

Conservation Trust Funds - a robust biodiversity financing mechanism

Introduction

Financial mechanisms such as national and regional conservation trust funds (CTFs) can play a crucial role in guaranteeing an effective resourcing of the Strategic Plan for Biodiversity, including its 20 Aichi Biodiversity Targets, adopted by the 10th Conference of the Parties of the Convention for Biological Diversity (CBD) in 2010. One of the key value added of CTFs is the fact that they provide long term sustainable financing for biodiversity conservation activities due to its continuing efficacy and reliability as a mechanism.

This paper aims to enrich knowledge sharing about conservation trust funds. The Nature Conservancy (TNC) has actively been involved in the establishment of the Micronesian Conservation Trust, the recently established Caribbean Biodiversity Fund, as well as several water funds in Latin America. In addition, debt swaps are requiring trust funds in order to allocate public and private finance towards biodiversity.

Key Characteristics of Conservation Trust Funds

Over the last two decades, conservation trust funds have been established in more than 50 developing countries and transition economies. The driving actors for setting up CTFs have included national governments, local conservation leaders, international conservation Non-Governmental Organizations (NGOs) and other various donors.

In most cases, conservation trust funds are non-governmental, legally independent grant-making institutions whose primary aim is to raise, invest, and re-grant financial resources for biodiversity conservation and related sustainable development purposes. They can serve as an effective mechanism for mobilizing large amounts of funding for biodiversity conservation activities from international donors and national governments as well as the private sector.

In addition, CTFs also may nurture and strengthen stakeholder participation, as well as improve coordination between donor programs and activities with national or regional conservation plans and strategies.

Conservation trust funds are capitalized by multiple sources such as multilateral and bilateral contributions, as well as by grants from foundations, NGOs, individuals and revenue-generating activities. Most operate as foundations and are managed by a non-government majority independent board, with representation from the public and private sectors. CTFs are also committed to closely monitor their investments and allocation strategies, and to work with their investment advisors to strengthen investment policies and position themselves for long-term growth.

Over the years, CTFs have become a robust biodiversity financing mechanisms which provides long term financing for conservation and recently also for natural solutions to mitigation and adaption to climate change as well as sustainable development. They have also served as catalysts for the creation of new partnerships with private businesses for the conservation and sustainable use of biological resources.

In addition, CTFs also developed new programs that diversify their leadership roles and create new funding sources. One example includes the effort of the Micronesia Conservation Trust Fund to become an implementing entity of the Adaptation Fund.* These new opportunities may offer CTFs even greater latitude to contribute to meeting long-term conservation financing needs around the world. Their diverse and overarching functions beyond traditional conservation objectives make CTFs a unique financial mechanism to support the implementation of the Strategic Plan and its Aichi Targets while also increasing synergies between conservation, climate and sustainable development finance.

Micronesia Conservation Trust Fund

The Micronesia Conservation Trust Fund (MCT) was established in 2002 with the objective of supporting biodiversity conservation and related sustainable development for the people of the Federated States of Micronesia (FSM).

* For more information please see: Gastelumendi et al. (2012) Case Study Report: Micronesia Conservation Trust. A joint TNC/UNDP/MCT working paper.

In 2006, the MCT was selected as the financial mechanism for the Micronesia Challenge (MC)** and has since fully regionalized its organizational structure and services including its programs for the whole Micronesian Region (FSM, Palau, the Marshall Islands as well as the United States territories of Guam and the Commonwealth of the Northern Mariana Islands).

The advantage of operating the fund at a sub-regional level is the cost-effectiveness and feasibility of operating such an entity. In its role as the financial mechanism of the MC, the MCT invests, disburses and manages the Micronesia Challenge Endowment Fund, as well as other sinking funds towards the MC's ongoing activities. Currently, the MCT's 2012 operating budget totals US\$ 2.8 million, with a granting portfolio of US\$ 1.8 million.

The goals of MCT are to:

- Raise community awareness about biodiversity and related environmental education programs, including on climate change adaptation and mitigation;
- Support the conservation of priority natural biodiversity resource areas; and
- Strengthen the ability of communities, community organizations, government agencies, conservation and development NGOs, and other appropriate organizations to conserve Micronesia's biodiversity and sustainably manage its natural resources for the benefit of future generations.

The MCT also serves as an intermediary to other foundations and donors who need assistance in their grant-making to the Micronesia Region.

The existing structure of the MCT as a non-profit organization allows for a high multi-stakeholder engagement. Thereby, the inclusion of highly qualified, experienced and motivated individuals drawn from the public and private sectors as well as civil society is a key component of the MCT; e.g. the members of the Board of Trustees represent a selection of people from local civil society stakeholders. In that regard, TNC is also sponsoring an initiative aimed towards developing Micronesian conservation leaders (Micronesians in Island Conservation). This approach of informal lesson-sharing among a network of both government officials as well as senior and emerging conservation leaders has proven highly successful.

** The Micronesia Challenge is a commitment by FSM, the Republic of the Marshall Islands, the Republic of Palau, Guam, and the Commonwealth of the Northern Marianas Islands to effectively conserve at least 30% of the near-shore marine resources and 20% of the terrestrial resources across Micronesia by 2020. For more information please see: www.micronesiachallenge.org and www.nature.org

As experiences show, it was crucial to secure a close involvement of an effective championing and mentoring partner organization in the initial phases to secure an institutional basis of sound, transparent and accountable governance structures. In addition, the setting of clear goals and objectives for grant-making and income investment as well as through an ongoing coordination of CTF plans and activities with other relevant policies and plans has proven to be an essential basis for the success of the MCT in reinforcing a major shift in biodiversity conservation policy and practice in the Pacific Island Region.

Caribbean Biodiversity Trust Fund

The Caribbean Challenge Initiative (CCI) was launched at the 9th Conference of the Parties of the CBD in May 2008 by eight of the current CCI members countries*** committing to effectively conserve 20% (25% for Grenada) of their near-shore marine/coastal environment by 2020. Antigua & Barbuda, the Bahamas, the Dominican Republic, Grenada, Jamaica, St. Kitts & Nevis, St. Lucia, and St. Vincent and the Grenadines also agreed on developing sustainable finance mechanisms, such as trust funds, tourism and conservation derived fees, water funds, etc. to provide sustainable funding to the countries national systems of protected areas.

At the CBD COP 11, these eight CCI countries jointly with the Global Environmental Facility (GEF) as well as with partners including KfW (the German Development Bank), the World Bank, the United Nations Environment Programme, the United Nations Development Programme, and TNC will launch the Caribbean Biodiversity Fund (CBF). As such, the CBF will be a centerpiece of the new sustainable finance architecture in this region. The CBF will be initially capitalized with a US \$40 million endowment to support the eight founding CCI countries. With nearly US\$30 million already pledged by KfW, the GEF and TNC, the total size of the CBF is expected to grow substantially and could support other countries and territories in the future.

CBF investment returns will be channeled annually—according to an agreed formula—to independent national conservation trust funds (NCTFs) that are being set up in these eight CCI countries. As the CBF is being set up as an incentive fund, starting in year three and in order to receive CBF funding, NCTFs will need a 1:1 match from new sustainable financing sources. Work is already underway in the CCI countries to establish new NCTFs or to restructure existing funds. As a result, the CBF will be the first regional endowment to be developed anywhere in the world to support multiple national level Protected Areas (PA) Trust Funds.

*** Current CCI member countries and territories include: Antigua and Barbuda, the Bahamas, the British Virgin Islands, the Dominican Republic, Grenada, Jamaica, Puerto Rico, St. Kitts & Nevis, St. Lucia, and St. Vincent and the Grenadines.

Trust Funds to channel Sources of Funding

The two examples of regional trust funds show the key role of trust funds in channeling both private and public funding towards the implementation of the objectives of the CBD. With the Strategic Plan and its 20 Aichi Targets, the scope of funding has increased and with it also the need for innovative sources of funding. These could include instruments such as payments for ecosystem services and tourism and natural resources fees (e.g. water funds,) as well as debt swaps that can contribute to scaling up biodiversity finance and leverage private sector capital towards conservation.

In that regard, TNC was instrumental in creating the Latin American Water Funds Partnership which invests more than USD27 million in creating, implementing and capitalizing at least 32 Water Funds in Latin America (Ecuador, Colombia, Peru, Brazil, Mexico and other places in Latin America and the Caribbean). These projects will support the conservation of more than 7 million acres of watersheds that, in turn, have the potential to benefit approximately 50 million people. Investors – primarily large businesses and government agencies – see the funds as a smart way to gather investments from water users and direct the funding toward conservation of key lands upstream that filter and regulate water supply.

With regard to debt for nature swaps or the recent initiatives around debt for adaptation swaps, TNC has also been a key player, especially with regard to the U.S. Tropical Forest Conservation Act (TFCA) mechanism. TNC has subsidized ten debt-for-nature swaps under the terms of the TFCA in eight countries: Peru, Belize, Indonesia, Jamaica, Costa Rica (2), Panama (2), Colombia, and Guatemala and has actively supported a bilateral TFCA debt swap in Brazil. The traditional structure of debt swap deals includes the establishment of a local non-profit trust fund. Here again, conservation trust funds are the heart of the financial structure guaranteeing long term sustainable funding for biodiversity and the objectives of the CBD.

Concluding Remarks

Conservation trust funds are financing mechanisms with long-term capability of funding biodiversity conservation and sustainable development projects. In addition, CTFs have the ability to be more than just financing bodies. With involvement of board members from different sectors, structured operational procedures and long-term capital, CTFs have the potential to contribute to national conservation strategies, work with both public agencies and private companies to develop innovative partnerships and to build capacity with local stakeholder groups and NGOs.

In most cases, CTFs have participatory structures that involve a wide range of stakeholders, through their governing boards, technical advisory committees, and/or project selection committees that include representatives from indigenous peoples groups, community organizations, local and national government agencies, private businesses, the academic community, and international donor or NGO representatives.

With this wide range of functions and strong stakeholder engagement, CTFs can also provide a vehicle for collaboration among government and non-governmental organizations in defining funding priorities, and for constructive engagement with the private commercial sector.

As a result, CTFs, as institutions, can have several roles to play in addition to channeling funds. These include: i) key actors in the development of national conservation strategies, ii) technical experts who can work with public and private agencies to develop effective management approaches, and iii) capacity-builders enhancing national administrative and managerial capacities as well as strengthening in-country institutional frameworks.

While there is a strong need to increase biodiversity funding to secure the implementation of the CBD Strategic Plan with its 20 Aichi Targets and to meet the current funding gap, it is equally important to ensure that countries are well positioned to access, absorb and make effective use of increased funding flows. Strengthening in-country institutional frameworks will not only improve the absorptive capacity of recipient countries but will also ensure an effective and sustainable allocation of national and international funding.

In that regards, (existing) CTFs can play a crucial role as they cannot only absorb major amounts of funding but disburse it over time consistent with the absorptive capacity of recipient organizations. National and regional trust funds are a strong pillar of enhancing the institutional but also technical and personal capacity in its specific country of region. As an effective, efficient and transparent mechanisms for transferring resources to field activities, their governance structures, staff, and technical support does allow the CTFs to proactively influence their environment, monitor their results and learn from experience, maintain credible and transparent procedures, and support participatory approaches to conservation and sustainable development. As a result, CTFs are contributing to the continuity of national environmental and sustainable development strategies, and fostering support for environmental policies.

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