 billion in additional financing for more than 4,000 projects. The GEF Small Grants Programme has made more than 20,000 grants to CSOs and CBOs for a total of US$1 billion. Over the years, the GEF has become an international partnership of 183 countries, international institutions, civil society organizations, and private sector to address global environmental issues.

Currently, the GEF has 18 implementing partners.[2] The FUNBIO Case Study, found in Annex 4 of the Handbook, provides an interesting overview of the history and evolving relationship of an EF that recently became an implementing agency for GEF.

Table 4.1: FUNBIO's Changing Organizational Requirements in Working with GEF

As GEF Project	As Project Executor	As Implementing Agency
Financial control with an excel spreadsheet	Financial control done by specialized software (ERP)	+ internal auditing and control
External accountant, part time finance specialist	Full time accountants and finance team	Full separation of functions, very clear policies and procedures
External lawyer	Full time lawyers	Full time lawyers + contract management software
External procurement	Full time procurement staff	Full time procurement staff with stronger set of policies, procedures and even a safe for holding proposals
External IT	Full time IT team and it's own servers	Stronger and more professional IT with contingency plans, secure server rooms, etc.
Processes adapted for one donor, one rule	Flexible processes and systems to deal with multiple donors	New processes on top of the old ones
Small technical staff specialized in few themes	Bigger technical staff with broader specialization	New staff for safeguards, internal auditing, gender issues, etc.
Focused results	Bigger results	Potentially even bigger results

In broad terms, the business model of the GEF is to provide new and additional grants and concessional funding to cover the "incremental" (i.e., additional) costs associated with transforming a project with national benefits into one with global environmental benefits. For those familiar with GEF, the Facility has a number of focus areas and program interests. These include:

[2] Asian Development Bank (ADB), African Development Bank (AFDB), Development Bank of Latin America (CAF), Conservation International (CI), Development Bank of Southern Africa (DBSA), European Bank for Reconstruction and Development (EBRD), Foreign Economic Cooperation Office - Ministry of Environmental Protection of China (FECO), Food and Agriculture Organization of the United Nations (FAO), Fundo Brasileiro para a Biodiversidade (FUNBIO), Inter-American Development Bank (IDB), International Fund for Agricultural Development (IFAD), International Union for Conservation of Nature (IUCN), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), West African Development Bank (BOAD), World Bank Group, and World Wildlife Fund U.S. (WWF).

Focal Areas

- Biodiversity
- Climate change
- Chemicals and waste
- International waters
- Land degradation
- Sustainable forest management (REDD+)

Complementary Program Interests

- Food security
- Sustainable cities
- Commodities
- Public-private partnerships
- Small-island developing states
- Gender mainstreaming
- Indigenous peoples
- Country support program
- Small grants program

At last year's GEF replenishment ("GEF-6") in May 2014, the international donor community committed to a replenishment of US$ 4.43 billion covering the period July 1, 2014 to June 30, 2018. The breakdown of the GEF-6 program budget is shown in Table 4.1 below. It will be noted that the replenishment for GEF-6 saw only a modest increase in available funding compared with GEF-5, which was US$ 4.25 billion, and an actual decrease in funding for climate change activities (which reflects the creation of the Climate Investment Funds mentioned above).

EF managers are strongly encouraged to review the GEF document **GEF-6 Programming Directions**, which contains the details of the planned programs and activities for the four years of GEF-6.

Table 4.1: GEF-6 Programming Targets

Focal Areas/Themes	GEF-5 Programming Targets ($ million)	GEF-6 Programming Targets ($ million)
Biodiversity	1,210	1,296
Climate Change	1,360	1,260
Chemicals and Waste	425	554
International Waters	440	456
Land Degradation	405	431
Corporate Programs	210	197
Non-Grant Instruments Pilot	80	115
GEF Organizational Budget	120	106
Independent Evaluation Office (until GEF-6, part of operational budget)		19
Total GEF Replenishment	**4,250**	**4,433**

Bilateral Donors

Historically, many of the major bilaterals have been strong supporters of environmental programs, such as Norway, France, U.K., U.S., Australia, Netherlands, and Canada. At the same time, data about bilateral funding show the same characteristics as the multilaterals. Environmental funding includes multiple sectors such as renewable energy, sustainable agriculture, forestry, climate change mitigation and adaptation, and water and sanitation.

In a review of bilateral funding conducted by the Organization for Economic Cooperation and Development (OECD), support for conservation and biodiversity has never amounted to more than 5% of total bilateral ODA since 2014.

- Bilateral biodiversity-related aid commitments by OECD DAC members reached US$ 5.6 billion per year in 2010-12, representing 4% of total bilateral aid and 4% of total activities. Lower bound (aid targeting biodiversity as a *principal* objective) = US$ 2.3 billion.
- Asia received the highest share of bilateral biodiversity-related ODA in 2007-13 (32%), followed by Africa (27%).
- Development co-operation providers are increasingly targeting environmental synergies and co-benefits with their aid.
- In 2010-12, 82% of bilateral biodiversity-related aid also targeted climate change (adaptation, mitigation or both) and/or desertification.

- Aid is concentrated: Over 80% of biodiversity-related aid in 2010-12 was in the sectors of general environment protection, agriculture, forestry, fishing, rural development, and water supply and sanitation.
- Estimated bilateral support for biodiversity-related capacity building increased from approximately 25% of total bilateral biodiversity-related ODA in 2004-06 (US$ 0.8 billion per year) to approximately 44% in 2010-12 (US$ 2.5 billion per year).

Implications for Environmental Funds

This brief review has provided some of the general trends in support offered for conservation and biodiversity by multilateral and bilateral agencies. In the opinion of this writer, it is not likely that overall funding will increase for EFs through these traditional channels, although for individual EFs there may be opportunities for increase funding based on specific projects and those projects' convergence with donor priorities. To the extent that project ideas can demonstrate cross-sectoral synergies such as with water, sustainable agriculture, ecosystem services, climate change mitigation and adaptation, and REDD+, then there is increased likelihood of donor interest.

FUNBIO's provides important lessons in working with donors such as GEF. Their experience shows that the higher the level or relationship of working with them, the stronger the internal structures are needed to deal with increasing demands on transparency, financial and internal controls, auditing, policies and safeguards. There are costs to do so; they are not negligible, and it's hard to raise resources to cover those costs as they are not directly related to specific projects and thus have to be raised from institutional strengthening projects. These kinds of capacity-building projects are generally more difficult to secure than the usual field projects. On the other hand, each higher level of complexity in the relationship with organizations like GEF also raises institutional credibility. This improves the capacity of an Environmental Fund to fundraise with other partners at the international or even national level, which may be a good reason to pursue this kind of institutional development.

An emerging opportunity in working with multilateral and bilateral agencies, as well as environmental NGOs and foundations involves the appearance of hybrid funds or initiatives, such as the Climate Investment Funds, discussed above, and other hybrid initiatives such as the Critical Ecosystem Partnership Fund (CEPF), which is a joint initiative of multilateral and bilateral agencies, foundations, and environmental NGOs. CEPF was founded in 2000 and has awarded nearly 2,000 grants valued at more than US$ 178 million (20% to Africa). The advantage of these hybrid Funds is that they provide EFs with multiple contact points by using existing personal relationships with staff of the member organizations as the means for entry into better understanding how such Funds operate.

Abidjan Workshop Discussion

- There was a general feeling that the World Bank was a reliable partner, if a relationship had been established, but difficult to approach without previous contacts. There was also the problem of World Bank staff changes and rotations, which could disrupt relationships. The same problem was noted with bilateral donors.
- At the same time, participants felt that the multilateral and bilateral agencies were extremely bureaucratic and slow-moving.
- There was great interest in the presentation and case study about Funbio and its evolving relationship with GEF – moving from grant recipient for project execution to full implementation partner.
- There was agreement that being an implementing agency for GEF did not make sense for all EFs; different needs and circumstances must be taken into account.
- Only a few participants had any previous experience with any of the multi-donor consortia such as the Congo Basin Forest Fund, the Climate Investment Fund, or the Critical Ecosystem Partnership Fund. Many hoped that the Climate Investment Fund and its sister Forest investment Fund would become sources of new funding over time.

Traditional Donors: International NGOs and Foundations

For many EFs, their most common interaction with donors is with foundations and international environmental NGO. The larger environmental NGOs generally have a field presence in which their staff are often scientists or program specialists working on field projects, which makes contacts between EFs and such environmental NGOs easier and more straight forward. At the same time, some of the larger, more established EFs may have ongoing or past grants from some of the larger foundations that give at least a portion of their endowments for environmental causes.

In examining international NGOs and foundations, it is perhaps useful to provide a brief taxonomy of their organizational characteristics and operating principles.

International NGOs

The large international NGOs (sometimes called BINGOs, i.e., big international NGOs) are a well-established part of the donor community. The international NGO community covers a wide spectrum of support -- humanitarian, economic, social and environmental -- and often work in dozens and dozens of countries including both low- and middle-income economies. Some of the largest NGOs would include World Vision, Save the Children, Oxfam, and Care International. These large NGOs have not traditionally had a focus on the environment, although some are now actively working at the intersection of sustainable agriculture, natural resource management, climate change and ecosystem services.

The most commonly known environmental NGOs include WWF, IUCN, Wildlife Conservation Society, Conservation International, Flora & Fauna International, Audubon Society, Birdlife International, and The Nature Conservancy.

To this list must be added a new category of NGOs whose focus is on socially responsible investments or impact investments. Such organizations include the Acumen Fund and Root Capital. A similar organization is Ceres, described in Box 5.1 below, which has taken a more activist role in seeking private sector involvement in sustainability and climate change.

By in large, NGOs are established as non-profit organizations with a charitable or social mission or purpose. NGOs may achieve their mission through operations (programs), grant-making or both. In addition, they solicit donations from the public, from other non-profits, and from foundations. Contributions to NGOs are typically tax-deductible.

Private Foundations

Private foundations are typically established by a wealthy individual or family, in most cases by the individual or family that has created a very successful company or corporation. Some of the largest, most well known foundations in the U.S. include the Gates, Ford, Rockefeller, Kellogg, Robert Woods Johnson, and the Buffett Foundations; and in Europe, the Stichting INGKA Foundation (Netherlands), the Wellcome Trust (U.K.) Robert Bosch Stiftung (Germany), Stichting NOVIB (Netherlands) and the Aga Khan Foundation (Switzerland). These foundations do not necessarily support environmental issues although some do.[1] Foundations known for supporting the environment include the Gates, MacArthur, Packard, Gordon and Betty Moore, and Mava foundations, in addition to the Wellcome Trust.

Virtually all foundations remain firmly aligned with the interests and goals of their founders. And in some cases, the founders may remain actively involved in following and/or overseeing the activities of their foundations.

Most large foundation achieve their mission though grantmaking, i.e., awarding grants to recipient organizations whose programs and activities correspond with the mission of the foundation. Large foundations would rarely, if ever, solicit public donations. In addition, most grants are awarded only to non-profit organizations, almost never would they be awarded to for-profit companies. In the United States, foundations are legally required to disburse 5 % of their endowments annually to non-profit organizations (i.e., NGOs).

Corporate Foundations

Corporate foundations are the second category of foundations, having similar but still distinctly different legal and operating principles from private foundations. There is also a major distinction between a corporate foundation and corporate philanthropy (discussed in the next section). Corporate philanthropy refers to the investments and activities a company voluntarily undertakes to responsibly manage and account for its impact on society. It includes investments of money, donations of products, in-kind services and technical assistance, employee volunteerism, and other business transactions to advance a social cause, issue, or the work of a nonprofit organization. Corporate foundations and corporate giving programs are often considered two components of a company's overall charitable and voluntary giving program.

Box 5.2: What are International NGOs and Foundations Seeking in Recipient Partners?

Considerations in approaching international NGOs or foundations for support:

- Alignment with their mission
- Alignment with their current objectives
- Strong organization with competent leadership, internal systems, efficiency, proven track record of achievement, solid financials
- A clear case statement
  - *Why is the project or objective important?*
  - *Why are you the one to do it?*
  - *Who/what are the beneficiaries?*
  - *What are the immediate and long-term benefits and why do those matter?*

[1] For a list of the top 50 European foundations by expenditure, see http://www.theguardian.com/society/2003/aug/08/charityfinance1

> **For many EFs, their most common interaction with donors is through foundations and international environmental NGOs.**

Legally, a corporate foundation is a separate juridical entity from the parent corporation, although the corporation may continue to donate to the endowment of the foundation over time. Corporate giving programs are internal to the company and those kinds of activities may change based on decisions by senior managers/ Board of Directors or collectively by all employees.

Examples of large corporate foundations would include the Coca-Cola, Shell, Total, Statoil, Bank of America, American Express, and Cisco Foundations. Here again, many large corporate foundations do not necessarily support environmental programs.

Foundation Grant-making: An Analysis

In considering foundations as a possible source of support for EFs, it is worth bearing in mind the following characteristics of foundation grant-making as seen by examining U.S. foundations

- Most large American foundations have multiple program interests, in addition to environmental issues.
- There are a few foundations that focus solely on environment.
- The majority of grants go towards environmental activities in the U.S.
- Large foundations tend to place their grants with established American environmental NGOs (non-profits) for tax reasons and ease of administration.

The tables below show some of the current trends in foundation donations that reinforce the above characteristics, looking specifically at those foundations that support the environment and animals (wildlife).

Table 5.1 gives the top 13 foundations making environmental grants based on total amount of the grants and the number of recipients. Table 5.2 shows the top 10 recipients of environmental grants, all of which are American-based non-profits. Only one African Fund is in the top 50 recipients – the Virunga Fund which ranked 46th.

Table 5.1: 13 Largest American Foundations Making Grants to Environment and Animals (2012)

Name	Number of Grants	Value of Grants (million)
William and Flora Hewlett Foundation	119	$147.9
David and Lucile Packard Foundation	204	$117.3
Gordon and Betty Moore Foundation	94	$83.4
Walton Family Foundation	119	$77.8
Sea Change Foundation	86	$53.3
Richard King Mellon Foundation	38	$41.4
The Marisla Foundation	237	$30.1
Robert W Woodruff Foundation	11	$29.3
The Rockefeller Foundation	68	$27.9
Robertson Foundation	13	$23.5
The Kendeda Fund	77	$23.2
Ford Foundation	97	$21.6
Grantham Foundation	70	$20.0

Source: Foundation Center

Table 5.2: 10 Largest Recipients Receiving Grants for Environment and Animals from American Foundations (2012)

Recipient	Number of Grants	Value of Grants (million)
ClimateWorks Foundation	8	$169.7
Nature Conservancy	78	$34.4
Conservation International	31	$33.3
Energy Foundation	37	$33.2
Environmental Defense Fund	44	$26.0
Wildlife Conservation Society	55	$24.1
Sierra Club Foundation	36	$23.1
World Wildlife Fund (U.S.)	46	$23.0
University of Pittsburgh	6	$22.6
Resource Legacy Fund	16	$20.7
46. Virunga Fund	6	$4.6

Source: Foundation Center (2014)

If the trends from Tables 5.1 and 5.2 seem discouraging, there are more positive indications by making a further analysis of the Foundation Center data. Tables 5.3 shows the difference between the grants and recipients from the top 50 foundations and the remaining foundations targeted at the environment and animals. The table demonstrates that nearly three times more grants were made by the "remaining" category of foundations to nearly three times more recipients. Furthermore, the amount of funds disbursed was roughly one-third more than the top 50 foundations.

Table 5.3: Comparison of Grants between Top 50 Foundations and Remaining Foundations for Environment and Animals, 2012

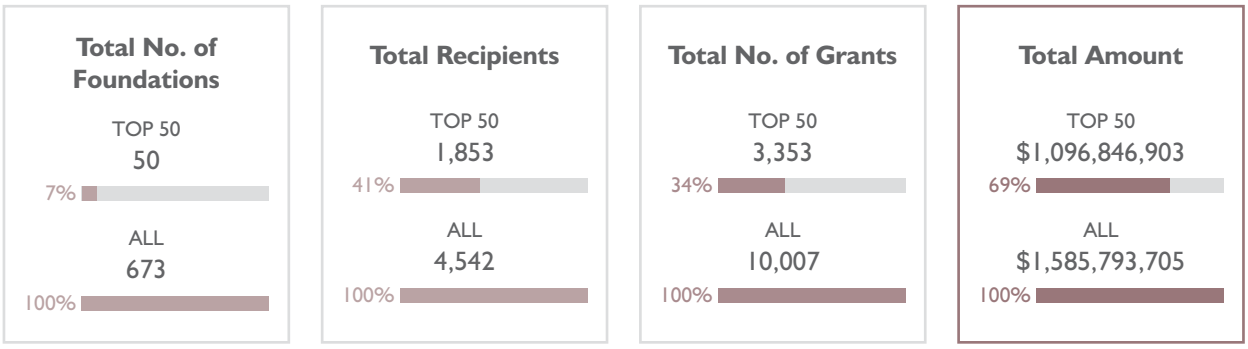
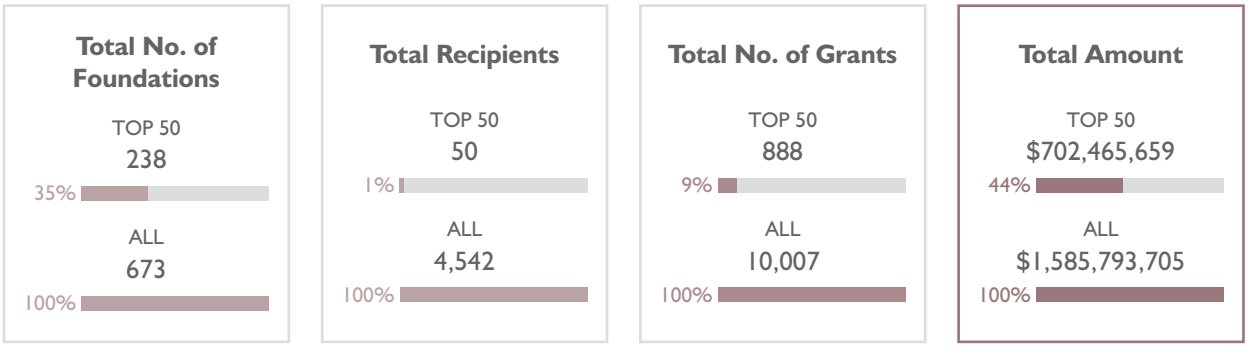


Table 5.4 looks at the trends by recipients of grants. In this table, it is noteworthy that compared to the top 50 recipients, there were another 4, 492 recipients from all foundation sources, and this second category of recipients received over 9,200 of the total grants awarded (total 10, 007). The top 50 recipients received roughly 44 percent of the grant totals, leaving some $883 million of the total $ 1.585 billion split among the remaining 4,492 recipients.

Table 5.4: Top 50 Recipients of Grants from American Foundations Making Grants for Environment and Animals, Compared to All Recipients of Grants, 2012



What are the implications of Tables 5.3 and 5.4 for EFs? In a nutshell, there are many, many smaller foundations that are equally active in supporting conservation and biodiversity, although they are not as well known as the bigger foundations. These smaller foundations are in many cases highly focused on environmental causes in the U.S., but there is a significant number that does have internationally focused environmental priorities. Examples of these smaller American foundations would include the Weeden Foundation**,** Levinson Foundation, Arntz Family Foundation, Lawrence Foundation, Laird Norton Family Foundation, Phillip and Adele Smith Foundation, and the Gaia Fund.

As far as approaching some of these small foundations, consider the following recommendations.

- Do research on the different foundations
  - Explore their websites
  - Use Google and other online searches and databases
  - Use LinkedIn – ask for introductions
- in preparing a proposal, be flexible and open-minded
- Understand their goals and how you can help them achieve their goals
- Recognize the long-term nature of the relationship process – even though one project may not be funded, look for long-term potential

Abidjan Workshop Discussion

- Foundations and environmental NGOs ("BINGOs") were generally seen as reliable and trusted partners providing both funding and capacity support. Many EFs have Board members coming from one of the big environmental NGOs.
- At the same time, foundations were generally seen as the hardest type of donor to approach, given the nature of the grant application process and limited initial interaction with foundation staff.
- The discussion highlighted the importance of doing research on the priority areas and program interests of foundations as well as environmental NGOs.
- Such research is a precursor to aligning the EF's strategies with those of foundations and NGOs, which does not mean to dilute the core mission of the EF.
- An example was given of climate change where better messaging by EFs could help in forming partnerships with foundations and big NGOs.
- One participant noted the "addiction" which foundations have toward innovation, which seemed to be a vague and moving target.
- There was a great deal of interest in the idea of approaching smaller, less well known foundations as new sources of funding.

Traditional Donors: Private Sector Partners

In analyzing the role of the private sector in supporting conservation and biodiversity, it is important to distinguish between two kinds of support provided by the private sector. The two kinds can be summed up as:

- The "cost of doing business"
- Direct investment (discussed in Section 7)

This section explores the cost of doing business, which can be further broken down into (i) compliance with national and international rules and regulations, and (ii) corporate social responsibility (CSR). These two components of the cost of doing business are discussed below.

Compliance with international Rules and Regulations

At the onset, one must distinguish between international conventions and treaties approved and ratified by governments and international rules and regulations overseeing the conduct of private (and state-owned) companies. Generally speaking, international conventions and treaties are not directly concerned with the behavior of private companies, but rather establish the norms that signatory states are expected to apply in overseeing private sector conduct. By contrast, the international rules and regulations are specifically directed toward the conduct of international (also called multinational) companies.

Examples from the World Bank/IFC, Equator Principles and the UN Global Compact are highlighted below.

> **The World Bank has an overall Environmental and Social Framework that sets out the Bank's commitment to sustainable development, through a policy and a set of environmental and social standards designed to support borrowers' projects.**

World Bank /IFC Standards

The World Bank and IFC have a number of complementary standards designed to improve the functioning of companies operating where the World Bank and/or IFC have projects or loans. These standards are typically grouped under "Environmental, Health and Safety Guidelines." The World Bank standards are designed to guide staff in how to ensure that the projects being apprised or implemented "do no harm."

The World Bank has an overall Environmental and Social Framework that sets out the Bank's commitment to sustainable development, through a policy and a set of environmental and social standards designed to support borrowers' projects. For example, the Bank's operational standards provide guidance to staff in the design of projects to ensure that there are no residual damages with respect to undertaking environmental assessments, protecting natural habitats, avoiding involuntary resettlement, protecting indigenous peoples, safeguarding forests, and protecting physical cultural resources.[1]

Because of its mandate to support private company investments in developing countries, the IFC guidelines are a much more extensive set of guidelines that are specifically focused on operations of private companies.

In the first instance, the IFC has numerous technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP). These guidelines are linked to IFC's "Performance Standards.[2] The IFC has also approved a comprehensive, in-depth *Environmental and Social Review Procedures Manual* which is used to conduct due diligence on the business activities in which the IFC is supporting.[3] The Manual follows the chronology of the investment project life cycle.

Equator Principles

The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects. The EPs are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. [4] The EP apply globally, to all industry sectors and to four financial products:

1. Project finance advisory services
2. Project finance
3. Project-related corporate loans
4. Bridge loans

Currently, there are 81 banks and financial institutions – designated *Equator Principles Financial Institutions* (EPFIs) -- in 36 countries that have officially adopted the EPs, covering over 70 percent of international project finance debt in emerging markets. EPFIs commit to implementing the EPs in their internal environmental and social policies, procedures and standards for financing projects and will not provide project finance or project-related corporate loans to projects where the client will not, or is unable to, comply with the EPs.

The EPs have greatly increased the attention and focus by banks and financial institutions and their borrowers on social/community standards and responsibility, including robust standards for indigenous peoples, labor standards, and consultation with locally affected communities within the project finance market. They have also promoted convergence around common environmental and social standards.

---

[1] See http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20403235~menuPK:64701637~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html

[2] The IFC Performance Standards can be found at http://www.ifc.org/wps/wcm/connect/115482804a0255db96fbffd1a5d13d27/PS_English_2012_Full-Document.pdf?MOD=AJPERES

[3] The Procedures Manual can be found at http://www.ifc.org/wps/wcm/connect/190d25804886582fb47ef66a6515bb18/ESRP%2BManual.pdf?MOD=AJPERES

[4] For a full copy of the Equator Principles, see http://www.equator-principles.com/index.php/ep3

UN Global Compact

The UN Global Compact should be considered the weakest of the different international rules and regulations, as it is essentially a voluntary commitment by private companies (as well as other players) to follow general social and environmental principles in the conduct of their operations.[5] The Compact is a call to companies to align strategies and operations with universal principles on human rights, labor, environment, and anti-corruption. There are currently more than 12,000 signatories in 170 countries.

There are a total of 10 principles covering different aspects of business operations, three of which involve the environment:

- *Principle 7: Businesses should support a precautionary approach to environmental challenges*
- *Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility*
- *Principle 9: Businesses should encourage the development and diffusion of environmental friendly technologies*

A common criticism of the UN Global Compact is that it has no "teeth," meaning there are no enforcement mechanisms or financial costs or sanctions for those signatories who fail to follow the 10 principles.

National Rules and Regulations

It is worth briefly mentioning national rules and regulations on the conduct of private companies – both national and international. Needless to say, national rules and regulation are unique to each country and can vary considerably depending on the size of the country, the nature and composition of the economy, and the extent to which international companies are active major sectors of the economy, such as mining and oil and gas. In broad terms, the written national laws and regulations are adequate to ensure proper compliance by companies, but it is the interpretation and implementation of existing laws and regulations that are inadequate. Small and overworked ministries and oversight agencies make enforcement problematic. Moreover, corruption of officials to look the other way is not uncommon.

From the standpoint of evaluating a country's environmental governance, the following is a list of some, but certainly not all, effective principles:

- Environmental laws should be clear, even-handed, implementable and enforceable;
- Environmental information should be shared with the public;
- Affected stakeholders should be afforded opportunities to participate in environmental decision-making;
- Environmental decision-makers, both public and private, should be accountable for their decisions;
- Roles and lines of authority for environmental protection should be clear, coordinated, and designed to produce efficient and non-duplicative program delivery;
- Affected stakeholders should have access to fair and responsive dispute resolution procedures.

Source: Benjamin (2011)

Corporate Social Responsibility

Apart from rules and regulations, the other component of the "cost of doing business" falls under the umbrella of corporate social responsibility (CSR). CSR is a broader concept than corporate philanthropy that was mentioned in the previous section, although the two terms are sometimes used interchangeably. In fact, in English-based business terminology, there are numerous terms used to described this component of business operations. Some examples include:

- Corporate social responsibility
- Corporate responsibility
- Corporate philanthropy
- Corporate citizenship
- The ethical corporation
- The inclusive organization
- Corporate social outreach
- Community engagement
- Corporate sustainability
- Business sustainability

[5] The website for the UN Global Compact can be found at https://www.unglobalcompact.org

Similarly, there is no universally agreed definition of CSR. One often-cited definition comes from the well-respected World Business Council for Sustainable Development:

> *Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.*[6]

Components of CSR

For managers of EFs, it is important to recognize that CSR is not just corporate philanthropy, but actually comprises many functions that run throughout business operations. Thus for companies that are actively seeking to follow good CSR principles, they would be potentially interested in the business areas listed below. As Box 6.1 makes clear, what has now come under the 'umbrella' of corporate social responsibility includes an inter-mingling of environmental and social issues along with business ethics and governance, as well as business operations and supply chain considerations.[7] It would therefore be a mistake for EF mangers to think that a company's CRS program is simply about giving away money!

Box 6.1: Components of CSR in Business Operations

Economic

- Monetary flows to the public sector
- Employment and human resource development
- Procurement and supply chain management
- Technology transfer and intellectual property rights

Environmental

- Environmentally safe production, products and services
- Environmental impact assessment and management
- Environmental reporting and management systems

Social

- Health and safety of employees
- Labour standards
- Corruption and bribery
- Human Rights
- Violence and Conflict
- Social impact assessment and management
- Community and stakeholder engagement (non-commercial)
- Charitable giving
- Social investment
- Social reporting and management systems

Corporate Governance

- Rights and treatment of shareholders
- Governance policies and business principles
- Information disclosure and reporting
- Responsibilities of the Board
- Customer/end-user care

CSR and the Extractive Industry Sector

For most EFs in Africa, Asia, and Latin America and the Caribbean, the international private sector is often associated with extractive industries (oil and gas, mining, logging, etc.) that often leave a negative environmental footprint and whose operations may seem in contradiction to the goals of EFs. It is therefore useful to give a brief perspective on the history of extractive industry companies, how their views on CSR have evolved, and how they represent potential partners with EFs. [See Annex 3, the PROFONANPE case study.

Over the past 15-20 years, governments and extractive industry companies have given increasing attention to the environmental and social aspects of their operations. They have recognized that the reputation and cred-

[6] The definition can be found on the WBCSD website at http://www.wbcsd.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx

[7] To demonstrate how CSR has come circle, see IBM, Attaining Sustainable Growth through CSR, IBM Institute for Business Value, IBM Global Business Services, Somers, New York, USA, 2008.8

ibility of both governments and private companies are jeopardized if these issues are not handled well. At the risk of over simplification, this growing awareness of environmental and social issues grew out of initial attention to "health, safety, and environment" (HSE) issues by oil companies aimed at internal operational practices and technical processes. Over time, greater and greater attention was given to external factors affecting company performance, including explicit concern about social and environmental issues and the importance attached to "corporate social responsibility."

Box 6.2: Successful Cooperation between PROFONANPE and the Peruvian Gas Company, Pluspetrol

PROFONANPE, along with the INRENA (National Institute of Natural Resources,) approached Pluspetrol to discuss the buffer area where the plant was going to be built and to explain the importance of the biodiversity in the zone. The PROFONANPE/INRENA approach was straightforward: if the Government already approved this project, then the project should be done in a responsible way, not only respecting and applying applicable national and international standards, but also contributing to conservation efforts in the region.

After two years of negotiations, an agreement was signed between Pluspetrol, INRENA and PROFONANPE for the funding and implementation of a voluntary fund. The Paracas Fund was set up on September 10, 2004., with the goal of implementing programs, projects and activities contained in the Master Plan of the National Reserve of Paracas. The total size of the Fund is USD 7 million.

Specific goals of this agreement are to promote the sustainable use of the natural and cultural attractions of the area for tourism, to contribute to the conservation and stability of the ecosystems, as well as the area's biological diversity and its processes. The Fund also aims to plan in an adequate manner the administration of the National Reserve of Paracas according to the current conditions, incorporating the participation of local communities.

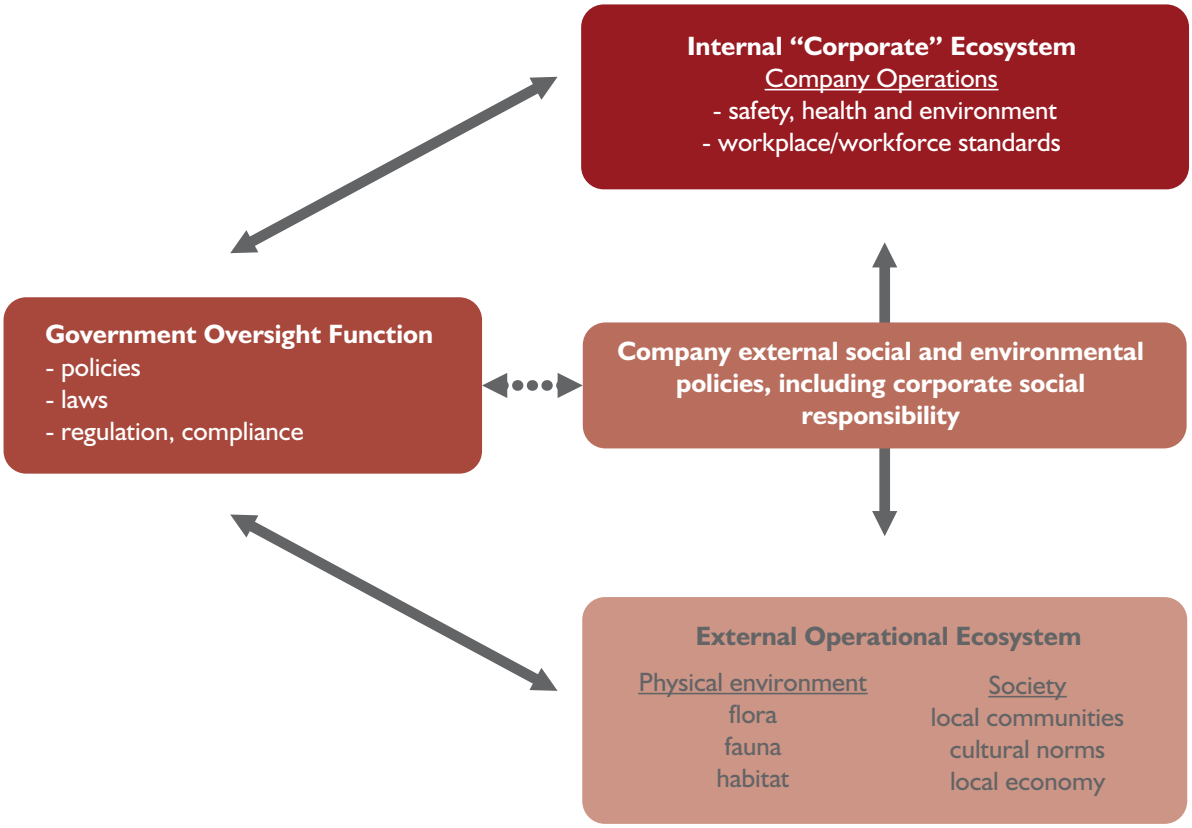
This broader context for assessing environmental and social issues is shown in the following graphic. The graphic makes a distinction between the internal operational context or framework of a company and the external context, which combines both the physical environment and social and economic considerations of affected or contiguous populations. Attention is drawn also to the oversight and regulatory function by government in both the internal and external activities of extractive industry operations.

This oversight role for government is common in developed and middle-income countries where standards are set for protection of workers and employees in companies regardless of the industrial sector. It is also common for this oversight function to ensure environmental safeguards at the site of major industrial or manufacturing operations. It is less common to see this oversight function being effectively carried out in many developing countries, due to lack of financial resources and institutional capacity.

> **"For most EFs in Africa, Asia, and Latin America and the Caribbean, the international private sector is often associated with extractive industries (oil and gas, mining, logging, etc.) that often leave a negative environmental footprint and whose operations may seem in contradiction to the goals of EFs."**

> **“The number of stakeholders and constituent groups has grown considerably, now requiring much higher levels of proactive participatory decision-making and transparency.”**

Figure 6.1: Overlapping Contexts for CSR Activities



A second key point about the evolving nature of environmental and social considerations in the extractive industry sector is that the number of stakeholders and interested parties has grown considerably.[8] No longer are social and environmental issues of bilateral concern only to the government and the oil company or consortium involved. Instead, the number of stakeholders and constituent groups has grown considerably, now requiring much higher levels of proactive participatory decision-making and transparency.

The table below highlights some of the new stakeholder groups - apart from national government agencies and extractive industry companies - that have emerged and the different kinds of perceptions and interests they may have about environmental and social implications of extractive industry operations.

[8] For a discussion of the convergence of environmental and social considerations and the growing number of involved stakeholders, see Michael Hopkins, 2003, *The Planetary Bargain: Corporate Social Responsibility Matters*, Second Edition, London, Earthscan Publications,

Box 6.3: New Extractive Industry Stakeholders and CSR Considerations

Stakeholder Group	Function, Role or Interest
Local communities, civil society organizations	• Employment opportunities and local development • Protection of local customs, traditions • Avoiding environmental damage to family or communal lands
Media and advocacy groups (domestic and international)	• Protect/defend local rights and values • Promote transparent decision-making • Report unethical behavior or business practices
Local development and environmental NGOs	• Potential partner with extractive companies in carrying out their community engagement and environmental programs • Some NGOs may also be critics of the companies' operations
Donor agencies	• Provide technical assistance, training and policy advice • Promote public-private partnerships
Domestic companies	• Seek to provide goods and services to international companies ("local content") • Learn new business practices and skills from working with international companies and contactors
Regional or local government	• Expect to be participant in decision-making that affects local issues and community programs • Expect to be recipient of some portion of company revenues • May have regulatory and oversight role, alongside national government

Funding for EFs through International Companies as Part of Their CSR Programs

For EFs seeking to explore partnership opportunities hydrocarbon and mining companies, it is important to understand some key points about possible funding with respect to source of the funds and when those funds might be available. In the first instance, one should not equate the size of large international corporations (often with billions of dollars in revenue, compared to the operating budget of a business unit working in a specific country. Secondly, one must be careful to distinguish where the business unit is in business life cycle of a project. For a business unit that is in the early stages of an oil/gas or mining project, the business unit has virtually no revenue but high operating expenses. Even when the business unit moves to the full development phase, associated with the build out of the oil or gas fields or mining site, the business may not yet have any revenue. It is only when the project reaches full production stage that the business unit starts to show revenue. Thus, a company may be "pound rich" at the corporate level and "penny poor" at the business unit level.

Box 6.4: Success Factors in PROFONANPE's Negotiations with Petroplus

- As part of the negotiating process, there was a mixed committee with representatives from PROFONANPE, INRENA, and the management of the protected area. It was key to get the right entities together to discuss and develop jointly the strategy on how to engage with the private company.
- There were negotiations with multilateral banks involved for the financing of the project, but PROFONANPE engaged directly with the gas company. This gave PROFONANPE the possibility to negotiate its own conditions and requirements, by not being an intermediary between the banks and the company.
- An important condition in the agreement was that the money from the Fund could not be used for any problem or damage made by the operations. This is different to offset agreements between the Peruvian Government and the consortium companies. In Peruvian law, the Government asks the companies to offset. PROFONANPE's agreement with the gas company was voluntary, not an offset obligation.

What are implications of these investment and revenue streams for an EF seeking to partner with an oil and gas or mining company?

There are three implications to consider:

1. To the extent possible, EFs should begin building relationships with an extractive company as early as possible in the life cycle in the exploratory stages while the contract or permit is being negotiated and well before any physical construction of the mining or oil/gas site has started. The object of these early discussions is to establish the EF as a potential trusted partners that can help to mitigate any environmental concerns and help to demonstrate that the company is responsibly addressing any environmental and social risks once the "develop/produce" phase is met. The EF may want to try to become involved in the preparation of the Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA). In all likelihood, the one or more government agencies will be involved in the preparation or at least oversight of the EIA/SIA process.
2. It is clearly during the develop/produce phase of the project that there are the greatest potential risks to fragile ecosystems, protected areas, or affected social groups. And it is precisely at this juncture when discussions should move beyond potential options to identify the actual obligations or commitments that the company will undertake. Based on the earlier EIA/SIA, the parameters for any intervention may already be apparent.
3. As the project moves toward full production and beyond and the nature of the company's commitment and support is manifested, there is a need for ensuring an ongoing relationship and communications campaign with the company for what could be a period of many years if not decades. It is in the best interests of the EF for the company to know that their funds and other resources have been wisely and effectively, and that the company's relationship with the EF was a good decision.

Abidjan Workshop Discussion

- The presentation by PROFONANPE on its association with a Peruvian mining consortium to protect a marine conservation area was helpful in explaining the long time frame often required to create a productive EF-private company partnership.
- The PROFONANPE example also pointed out the need for creating a positive working environment with the private sectors, notably extractive companies, not an adversarial one, in order to ensure win-win outcomes for all parties.
- Participants found it useful to become familiar with the different kinds of compliance requirements for companies to better understand ways of negotiating with them.
- Corruption at the national level between the public and private sectors continues to be an impediment for EFs working with the private sector.
- Participants welcomed the new UN Sustainable Development Goals (SDGs) and hoped they would give higher visibility and attention to conservation and biodiversity.

©Abigaile Herimanitra (Tany Meva Fondation)

Changing Landscape of Conservation Investments

This section turns to the growing importance of conservation investments as a source of funding for EFs as a means for expanding their portfolio of projects and programs and target new conservation opportunities. As highlighted in section 2, investor demand for conservation-related projects is far greater than the supply of investable projects in conservation and biodiversity, broadly defined. According to a study by The Nature Conservancy and EKO, from 2009 to 2013, $23.4 billion were deployed in conservation investments. Investments in habitat conservation represented over $3 billion and are expected to grow to $5.5 billion for 2014-2018. Private investors represented $1.9 billion and are expected to grow to $5.6 billion for 2014-2018.

A central theme of this Handbook is that EFs should actively pursue conservation investments, but this will require EFs to better understand the components of conservation investments and the ways in which projects can be designed to attract investors. These investments will, in most cases, be in the form of impact investments that combine some mix of social, environmental and financial benefits.[1]

[1] For an excellent overview of conservation finance, see Fabian Huwlyer, Fabian, et.al., 2014, *Conservation Finance: Moving Beyond Donor Funding Toward an Investor Driven Approach*, Credit Suisse, WWF and McKinsey & Company, https://www.credit-suisse.com/media/cc/docs/responsibility/conservation-finance-en.pdf

What is an Impact Investment?

Impact investments are defined as investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.[2] The practice of impact investing is further defined by the following four core characteristics:

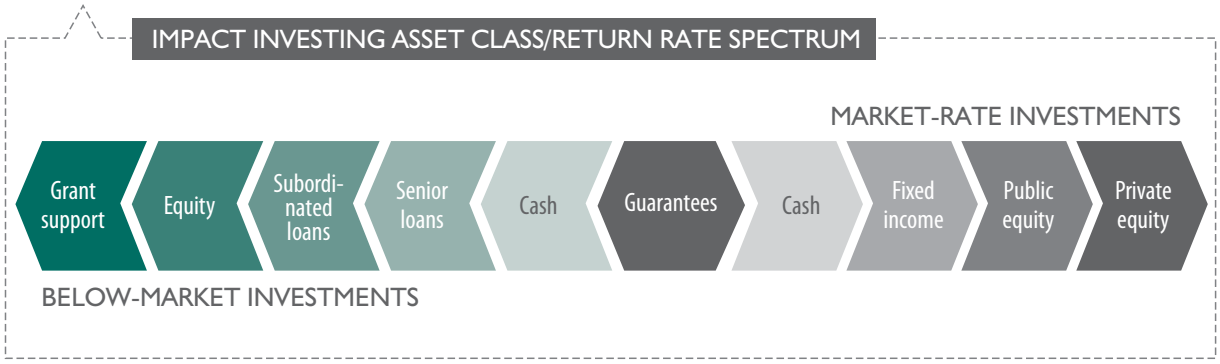
Intentionality. An investor's intention to have a positive social or environmental impact through investments is essential to impact investing.

Investment with Return Expectations. Impact investments are expected to generate a financial return on capital or, at minimum, a non-negative return of capital.

Range of Return Expectations and Asset Classes. Impact investments target financial returns that range from below market (sometimes called concessionary) to risk-adjusted market rate, and can be made across asset classes, including but not limited to cash equivalents, fixed income, venture capital, and private equity.

Impact Measurement. A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing and building the field.

Figure 7.1: Return Spectrum for investment Asset Classes



Investors' approaches to impact measurement will vary based on their objectives and capacities, and the choice of what to measure usually reflects investor goals and, consequently, investor intention. In general, components of impact measurement best practices for impact investing include:

- Establishing and stating social and environmental objectives to relevant stakeholders;
- Setting performance metrics/targets related to these objectives using standardized metrics wherever possible;
- Monitoring and managing the performance of investees against these targets;
- Reporting on social and environmental performance to relevant stakeholders.

Why Impact Investing?

A key point in understanding impact investing is that it challenges the long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.

The impact investing market offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns.

[2] See http://www.thegiin.org/impact-investing/

Many types of investors are entering the growing impact investing market. These include:

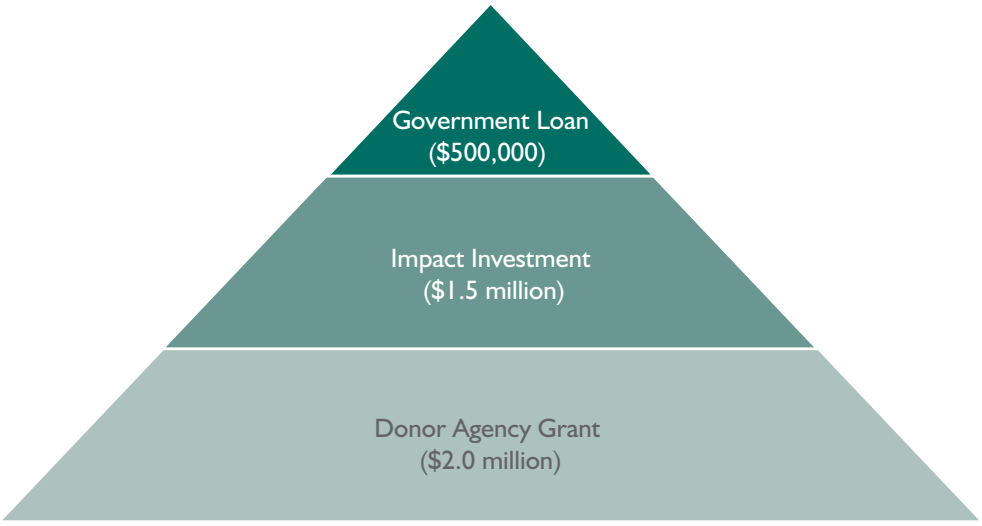
- Diversified financial institutions
- Pension Funds
- Private foundations making program- and/or mission-related investments
- Insurance companies
- Development finance institutions, such as the World Bank
- Specialized financial institutions
- Large-scale family offices
- Fund managers
- Individual investors

The Capital "Stack"

Impact investing is often associated with what is called "stacked" or "layered" capital. This term refers to an approach to financing a project by combining different sources of capital with different risk tolerances, impact goals, and return expectations. In traditional investing, an investor's place in the capital stack for an investment determines who has legal rights to certain assets or income, and who receives priority payment in the event of bankruptcy or default, and in which order each party is to be repaid.[3]

Impact investing employs a version of this capital stack model. An investment made for an enterprise through an EF could have multiple types of capitals, for example, grants form foundations or donor agencies, government subsidies or concessionary loans, and an impact investments from overseas. A hypothetical example is given below for a US$ 4 million project with a three-layer capital stack comprising grants, a government subsidized loan, and an impact investment. All projects of this nature share a common attribute by combining different types of resources available from the various project participants in order to benefit a single enterprise. Perhaps, most importantly, such a project is by definition expected to generate some sort of revenue stream in order to make the project self-standing and give a return to the impact investor and , in this example, repay the government loan.

Figure 7.1: The Capital Stack of a Hypothetical Blended Loan for $4 Million



[3] http://www.slowmoneynw.org/cff/impact-investing-vocabulary

Impact Investments and Conservation

The description of impacting investing outlined above would apply to any kind of social or environmental enterprise. In fact, impact investing began initially with a focus on social enterprises and only later branched out to include more environmentally focused investments. Environmentally focused impact investments would include the following, many of which could be classified as cross-sectoral in approach.

- REDD+ projects
- Eco-tourism projects
- Biodiversity offset projects
- Sustainable forestry projects
- Projects associated with ecosystem services
- Renewable energy projects
- "Climate-smart" agriculture projects
- Clean stoves projects

This list does not contain other kinds of impact investments such as green bonds or green Funds which usually contain a blend of projects or investments.[4] Box 7.1 provides a current example of a conservation focused impact investment.

Box 7.1: Representative Example of a Conservation Focused Impacted Investment

PROJECT NAME	Guayaki Sustainable Rainforest Products
INVESTOR	RSF Social Finance
INVESTOR PROFILE	RSF Social Finance (RSF) is a nonprofit financial services organization dedicated to transforming the way the world works with money. Since 1984, RSF has made over US$ 250 million in loans to social enterprises working in the areas of food and agriculture, education and the arts, and ecological stewardship. This investment was made through the RSF Social Investment Fund. Capital for the Fund comes from approximately 1,200 individuals and organizations that have invested US$ 1,000 or more. Of these investors, 90% are individuals and 10% are organizations. RSF also manages a mezzanine Fund, program-related investment (PRI) Funds, and donor advised Funds.
SECTOR	Agriculture; Environment
INVESTEE BUSINESS MODEL	Guayaki imports certified organic yerba maté, an all-natural caffeinated tea with health and wellness benefits grown in the Atlantic Rainforest in Argentina, Paraguay, and southern Brazil, for sale in the U.S. The company's business model of "market-driven restoration" harnesses the power of markets to provide financial incentives to restore the rainforest. Guayaki works with indigenous farmer suppliers who cultivate yerba maté tea plants. Tea plants are cultivated underneath native rainforest trees or in areas undergoing native tree reforestation. Guayaki provides the farmers with technical support to create tea plant nurseries, helps manage the tea-growing process with sustainable practices, and ultimately purchases the product. Farmer-suppliers can improve their quality of life through sale of the tea, which generates a reliable income stream. The company's goals are to restore 200,000 acres of the Atlantic Rainforest, create 1,000 fair wage jobs by 2020, and build a business that inspires local communities to be stewards of their land.
ATTRACTIVENESS FOR INVESTMENT	Guayaki is an attractive investment for RSF because it meets RSF's social enterprise criteria, which are: sustainable business practices, equitable and inclusive workforce relations, commitment to local/fair trade communities, and engagement with a stakeholder community. It works in two of three main RSF focus areas – food and agriculture and ecological stewardship.From a financial perspective, Guayaki is well-positioned to grow significantly and generate strong financial returns. Yerba maté is an alternative in the USD 3 billion U.S. stimulant beverage market currently dominated by conventionally grown coffee, tea, and energy drinks. Guayaki brought yerba maté to the ready-to-drink beverage category in 2005, creating a new level of consumer awareness of the product, and in 2009, entered the energy drink market, creating a natural alternative to "energy shot" beverages.

Source: http://www.thegiin.org/knowledge/profile/guayaki-sustainable-rainforest-products

4 For a useful discussion of green bonds and other similar investments vehicles, see the handbook prepared for the 9th RedLAC Capacity Building Project Workshop held in 2013, *Resource Mobilization Mechanisms for Environmental Funds*.

> **A key point in understanding impact investing is that it challenges the long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.**

Independent of the kinds of environmental impact-related investments, what are the roles and functions which an EF can play in attracting and facilitating such investments?

In answering this question, it is first useful to recognized the four stages of the investment cycle of:

- Origination -- The process in which the borrower prepares his proposal and explains the business model and financial qualifications and guarantees for receiving an investment.
- Due diligence and negotiation – The time during which the investor(s) review(s) the qualifications and proposal from the borrower-recipient and make as decision on the terms of the loan.
- Operation – The time during which the loan is being used to successfully roll out the business venture.
- Disposition – Time when investor involvement is phased out and business venture become self-sustaining.

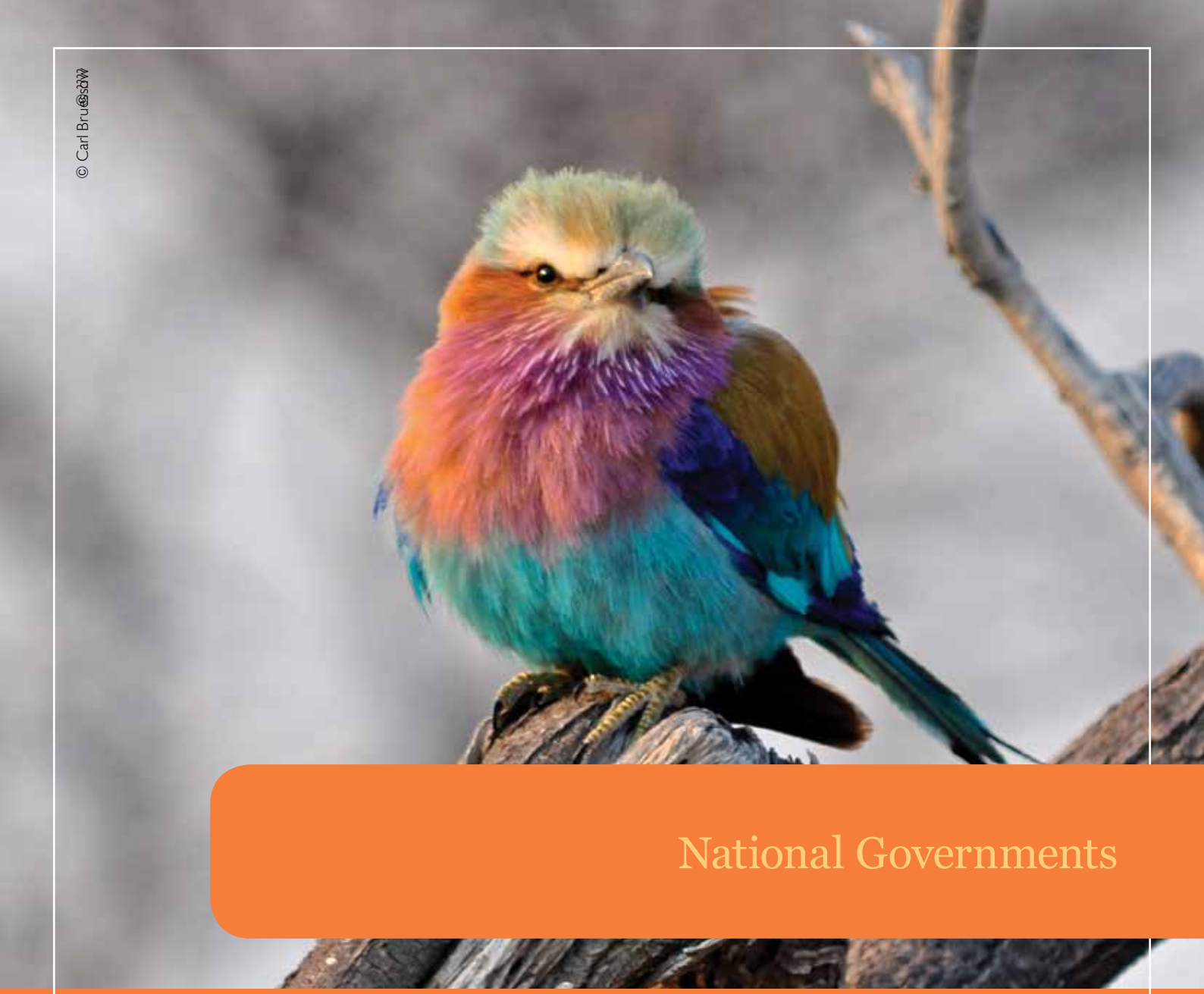
Figure 7.2: Investment Lifecycle

For an EF, some of the roles and functions during these four phases would include:

- During origination
  - Identify and pre-screen potential investors
  - Prepare and vet a list of potential deals
  - Organize/support deal tours
- During due diligence and negotiation
  - Play a facilitator role / investment banker
  - Help investors understand the local context
  - Provide legal and financial services to potential investees
- During operation
  - Capacity building
  - Government and community relations
  - Impact monitoring
  - Communication
- During disposition
  - Ensure long term impact
  - Support transfer to local ownership

Abidjan Workshop Discussion

- Several EFs mentioned that they had experience with debt-for-nature swaps and various kinds of bonds, but not direct project-focused investments.
- Participants welcomed the discussion of conservation investments, largely associated with impact investing.
- Participants understood the significance of being able to engage in impact investing. They realized that impact investing would most likely not entail investing in the endowments of EFs, but rather identity specific projects toward which impact investments could be directed.
- There was a general recognition that most African EFs have limited experience in researching and designing investible projects with revenue streams, despite the emphasis on designing sustainable projects.
- As part of the working groups sessions, each group was asked to develop an ***investible project concept*** and present it to two potential "investors" (other workshop participants). The discussion with the potential investors offered glimpses into the kinds of questions that might be asked during due diligence and negotiation. Designing an "investible project" is important and may require resources: time, human resource and money



National Governments

Depending upon the country, the national government can play an important role in the operations and standing of an EF. In other countries, an EF may have only limited interaction with the national government. In the first instance, the legal nature of the EF-government relationship is the initial determinant of the EF-government interface. However, by in large, the nature of the EF-government relationship cannot be stereotyped. The country's distinct environmental landscape, culture, society, and government structure all blend together in a mosaic of interactions that is unique to defining the working relation between a country's EF and government agencies. At the same time, all EFs recognize the importance of maintaining good relations with their government counterparts.

Optimal EF-Government Relations

As identified many years ago, there are nonetheless several roles or functions that should characterize optimal EF-government relationship. Ideally, EFs:

- Participate in the design and execution of national environmental policy and strategies.
- Give continuity to national conservation policy and national conservation programs across the inevitable changes brought by new government administrations.
- Field test strategic programs and demonstrate best practices such as natural protected areas financial self-sufficiency, impacted areas restoration, and environmental education. In this respect EFs can be
- Serve as the research and development arm of potentially successful conservation strategies.
- Operate as a point of contact and dialogue between the NGO community and government, fostering the creation of learning networks and communities that link the otherwise diffuse efforts of individual organizations.

- Support cooperation between countries in transboundary conservation initiatives.
- Manage and direct non-government resources to mitigate climate change, preserve ecosystem services, and in general, conserve biodiversity.
- Magnify conservation initiatives by mainstreaming the biodiversity conservation agenda in large scale government programs. (Lorenzo, 1999)

Beyond these optimal functions, there are numerous factors that can influence or impede the nature of the EF-government relationship. Some of these include the following and are discussed below.

- Different expenditure allocation priorities;
- Management and bureaucratic differences;
- Overlapping mandates;
- EF advocacy and policy influence.

Expenditure Allocation Priorities

Since most EFs do not rely exclusively, if at all, on government funding, they may be responsible to many donors in setting the EF's project and program priorities. As discussed in the next section, EFs must balance the demands and fiduciary responsibilities of working with many donors. In addition, multiple community-based or small environmental NGOs may look to the EF as a source of funds for their specific project ideas. These expenditure patterns can result in conflicting pressures on the EF in the use of available resources.

Differences in Management and Operating Procedures

As distinct kinds of institutions, it is almost inevitable that EFs and governments will have different management practices and operational procedures. Each type of institution is likely to have different models of management, oversight, and self-evaluation. These differences can result in complementarities, conflicts or both. For EFs, It is therefore important to explicitly recognize the different management and operational practices and how they may impact performance and efficiency.

Overlapping Mandates

In many instances, the mandates of EFs and government agencies may not precisely dovetail. As the work of EFs has moved beyond narrowly defined conservation and biodiversity (parks, protected areas, flora and fauna) to include local communities, water, climate change, etc., then the focus of EFs has begun to overlap with many ministries apart from the traditional ministry of environment. This wider scope of ministries would include agriculture, water, rural development, forestry, planning and finance, community development, women issues, and finance. It may even include ministries involved with energy, oil and gas and private sector development, not to mention various regulatory bodies. A wider mandate puts the EF in a position of being a potential partner in multiple areas: natural resource management, ecosystem services, environmental protection around large extractive industry concessions (discussed in Section 6 above), water and sustainable energy, etc.

Advocacy and Policy Influence

EFs have the potential to play an important role in shaping their governments' understanding of, and policy options for, environmental conservation. Governments are under ongoing pressure to balance economic, social and environmental concerns as part of each nation's broad sustainable development goals, and EFs can help to inform the policy debate. These concerns are not only cross-sectoral in nature, but also entail short-term vs. longer-term trade-offs. In most instances, EFs have an on-the-ground understanding of where the ecosystem bottlenecks and pressure points are located and the problems and challenges of nearby communities and impacted groups. EFs are thus well positioned to support the policy debate in addition to suggestions for expenditure allocation decisions. Furthermore, EFs often have direct access to major environmental donors, foundation and international NGOs, as discussed above. These factors put EFs in the position of being able to provide valuable policy advice and program recommendations on effective environmental priorities.

Abidjan Workshop Discussion

- Participants represented at the workshop have had various experiences in their relationships with national governments, ranging from full government oversight and authority (i.e., they are government agencies) to those EFs with semi- or full autonomy from government, even when government is represented on the board.
- Inefficiencies and jurisdictional issues at the ministry or higher government agency level were cited as common problems. Likewise, corruption was a problem that often had to be addressed or circumnavigated.
- There was agreement that EFs could play a useful role in sensitizing government about important conservation issues and priorities.
- In broad terms, participants felt national governments were at times a hindrance, but not an insurmountable one.

Challenges of Multi-stakeholder Partnerships

The last topic of discussion at the Abidjan Workshop concerned the challenges of multi-stakeholder partnerships. At a most basic level, once an EF reaches the threshold of having more than one donor or funding partner, then that EF will face some kind of multi-partner challenges. The discussion below first looks at some of the costs and benefits of multi-stakeholder partnerships and then highlights some of the key points and lessons learned as presented in the case study and presentation of Mozambique's newly created Biofund.

Benefits and Costs of Multi-stakeholder Partnerships

There are many ways to describe the benefits and costs of multi-stakeholder partnerships. Four are mentioned below.

Reputational Benefits

An EF that has multiple funding partners is likely to be seen as more successful than an EF with only a single funding partner. While in some respects this observation may be true, it overlooks start-up EFs that may receive an initial grant or government allocation to put the EF on its feet. Examples from the Abidjan workshop came from the Kenya Wildlife Service that is a government agency whose operating budget comes from public revenue. A second EF at the workshop was Forest Conservation Botswana, which received its initial funding through a debt-for-nature

> **Over time, all EFs would nonetheless hope to have multiple funding partners to demonstrate that they are responsible recipient organizations capable of achieving measurable environmental outcomes**

swap between the Government of Botswana and USAID and is now starting the process of seeking out new funding sources. Over time, all EFs would nonetheless hope to have multiple funding partners to demonstrate that they are responsible recipient organizations capable of achieving measurable environmental outcomes.

Financial Risk Mitigation

Another benefit of having multiple stakeholder partners is that such arrangements represent a form of financial risk mitigation. EFs need multiple donors and partners as a kind of financial insurance policy. Just as EF endowments are almost always spread over different kinds of investments (or "asset classes"), so too having multiple donors means that an EF is not dependent upon a single donor for its survival or continuity. EFs that have several donors are more likely to have staggered funding or project cycles so that cash flow may be spread out across years and within a single year.

Increased Management Responsibilities

On the costs side of multi-stakeholder partnerships is the increased management responsibilities that arise from working with different partners. This was noted in FUNBIO's added management responsibilities in its evolving relationship with GEF. Increased management complexity can occur at many levels and within different functional areas of the EF -- added responsibilities that reflect the different rules and procedures of each donor agency. Some examples are given below.

- Different funding priorities;
- Different project design and implementation procedures;
- Different budgeting and auditing;
- Different reporting and monitoring.

Multiple Demands on EF Resources

Another "cost" of having multi-stakeholder partnerships entails the potential for increased demand on the EF's resources from multiple national or domestic organizations or entities. As an EF develops effective working relationships with multiple donor partners, then it is inevitable that smaller CBOs or NGOs will approach the EF with requests for support for their own projects and activities. Likewise, government environmental agencies, strapped for human, technical and capital resources, may approach the EF for supplemental support for their ongoing government programs and recurrent budget expenditures. EFs may find themselves in the dilemma of receiving more bottom-up funding requests the more successful they are in generating financial support from donor-partners. In effect, an EF may need an "expectation management" strategy in order to deal with the numerous demands being placed on the EF, so as to clarify for the requesting organization what are the EF's scope, interests and capabilities.

Mozambique's Biofund

The workshop discussion of Mozambique's recently created Biofund (Fundação para a Conservação da Biodiversidade) brought to light many of the issues surrounding multi-stakeholder partnerships. Annex 5 presents the full Biofund case study, which includes its history and evolution up until its official launch in June 2015.[1]

Biofund is an interesting example to illustrate that even young EFs can develop very effective relationships with several donors-partners. Biofund initially saw the challenge of trying to meet the requirements of all the donors, but then found itself having to balance the competing demands and requirements of its donors and partners.

Initially, Biofund recognized the need to mediate among three contending constituencies, each of which had different perspectives and viewpoints. The three constituencies were (and continue to be) the Biofund Board, donors, and the Government. Biodfund's strategy was to seek "no objections" from the three different constituencies by proposing the application of interna-

[1] See also Biofund's website found at http://www.biofund.org.mz/en/

tional standards as found in the principles and guidelines created within the Conservation Finance Alliance, to be applied on those occasions where there were conflicting ideas or proposals on policies and management procedures to be adopted.

The Biofund presentation pointed out several examples of conflict areas that emerged during the Fund's start-up:

- Agreement and finalization of the Articles of Incorporation;
- Elaboration of the MoU between donors and government;
- Reporting schedules and report structure;
- Elaboration of contracts (auditors, staff);
- Staff issues (number of staff and their skill sets);
- Criteria for the selection of pilot projects;
- Procurement procedures;
- Earmarking of funds.

The small Biofund staff approached the task of addressing stakeholder differences by adopting a management operating philosophy consisting of:

- Diplomacy and dialogue;
- Balance, communications and perseverance;
- Transparency and clarity;
- Reliability and responsiveness;
- Networking and advocacy;
- Seizing opportunities through personal connections/contacts.

The Biofund staff felt that their success as a small staff was due to a number of factors. These included:

- Biofund had the strong support from many donors and partners who wanted the Fund to succeed in the face of the major conservation challenges facing the country.
- Despite their differences, the partners -- the Government, national and international NGOs, and well respected individuals -- shared a common perspective and saw the importance of Biofund being a collaborative initiative if it was to succeed.
- Biofund's board is composed of a very high profile group of well respected individuals from the government, academia, and the private non-profit and for-profit sectors.
- The creation and launch of Biofund came at a time of growing public recognition about the importance of conservation and biodiversity protection as part of Mozambique's broader path toward sustainable and inclusive development.
- Biofund profited greatly from mentorships, training and capacity building received from FUNBIO and other links with CAFÉ and RedLAC members.

Abidjan Workshop Discussion

- There was a great deal of interest in the topic of multi-stakeholder partnerships.
- During a panel session following the Biofund presentation, panelists were asked to compare their experiences with multi-stakeholder partnerships.
- The panelists had similar experiences as Mozambique's Biofund with having multiple partners, but felt that having multiple partners far outweighed the downside risks.
- The panelists felt that some of the problems of Biofund reflect its start-up nature and that as Biofund becomes more established over time, then some of its problems will disappear or be minimized as procedures and expectations become routinized.
- One very practical bit of advice was to write down and archive any conversations or decisions that are made between the EF and a donor or partner. This would include good minutes from Board meetings and different kinds of negotiations.

© Tany Meva Fondation

Conclusions and Workshop Recommendations

The Abidjan Workshop brought into discussion a number of issues and challenges that are at the forefront of concerns facing EFs. The theme of the workshop, "Cultivating Successful Cooperation between Environmental Funds, Donors and Investors," was selected to suggest that successful relations – and by implication, fundraising -- are intertwined with a host of factors. The previous sections of this Handbook reflect an effort to disaggregate successful cooperation into smaller components for analysis and discussion. In short, most EFs find themselves balancing multiple and often competing expectations from different stakeholder groups, including donors, government agencies and recipient organizations.

The Workshop discussion topics, small group sessions, and the case studies presented – together – pointed to some common needs as part of the overall efforts of EFs to position themselves as effective and needed actors in supporting national-level environmental conservation. Needless to say, individual EFs are at different stages in developing concrete strategies to tackle many of these challenges, but all EFs must confront a changing institutional landscape in their relations with stakeholders.

Six key points from the Workshop with respect to cooperation and resource mobilization are briefly highlighted below.

Relationship Management. To work effectively among multiple pressures and constraints on human and financial resources, EFs need to develop a proactive and comprehensive relationship strategy for the ways in which they interact with partner organizations and constituencies. Relationship management aims to create a partnership between an organization and its "audience" rather than to consider the relationship merely transactional. This is particularly true with respect to donors and recipient organizations, in which the goal is establishing long-term and trust-based relationships and from which more stable funding flows.

New Sources of Funding Required. It is clear from all available sources that the demand or need for conservation and biodiversity protection far exceeds available funding from all current resources. And for the time-being, traditional sources of funding are not expected to bring significantly more resources to the table, at best only marginal increases. While the environmental community may wish that this foreseeable funding shortfall were not the case, it will therefore require EFs to be more innovative in the ways they market and brand themselves and the kinds of funding sources they seek to attract. This being said, there is funding available, but not necessarily from the traditional sources.

Cross-Sectoral Branding. It is not enough for EFs to assume that by articulating what are the urgent conservation and biodiversity challenges they are addressing, that such an approach, alone, will be convincing enough as a "value proposition" to secure more funding and support. EFs will need to take a much more holistic approach to how they define themselves and the ways they approach their mandates. Climate change, renewable energy, sustainable agriculture, and water are but four of many sectors which represent different windows to which EFs should look to attract new donors, investors and partners. This recognition is not to suggest that an EF must choose a new name or redefine its vision and mandate, but it is to suggest that an EF may wish to take a wider and more collective view of how it approaches that mandate and how this new view differs from the past.

From Cross-Sectoral Branding to Adapted Institutional Models. Cross-sectoral branding is only a single step in more closely linking many sectors such as those cited above with conservation and biodiversity. The synergies and inter-connectedness of these sectors is readily apparent but requires thought and analysis into how this can be translated and implemented both organizationally and programmatically. EFs may need to add a new challenge of undergoing an institutional transition to be able to identify, design and support new or hybrid forms of conservation projects and programs. The transition will be necessary to remain relevant and to reflect what is happening in the donor and investment communities.

Developing Skills in Designing Investible Projects. In making the transition to a broader institutional model, one of the new skills most required will be for EFs to develop the capacity to identify and design investible environmentally-focused projects. This is required if EFs want to tap into the growing impact investment market described in Section 7. In effect, EFs may need to become "business incubators" and more entrepreneurial in how they identify opportunities and potential partners. Currently, only a few EFs are able to identify and design investible projects with well defined revenue streams and an expected return on investment, however minimal. This is a critical skills requirement where CAFÉ and RedLAC collaboration and capacity-building could be important.

Leveraging the CAFÉ Network . Finally, the participants felt that CAFÉ could play a useful role in supporting the efforts of member-EFs to work with donors and/or partners and identify common issues or challenges where each EF could gain benefits from common solutions. The annual CAFE workshops are an example of such collaboration and joint learning, but participants felt that other forms of ongoing cooperation would be very beneficial going forward.

Annexes

Annex 1. Abidjan Workshop Participants

Participants			
Ahmed Lefghih	BACoMAB	Executive Secretary	Mauritania
Alfred Koffi	Fondation des Savanes Ouest-Africaines	Executive Director	Bénin
Carl Bruessow	Mulanje Mountain Conservation Trust	Executive Director	Malawi
Daulos Mauambeta	Malawi Environment Endowment Fund	Chairperson, Board of Trustees	Malawi
Fanny N'golo	Fondation pour les Parcs et Réserves de Côte d'Ivoire	Executive Director	Ivory Coast
Fenosoa Andriamahenina	Fondation BioGuiné	Executive Secretary	Guinea Bissau
Flavien Tody	Fondation Environnementale Tany Meva	Council of Administration	Madagascar
Frédéric Hautcoeur	Fondation des Savanes Ouest-Africaines	Technical Advisor	Bénin
Gérard Rambeloarisoa	Foundation pour les Aires Protegées et la Biodiversité	Executive Director	Madagascar
Jimmy Ramiandrison	Fondation Environnementale Tany Meva	Chairman	Madagascar
Joshua J. Moloi	Forest Conservation Botswana	Chief Executive Officer	Botswana
Karen Price	Malawi Environmental Endowment Trust	Coordinator	Malawi
Kempho Tsheko	Forest Conservation Botswana	Finance Manager	Botswana
Mbongeni Hophe	Swaziland Environmental Organization	Executive Director	Swaziland
Moutha El Hadj	BACoMaB	Member, Administration Council	Mauritania
Teddy Paulo	Tanzania Forest Fund	Programme Officer	Tanzania
Théophile Zogno	Foundation Tri National de la Sangha	Executive Director	Cameroun
Tuli Salum Msuya	Tanzania Forest Fund	Executive Secretary	Tanzania
Yabanex Batista	Caribbean Biodiversity Fund	Chief Executive Officer	Bahamas
Workshop Presenters			
Alberto Paniagua	PROFONANPE	Executive Director	Peru
Alexandra Jorge	Biofund	Program Director	Mozambique
Ben Guillon	WRA Associates	Managing Director	USA
Edwin Wanyonyi	Kenya Wildlife Service	Executive Director	Kenya
Fábio Leite	Funbio	GEF Coordinator	Brazil
Katy Mathias	Wildlife Conservation Society	Conservation Trust Investment Survey Project Manager	United States
Workshop Organizers			
Laura Nägele	Fondo para la Acción Ambiental y la Niñez	RedLAC Secretary	Colombia
Ravaka Ranaivoson	Tany Meva	CAFÉ Secretary	Madagascar
Suelen Marostica	Funbio	Project K Manager	Brazil
Thomas Stephens	Conservation Philanthropy Facility	Executive Director	USA
Alexandra Erick	Foundation pour les Aires Protegées et la Biodiversité)	CAFÉ Communications Manager	Madagascar

Annex 2. Abidjan Workshop Agenda

RedLAC-CAFÉ Knowledge for Action Project

Cultivating Successful Cooperation Between Environmental Funds, Donors, and Investors

AGENDA

Wednesday, 23 /9/2015

09:00 - 09:30 Opening of Workshop and Welcome

- CAFÉ Secretariat – Ravaka Ranaivoson
- Host Fund – Fanny Ngolo
- "Project K" Secretariat – Suelen Marostica
- Introduction of Participants

09:30 - 10:30 Overview of Workshop Objectives

- Format for the workshop
- Themes and topics to be covered
- Strategic Relationship Management with Donors and Partners

10:30 - 10:45 Coffee/tea

10:45 - 12:00 Session 1:
Traditional Donors: Private Sector Partners (CSR, etc.)

- Overview
- Case study – PROFONANPE Alberto Paniagua

12:00 - 13:00 Lunch

13:00 - 15:00 Session 2: *Global overview of conservation finance (Tom)*

- Changing Landscape of Conservation Investments
  Presentation: Ben Gullion (WRA Associates)

15:00 - 15:15 Coffee/tea

15:15 - 17:-00 Session 3:
Changing Landscape of CI, continued

- Working groups
  - Discussion questions provided
- Report back from working groups

Thursday, 24/9/2015

09:00 - 09:15 Review and summary of first day's discussion

09:15 - 10:30 Session 4:
Traditional Donors: Multilateral and Bilateral Agencies

- Introduction
- GEF case study - Fábio Leite (Funbio)
- Panel discussion

10:30 - 10:45 Coffee/tea

10:45 - 12:00 Session 5:

Traditional Donors: Foundations, NGOs,

- Introduction to foundations (Tom)
- Overview of environmental NGOs: Katy Mathias (WCS)
- Panel discussion
- Questions and answers from participants

12:00 - 13:00 Lunch

13:00 - 15:00 Session 6:

Traditional Donors: Country Experiences

- Working group discussion (questions and discussion points provided)
- Report back from working groups

15:00 - 15:15 Coffee/tea

15:15 - 17:00 Session 7:

National Governments: Help or Hindrance?

- Introduction
- Case study: Edwin Wanyonyi (Kenya Wildlife Services)
- Panel discussion

17:00 – 17:15 Review and summary of second day's discussion

Friday, 25/9/2015

09:00 - 09:15 Review and summary of second day's discussion

09:15 - 10:30 Session 8:

Challenges of Multi-stakeholder Partnerships

- Case study: Alexandra Jorge (Mozambique Biofund)
- Panel discussion
- Questions and answers from all participants

10:30 - 10:45 Coffee/tea

10:45 – 12:00 Session 9:

Short strategic planning exercise on relationship management

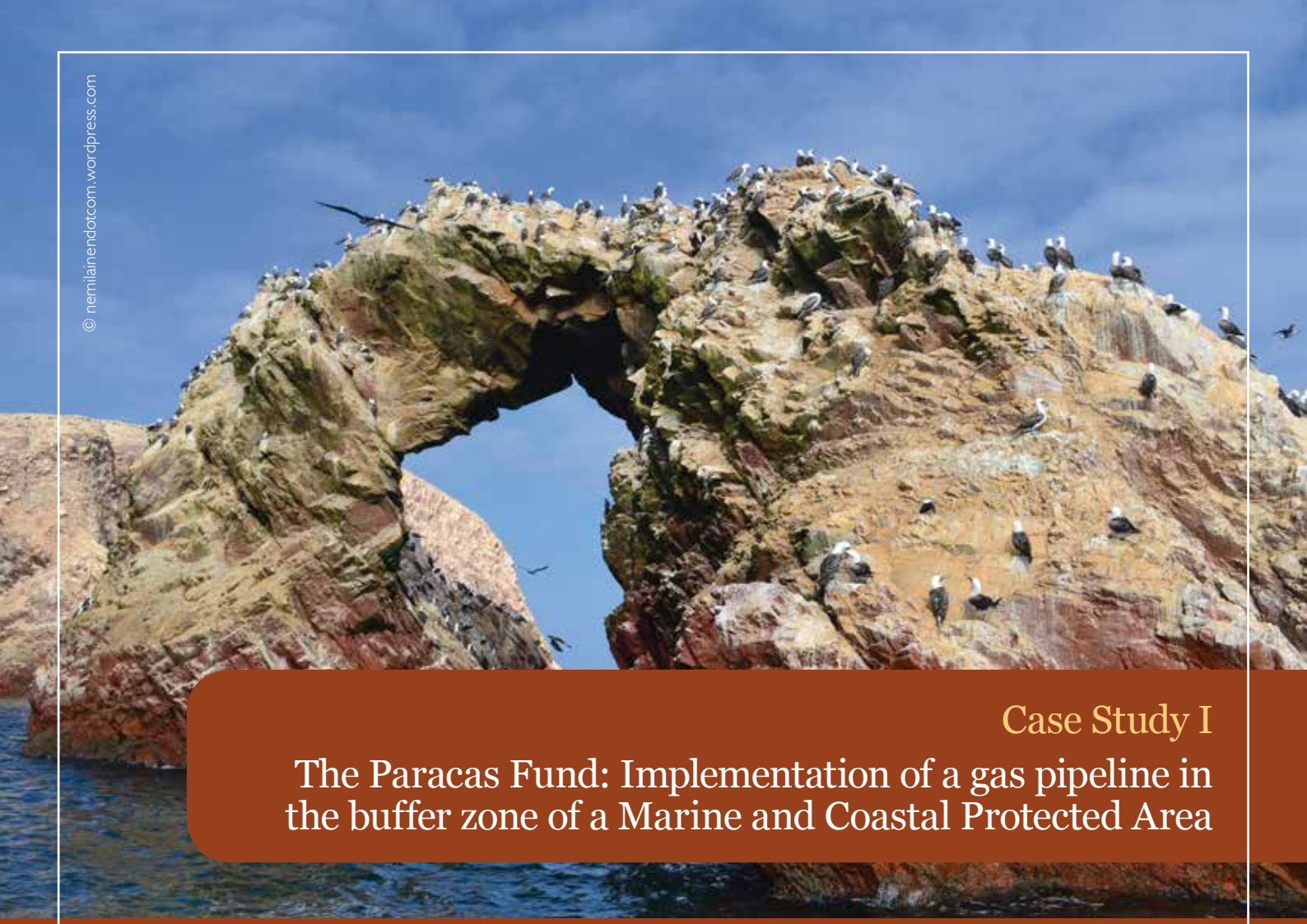
- Introduction
- Working group discussion
- Report back from working groups

12:00 - 13:00 Lunch

13:00 – 15:00 Session 10:

Wrap Up Session

- Review and summary of workshop
- Discussion of next steps
- Suggested topics for next workshop



Case Study I

The Paracas Fund: Implementation of a gas pipeline in the buffer zone of a Marine and Coastal Protected Area

"It is not always easy to engage in constructive relations with donors, and sometimes you need to take risks." Alberto Paniagua, Executive Director of PROFONANPE

This case study explores how the Peruvian Environmental Fund, PROFONANPE, engaged with a private gas company that constructed a gas pipeline from the Amazon region of Peru to the Peruvian coast that was adjacent to a marine and coastal protect area.

Context

Peru is a country width an area of 1.2 million km2. There are three mayor natural regions: The coast area with 3.500 km length and 150 km average width; the second is the Andean mountain range and the third is the tropical forest Amazon region. This makes Peru to be one of the 12 most mega-diverse countries in the world. Additionally, there are very large reserves of gas, located in the Amazon region. This represents an important source of revenue for the Peruvian economy. Peru is self-sufficient in gas provision and is also gas exporting country. At the same time, the exploitation of gas reserves represents a threat to the country in terms of biodiversity conservation.

The National Reserve of Paracas

The National Reserve of Paracas (Paracas: "Sunstorms" in the local indigenous language) is a marine and coastal protected area established on September 25, 1975. It is located in the Department of Ica and covers an area of 335,00.00 ha. Its main goal is to preserve the marine and coast ecosystems and its threatened biological diversity. In addition, the Reserve aims to ensure the responsible use of the hydro-biological resources and to protect the archeological heritage and culture for the benefit of tourism and the welfare of the population (source: www.sernanp.gob.pe).

The biodiversity richness of the Reserve encompasses:

- 36 species of marine and land mammals, including whales, orcas, sea lions and sea otters,
- 215 species of migratory birds

Image 1: Map Peruvian coast and National Reserve of Paracas

At the same time, the location of the Reserve places is at the terminal point for the most important gas project in Peru which coincides with the buffer zone of the Paracas National Reserve. After carrying out several studies and explorations, the buffer zone was deemed the best location for ending the pipeline, to which the Peruvian Government gave its approval.

The Camisea Project

The Camisea is a District in the Amazon jungle, located in the Department of Cuzco, where there is an important source of gas. Here, a vast gas field is currently operating to provide this resource to most regions of Peru. One of its main operating companies, both for the exploitation and transportation of gas, is Pluspetrol.

Pluspetrol was contracted to build and run a fractionation plant to process the gas into commercial products (GLP, natural gas, among others) so that these products could later be transported to corresponding markets. The location for the fractionation plant was set to be in Pisco, in the buffer zone of the Paracas National Reserve. The Peruvian Government gave its authorization to Pluspetrol for the construction of this plant at the end of the pipeline.

The construction of the pipeline was difficult: it goes from the Amazon region, climbs up through the Andes mountains, and then descends to the coast and runs along the coast to the fractionation plant. The total cost of the pipeline was approximately USD 5 billion.

“the location of the Reserve places is at the terminal point for the most important gas project in Peru which coincides with the buffer zone of the Paracas National Reserve.”

Image 2: The difficult trajectory of the pipeline, "climbing up" the Andes and get down to the coast

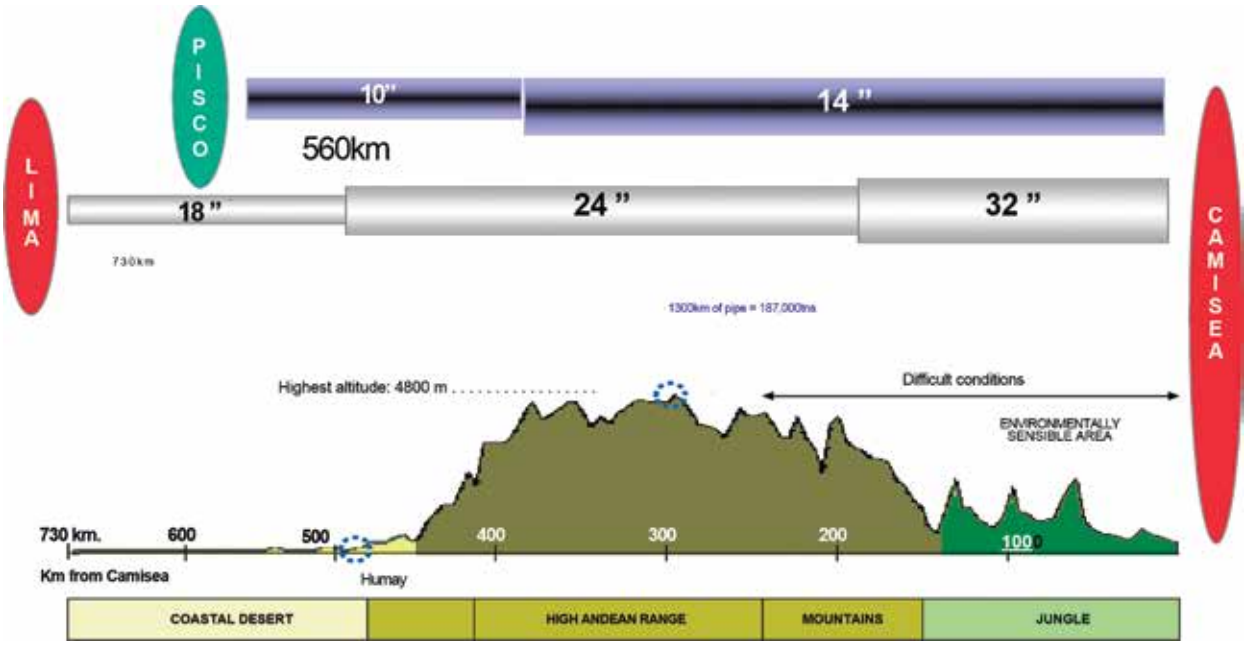


Image 3: The pipeline from the gas field in the Amazon to the Peruvian coast

Approaching the gas company and the long way to an agreement

PROFONANPE, along with the INRENA (National Institute of Natural Resources,) approached Pluspetrol to discuss the buffer area where the plant was going to be built and to explain the importance of the biodiversity in the zone. The PROFONANPE/INRENA approach was straight-forward: if the Government already approved this project, then the project should be done in a responsible way, not only respecting and applying applicable national and international standards, but also contributing to conservation efforts in the region.

After two years of negotiations, an agreement was signed between Pluspetrol, INRENA and PROFONANPE for the funding and implementation of a voluntary fund. The Paracas Fund was set up on September 10, 2004., with the goal of implementing programs, projects and activities contained in the Master Plan of the National Reserve of Paracas.

Specific goals of this agreement are to promote the sustainable use of the natural and cultural attractions of the area for tourism, to contribute to the conservation and stability of the ecosystems, as well as the area's biological diversity and its processes. The Fund also aims to plan in an adequate manner the administration of the National

Image 4: The construction site of the gas exploitation

Reserve of Paracas according to the current conditions, incorporating the participation of local communities.

The financial agreement

After two years of negotiations, an endowment fund was established in 2004. Pluspetrol has committed to donate USD 7million following an agreed disbursement schedule, with PROFONANPE serving as fund administrator. There was a first disbursement of USD 250, 000 in the first year, and from the second year onwards, USD 200.000 were disbursed yearly until 2007. In 2008, there was a major disbursement of USD 3.15 million and in 2013 a second major disbursement of USD 2 milliion. There is a pending third disbursement of USD 1 million in 2018. At the end, there will be an endowment fund of USD 7 million. As of 2015, USD 6 million has been disbursed.

Image 5: Disbursement program of the gas company Pluspetrol

Disbursement program	
Year	Amount
2004	USD 250,000.00
2005	USD 200,000.00
2006	USD 200,000.00
2007	USD 200,000.00
2008	USD 3,150,000.00
2013	USD 2,000,000.00
2018	USD 1,000,000.00
Total	USD 7,000,000.00

Main activities of the Fund

The Fund has allowed several main activities to be implemented It provided continuity to the biological monitoring and monitoring of threats. It also allowed for an increase in the control and surveillance activities through implementation of the Voluntary Forest Ranger Program, as well as improving the control posts and the acquisition of equipment for communication and transportation (patrol boats). Similarly, in collaboration with DICAPI, (National Naval Authority), the control and surveillance of the sea have also been strengthened. Financing provided by this Fund allowed for the incorporation of new members on the Administrative Committee in addition to improving the management of the Reserve. There are provisions for Master Plan of the Reserve to be continuously updated. In addition, PROFONANPE supports sharing and disseminating news promoting the importance of conservation in the National Reserve to the Peruvian and international media.

Major challenges

Engaging with a gas company to establish the voluntary fund represented a major risk for PROFONANPE. At the time, it was heavily criticized for engaging in this initiative. Not only were there critical voices from public opinion, but there were difficulties with the Board of PROFONANPE. There were Board members from civil society organizations who did not agree with PROFONANPE's engagement as they saw a major reputational risk for the institution. This put the management of PROFONANPE in

> **“PROFONANPE’s engagement with the private sector represented an important milestone for the responsible mutually beneficial relationships between environmental organizations and the private sector.”**

a very difficult situation, but its position continued to be: the Peruvian government agreed to the and gave allowance for this project, so now we need to address the consequences and assure that proper safeguards are taken. We are best placed to ensure that happens.

Achievements

PROFONANPE’s engagement with the private sector represented an important milestone for the responsible mutually beneficial relationships between environmental organizations and the private sector. The agreeemnt with Petroplus is the biggest agreement in financial terms with a gas company in Peru. As a result, the gas company did their project in a correct, responsible way and included resources and advantages for environmental conservation. PROFONANPE played a major role, despite the controversy at the time, by insisting that there was an important ecosystem service provided by the protected area and that the company needed to value and recognize its importance.

Image 6: The Paracas National Reserve -- protecting biodiversity by generating new resources for conservation

Lessons learnt

- An Environmental Fund should be very careful in negotiating with these kinds of extractive industry companies. PROFONANPE did not carry out a formal due diligence, but it did assess the company and tracked down its records. Each time PROFONANPE considers engaging with a company, it tracks its records and analyzes their reputation.
- A gas exploitation project is generally considered to be less dangerous than an oil exploitation project. If there is any leakage, the negative impacts compared to oil operations are less severe. At the same time, if something wrong happens in the natural reserve, PROFONANPE is aware that it is likely to be held responsible. This continues to be a risk. All different scenarios need to be analyzed very carefully at the beginning and a careful risk assessment needs to be done in order to define adequate risk management.
- It is very important to understand the role of public opinion in this kind of cooperative endeavor. PROFONANPE faced difficult moments and at the very beginning of this initiative had been criticized for engaging with a gas company. It is important not to ignore public opinion, but strategic decisions cannot be based on public opinion alone. Finally, the accord turned out to have been a good decision, as today there is clear public acknowledgement that the management conditions of Paracas National Reserve and biodiversity conservation have achieved significant and tangible improvements.

Success factors

- As part of the negotiating process, there was a mixed committee with representatives from PROFONANPE, INRENA, and the manage-

ment of the protected area. It was key to get the right entities together to discuss and develop jointly the strategy on how to engage with the private company.

- There were negotiations with multilateral banks involved for the financing of the project, but PROFONANPE engaged directly with the gas company. This gave PROFONANPE the possibility to negotiate its own conditions and requirements, by not being an intermediary between the banks and the company.
- An important condition in the agreement was that the money from the Fund could not be used for any problem or damage made by the operations. This is different to offset agreements between the Peruvian Government and the consortium companies. In Peruvian law, the Government asks the companies to offset. PROFONANPE's agreement with the gas company was voluntary, not an offset obligation.
- The gas field is considered to be one of the cleanest. There is an impact on a certain area and the construction of the pipeline itself also had an impact, but the impact is limited and all national and international regulations were applied. This was not the major concern though. PROFONANPE knew, as part of its assessment, that this company complies well with these kinds of regulation. Engaging with the gas company goes much beyond a guarantee of strict compliance with the construction, but to get the gas company to really commit to invest in high impact conversation actions in the natural reserve.

Case Study II
Funbio and GEF: an almost 20-year relationship

Introduction

Funbio has a unique history with the Global Environment Facility (GEF). It is unique because Funbio has evolved from a GEF project in 1996 to become a fully accredited GEF Implementing Agency in 2015, having projects in every GEF Cycle. In almost 20 years, Funbio has executed or is executing 9 projects worth more than USD 95 million, has 2 projects already submitted in 2015 for more USD 45-50 million, and has 3 more being prepared for early 2016 worth o USD 35-40 million. The experience related here may not be completely adequate to address the realities and goals of other Environmental Funds, but looking at Funbio's history can give some insights for other Environmental Funds already working with GEF or for those wishing to do so.

Funbio-GEF Project History

Project	Year	GEF Cycle	Status
Funbio Project	1996	GEF-1	Completed
Amazon Region Protected Areas (ARPA)	2002	GEF-2	Completed
Probio II	2008	GEF-4	Completed
Global Pollinators	2008	GEF-4	Completed
Cerrado Biome Project	2010	GEF-3	Completed
ARPA II	2012	GEF-5	Ends in 2016
Nutrition for Well Being	2012	GEF-5	Ends in 2017
Marine Protected Areas Project	2014	GEF-5	Ends in 2019
Knowledge For Action	2015	GEF-5	Approved - waiting Agency final approval
ARPA III – Transition Fund	2015-16	GEF-6	Concept note (PIF) submitted
Brazilian Endangered Species	2015-16	GEF-6	Concept note (PIF) submitted – Funbio as implementing agency
Brazilian Deforestation and carbon emissions Monitoring	2016	GEF-6	Concept note (PIF) to be submitted in september 2015
Brazilian Fisheries Project (provisory name)	2016	GEF-6	Concept note (PIF) may be submitted in October-November 2015
Pantanal Watershed Project (provisory name)	2016	GEF-6	Concept note (PIF) may be submitted in January-February 2016

The Global Environment Facility (GEF)

The Global Environment Facility was created in October 1991 as a pilot in the World Bank to assist in the protection of the global environment and to promote environmental sustainable development. In 1994 the GEF was restructured and moved out of the World Bank system to become a permanent, separate institution and became the financial mechanism for the Convention of Biological Diversity and the Convention of Climate Change.

Since then, GEF has become the biggest financial mechanism for environmental projects in the world, supporting more than 4000 projects and over USD 13 billion allocated and focused on being the financial mechanism for three other conventions: The Stockholm Convention on Persistent Organic Pollutants, the United Nations Convention to Combat Desertification and the Minamata Convention on Mercury.

The GEF secretariat works with implementing agencies for most elements of project development, monitoring and evaluation. The implementing agencies can execute themselves (not in all cases though) or use an execution partner that actually does all the procurement, financial management, and the other tasks needed for a project to work in the field and meet its intended targets. Usually ,GEF projects have more than one partner, sometimes mixing private and public sectors to fulfill its goals.

The Beginning of GEF and Funbio

The first two GEF projects in Brazil were PROBIO and FUNBIO, both started in 1996. PROBIO was a public sector project run by Brazilian Environmental Ministry and is responsible for creating many of the tools still used today, such as the Brazilian Priority Conservation Map which is updated every 5 years. FUNBIO was a private-sector focused project run by Fundacao Getulio Vargas-FGV (an important Brazilian foundation for economic research and education). The goal was to leverage USD 5 million in private funds for biodiversity conservation in Brazil. At that time, this objective was considered a very bold goal and hard to achieve because biodiversity conservation wasn't seem as a priority for companies , and the links between environment and productive landscapes were close to non-existent. Furthermore, the Brazilian economy was just recovering from the endemic hyperinflation of the 80s and early 90s, with many uncertainties for decision-makers in the private sector.

To achieve the original goal, the Funbio project was budgeted at USD 20 million, the first USD 10 million would start the project and if, and only if, Funbio was able to leverage another USD 5 million from private sources would it be allowed to access the other USD 10 million. All those funds were to be be used for establishing Funbio and funding biodiversity projects using the Convention of Biological Diversity as its framework. On the organizational level, Funbio was a project under FGV, without its own structure as lawyers, accountants and support staff. However, Funbio had it own Board -- a very active Board consisting of an equal number of member from the government, private sector, environmental NGOs, and universities/ research organizations..

Funbio managed to raise USD 6.5 million, surpassing the initial goal by 30% and engaging the private sector with open and public calls for proposals. In practice, what Funbio did was to ask the private sector: "Do you want to undertake an environment project? If you do, we can leverage our resources with yours." This arrangement was able to fund more than 50 projects all over the country, from community-based projects to fish conservation in hydroelectric dams. The first projects were started in 1997 and most had 4-5 year

"Funbio staff increased from 8 to 40 people in one year when it started executing one big project in addition to the original Funbio project. This posed a real threat of the big project swallowing Funbio."


© ESEC Maracá (AM) Furo Santa Rosa/ Benjamim da Luz/ Programa Arpa

timeframe. Funbio, as a project, was supposed to have a 15 year lifespan at most, ending in 2011. However, the success of the leveraging mechanism and the lack of similar funds in Brazil led to Funbio's Board proposing to the World Bank (the implementing agency of Funbio Project) and to GEF the creation of an ongoing institution (instead of a project with a scheduled date for closing) in order to continue the support generated and to foster biodiversity conservation in Brazil. The proposal was accepted and Funbio, as a formal institution, was created. The already contracted projects were kept, and new call for proposals was initiated. In effect, the creation of Funbio as an ongoing institution didn't change much of the everyday work of Funbio at the time. The biggest change were to come in 2002.

Funbio as an Executing Agency

In 2002, Funbio was invited by the Brazilian government to execute the biggest tropical forest conservation project in the world, the Amazon Region Protected Areas Project (ARPA). This was only possible when Funbio became a separate institution and no longer a project under FGV. The invitation was a result of the notable results that Funbio had shown since 1996 and the desire from both the Brazilian government, the World Bank (again as implementing agency for GEF) and other donors like the WWF network and the German bank KfW, to test new project designs with private sector institutions (like Funbio) and government working together.

The problem posed to Funbio was that ARPA, and it's initial USD 59 million, was bigger than the whole of Funbio. That created a dilemma, of course, as any biodiversity institution would be very interested in participating in a large scale project such as ARPA. On the other hand there was a real risk that ARPA would engulf Funbio, and in the long run could be the end of Funbio if it became a one-project institution. At one level, Funbio was facing the the same problem as being just a project: if Arpa ended, Funbio ended. The Board debates over these issues were fierce and for the first time the Board was truly divided. In the end, Funbio's Board accepted the challenge, knowing that Arpa would transform the institution into something much bigger, more complex, and at the same time struggling to keep its independence without being swallowed by ARPA.

As an example, before ARPA, Funbio staff numbered between 6-8 staff, and all the financial records and controls were made with Excel spreadsheets. After one year of ARPA, Funbio had more than 40 staff and a heavy ERP system in place.

For at least four years, Funbio was almost entirely dedicated to ARPA. The original first-phase projects still existed but were reaching closure, and no new non-AR-

© Helio Hara/ Acervo Funbio

> **"Each higher level of complexity in the relation with GEF also raises institutional credibility. This improves the capacity of an Environmental Fund to fundraise."**

PA projects were initiated. By late 2006, ARPA was accounting or 90% of all Funbio's work. The only different project Funbio tried to do was called PICUS (Integrated Program for Conservation and Sustainable Use). This project failed miserably even before it start, the main reason was that Funbio was unable to cope with two large-scale projects at the same time. So it appeared, at first glance, that the fears that ARPA would engulf Funbio were actually becoming reality.

Funbio's Board was monitoring these event, but by 2007 ARPA was considered a "tamed beast", despite the huge and complex task of working with more than 60 protected areas in the Amazon region at the same time. All management processes had been developed, the steep learning curve was already, past and the staff were trained. Thus, in 2007, after a deep strategic planning exercise, the Board decided that Funbio would start prospecting for other projects that would use ARPA experience and tools gained over the last 5 years and would reach out to the private sector once again.

At that time, there was an understanding among the Board and managers and policy-makers concerned with ODA (Official Development Assistance) that Brazil would begin receiving less and less resources, that those resources would be allocated to other countries, mostly in Latin America and Africa, and since Funbio wasn't going to be an international institution, those sources of funding should start to dry up. From today's perspective, we know that that scenario didn't happen. Still, this remains a common perception among donor agencies, consultants and some government officials who think it will happen in the future, maybe in the next decade.

What happened with the new approach adopted by Funbio was that Funbio's portfolio diversification was very successful. From basically one big project, Funbio now has more than 30 (7 new with GEF, apart the first Funbio project and ARPA). After 2010 even projects very different from ARPA were being executed and new funding sources were found. The key to this so called "second phase" projects was to permit greater flexibility in the finance and procurement systems to be able to work with more than 15 different donors and projects that go from protected areas to sustainable nutrition and to increasing sustainability within the large scale paper industry.

Funbio as an Implementing Agency

When GEF opened the accreditation process for new implementing agencies, Funbio management thought it a natural evolution and felt it wouldn't be a difficult task to achieve. Only some adaptations on how Funbio already operated were thought to be needed to meet the accreditation standards. As it turned out, however, the process proved much more difficult and complex than it anticipated. It was still worth the effort

because in the end of the process Funbio had a stronger structure and new tools (like whistleblower policies) that have increased Funbio's credibility and capacity.

Likewise, because the accreditation was more difficult and complex, the costs for applying and becoming accredited were much higher than expected and took much longer to achieve. Funbio expended three years and spent over USD 300 thousand to obtain its accreditation.

Funbio's role as GEF implementing agency only just started in April 2015. Thus, there are no results yet, but four projects are in different stages of development.

The Differences between the Three Roles with GEF

The big difference in the three different stages Funbio has had with GEF revolve around the level of complexity of management processes. Each level increases the complexity of daily operations, and more complexity adds more need for "process tweaking." There is always a danger of getting lost in internal protocols and processes which always turn out to have bigger operational costs and require longer time to fulfill tasks that were easier before. Adding new processes for some operations ultimately affects all operations and projects. For example, even if a donor doesn't demand internal auditing for its project, as soon as this function is running, it will be felt in all operation and add costs across the organization.

Variations among the Different Roles in Working with GEF

As GEF Project	As executor of projects	As implementing Agency
Financial control with an excel spreadsheet	Financial control done by specialized software (ERP)	+ internal auditing and control
External accountant, part time finance specialist	Full time accountants and finance team	Full separation of functions, very clear policies and procedures
External lawyer	Full time lawyers	Full time lawyers + contract management software
External procurement	Full time procurement staff	Full time procurement staff with stronger set of policies, procedures and even a safe for holding proposals
External IT	Full time IT team and it's own servers	Stronger and more professionali IT with contingency plans, secure server rooms, etc.
Processes adapted for one donor, one rule	Flexible processes and systems to deal with multiple donors	New processes on top of the old ones
Small technical staff specialized in few themes	Bigger technical staff with broader specialization	New staff for safeguards, internal auditing, gender issues, etc.
Focused results	Bigger results	Potentially even bigger results

Funbio's Future with Multilateral Organisations

As in the 2007 view of the future, Funbio expects a decrease in ODA funds for Brazil in the future -- maybe not in the next 5 years but in the next 10 with an increased flow of resources to other countries in Latin America, Africa and Asia. Brazilian diplomacy is already showing signs of this and behaving accordingly, as noted in Brazil's position to not receive funds from the Adaptation Fund. Certainly, this position could change in the future with elections and new visions for the country's foreign affairs. One approach for maintaining funding it is to increase the Funbio's role as implementing entity with other funds, such as the newly stablished Green Climate Fund. The marginal costs for applying for other accreditation processes are small, since most of the work on safeguards, internal auditing, whistleblower policies, etc. are already in place, and they are on par with international standards, meaning little adaptation is needed for other sources.

Conclusion

There are different ways to relate with the GEF and other multilateral institutions. Funbio's experience shows that the higher level o working with them, the stronger the internal structures are needed to deal with increasing demands on transparency, financial controls, internal controls, auditing, policies and safeguards. There are costs to do so; they are not negligible, and it's hard to raise resources to cover those costs as they are not directly related to specific projects and thus have to be raised from institutional strengthening projects. These kinds of projects are generally more difficult to secure than the usual field projects. On the other hand, each higher level of complexity in the relation with GEF also raises institutional credibility. This improves the capacity of an Environmental Fund to fundraise with other partners at the international or even national level (at least in the case of Brazil), which may be a good reason to pursue this kind of institutional development.

Although it has been true for Funbio, it may not be true for every environmental fund to climb the ladder all the way up to the role as implementing agency. For some EFs, perhaps the most cost-effective role, offering the biggest opportunities , may be as an executing agency.

Case Study III
Challenges of Multi-stakeholder Partnerships

BIOFUND is a national Conservation Trust Fund (CTF) with a main mission of supporting the conservation of aquatic and terrestrial biodiversity and the sustainable use of natural resources, including the consolidation of the national system of conservation areas in Mozambique. BIOFUND does not manage conservation areas, but works in close coordination with the National Administration of the Conservation Areas (ANAC) and international partners and specific projects towards the sustainability of the current costs of the conservation system and less dependency on foreign investment. The endowment of BIOFUND now totals USD 16 million (and aims at growing it further) and is partly invested so that the revenue can support recurrent costs of the conservation areas and biodiversity knowledge and information. BIOFUND is working with various donors and therefore often needs to reach compromises and deal with challenges of multi-partnerships, including on occasion conflicting donor requirements.

Introduction

Mozambique has both extraordinary biodiversity and significant economic growth. However, it continues to be one of the poorest countries in the world, and, as a result, the financial resources devoted to preserving the country's unique biodiversity have long been recognized as insufficient. The Foundation for the Conservation of Biodiversity, popularly known as the BIOFUND, was founded to try to improve this situation. Its main objective is to support the country's protected areas (Business Plan BIOFUND, August 2015).

> **The Conservation Areas have great environmental and economic importance to Mozambique, providing significant economic benefits in terms of ecosystem services to the country, and especially to the populations living near or inside these areas.**

The primary biodiversity regions in Mozambique were outlined in Resolution 63/2009, approving the Conservation Policy and Implementation Strategy. This resolution refers to the 14 major ecological regions that exist in the country, several of which are considered of global importance:

- Agulhas Current;
- East African Marine;
- Lakes of the Rift Valley;
- Mangroves of East Africa;
- Forests of the South Rift Mountains;
- Central and Eastern Miombo;
- Zambezi Wetlands.

These 14 ecological regions are home to a rich flora of 5,500 plant species of which 250 are endemic and terrestrial fauna including 740 species of birds, at least 80 species of reptiles and amphibians of which 28 are endemic, as well as 3,000 insect species.

Mozambican marine biodiversity is also rich and varied, including the only viable population of dugongs in the entire Western Indian Ocean.

Background

Management and funding of the CA system

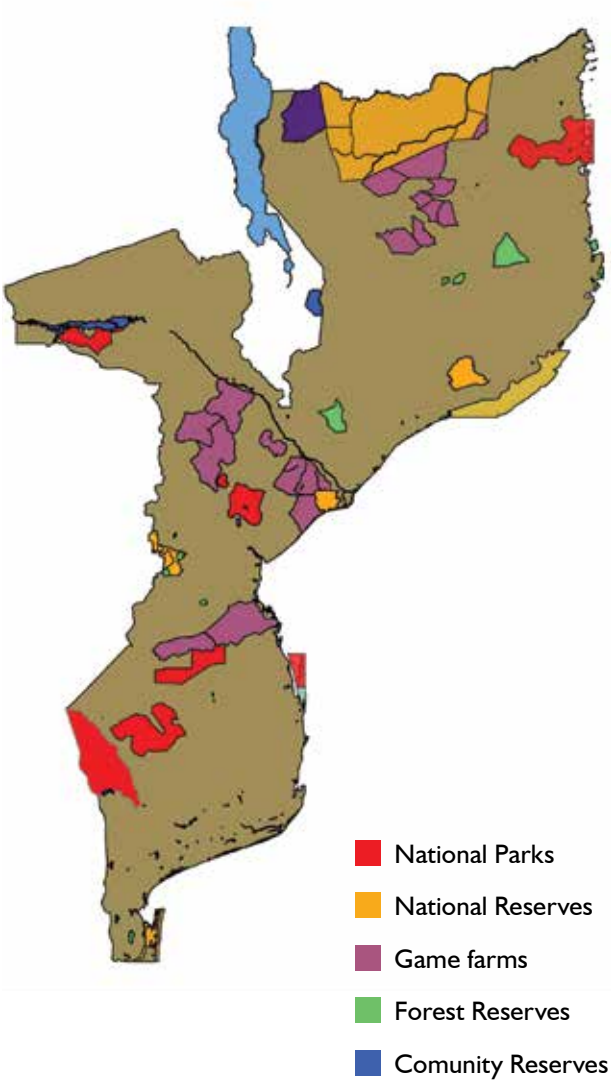
Covering most of the eco-regions and biomes, the national Conservation Areas (CA) are comprised of 7 National Parks, 10 National Reserves, 17 hunting preserves, 52 game farms and 14 forest reserves totaling about 26% of the national territory (Plano Financeiro da ANAC, June 2015), as shown in Figure 1.

The Conservation Areas have great environmental and economic importance to Mozambique, providing significant economic benefits in terms of ecosystem services to the country, and especially to the populations living near or inside these areas.

The role of ANAC

The national system of Conservation Areas is managed by ANAC (Administração Nacional das Areas de Conservação), an independent governmental organization under the custody of the Ministry of Environment, Land and Rural Development.

Figure 1. Map with the location of CA in Mozambique (source: Plano Financeiro da ANAC, Junho 2015)



ANAC has the objective of not only to ensure the current costs of the Conservation Areas, but also to improve the current system. ANAC has calculated the costs of such improvements, determining the values needed to achieve certain objectives.

Table 1. Annual needs for operational costs for CAs managed by the Public Sector (***Extracted from raw data from Nazerali, S. et al. 2015***)

Public Sector				
Operating Costs per yr	Maintaining current level	Raising all to at least Basic Level	Raising all to at least Medium Level	Raising all to Optimal Level
CAs				
National Parks	349,890,129	383,638,386	687,401,902	980,215,342
National Reserves (excluding RNN)	110,134,561	139,869,339	283,334,123	436,752,509
Forestry Reserves		15,867,000	63,468,000	105,780,000
Total (MT)	460,024,690	539,374,725	1,034,204,025	1,522,747,851
Total (USD)	14,839,506	17,399,185	33,361,420	49,120,898

The estimate of annual needs of just the public areas is approximately USD 14.8 million at current management costs, with about USD 49 million needed at an optimal management level.

The Mozambican government has lately contributed significantly more for conservation than before, currently devoting approximately USD 4.8 million per year, demonstrating the public interest in financing its conservation commitments. However, despite the efforts of the state, international partners continue to be the principal source of conservation finance in Mozambique.

Various studies have identified the lack of financial resources as the biggest challenge facing the country's conservation policies. There are still only modest volumes of internal revenues (those derived from tourism, even including hunting), and there are still insufficient allocations made by the state budget. While the financial support given by international cooperation is significant, it still leaves substantial gaps, and by its nature cannot ensure long-term stability.

The majority of the national network area is managed by the private sector [48 percent, with an additional 20 percent managed by the private sector within the RNN], with the public sector managing just 32 percent of the Conservation Areas.

Threats to biodiversity

In a country with such biodiversity as Mozambique, there are various threats currently endanger some of the country's natural assets. Many of these threats also affect other African countries, that require urgent measures of control/mitigation. These include:

- Poaching of wildlife, especially elephants and rhinos. In the past, poaching in small scale has often been associated to community needs for food, but in recent years, well organized international crime networks are expanding and contributing to the rapid reduction in the population of these wild species.
- Illegal logging - vast areas of forests of precious wood-trees in remote areas of Mozambique have been consistently devastated and being rapidly depleted at the current rate.
- Population displacement due to disruptive wars and economic crisis are increasingly destabilizing the sustainable use of the natural resources.
- Changes in climate are already causing shifting habitats, changing life cycles, developing new physical traits or species, as well as die-offs and extinctions.
- Boom in the extractive industry in Mozambique, in which many of sites are located near or even overlapping with the geographical location of the CAs. This is causing conflicts and needs to be regulated to allow development without destroying biodiversity.

The national budget for the CAs is insufficient and it strongly depends on external funds (80%). These funds often have limited duration, and do not allow long term planning nor the establishment of sustainable programs.

Many of the Mozambique's CAs have financial gaps that limit their ability to maintain some of their minimal managerial activities. Some of these CAs are remotely located and have very limited resources and infrastructural and human capacity, leading to only a very basic level of performance.

The role of BIOFUND within ANAC/CAs

BIOFUND was established in 2011, to work closely with ANAC, with the goal of implementing innovative financial mechanisms to assure long-term sustainability of the Conservation Areas, focusing initially on the publicly managed Areas.

The mission of BIOFUND is to support the conservation of both aquatic and terrestrial biodiversity and the sustainable use of natural resources, including the consolidation of the national system of Conservation Areas.

BIOFUND also contributes to financing conservation activities outside of CAs, based on priorities defined and identified in its Strategic Plan.

BIOFUND aims to directly support the CAs, based on agreed criteria with ANAC to select priority activities to fund. The long term objective is to support up to 80% of recurrent costs of CAs. In order to achieve this target, BIOFUND is seeking the establishment and implementation of innovative financial mechanisms such as: endowment funds, ecosystems services, REDD+, biodiversity offsets and debt swaps.

Additionally, BIOFUND also aims at supporting and facilitating support services for the conservation system and networks. Overall BIOFUND is:

1. contributing to the development and availability of information, facilitating the gathering and compilation of existent but scattered information ,and
2. contributing to reduce the current knowledge gaps, facilitating the collection of baseline information and establishing monitoring processes.

BIOFUND started as a small CTF with a small executive team in 2011 and became fully functional in 2014. This reduced management structure has been important to keep fixed costs at a minimum level, and was an important requirement for many of the donors in order to ensure the long term sustainability of the foundation.

BIOFUND's main focus is thus on fund raising and public awareness, as well as investing and channeling funds to specific projects to support and improve PA operations and related activities. BIOFUND is not involved in project implementation, but targets grant making and monitoring activities, involving relevant partners.

Strategic plan of BIOFUND (5 years)

BIOFUND's strategic plan to achieve its mission is based on three major pillars:

1. *Be an effective and efficient institution to finance conservation in Mozambique*

   It started with the creation and establishment of the foundation, beginning in 2007 with the first discussions about the need for the foundation, and it has since been slowly establishing and implementing its operational activities towards full functionality.

2. *Grants disbursed annually (at least USD .5 million from 2017) to support activities in parks and reserves*

   This objective relates to activities that can attract, increase and channel funds such as establishment of effectiveness conditions of specific projects, fundraising campaigns, communication and marketing activities, exploring innovative forms of financing, implementing biodiversity offsets, influencing the development of adequate policies, debt relief projects, carbon credits and partnerships.

   In addition, this objective involves activities to allocate the funds and produce outcomes. This will require the identification of appropriate recipients (to assure the effectiveness of the grants), establishment and adaptation of procedures of disbursements and reporting as well as monitoring and evaluation. The criteria, priorities and strategies are being discussed in close coordination with ANAC, as well as the processes and standard formats of disbursement procedures and training requirements.

3. *Importance of biodiversity and its value and the responsibility of protecting biodiversity known by all Mozambican citizens.*

   This objective relates to activities to develop knowledge about conservation and biodiversity – promoting communication and awareness, establishment of databases, repository of information, development of interpretation centers, and education promoting biodiversity conservation.

"BIOFUND's main focus is thus on fund raising and public awareness, as well as investing and channeling funds to specific projects to support and improve PA operations and related activities."

Establishing a long-term sustainable financing mechanism for case of Mozambique

In order to achieve the strategic objectives set for BIOFUND, a varied source of funds and resources has been negotiated in the first two phases of the establishment of the foundation. A wide range of partners and collaborators has been also helping in many ways to make this kind of Trust Fund feasible and possible for the first time in Mozambique. This diversity was necessary to explore and embrace all the current and potential opportunities, but it also brings the consequent challenges of dealing, negotiating and adjusting between often contradictory requirements.

Source of funding in each phase of BIOFUND developing

First Phase - Establishment

The initial establishment of BIOFUND was possible with the financial support of UNDP-GEF, AFD, KfW, CI-GCF, World Bank/IDA, USAID and WWF. The funds

supported key operational activities (administration and infrastructure support, executive staff) as well as the elaboration of basic strategic and operational documents (Articles of Incorporation, Bylaws, legal issues, Business Plan, Strategic Plan, Investment Policy, Operational Manual and Grant Disbursement Manual). These grants also supported relevant studies needed as baseline information about the CA and critical habitats (database platform, mapping of habitats, website). These funds also supported a major public awareness event (launch, international forum, exhibition and fair) held in mid-2015.

Second Phase - Capitalization

This phase started in 2014 with the establishment of an endowment fund based on a donation from German Cooperation via KfW (€10 million), CI-GEF (USD 1million) and World Bank-GEF (USD 3.2 million) and more recently € 6 million from KfW (still ongoing).

In addition, the use of biodiversity offsets is being explored for the first time, with ongoing negotiations with FFEM/WCS/Forest Trends support. This is to be followed up on a road map study carried out by the World Bank early 2015.

BIOFUND is also currently discussing details of channeling sinking funds (€ 2 million) from French donors (AFD) to a few selected CAs, that will be used as pilot areas for the initial disbursements.

The third and fourth phases – grant disbursement and expansion, respectively – have not yet started.

National and International partnerships

One of the major challenges BIOFUND went through during phase 1 (establishment) and 2 (capitalization) was to meet the requirements of all partners involved, both national and international. The total compliance with CFA International standards was the best way found to mediate conflicting issues with multiple donors and/or partners.

It was very important to keep alignment between BIOFUND's Board and Assembly members, in effect the differences between donors and Government. This was crucial to obtain the necessary "No objection" from all donors and partners, especially when they had some conflicting/opposite requirements on specific issues.

Practical examples of conflict

Given below are some examples of whether conflicts and differences have emerged in dealing with multiple partners.

- Agreement and finalization of the Articles of Incorporation that entailed a lot of negotiations
- Elaboration of the Memorandum of Understanding (MoU) between donors and government that took several drafts to finalize and sign
- Non uniform reporting schedules and different structures
- Consecutive versions of contracts (auditors, staff), depending on the origin of funds


© Carl Bruessow

- Staff issues (conflicting rules on minimum and maximum number and composition of fixed staff)
- Selection of pilot projects (different criteria for each donor and partners)
- Procurement procedures vary with source of funds
- Earmarking of funds for some donors

What worked well so far

The examples below highlight some of the key areas where multi-stakeholder collaboration has worked effectively.

- Strong support from many donors and partners at various levels
- Collaborative initiative to create BIOFUND, with government, private national and international NGOs, and well respected individuals
- BIOFUND board composed of very high profile and influential people (political, academical, economical)
- Constant support from BIOFUND founders/friends, many working *pro bono*. Ready to dedicate their time to participate and invest sometimes their personal funds
- Public and governmental recognition (major policy speech by the President in June 2015 about conservation issues, the first in 40 years since independence)
- Mentorship from FUNBIO and partners (capacity building, training)
- Links with CFA networks (CAFÉ, Redlac) (capacity building, training, sharing information)

In addition, it is worth mentioning the growing attention to conservation issues around the world, as well as greater concern for sustainability issues in general have both helped to galvanize greater attention to the specific needs of Mozambique and the international support received thus far.

Key attitudes and approaches

In summary, BIOFUND's experience in multi-stakeholder collaboration would suggest the importance of:

- Diplomacy and dialogue
- Flexibility and negotiation
- Good judgement and patience
- Communications and perseverance
- Transparency and clarity
- Reliability and responsiveness
- Networking and advocacy
- Seizing opportunities as they come
- Personal connections/contacts

Individual and personal support of many people that went many times much beyond their obligations has been of great value and importance.

In this context, the design of the BIOFUND path is still being defined, with the imperative to adjust to evolving needs and expectations both within Mozambique and internationally.

Bibliography

Plano Financeiro da ANAC, Junho 2015

Business Plan BIOFUND, August 2015

References and Works Cited

Benjamin, Antonio and Scott Fulton, 2011, *Effective National Environmental Governance – A Key to Sustainable Development,* Paper prepared for First Preparatory Meeting of the World Congress on Justice, Governance and law for Environmental Sustainability, Kuala Lumpur, Malaysia, 12-13 October 2011, http://www.unep.org/delc/Portals/24151/EffectiveNationalEnvironmentalGovernance.pdf

Chung, Amy and Jed Emerson, 2013, *From Grants to Groundbreaking: Unlocking Impact Investments*, Published by ImpactAssets and Living Cities, Bethesda, Maryland, USA, http://www.impactassets.org/files/Issue%20Brief%2010.pdf

Huwlyer, Fabian, et.al., 2014, *Conservation Finance: Moving Beyond Donor Funding Toward an Investor Driven Approach*, Credit Suisse, WWF and McKinsey & Company, https://www.credit-suisse.com/media/cc/docs/responsibility/conservation-finance-en.pdf

Foundation Center, 2012, *International Grantmaking Update: A Snapshot of U.S. Foundation Trends*, New York, http://foundationcenter.org/gainknowledge/research/pdf/intl_update_2012.pdf

Global Canopy Programme, 2012, *The Little Biodiversity Finance Handbook,* 3rd Ed., Oxford, http://globalcanopy.org/materials/little-biodiversity-finance-book

Hopkins, Michael, 2003, *The Planetary Bargain: Corporate Social Responsibility Matters,* Second Edition, London, Earthscan Publications.

IBM, 2008, *Attaining Sustainable Growth through CSR,* IBM Institute for Business Value, IBM Global Business Services, Somers, New York.

NatureVest/EKO Asset Management, 2014, *Investing in Conservation: A Landscape Assessment of an Emerging Market,* New York, http://www.naturevesttnc.org/pdf/InvestingInConservation_Report.pdf

Norris, Rurh (ed.), 1999, *The IPG Handbook on Environmental Funds*, Interagency Planning Groups on Environmental Funds, New York, Page Publications

UNDP, 2014, *Impact Investment in Africa: Trends, Constraints and Opportunities*, African Facility for Inclusive Markets, Addis Ababa http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/Impact%20Investment%20Final%20Report.pdf

Waldron, et. al., 2013, *Targeting Global Conservation Funding to Limit Immediate Biodiversity Declines, Proceedings of the Nadtional Academcy of Science, Washington, http://www.pnas.org/content/110/29/12144.full.pdf*


cafe
Consortium of African Funds
for the Environment


RedLAC

Funded by

MAVA FONDATION POUR LA NATURE

FFEM

gef

UN environment
United Nations
Environment Programme