



# Developing a Conservation Trust Fund For the Western Indian Ocean Coastal Challenge (WIO-CC)

Interim Report

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# **Developing a Conservation Trust Fund**

## **For the Western Indian Ocean Coastal Challenge (WIO-CC)**

### **Interim Report**

### **Wildlife Conservation Society**

**September 2013**

**(revised version January 2014)**

#### ***EXECUTIVE SUMMARY***

The Western Indian Ocean Coastal Challenge (WIO-CC) is a governmental platform organized “to galvanize political, financial and technical commitments and actions at national and regional levels on climate change adaptation, promoting resilient ecosystems (marine and coastal resources), sustainable livelihoods and human security”. The WIO-CC is now investigating the feasibility of establishing a conservation trust fund (CTF) to support the achievement of this vision, and to meet the financial needs for the planning and management of coastal and marine resources for WIO-CC participating countries. The proposed fund for the Western Indian Ocean (WIO-CC-CTF) is expected to provide the funds to cover immediate and recurrent costs for the environmental challenges facing the WIO-CC countries, with a particular focus on challenges facing the member countries from climate change and growing development pressures.

The Wildlife Conservation Society (WCS) is working with representatives from the WIO-CC to help add clarity and definition to the following factors for the proposed fund:

- Mission and Scope of the proposed fund
- Governance structure
- Legal structure
- Strategic Plan
- Gap Analysis
- Operating Plan
- Capital and resource mobilization plan

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The WIO-CC-CTF assessment relied on data gathered from three principal sources: a thorough review of existing literature; consultations and interviews with experts and stakeholders from the region, and working with CTFs worldwide; and, a strategic planning session carried out with participants attending the third meeting of the WIO-CC on July 16, 2013 in Victoria, Seychelles.

The WIO-CC member countries and the region as a whole face a wide range of social, economic, institutional, and ecological risks and threats, including climate change; overexploitation of fisheries and marine-based food sources; coastal and marine habitat degradation; marine pollution, including escalating risks from rapidly expanding oil and gas developments; and, limited management capacity – particularly the limited number of technical, planning, and legal professionals available to guide economic and ecological decisions that can strengthen sustainability in the region. However, these risks and challenges can also represent important opportunities for change and important focal points that the WIO-CC can use to develop the mission and scope of its proposed CTF. However, it will be important for the WIO-CC to ensure that it supports initiatives that are focused, and well coordinated with other national and regional actors through information sharing and collaborative actions.

The report also provides an overview of sources that can be used to further advance the WIO-CC CTF mission, vision, and strategy. This overview includes an extensive summary of 9 existing or forthcoming CTFs in the WIO region, or worldwide, with a specific review of the mission, scope, funding source, and legal and institutional framework, technical and management support, and lessons learned from each fund. These materials represent an important pool from which the WIO-CC can find valuable lessons to build a resilient and enduring CTF.

It will also be important for the WIO-CC to assign decision-making tasks to a specific group of people, ideally an appointed Steering Committee with active representation from all participating countries. This Steering Committee should be dedicated to the defined mission of the CTF, and willing to work together to finalize its purpose and activities; define the governance and operational structure; and develop the legal documents that establish the institution to house the CTF.

The CTF planning and decision-making can be assigned to a Working Group of the WIO-CC Steering Committee that has been proposed by GLISPA. A sample Terms of Reference for this Working Group is included in Annex 2.

At least two people from the Steering Committee should join this Working Group. However, it will be essential for this Working Group to hold decision-making powers, and the authority to assign and oversee responsibilities for planning and

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implementation. We are proposing a group that will elaborate the structure, legal framework, functions, and management of the CTF. These are large responsibilities, and they will require the appointment of a Working Group that is capable of carrying them out quickly and effectively.

It may be most appropriate to include the following individuals in this working group:

- 2 people from the WIO-CC Steering Committee
- 1-3 people representing the existing national CTFs (Mozambique, Madagascar, Tanzania, Seychelles)
- 1-2 government representatives who can influence policy
- At least 1 representative from each country<sup>1</sup>
- 1 representative with strong technical capabilities
- 1 representative from existing or rapidly emerging private sector interests (fisheries, oil & gas)
- 1 representative from the banking sector
- 1-2 representative from international NGOs
- 1 representative from civil society organizations

The composition of the Working Group should strive to ensure member company representation from among the various categories outlined here.

Including this group in the CTF process can ensure effective implementation, including the running of meetings, optimal decision making on key issues, and completion of the necessary documents. The Working Group can support the decision-making process within the broader Steering Committee and facilitate communication with the donors and among the various members. Some of the additional services that may need to be contracted include legal and financial/investment services, and conservation scientists to assist with technical and project related concerns. There could also be intermittent need to contract professional facilitation services, particular to guide planning and decision-making meetings.

Once the legal and operational procedures are in place, it will be essential for the Working Group of the Steering Committee to work with member countries to define the scope of the proposed WIO-CC CTF. Essentially, defining the scope will establish the

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<sup>1</sup> A representative from the national CTF could also serve as the country representative to avoid duplication of effort. The final Working Group should simply ensure that at least one representative is included from each participating country.

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geographic and technical boundaries of the CTF – what kinds of projects or activities will be supported, by whom, and across which geographic areas?

The Working Group can first define the mission, purpose, and operational structure of the proposed trust fund. These decisions will guide the determination of the geographic and technical activities to be supported by the fund. However, all of these decisions could be made at the same initial meeting, if sufficient time and resources are allocated to support it.

The results from this meeting can be compiled in a draft report by the consultant hired to support the Working Group, with the document circulated among the working group members. Working group members should also agree to any findings and decisions reached in the meeting. The consultant can then work with representatives from the Working Group to create and action plan of action. The plan of action will then determine the steps to be taken to draft articles of incorporation and other legal concerns. With all the legal and admin structure in place, another meeting would take place approximately 3-4 months later to validate the proposed final structure for the CTF.

The existing mission and vision of the WIO-CC can help set the foundation for the scope of the CTF, although it will be important to refine this scope to determine the precise geographic, technical, social, and institutional parameters that will be included.

**Recommendations:** The next steps for the proposed WIO-CC CTF should be to identify and appoint a Project Manager or Coordinator to lead and maintain the continuity necessary to fully realize the expectations of the CTF. The Project Manager will be essential in the elaboration of the CTF mission and scope, and in the development of its Steering Committee. The role of the Project Manager can be initially fulfilled by a consulted contracted to work with the CTF Working Group. A sample terms of reference for this consultant is included in Annex 3. The creation of the WIO-CC CTF Working Group should result in the elaboration of the governance and legal structure for the CTF, and ultimately enable the CTF to seek initial operational funds. The Project Manager and Working Group should also produce a CTF design that is aimed at fostering collaboration among existing and emerging funds within the region. Ultimately, it should also develop a budget and proposal for the creation of the CTF that is realistic and specific to the identified mission and scope.

The proposed WIO-CC CTF will need an initial budget to cover at least the first year, and preferably first two years of operational costs. The initial budget should be calculated to provide the following:

- Salary for the coordinator/consultant (two years for the first phase)



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- Travel for country meetings and to meet donors
- Computer and supplies
- Consultant time (60 days over two years)
- Consultant Travel
- Steering Committee Meetings (4 per year)
- Contract legal advise as needed (legal assistance to create the charity would be required in either the UK or Netherlands).

An estimated budget for the first two years of the CTF operation could include the following:

<b>Cost Item</b>	<b>Year One (Euro)</b>	<b>Year Two (Euro)</b>
Coordinator Salary (part-time)	40000	40000
Travel for country meetings and to meet donors	6000	5000
Computer and supplies	2000	--
Supplemental Consultant time	20000	20000
Consultant Travel	5000	4000
Steering Committee Meetings (4 per year)	16000	16000
Contract legal adviser	10000	--
<b>Totals</b>	<b>99,000</b>	<b>85,000</b>

Some of the challenges that the new CTF will face include:

- *The need to create a Fund that responds to regional needs* - multi-country or regional funds face the complexity of satisfying diverse interests. It will be particularly

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challenging, but essential to gain agreement on the purpose of the CTF and what it will support.

- *The risk of competition between existing or emerging national or sub-national trust funds* – It will be essential for the proposed WIO-CC CTF to minimize or avoid this risk and ensure that its establishment ultimately leads to greater collaboration among funding institutions.
- *The limited experience of the national conservation funds in the region* - many of the national level funds with the exception of Madagascar and to some extent Mozambique are still very new and have not been capitalized sufficiently to provide financing that can provide an impact. And there is still limited financing to address coastal conservation challenges. The regional fund will need to work closely with these funds to develop strategies that will ensure that joint programs are well defined and include sufficient resources to achieve the defined objectives.

However, the creation of the WIO-CC CTF has some advantages that it can immediately rely on to advance the development process. These include:

- *The existence of national CTFs in the region* - the experience other countries have gained in creating and operating conservation funds throughout the region can inform decision-making as to the location and legal structure of a broader regional CTF.
- *Legal analyses exist* - legal assessments have already been carried out regarding the advantages and disadvantages of locating a Fund in one country or another. These assessments should provide useful information that can facilitate discussion regarding where to establish the Fund.
- *Existence of best practice guidance* - new CTF creation can benefit significantly from the experiences of existing CTF's. As mentioned in Section 4., the Conservation Finance Alliance has extensive information available on its website. The forthcoming CFA Practice Standards will provide a particularly important set of guidelines to the WIO-CC CTF that have not been available to earlier CTFs. It is strongly advised that the WIO-CC consider including a resource person from the CFA at the next meeting to specifically cover the following topics:
  - Lessons learned during the establishment and implementation process for other CTFs established in similar marine and coastal environments – what were the unanticipated obstacles and how were they resolved? What were the successes and how were they achieved?

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- An overview of the new Practice Standards and opportunities to incorporate these principles in the operations of the proposed WIO-CC CTF.

These advantages should serve the WIO-CC as it continues to advance its efforts towards the development of a CTF that can effectively fill the gaps needed to meet the coastal and marine challenges of the coming decades in the WIO region.

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## *1.0 Introduction*

The Western Indian Ocean Coastal Challenge (WIO-CC) is a governmental platform organized “to galvanize political, financial and technical commitments and actions at national and regional levels on climate change adaptation, promoting resilient ecosystems (marine and coastal resources), sustainable livelihoods and human security”. The purpose of the WIO-CC is to mobilize action within and among the Western Indian Ocean (WIO) countries that share the region’s vast and resource rich oceanic waters and coasts, and to bring participating nations together to carry out actions that can advance and strengthen coastal and marine conservation and livelihoods. The WIO-CC will also ensure that momentum is created to act on the wide range of regional and international agreements pertaining to coastal and marine conservation that have been signed by WIO nations in recent years.

The first Technical Meeting of the WIO-CC participating partners, supported by ISLANDS, was carried out March 13-15, 2012 in Victoria, Seychelles and initiated the dialogue necessary to build the technical support to develop and carry out the conservation challenge’s roadmap and action plan. This work consisted of outlining a 20-year vision for the challenge, including regional and country level goals, objectives and targets. The second Technical Meeting was carried out from August 22-27, 2012 and was attended by WIO-CC countries, representatives from the Nairobi Convention Secretariat, and other key partners. The meeting furthered the collaboration interests among international, regional, and national stakeholders and finalized the WIO-CC 20-year vision. The Third Technical Meeting was held July 15-16, 2013. Participants at the meeting included representatives from Comoros, Reunion, Kenya, Madagascar, Mauritius, Mozambique, and Zanzibar. Representatives from Tanzania were unable to attend the Third Technical Meeting, but remained committed as stakeholders in the WIO-CC. At the third meeting the WIO-CC confirmed the original vision of the association to serve as a strong and vocal partnership of Western Indian Ocean (WIO) Island and coastal countries and stakeholders working together to build and implement climate-resilient development options and strategies to achieve a balance between enhanced coastal livelihoods and economies and effective conservation of biodiversity, ultimately contributing to greater levels of social security among coastal communities.

This vision will be achieved through:

- Building strong political commitment and effective engagement of stakeholders;
- Setting-up sustainable financing mechanisms and technical support systems;

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- Strengthening SIDS-SIDS and South-South collaboration and broader experience sharing;
- Using science-based decision support and adequate knowledge management systems;
- Promoting integrated management and ecosystem-based approaches;
- Addressing information needs through focused research;
- Inclusion of education and awareness for children; and
- Empowering coastal communities in their resource stewardship and improving capacity at multiple levels.

The WIO-CC is now investigating the feasibility of establishing a conservation trust fund (CTF) to support the achievement of this vision, and to meet the financial needs for the planning and management of coastal and marine resources for WIO-CC participating countries. The proposed fund for the Western Indian Ocean (WIO-CC-CTF) is envisaged to be a mechanism used to provide the funds to cover immediate and recurrent costs for the environmental challenges facing the WIO-CC countries, with a particular focus on challenges facing the member countries from climate change and growing development pressures.

The WIO consortium was asked by the President of the WIO-CC to explore interest to work on the subject amongst its members. The process resulted in a request to the Wildlife Conservation Society (WCS) to apply its extensive experience in the development of conservation trust funds and similar financing mechanisms to guide the research, analysis, and stakeholder guided planning necessary to propose the conceptual framework for this proposed fund. In carrying out this request, the WCS team has consulted with key actors in the emerging WIO-CC, other WIO stakeholders, and practitioners working with similar CTFs worldwide to determine the most appropriate steps forward at this time in pursuit of an eventual WIO-CC-CTF. The results from these consultations have revealed the need for the WIO-CC partners to continue the process of defining and elaborating the key components of the proposed conservation trust before proceeding with the pursuit of funding. Specifically, there is a need to more precisely add clarity and definition to the following factors for the proposed fund:

- Mission and Scope of the proposed fund
- Governance structure

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- Legal structure
- Strategic Plan
- Gap Analysis
- Operating Plan
- Capital and resource mobilization plan

The following report explores each of these topics in greater depth and seeks to provide additional background that can be used by the WIO-CC members to advance the planning process. The report specifically seeks to inform the following topics:

- What are the risks and threats facing the WIO region that a CTF can be used to help support possible responses?
- What lessons can be learned from global experience with similar environmental funding mechanisms, and specifically from similar examples such as Micronesia, Coral Triangle and Caribbean initiatives?
- What should be the scope of a WIO-CC Trust Fund, and how will this scope help define the structure of Fund, its capitalization or funding levels required, and the activities and groups who may be eligible to receive funding?
- What kind of legal framework may be most appropriate to use the creation of a CTF?
- What specific tasks and processes remain for the WIO-CC to resolve before pursuing the development of a CTF?

The report follows a sequence designed to respond to each of these concerns, and is structured to provide the following information:

- A review of the methods used to carry out the work of the assessment;
- A summary of the risks, threats and opportunities for the long-term conservation of coastal and marine ecosystems in the WIO region, with particular emphasis on those factors most likely to be affected by a new CTF in the region;
- An analysis of the mission; scope; funding sources; legal and institutional framework; and technical and management support for selected existing or forthcoming CTFs in the WIO region and worldwide in order to identify lessons learned that can be used to frame the structure, purpose, and management of a possible WIO-CC-CTF;
- Recommendations for a follow-up action plan that can help to advance the development of a possible WIO-CC-CTF;

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- Supportive annexes including citations of technical documents on conservation finance and CTF development; an overview of additional strategic planning session activities that can be carried out to advance the CTF process; a list of individuals and institutions contacted; and a summary of the WCS team preparing this report.

This draft report is being circulated for review and comments to selected individuals guiding the work of the WIO-CC. Comments received from this review will be used to modify and strengthen the draft document and a final report will then be delivered within two weeks from the receipt of the comments. The final report will be delivered in digital format, with hard copies of the document also made available, if requested. If requested and determined to be necessary, a representative from the WCS team will also be available to meet with selected individuals from the WIO-CC to review the findings from the final report and provide guidance on possible next steps.

## ***2.0 Methodology***

The WIO-CC-CTF assessment relied on data gathered from three principal sources:

**2.1 Literature review** – The WCS consulting team reviewed existing reports, communications, and other technical documents and publications pertaining to themes deemed immediately relevant to the development of the proposed trust fund. Some of the specific topics covered in this review include the following:

- The history and development of the WIO-C, Islands Project, and WIO-CC as institutions and initiatives;
- Regional and country specific social, institutional, economic, and environmental characteristics;
- Important environmental risks, threats, and challenges facing the WIO-CC member countries, with a particular concern for the impacts from climate change; disruption or degradation of biological diversity and ecosystem services; and overall ecosystem resilience;
- Implications for local and regional economies, livelihoods and the quality of human lives, and human security
- Lessons learned from conservation finance initiatives proposed or implemented in the WIO region and similar social and environmental contexts worldwide.

A list of important reference documents used to prepare the analysis is included as an annex to this report.

**2.2 Consultations and Interviews** – The WCS contacted key individuals engaged in the development of the WIO-CC, and others with expertise in the development of

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potentially similar conservation finance mechanisms. Consultations were primarily carried out digitally through email correspondence and phone interviews. Some formal and informal face-to-face meetings were organized during a planning workshop held by WCS in Zanzibar, Tanzania, and others in association with the third meeting of the WIO-CC held in Seychelles July 15 and 16, 2013. All consultations and communications with regional actors were closely coordinated with the WIO-CC representatives supervising the work of this consultancy.

Particular importance was placed on soliciting input to elaborate the following concerns:

- Identification of the immediate technical, institutional, and financial needs to support the achievement of the stated WIO-CC mission, vision, principles and desired outcomes.
- Review of institutional needs and options for the administration and management of WIO-CC activities.
- Assessment of the social and environmental risks and threats facing the WIO-CC countries, and identification of opportunities and resources currently available to respond to these challenges.
- Lessons learned from the development of measures to mitigate or offset the impacts from climate change and ecosystem degradation in similar coastal and marine environments worldwide.
- Lessons learned from the development of other conservation finance mechanisms in the WIO region and similar environments worldwide.

**2.3 Strategic Planning** – A strategic planning session was carried out with participants attending the third meeting of the WIO-CC on July 16, 2013 in Victoria, Seychelles, and the results from this dialogue have been used to verify and strengthen findings revealed in the literature review and consultation process. The planning session was facilitated by a member of the WCS team and structured to create an impartial dialogue with key WIO-CC actors in order to solicit their ideas on the purpose, structure, administration, and use of the proposed conservation trust fund; to provide an opportunity for participants to articulate their understanding of the development strategy for the proposed fund; to permit the key actors to become fully engaged in the planning process; and, to ensure that participants felt their ideas and recommendations were being heard and incorporated. The meeting also represented one of the first opportunities for the various WIO-CC stakeholders to think comprehensively and in-depth about the purpose and objectives of the proposed CTF. The resulting discussions demonstrated that the process of building toward the establishment of a fund is still very much in the early, or formative, stages and will require significant investment of



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time to guide the fund creation process, particularly to refine the proposed mission and scope, governance structure, legal structure, operating plan, and capital and resource mobilization plan. Section 4 of this document provides a comparative analysis of how these topics have been developed by other similar CTFs regionally and worldwide. Section 5 provides an overview of how the WIO-CC may want to approach each topic to meet its specific targets.

The results from the work involving data collection, literature review, surveys, and interviews, have been used to analyze all options for the proposed trust fund and produce a draft report circulated to key WIO-CC stakeholders for review and comments.

### ***3.0 Conservation Risks, Challenges, and Opportunities Facing the WIO-CC Member Countries***

The WIO-CC member countries and the region as a whole face a wide range of social, economic, institutional, and ecological risks and threats. The marine and coastal ecosystems of these countries share common characteristics. Their respective coastal environments are under similar human pressures and are experiencing the effects of similar natural phenomena in the region, including climate change, the influence of marine currents at the south of the Equator and the impacts of monsoon winds or cyclones which particularly affect the island countries. Collaboration between institutions, information exchange and the sharing of experience and resource management tools will enhance regional cooperation and economic integration.

This section of the report examines each of these concerns and considers the potential magnitude and urgency of each threat. We also review some emerging conservation trends, opportunities, and actions that may help avoid, minimize, mitigate or offset one or more of these risks and threats.

**3.1 The Significance of the WIO Region** – The WIO region represents one of the most important marine areas on earth and the risks and threats to this area represent a significant global concern. The region covers about 40 degrees of latitude and includes a profound share of the earth’s biodiversity, particularly in its varied coastal and marine environments. There are at least 200 species of coral, 11 of mangrove, and 12 seagrass species, along with 1,500 species of fish, 3,000 species of mollusks, 450 species of crabs, 300 species of echinoderm, and five of the world’s seven marine turtle species. Overall species composition is extremely rich, with more than half of the region’s species found only in the Indo-Pacific region.

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Individual areas in the WIO region also represent important global biodiversity sites. For example, recent research shows that the northern Mozambique Channel has a significantly high diversity of coral. The total diversity of corals in the region may

## *Global Significance of WIO Coastal and Marine Ecosystems*

*More than 30 million people in the Western Indian Ocean (WIO) islands and East African coastal communities rely on the coastal environment for goods and services and as a source of livelihoods and income.*

*The economic value of ecosystem goods and services is estimated to be over US\$25 billion annually, with fisheries and tourism being the two main direct contributors to the economies of the countries in the region.*

*The ecosystem service value of coral reefs in the WIO region alone is estimated to be greater than US\$7 billion per year, while that of mangroves is closer to US\$9 billion.*

*Tourism is the largest source of income directly linked to the coastal and marine environment - the region attracts over 20 million tourists that inject US\$6 billion+ into economies annually.*

*Fisheries play an important role in WIO national economies providing from 5.0% to 99.1% of national agricultural exports as well as sources of employment, income and animal protein.*

*At sub-national level fisheries may be the most important activity in some areas, providing the main source of employment, income or tax revenue in a certain province or district.*

*Sustainable resource management contributes to food security*

approach 450 species, equivalent to the Great Barrier Reef and Andaman islands. This would make the northern Mozambique Channel home to the second most diverse coral populations on the planet.

The geology and oceanography of the Mozambique channel may also have played a key role in driving the evolutionary dynamics of the Western Indian Ocean, maintaining and accumulating species in the northern Mozambique channel in a biodiversity center second in absolute numbers to the Coral Triangle region, but with a unique evolutionary history and genetic diversity. Half of the breeding seabirds of the WIO breed in the Mozambique Channel, and it and the Madagascar Plateau are the two most productive of the five main foraging grounds for seabirds in the WIO. The region also remains as a prime wintering, feeding, and nursing ground for many cetacean species, and includes several globally important marine turtle nesting sites. The western Indian Ocean also sustains a very distinct fauna with up to 25 percent of the fish species being distinct from those found in the broader Indo-Pacific region.

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**3.2 Risks, Challenges and Opportunities in the WIO-CC Region** - The WIO region faces many growing resource management and environmental risks and challenges. However, each of these can also represent an opportunity for action, and serve as a focal point for the mission, scope and strategic plan for the proposed CTF. The following summary offers one orientation to the principal risks and challenges in an effort to help further the dialogue on the CTF mission, scope and plan.

Some of the principal overarching risks and challenges confronting the WIO region include the following:

- ***Climate Change*** - Climate change poses enormous risks to commercial and subsistence livelihoods in the WIO region on many fronts, ranging from shifts in species distributions and productivity, to changes in ocean chemistry that affect ecosystem health, and including the probability of more extreme weather events that could affect infrastructure and productive assets. For example, changes in coastal zone geomorphology could have drastic implications for a growing regional tourism base. Similarly, small-scale fishers can adapt to climate variability by shifting location, species caught, or levels of investment in fishing and competing options. However, these individual responses may not be sufficient to boost food security across the region. Ultimately, the implications from climate change may represent the single largest challenge facing the WIO region.
- ***Overexploitation of Fisheries and Marine-Based Food Sources*** – the majority of fishers in the Western Indian Ocean (WIO) region are small-scale operators working from shore. Development programs have generally not served small-scale fisheries well, and fishing communities have often been excluded from coastal planning and resource management projects. At the national and regional levels, fisheries are under pressure from increased harvesting rates, inequitable and poorly governed trading relations with external and global markets, and ever-greater pressures from competing uses. Market chains for many species are not well characterized, and trade policy and the costs of adapting to climate change have not been thoroughly evaluated. Management measures to maintain fish stock and environments are often weak, and undermine the ability to construct climate-resilient fisheries systems. Better integration of small-scale fisheries into development processes, climate change adaptation investments, fisheries and coastal governance and knowledge systems can all help to improve the living and working conditions of fishers, and reduce their vulnerability to economic hardship. It will be particularly important to reduce destructive fishing practices, and apply greater attention to marine turtle and turtle egg poaching.

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- ***Coastal and Marine Habitat Degradation*** – The sands and sediments that provide the substrate for almost all beach, lagoon and offshore ecosystems are biogenic and arise from the carbonate skeletal remains of former calcareous marine organisms. Although it is typical for beaches to be lost to storms and high wave events, they also typically are renewed over short time periods. However, their recovery is being slowed or failing entirely in some locations in the WIO region. In part, this may be due to the impacts from a changing climate. A more significant impact, though, could be the decline in the diversity and abundance of the marine organisms that produce biogenic sands. This decline could pose significant threats to many species dependent on these environments and on the pollution filtration and related ecosystem services they provide. In a similar manner, well-intentioned new developments in coastal areas, particularly to support a growing tourism industry, have brought unintentional adverse effects. For example, coastal developments have occasionally resulted into local destruction of mangroves, and this, in turn, has resulted in significant increases in coastal erosion and weakened resilience against storms.
- ***Marine Pollution*** – All mainland and island nations participating in the WIO-CC face risks from rapidly expanding oil and gas developments. As many as eighteen companies appear to be exploring potential coastal areas in Kenya, Tanzania, and Mozambique, including British Gas Group, Statoil, Royal Dutch Shell, Anadarko, Petrobras, Ophir, Origin Oil, Total, BP and Aminex (All Africa, 2012). With only 500 oil wells drilled so far (compared to West and North Africa's 35,000), the estimated volume of the gas reserves alone are 100 trillion cubic feet. Petroleum reserves are estimated at 600,000 barrels a day. The expanding development of this industry poses significant risk to marine and coastal environments from noise, air and water contamination from infrastructure development, and spills, among other concerns. Other issues and challenges that could increase pollution threats in the WIO region include soil erosion; coastal mining; and hazardous waste dumping. Each of these threats is increasing in scope as coastal economies expand and become more important in each WIO-CC country. Some of the main concerns and challenges raised by these threats are: (1) the financing of the necessary infrastructure to minimize or mitigate these threats (e.g. wastewater treatment) is very limited; (2) existing policies do not readily account for the land- ocean connection and thus do not include measures to respond to these threats; (3) multiple agencies are generally responsible for the diverse, but integrated threats; (4) existing scientific knowledge on the interaction of climate change and pollutants is at a very early stage; (6) many new and untested pollutants are increasingly introduced and

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accumulating in these environments (micro- plastics, endocrine disrupters etc.); (7) there is still very limited understanding of the impacts on marine mammals from the various industrial activities, including seismic testing; (8) overall planning for the region is poor, especially for spill response that could affect sensitive and productive areas, and comprehensive measures will be needed to mitigate the worst effects of a spill or other man-made disaster; and (9) a lack of effective coordination among countries and companies.

- ***Limited Management Capacity*** – Each WIO-CC member country suffers from a limited number of technical, planning, and legal professionals available to guide economic and ecological decisions that can strengthen sustainability in the region. Advanced education and training opportunities to support enhanced coastal and marine resource conservation are very limited, and island countries have to ensure a demographic equilibrium across age groups, cope with the ‘brain drain’ that limits local human capacity, and maintain island heritage and cultural unity across the diaspora.

Most of these challenges have overlapping causes, and all of them produce synergistic impacts. Thus the potential cumulative impacts from the five challenges mentioned above could place severe stresses on the ecological resilience of the WIO region unless appropriate actions are taken in advance to avoid, minimize, mitigate, or offset impacts. Missing are initiatives at both the national and regional levels that take an inclusive and comprehensive approach to maritime cooperation. It will be essential to develop initiatives that can work with the difficult tradeoffs between short-term economic interests and the long-term stability and viability of the Indian Ocean as a natural resource for littoral states and communities.

However, these risks and challenges can also represent important opportunities for change. For example, the presence of the oil and gas industries may also represent an important potential source of revenue for the proposed WIO-CC CTF, if corporations find it in their interest to partner on risk management and mitigation strategies, or if collective decision-making at a WIO-CC level can establish minimum standards for industry environmental performance and management. These opportunities, in turn, may represent important focal points that the WIO-CC can use to develop the mission and scope of its proposed CTF. However, it will be important for the WIO-CC to ensure that it supports initiatives that are focused, but well coordinated with other national and regional actors through information sharing and collaborative actions.

### **3.3 Applying the Risks, Threats, and Opportunities to Advance the WIO-CC Process**

The outcomes from the third technical meeting of the WIO-CC, in combination with formal and informal consultations carried out at the Third International Conference on

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Small Island Developing States (SIDS) AIMS Regional Meeting held in Mahe, Seychelles July 17-19, 2013, provided an important framework from which the WIO-CC can respond to these risks, threats, and opportunities.

A central focus of both meetings was on the inordinate importance of oceans to islands, and the need to explore opportunities for a transition to a blue- green economy, rather than just a “green” economy. SIDS have not fully explored opportunities for transitioning to an ocean-based blue-green economy. This is particularly important considering that many island countries are approaching the limit of land and near shore marine carrying capacity and have few other viable alternatives. The proposed WIO-CC CTF represents one opportunity that could contribute to this transition to an ocean-based blue-green economy. The CTF can increase the presently limited human and financial resources, and access appropriate marine technologies that are adapted to local conditions. It can also contribute to improved ocean governance and strengthen cooperation with other SIDS and other developing countries. Including a commitment to facilitate technology transfer; undertake appropriate capacity development nationally and regionally; and build financial support for blue economy initiatives can be important strategies to begin this transition.

## ***4.0 Lessons Learned from Related Conservation Finance Mechanisms in the WIO Region and Worldwide***

The following section of the report provides an overview of various sources of information that can be used to further advance the WIO-CC CTF mission, vision, and strategy. The initial section provides a concise overview of the purpose, legal, and operational characteristics of most CTFs. The next section introduces the Conservation Finance Alliance, and provides an introduction to a network of practitioners dedicated to strengthening CTFs worldwide. This summary is followed by an overview of existing or forthcoming CTFs in the WIO region, or worldwide, with a specific review of the mission, scope, funding source, and legal and institutional framework, technical and management support, and lessons learned from each fund. These materials represent an important pool from which the WIO-CC can find valuable lessons to build a resilient and enduring CTF.

**4.1 Conservation Trust Funds.** CTFs are non-governmental grant-making institutions whose primary aim is to raise, invest, and re-grant financial resources for biodiversity conservation, protected area management and related sustainable development purposes. Some secondary functions of CTFS may include building the capacity of local NGO and civil society conservation organizations, and improving coordination between donor programs and national or regional conservation plans and strategies (Conservation Finance Alliance 2008). Various legal forms have been used to establish

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CTFs, including as “foundations” in civil law jurisdictions and “trusts” in common law countries. Most CTFs have been established in the countries in which they operate. However, some are based outside of the participating countries in order to maximize taxation benefits or to minimize risks to security of capital in circumstances of political instability. A few CTFs have been established by special legislation, which allows for the creation of an in-country CTF despite the absence of a satisfactory legal framework supporting public interests trusts or foundations (Conservation Finance Alliance 2008).

CTFs are a form of public-private partnership, representing the coming together of government and non-government interests with regard to biodiversity conservation and related sustainable development issues. Governments are important partners, but CTF governing boards typically draw more than half of their members from civil society and the private sector. Most beneficiaries are non-governmental or community based-organizations.

The structure of most funds varies, and CTFs normally do not adhere to one model or operational form, but are hybrids. Most funds operate as one of the following:

**Endowment Fund** - The CTF manages a large capital fund (often provided by a donor or via a grant or debt swap). The capital is invested in perpetuity with a goal of preserving or even increasing the capital, while only the resulting investment income is used to finance grants and activities.

**Sinking Fund** - CTFs can also receive large grants of capital but with a stipulation that the money provided must be spent over a specific time frame. As such, the entire principal and investment income is disbursed over a fairly long period (typically ten to 20 years) until it is completely spent and thus sinks to zero. The sinking fund money is normally provided in a lump sum and is invested so that the amount of money available over the term of the sinking fund is greater than the original amount provided. Annual payment amounts reflect the changes in value.

**Revolving Fund** - In this case the CTF does not have a long-term fund to manage but manages annual payments that then are directed to conservation. Sources of funds include income from taxes, fees, fines, or Payments for Ecosystem Services (PES), that are specially earmarked for specific conservation actions. These funds regularly go into the CTF account to be used for designated purposes.

Most CTFs do not operate as one fund or another but incorporate two or three of the above-mentioned fund types as a way to diversify their sources of funding and take advantage of emerging opportunities.

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The programs that the CTFs implement can vary depending on their purposes and mission. Most of the CTFs in existence are **Grants Fund** where resources are channeled to target groups (typically NGOs and CBOs) for a broad range of conservation and sustainable development projects, not limited to PAs. Some CTFs also manage a **Loan or Revolving Fund** to provide funds to different groups that will require some or full repayment, including some level of interest payments.

Funds also can be characterized according to their mission. Some example include:

- **Green Fund** - Primarily finances activities related to biodiversity conservation.
- **Brown Fund** - Finances activities such as pollution control and waste treatment. Many brown funds allocate five to ten percent of their grants for biodiversity conservation and PAs. Pollution charges or fines finance most brown funds.
- **Parks Fund** - Finances exclusively the management costs (and sometimes also the establishment costs) of specific PAs, or of a country's entire PA system. PA management costs can also include financing for alternative livelihoods or sustainable development activities in PA buffer zone communities.

## 4.2 Conservation Finance Alliance

The Conservation Finance Alliance (CFA) is a unique collaborative network of institutions dedicated to furthering the quality, performance and innovation of the global conservation finance community. The CFA was established in February 2002 to help address the challenges caused by the lack of financing for biodiversity conservation. To accomplish this effort, the CFA has been promoting collaboration among active organizations (NGOS, donors, private institutions) in the area of conservation finance and developing tools to optimize local capacity worldwide.

One of the key tools developed by the CFA relates to the design and management of conservation trust funds. The CFA website provides broad access to legal documents, operations manuals, program plans and communications' materials in an effort to guide the creation and start-up of new CTFs and promote best practice (<http://conservationfinance.org/>). Moreover the site hopes to guide CTFs in the identification of reliable funding streams to meet conservation objectives. One specific feature on the website is an environmental funds tool-kit that provides experiences from various contributing conservation trust funds (CTFs) (<http://toolkit.conservationfinance.org/>).

By the end of 2013 the CFA will have available a complete set of guidance materials for CTFs tentatively to be called "Practice Standards for Conservation Trust Funds". These



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Standards have been designed to guide best practice in the creation of CTFs and are based on the lessons learned from many years of CTF operations worldwide, and numerous research studies carried out to assess the role, function, and outcomes from operational CTFs.

Initial creation of conservation trust funds occurred in the early 1990's. A variety of funds are now celebrating two decades of operations. The Global Environment Facility (GEF) was one of organizations that took an early interest in providing capital for CTFs and is still active in providing funding to establish and support Funds around the world. Those early experiences led the GEF to prepare a review of CTFs in 1998. That study identified essential factors for effective fund start-up, including the following:

- Effective responses to the biodiversity conservation issues included within a CTF scope typically requires a financial commitment of at least 10-15 years;
- Active government support is usually needed in order to create a public-private sector partnership by setting up an independent foundation outside direct government control;
- Successful operations of a CTF can be best achieved through a critical mass of people from diverse sectors of society working together to achieve very specific biodiversity conservation and sustainable development objectives; and
- Each CTF requires a clearly defined set of legal and financial practices and supporting institutions (e.g. banking, auditing and contracting) in which all stakeholders express strong confidence.

Each successful fund, and there are now more than 60 operating around the world, meets the majority of these standards. Most are contributing to meet long-term conservation objectives; they are designed to operate independently of government but in support of government biodiversity objectives; and they have found effective ways to engage a broad group of stakeholders and create the institutional mechanisms necessary to operate successfully. In some countries such institutional arrangements are more straightforward than in others, and in several instances CTFs have had to explore innovative options to resolve potential conflicts. In some cases, governments have resisted efforts to create a more independent CTF in an effort to retain control of the resources. However, those funds created and operated as government funds have faced on-going problems in raising sufficient financial resources due to donor and private sector concerns over transparency and accountability. The high-profile government funds established in the 1990's struggled and most of those no longer exist.

The CFA tool-kit also identifies some key elements that should inform the creation of any fund. The first important step is to *define the purpose or objective* of the proposed

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Conservation Trust Fund. Generally the purpose should be as specific as possible. Some funds support the management and protection of specific protected areas, while others concentrate on the promotion of biodiversity conservation outside protected areas through community investments and incentives. Defining the purpose of the fund permits a clear delineation of potential sources of funding based on donor priorities. It also helps to determine the targeted amount of funding required to meet the established objectives of the fund. Finally, a very clear and specific purpose or objective statement allows potential donors and beneficiaries to understand why the environmental fund is needed right now, and the risks and concerns that will surface if the fund is not established.

Experience with funds worldwide also confirms that strong leadership is also an important element of the Fund design process. Leadership usually emerges through the establishment of *a steering committee* that guides the process of creating the fund. Prior WCS experience establishing funds suggests that a key person within government, civil society, or the appointed trust fund management, and working in combination with an interested donor, are essential elements for launching the fund creation process. However, even without an identified donor, the steering committee can begin to move the process forward, building into the fund development process the donor outreach needed to begin to identify sources of short, medium, and long-term funding.

Of course, initial donor financing can be important to facilitate the fund development process. For example, initial support for a consultant to work as an independent third party with key stakeholders can help organize and refine the mission, scope, structure, and overall strategy for a proposed fund. This initial work can also support the creation of a steering committee that can then take on the responsibilities to support and nurture the CTF creation process, including important guidance in the legal and institutional process. Some members of the steering committee will typically transition to serve as members of the inaugural Board of Trustees of the newly established CTF to provide continuity, consistency, and institutional memory. It is important to keep in mind that these initial steps to establish a new CTF can take at least two years and normally requires a longer time for the Fund to get established and become operational.

### **4.3 A Review of Similar CTFs in the WIO Region**

Several other conservation finance mechanisms have been proposed or are operational in the WIO region, along with others in various stages of development in similar social, economic and ecological contexts worldwide. Each of these brings important lessons learned that can guide the decision-making and development of a proposed CTF for the WIO-CC. The follow section provides an overview of four CTFs – two that are now

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operational (Mozambique and Madagascar) and two that are in various stages of development (Seychelles and Tanzania). Each review looks at the following characteristics of the CTF:

- Mission – a very concise description of the overarching purpose of the CTF and long-term goals to be achieved.
- Scope – a delineation of the specific categories to be used to determine financial allocations
- Funding Sources – a summary of some of the key institutions providing financial support for the establishment and operation of the CTF
- Legal and Institutional Framework – a review of the procedures used to establish and administer the CTF
- Technical and Management Support – an overview of important decisions made to ensure the effective implementation and operation of the CTF.
- Principal Lessons Learned – a summary of some of the core lessons gleaned that can provide important guidance as the WIO-CC advances its CTF strategy.

## 4.3.1 Mozambique BioFund

### **Mission:**

The BioFund was created to support the conservation of aquatic and terrestrial biodiversity and the sustainable use of natural resources in Mozambique, including the consolidation of the national system of conservation areas. The foundation may also contribute to financing conservation activities outside of conservation areas, based on priorities defined and identified in its Strategic Plan.

### **Scope:**

The BioFund has determined that activities responding to specific needs, risks, threats or issues pertaining to the following categories will be supported:

- a. Conservation and sustainable management of natural resources and aquatic and terrestrial biodiversity;
- b. Management and development of conservation areas, including investment in infrastructure;
- c. Community development in harmony with conservation objectives;
- d. Research on biodiversity and ecological monitoring;
- e. Training for staff of the national system of conservation areas, as well as other

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- relevant sectors;
- f. Promotion of tourism and other activities for the benefit of conservation; and
  - g. Education and raising awareness of conservation and the value of conservation areas.

## **Funding Source(s):**

The BioFund was created in 2010 and set an initial objective of raising \$100 million in endowment capital to meet the goal of covering 25-30% of the core operating costs of the Protected Area network in Mozambique, based on a 5% rate of return.. However, at this time the BioFund is still in the process of consolidating its capital growth. The French Government provided a total of 4 million euros to the BioFund through its Debt Reduction-Development Contracts (C2Ds), a mechanism that aims to alleviate debt that has been contracted by a developing country within the framework of Official Development Assistance (ODA). Additional financing came from the Global Environment Facility (GEF) (\$1.1 million) and the Global Conservation Fund (\$1 million). BioFund is also seeking support from other donors such as KfW in Germany.

## **Legal and Institutional Framework:**

There is no specific legislation pertaining to the establishment or operation of foundations in Mozambique. However, foundations are regulated by the general provisions of Civil Code, in particular Articles 157 to 166, and Articles 185 to 194 as amended in 2006. The legal team working on the development of the Bio Fund determined that it was indeed possible to create the CTF under the existing Mozambican regulations. As a result, BioFund was recognized as a foundation under the Laws of Mozambique on August 9, 2011 (see Resolution of Council of Ministers N°69/2011 published on December 29, 2011) and granted Public Benefit Status on March 13, 2012.

The founders of the BioFund originally gave serious consideration to the establishment of the CTF in an overseas (non-Mozambique) location, with a legal office based in Maputo. However, once it became apparent that no constraints existed in terms of legal status, flow of resources, and taxation, the decision to establish the Fund in Mozambique became very feasible, and preferable.

## **Technical and Management Support:**

BioFund received technical support from WWF throughout the planning and establishment process. Specifically, support staff from WWF worked with government representatives and other stakeholders to develop a Founders Committee based on specific criteria and terms of reference. The Founders Committee was created in May

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2009 with a purpose to guide the development and establishment of a conservation areas trust fund (foundation), including mobilizing resources, developing legal and operational instruments and identifying initial members of the first Members Assembly. The Founders Committee continued to meet and guide the development of the BioFund until the new foundation's Board of Directors became operational.

The Founders Committee originally began with eight members, but its membership was later expanded in February 2010 to twelve members, including three institutional representatives from the Ministry of Tourism (MITUR), the Ministry of Environment (MICOA), and WWF, and eight individuals from various sectors of the government, conservation community, and the private sector. Donors were represented on the Founders Committee by an observer position occupied by UNDP. Mozambican President Guebuza agreed to serve as Patron of the new foundation.

A Board of Directors is now in place to direct the operation of the BioFund, and a Mozambican Director has been hired to manage the Fund. However, an independent consultant has been retained to provide on-going technical assistance in management and planning.

## **Principal Lessons Learned:**

Several important lessons can be derived from the experiences of the BioFund:

1. The BioFund explored a variety of options and sought multiple opinions to determine the most viable strategies for the legal and administration of the CTF. The Founders Committee elected to create a local foundation once they learned that (a) opening a foreign investment account would not constrain the disbursement and administration of finances, and (b) there would be no withholding tax on services provided by a non-resident investment manager if its fee is deducted from the investment income sent to Mozambique.
2. Another important lesson resulted from the legal work carried out to identify the best locations for the establishment of an offshore fund. A thorough review carried out by a team of lawyers indicated that the establishment of an external account in the Netherlands or the UK could provide a valuable complement to the in-country account, with little difference seen between the legal and administrative requirements from each country. A UK company limited by guarantee and a Dutch foundation (a stichting) would have similar requirements for incorporation. Both the UK and the Netherlands would require a registered office in that jurisdiction and both require annual accounts to be filed (as further described in each relevant "checklist"). The only difference observed between the UK and the Netherlands is that it would not be necessary to

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register the Dutch foundation as a charity, thus saving considerable administrative time, registration costs, and on-going reporting obligations. The Netherlands may offer a faster and less expensive solution to establish a CTF while the UK from a non-legal/tax standpoint, offers good and diversified investment opportunities that may constitute a strong argument for creation of a Fund there.

In the UK there exists the possibility (as described in the UK checklist) that the company incorporated as the foreign foundation may be rejected as a charity by the Charity Commission should the commission decide, in its discretion, that its charitable aims do not have sufficient link to the UK. However, there are conservation trust funds in Africa with similar objectives that have successfully obtained charity status in the UK, thus suggesting that rejection by the Charity Commission would be unlikely.

3. The BioFund has begun providing grant funds through a sinking fund established under its GEF project. This has provided the BioFund with important local credibility and enabled it to enact the administrative structures essential to solicit and receive additional funding. This has also allowed the BioFund to demonstrate its conservation role to local stakeholders while simultaneously awaiting capitalization.

## 4.3.2 Madagascar Biodiversity Trust Fund

**Mission:** To contribute to sustainable human development through biodiversity conservation.

**Scope:** The Madagascar Biodiversity Fund is focused primarily on the financing of protected areas and the protected area network in the country. With a national effort underway aiming to triple the total area of terrestrial and marine ecosystems managed for biodiversity conservation, the need for sustainable financing mechanisms to support these protected areas is urgent. Currently, the Foundation supports 1.7 million hectares of protected areas spread over 15 sites, which cumulatively cover 33% of Madagascar's Protected Areas System. The Fund also finances livelihood activities related to the conservation of natural places. Specific activities supported by the Fund include:

- Conservation and sustainable management of protected areas;
- Research on biodiversity and ecological monitoring of protected areas;
- Promotion of ecotourism in protected areas; and
- Education and building awareness with respect to conservation and valorization of protected areas.

**Funding Source(s):** When the Fund was started in 2005 the Steering Committee set a capitalization goal of \$50 million. This figure was reached in 2012. The \$50 million fund

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is now invested in an offshore account with an asset manager. There have been four principal donors to the Madagascar Fund. The largest donor has been the French Development Agency (AFD). Representatives from AFD have worked with the Fund and the Government to engineer a 13 million euro debt cancellation program (C2D). AFD also provides an additional 2 million euro while the French Fund for the World Environment (FFEM) has contributed 1 million euros, for a total of 16 million euros. The second largest donor has been the Global Environment Facility (GEF) that provided 10 million U.S. dollars (USD). The World Bank has provided an additional 7.5 million USD. The German Reconstruction Credit Institute (KfW) has contributed a total of 4.5 million euro. Cumulatively, the total from these five donors amounts to more than \$42 million USD, with other sources providing smaller contributions.

**Legal and Institutional Framework:** The establishment of the Madagascar Biodiversity Fund required the enactment of a new foundation law as well as the registration of the Foundation as a public benefit foundation. The law was specifically developed to ensure the creation of private, charitable funding organizations that would not suffer taxation penalties for money brought into the country to implement activities related to its charitable purpose.

The governing bodies of the Foundation include the Board and several committees. The Foundation's statutes call for nine board members that represent the public and private sectors and civil society. These members serve a term of four years. Thereafter, one-third of the Board of Directors will be replaced every two years under the conditions established by the By-laws.

The By-laws require that at least three Board members are women and that all major regions in the country are represented. In addition the Board can include non-Malagasy citizens and residents. The Board's Executive Committee includes the President, Vice-President and Treasurer. The special committees oversee investment, financing and prioritization of funding allocation.

## **Technical and Management Support**

The Executive Director oversees the programs, operations and administration of the Foundation and is appointed by the Board of Trustees. The Fund includes a variety of program and monitoring staff to manage and oversee the funding. The Madagascar Biodiversity Fund works closely with Madagascar National Parks and with organizations that are designated by the Parks' Authority to manage specific protected areas.

A Strategic Plan approved by the Board as well as the Operations Manual defining the rules and detailed procedures of the Foundation guides the operations of the

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Madagascar Foundation. The Foundation began providing funding in 2010, and in addition to managing the financial resources from its endowment it will begin exploring money that results from the sale of carbon credits and from payments made by companies to offset their impacts on biodiversity.

## **Principal Lessons Learned**

Since its inception in 2005 a number of important lessons have emerged from the Madagascar Biodiversity Fund, including the following:

1. Strong and committed leadership was an essential ingredient for the creation and launching of the Fund. The organizing committee included people with both national and international expertise and influence. The strengths of the individuals comprising this committee allowed the fund to mobilize resources relatively quickly and consistently, and ensured its ongoing success.
2. The Fund developed a clear set of objectives focused on sustainable financing of protected areas. There was a clear convergence between the Fund's objectives and the priorities of donors and the government.
3. The organizational committee applied innovative and creative strategies to solve planning and technical challenges. For example, the committee helped establish a new law in Madagascar to facilitate the establishment of the fund, rather than establishing it offshore. They also prepared clear terms of reference to obtain appropriate technical assistance from a wide variety of NGO, civil society, and private sector groups operating in Madagascar.

The Madagascar experience with CTFs provides other important lessons. For example, the Madagascar Biodiversity Fund is not the only CTF in the country. Tany Meva, is a CTF that was founded in 1996 and capitalized by USAID with local currency funds. Today Tany Meva manages an endowment capital of US\$ 15 million and a portfolio of projects that is focused on the environment and sustainability but with an emphasis on livelihoods and incentives for people to conserve their natural capital. Tany Meva and the Madagascar Biodiversity Fund have the potential to compliment each other's programs and develop synergistic responses to conservation threats. This is beginning to happen and greater collaboration between these CTFs is expected in the future.

### **4.3.3 Seychelles Debt for Adaptation Fund**

The Government of Seychelles (GoS) is interested in setting up a special purpose trust to fund and help strengthen urgently needed local efforts to finance adaptation to climate change in marine ecosystems activities. The initial target is to procure upwards of US\$22 million to capitalize this special purpose trust. As such, the GoS is approaching its bilateral and commercial creditors to explore the viability of entering into debt



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conversion schemes, or debt swaps, to begin helping fund the special purpose trust fund. The full Mission, Scope, Legal and Institutional Framework, and Technical and Management Support have not yet been fully elaborated for the proposed Debt for Adaptation Fund (DFAF). However, sufficient advances have been made to outline the purpose, proposed financial strategy, and desired outcomes.

In keeping with the pledge the Government of the Seychelles made at the High Level “Leaders Valuing Nature” Event during the recent United Nations Sustainable Development Conference, in Rio de Janeiro, Brazil, through this exchange, the GoS agreed to place 30% of their Exclusive Economic Zone (EEZ) (approximately 400,000 square kilometers) within marine protected areas (MPA) by 2015, with 15% of their EEZ as “no-take” areas (approx. 200,000 square kilometers). Currently, just 1% of Seychelles’ EEZ is protected within MPAs. The Nature Conservancy (TNC) is willing and able to work with key stakeholders in the design of this expanded MPA system. Furthermore, the GoS agreed to revise and/or create Coastal Zone Management, Fisheries, and Marine policies, strengthening them to address adaptation to climate change threats and needs.

The scope of the project is expected to include the following themes:

1. Expand and secure marine protected areas and replenishment no-take zones, minimum of 30% (400,000 sq km) and 15% (200,000 sq km) respectively
2. Coral and mangrove restoration projects
3. Develop and/or reform fisheries, coastal zone management, and marine policies
4. Provide alternative livelihoods for affected users
5. Social resiliency to climate change in coastal communities
6. Develop Comprehensive Disaster Risk Reduction Strategy

As presently envisioned, a special trust vehicle, the Seychelles Conservation & Climate Adaptation Trust (SCCAT) will be supported by TNC and the GoS, and capitalized with US\$20.43 million in loans and US\$17 million in grants. The SCCAT will: 1) seek bi-lateral swaps on 100% of the concessional, and the first 20% of the non-concessional debt owed by the GoS to the Paris Club; and 2) purchase the remaining portion of the GoS’s bi-lateral (both concessional and non-concessional) Paris Club debt at its Net Present Value (estimated at 75 cents on the dollar). The combination of these swaps will facilitate the long-term funding of the special purpose trust.

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In return for SCCAT and the Paris Club creditors forgiving this debt and/or agreeing to bi-lateral swaps on a portion of it, the GoS will issue two new promissory notes:

1. The first promissory note of US\$15 million will be payable to SCCAT over ten years at an interest rate of 5% to repay the impact investors.
2. The second promissory note of US\$39.7 million – with approximately two thirds of the note payable in equivalent local currency to fund and endow for future project activities on the ground - will also be payable to the SCCAT over twenty years at an interest rate of 4%, which will administer the proceeds of this note.

Through these swaps, the GoS will receive immediate debt relief of up to US\$23.44 million (equivalent to 2.34% of GDP) while much needed resources estimated at approximately US\$2.52 million per year over the life of the note to be made available to support projects that facilitate adaptations to climate change in marine ecosystems. These activities may include initiatives such as:

- Expanding and improving management of marine protected areas and replenishment no-take zones (as outlined above)
- Develop and/or improve coastal zone management, fisheries, and marine policy and regulatory protection regimes
- Coral and mangrove restoration projects
- Provide alternative livelihoods for affected users
- Improve social resiliency to climate change
- Develop a comprehensive Disaster Risk Reduction strategy for the Seychelles marine coastal system

The remaining principal and interest payments (approximately US\$1 million) will be used to capitalize an adaptation to climate change endowment with proceeds to be managed by Seychelles' Conservation and Climate Trust Fund, with an approximate value of US\$45 million (based on at 7% per annum return) by 2033.

Through this exchange, the GoS will receive debt relief and provide sustainable funding for adaptation to climate change in marine ecosystems. This debt swap will ensure that Seychelles can begin to fund these activities now, and the endowment will help fund such activities in the future (when the payment stream from the new promissory note concludes).

Some forthcoming steps and tasks for the fund include the following:

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1. Finalize Term Sheet (conservation commitments and deal structure) with GoS: (in process September 2013)
2. Preparation of a cabinet brief to approve Trust Legislation and Term Sheet
3. Implementation of the Oceans Five Grant:
  - Design Expanded MPA
  - Create and make operational SSCAT
  - Finish raising necessary capital (grant and impact loans)
4. Make the initial offer to creditors at Paris Club
5. Develop and finalize necessary legal agreements to establish the fund
6. Prepare a final implementation plan.

Tentative plans are for the fund to be operational within 12-24 months.

#### 4.3.4. Tanzania and Zanzibar Marine Legacy Funds

The Marine Legacy Fund (TZMLF) is mentioned here even though it remains in the conceptual stage. According to the feasibility study completed in 2012, the Marine Legacy Funds for Tanzania and Zanzibar (MLFs) will be designed to achieve the mission of providing *“stable long-term financing for marine and coastal conservation and sustainable resource management in Tanzania Mainland and Zanzibar.”*

The TZMLF has been conceived as an independent, government-supported marine and coastal CTF for Tanzania and Zanzibar. The feasibility study proposed the creation of two independent, but partnered CTFs – one for mainland Tanzania and another for Zanzibar - with each Fund sharing the proposed mission. Long-term success will be defined by the maintenance of an economically, socially, and biologically valuable and diverse marine and coastal environment

The Fund is designed to be a hybrid endowment and revolving fund, with the endowment providing the stability of long-term funding to meet conservation objectives, and the revolving fund designed to receive annual revenue from a range of sources including MPA entry fees, tourism and other sources. The feasibility study set an endowment goal of between \$30-50 million for each of the Funds.

The feasibility study also identified a geographic focus that includes: 1) the mangroves, beaches, islands, lagoons and reefs of coastal mainland Tanzania and Zanzibar; 2) territorial waters; and 3) the Exclusive Economic Zone (EEZ).

The proposed thematic focal points include the following:

**Maintaining Marine and Coastal Biodiversity** – this will include biodiversity located in mangroves, coastal forest, estuarine, near shore, territorial waters and

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deep sea environments. Potential projects could include reinforcing Marine Managed Area (MMA) effectiveness; new or expanded marine protected areas (MPAs); supporting increased enforcement; community managed protected areas; and, the establishment of no-take zones, targeted research, among other priorities.

**Develop and Maintain Sustainable Fisheries** – this work will concentrate on near term targets to (a) achieve the sustainable production and equitable use of marine and coastal fisheries through community-supported and scientifically based MMAs; (b) reduce fishing practices that diminish sustainability and undermine habitats critical for long-term sustainability; and (c) develop the capacity to sustainably fish in territorial waters beyond the near shore.

**Promote Sustainable Coastal Livelihoods** – projects will enable the capacity of coastal communities to improve their stewardship of the natural resources upon which they depend. Near-term targets could include: (a) support to establish and improve the capacity of community based organizations; (b) establishment of robust village savings and loan mechanisms to support livelihoods that reduce pressures on marine ecosystems, including the elimination of destructive and promotion of sustainable fishing gear; and (c) piloting and implementing projects to develop economic activities complementary to fishing, including aquaculture, animal husbandry, and development of small-scale enterprise skills needed to support these alternatives.

**Environmental Education, Awareness, Research, and Capacity Building** – projects will target a full range of stakeholders including children, resource users, and government officials, using appropriate messaging and information technology. Research will focus on providing information that can improve the adaptive capacity and management of natural resources and alternative livelihoods.

**Lessons Learned** – A key lesson from the TZMLF is that the gestation period for the planning, legal and institutional establishment, funding, and operation of CTFs of this nature commonly requires many years of dedicated effort. Experience with the TZMLF shows that the establishment of CTFs can take anywhere from 2-5 years. The ongoing work to advance the TZMLF can therefore serve as a valuable model as the development of the WIO-CC CTF project moves forward.

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## 4.4 A Review of Similar CTFs Worldwide

### 4.4.1 Tri-National Sangha Fund (FTNS) – Republic of Congo-Cameroon-Democratic Republic of Congo

**Mission:** The objective proposed for the TNS Fund is to contribute to the *specific priority financial needs to manage three parks and respond to transboundary conservation issues in the three countries*, both in terms of conservation and in terms of sustainable management of natural resources in the peripheral zones.

This mission includes measures to promote the conservation of the physical, natural and social environment and to advance education and science in particular (but without limitation) by:

- (a) Conserving the natural environment and biodiversity of three cross-border forested parks:
- Lobeke National Park, in Cameroon,
  - Dzangha-Ndoki National Park, in the Central African Republic, and
  - Nouabale-Ndoki National Park, in the Republic of Congo

Also included are the peripheral zone surrounding each of these parks, which in the case of the Central African Republic also includes the Dzanga Sangha Dense Forest Special Reserve within the framework of the policies and strategies defined by the management structures of the TNS; and

- (b) Promoting the environmentally sustainable management of natural resources and eco-development in the TNS and the peripheral zones whereas “environmentally sustainable” means management and development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

**Scope:** The Fund is established to provide financing to meet the conservation needs of the specific geographic region that covers three countries and includes a transboundary component. Funding can be provided for the following activities:

- Protection / management of the parks and peripheral zones;
- Training and capacity building of staff and relevant stakeholders;
- Demarcation, maintenance of boundaries and infrastructure;

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- Awareness building among the broader society (local populations, economic operators, local authorities, and administration);
- Development and operation of collaborative mechanisms to support effective stakeholder cooperation;
- Baseline studies, monitoring / evaluation (biological and socio-economic) and applied research;
- Periodic updates of management plans, business plans, etc.; and,
- Development of revenue generating, or broader sustainable financing initiatives that would benefit individual parks, and/or the TNS as a whole, and may even result in the promotion of income-generating activities for local communities (including alternatives to poaching).

In addition, the fund will also provide support to a number of well-defined *trans-border activities* linked to the:

- Coordination of management activities;
- Cross-boundary meetings for planning and exchanging information;
- Development of joint conservation and management protocols and policies related to communication, law enforcement, bush meat, etc.;
- Implementation of joint activities on:
  - o Ecological monitoring, studies, harmonization of information;
  - o Training; and
  - o Tourism development.

Mechanisms to establish funding priorities will be established in cooperation with the Comité Tri-national de Planification et d'Exécution (CTPE), made up of the actors directly involved in the management of the protected areas and their peripheral zones.

**Funding Source(s):** The start-up process to date has involved an expert team composed of the Wildlife Conservation Society (WCS); World Wildlife Fund (WWF); German Corporation for Technical Assistance (GTZ); the French Development Agency (AFD); and the U.S. Agency for International Development (USAID)-financed Central Africa Regional Program for the Environment (CARPE). All of these institutions have contributed to the establishment of the Sangha Tri-National (TNS) Foundation, with financial support from Krombacher Regenwald Kampagne, the Saccharuna Foundation, USAID, and the WWF/World Bank Alliance for the conservation and sustainable use of forests.

Once the Fund was established, the German Government (KfW) provided the bulk of finances (approximately 12 million Euros), with additional contributions from the French Government and Krombacher. FTNS selected Schrodgers, an investment

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management service with 37 offices in 27 countries, to manage its assets. The FTNS's endowment had a total of 24 million euros as of June 2013.

In addition, FTNS has received approximately 10 million Euros in short-term (3-4 year) project funding. Most of this funding has been provided by Germany. However, the EU, USAID (through the CARPE Project), and the Congo Basin Forest Fund (based on contributions from Norway and UK) have also contributed. FTNS not yet started distributing any investment income from its endowment due to the limitations of this short-term project funding.

**Legal and Institutional Framework:** The Foundation has finalized agreements with the Governments of each of the three participating countries and the agreements define the terms of the collaboration, including respective rights and obligations. The Foundation was created as a tax-exempt charity in the UK, but its sole office is located in Cameroon. However, the FTNS Executive office in Cameroon is legally registered as the office of a foreign foundation.

FTNS has four “windows” or sub-accounts: one for each of the three National Parks and one for transboundary activities. The system of funding windows was originally developed to cater to the needs of specific donors who had bilateral agreements with countries and could only direct resources to them, and not the other participating countries. The funding windows facilitated those transactions but did not detract from an integrated planning approach. Donors must also commit 10% of the funding amount to transboundary conservation issues. These payments are easily justified because the transboundary conservation efforts are recognized as essential to the conservation of the individual parks.

The FTNS Board includes one representative from each of the three TNS governments; the two major international donors (KfW for Germany, and AFD); and the two international NGOs that help to implement activities in the three national parks (WWF and WCS). The Board also includes three NGO and civil society Board Members from the TNS countries, who have widely recognized expertise in biodiversity conservation, law, business, non-profit grant management, or fundraising. The Board also has created an investment committee to oversee the management of its fund. The committee is comprised of both FTNS board members and contracted expertise.

The FTNS Executive Director is responsible for the implementation of the Board's decisions and daily management of the FTNS. FTNS also employs a part-time financial assistant (seconded by a local accounting firm), an administrative assistant, and a driver, and FTNS is now recruiting for a technical program officer

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**Technical and Management Support:** The FTNS Executive Director is responsible for the implementation of the Board’s decisions and daily management of the FTNS. FTNS also employs a part-time financial assistant (seconded by a local accounting firm), an administrative assistant, and a driver. FTNS is now recruiting for a technical program officer.

The FTNS contracts outside expertise to provide technical support as needed. Donor support to the FTNS creation process has allowed for the contracting of consultants to work with the steering committee to assess the feasibility of the initiative and provide design input to ensure the effective operation of the Fund.

**Principal Lessons Learned** Some key lessons coming out of the FTNS experience include:

1. Legal, financial, and administrative criteria must be determined early in the decision making process. Specifically, decisions regarding where to incorporate the fund, where to locate offices, and how best to assign is resources are essential issues to be resolved early by a steering committee.
2. An important initial task requires finding an initial donor to finance start-up costs, but with an interest in making a longer term funding commitment.
3. Preparing a clear mission statement with defined objectives is important to avoid conflicts on how funds will be utilized.
4. The operational costs of regional funds can be high. Fund design needs to take into account management efficiencies in order to optimize the amount of funding available to support the mission.
5. Even if constrained by bilateral commitments, donors can often find flexibility to permit the use of their funds to address regional or transboundary issues, which is key when considering development of regional funds.

#### 4.4.2 Coral Triangle Initiative on Coral Reefs, Fisheries and Food Security (CTI-CFF)

**Mission:** The Coral Triangle Initiative on Coral Reefs, Fisheries, and Food Security (CTI-CFF) is a multilateral partnership of six countries in the South Pacific region working together to sustain extraordinary marine and coastal resources by addressing crucial issues such as food security, climate change and marine biodiversity.

**Scope:** The CTI-CFF is a multilateral partnership between the governments of Indonesia, Malaysia, Papua New Guinea, Philippines, Solomon Islands and Timor-Leste (the ‘CT6’).

**Funding Source(s):** The government of Indonesia serves as the host for the fund, and the participating governments and other donors have provided funding to create the



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Secretariat based in Jakarta. Once the participating countries have ratified the treaty, the respective governments will then appropriate funds on an annual basis to support the new entity. A working group on sustainable finance is exploring best funding mechanisms for the partnership's work and eventual grant-making activities. Once funding is available to distribute, a separate working group will clarify the organization's conservation goals to determine its grant-making priorities. Funding sources for the creation and implementation of the partnership have included USAID, the Australian government, the Asian Development Bank and donors within the participating countries.

**Legal and Institutional Framework:** The CTI-CFF is structured as a multilateral treaty among the governments of the participating countries. All six Presidents of the participating countries have reached agreement in principle. The treaty is in the process of being ratified by the appropriate government bodies of those six countries. The Secretariat, with a small staff, serves as a communication and coordinating body and organizes the work of multiple working groups made up of representatives from each of the participating governments.

**Technical and Management Support:** The Secretariat coordinates working groups, focused on topics such as marine conservation, coordination efforts, land and seascapes, climate change, and sustainable financing mechanisms. Government representatives from each of the six countries have been engaged in making the partnership a practical reality. The Secretariat and appropriate working groups are focused on creating an evaluation and measurement structure that enables NGOs in each of the six participating countries to demonstrate how their projects align with the conservation goals and objectives of the CTI-CFF.

## **Principal Lessons Learned:**

- The Secretariat works as a coordinating entity, not a management body. It is a streamlined organization (currently five employees), focused on communication and coordination.
- There are thousands of conservation projects underway in the region. The Secretariat is focused on how to align goals and indicators to be broad and still meaningful enough so that all the regional projects can use these measurement tools. Through this measurement process, the Secretariat is able to ensure the projects are working in a similar direction, towards the CTI-CFF's five common goals and conservation objectives without having to direct each of these many projects. The Coral Triangle Atlas is a regional information system that tracks how projects are contributing to these key progress indicators.

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- The partnership has benefitted from both high level commitment at the Presidential level, and dedicated government employees in each country who were able to work at the more detailed level to operationalize the vision.
- Because the partnership is structured as a treaty, each country needs to ratify the treaty at the Congressional level. This process has been time-consuming and there is a threat of donor-fatigue as the length of the process frustrates some of the initial donors.

## 4.4.3 Caribbean Biodiversity Fund

**Mission:** The mission statement for the fund is still being developed, and has not yet been finalized.

**Scope:** The Caribbean Biodiversity Fund (CBF) is a \$42M endowment established to support marine and coastal conservation in the Caribbean region, in conjunction with the Caribbean Challenge. The participating countries are Antigua & Barbuda, Bahamas, Dominican Republic, Grenada, Jamaica, St Kitts & Nevis, St. Lucia and St. Vincent & the Grenadines.

**Funding Source(s):** The regional endowment is funded with contributions from KfW, TNC and the GEF. The CTFs in each of the participating countries will be required to generate new funding to support marine and coastal conservation on a one-to-one matching basis within three years of signing a vertical agreement with the CBF which will disburse funds directly to the participating CTFs. Funds provided by the participating CTFs can come from tourist fees, environmental fees, PES or other sources, but must be new conservation monies. Additional funds that exceed the spending capacity of the national CTFs in a given year can be invested by the regional endowment. Future debt-for-nature swaps in the region involving TNC may also generate funds for the regional endowment.

**Legal and Institutional Framework:** The CBF is registered as a charitable corporation in the United Kingdom. It is in the process of being registered as a charity in the Bahamas, where the headquarters and Executive Director will be based. The CBF will invest, manage and distribute the endowment funds. Each participating country must establish its own CBG-compliant CTF to (1) distribute funds within the country according to that country's conservation plan; and (2) collect fees/funds for conservation as part of the 1:1 matching requirement.

The CBF is governed by a Board that consists of a representative from TNC, KfW, and one individual designated by each of the participating countries. Because none of the participating countries have yet finalized creation of a domestic CTF or signed a vertical

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agreement with the CBF, each country is able to send a non-voting observer to the Board.

**Technical and Management Support:** The CBF will have a small management team (one employee) based in the Bahamas. The focus of the CBF management is to manage the investment of the endowment funds and distributions to the CTFs. The CBF will not have a conservation plan, but will rely on the CTFs in each of the member countries to implement conservation plans. The investment goals for the endowment are to generate an annual 7% return, with 4.5% distributed to the member country CTFs, 0.5% retained for Secretariat expenses, and 2% reinvested in the endowment to maintain long-term purchasing power relative to inflation. The CTFs will then be able to retain 15% of the distribution for their own administrative expenses, with the remainder allocated to grant making. After a transparent call for proposals and review, each CTF will submit a plan for grant recipients each year to the CBF Board. The CBF Board will not be in an approval role *per se*, but will review to ensure consistency and alignment with the CBF's purpose.

## Principal Lessons Learned:

- Pooling the funds into a single regional endowment achieves both a lower cost of investment and management, and promotes regional cooperation.
- From initiation to incorporation, the CBF took five years to become a reality. Having a dedicated person working with the project full-time and keeping the key parties focused was critical to that success. The process of establishing domestic CTFs in each of the participating countries will take longer.
- Approximately \$2 million in legal services were provided on a *pro bono* basis, and this helped to significantly minimize the start-up costs.

### 4.4.4 Caribbean MAR Fund

**Mission:** The Mission of the Mar Fund is to inspire innovative, transnational solutions to critical Mesoamerican reef issues by providing meaningful, long-term financial support and trustworthy reef management advice to enable future generations to enjoy and benefit from a thriving reef system.

The goals of the MAR Fund are (1) to provide long-term financial sustainability for natural resources management and conservation initiatives in the MAR ecoregion; (2) to strengthen the alliance among the four participating funds; and (3) to consolidate and allocate donor contributions to common and strategic objectives in the ecoregion.

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**Scope:** MAR Fund operates as an ecoregional planning and coordinating body which prioritizes projects and allocate funding, while relying on the pre-existing technical, administrative, and financial capabilities of the four founding Conservation Funds to execute the strategic priorities on the ground.

Upon its creation, the MAR Fund identified two program areas where it would concentrate its activities. These programs are:

- *Saving our Sanctuaries: A Legacy of Caring.* This program supports the establishment and protection of an interconnected network of coastal and marine protected areas in the region.
- *Fishing for the Future: Sustainable Fisheries for a Thriving Reef.* This program fosters community participation in co-management of local fisheries resources in the region.

Currently the MAR Fund is meeting its objectives through three funding programs including:

- *The Communities Fisheries Program* works with the fishing communities that depend on the MAR region for their subsistence. The challenge of this program is to empower fishermen to take control of their future by involving them in sustainable fisheries management as an immediate and urgent conservation priority for the MAR. This program aims to maintain these fisheries so for their economical and ecological viability.
- *The Small Grants Program* is focused on the protection, recovery and conservation of the Marine Protected Areas and better resource management practices. Once a year, governmental and non-governmental organizations, academic institutions, fishing associations, and other stakeholders of within the four countries covered by the MAR region, are able to submit proposals. The proposals must respond to the specific objectives established for each request for proposals.
- *The Marine and Coastal Protected Area Network* program has identified sixty-three marine and coastal protected areas to receive on-going support. Each is critical in its own way for preserving specific habitats, species, and coral formations, allowing

<b>Foundations Support MAR Fund</b>
AVINA Foundation
Marisla Foundation
Oak Foundation
The Curtis and Edith Munson Foundation
The Henry Foundation
The Summit Foundation

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them to prosper through controlled use and access to the protected area. Safeguarding them requires hiring officers to enforce their protected status, purchasing equipment to mitigate biophysical threats, conducting research, and monitoring and evaluating the health of the protected area.

**Funding Source(s):** The Fund began operating its grant program in 2006 primarily with Foundation support, much of which was facilitated by its status as a tax-exempt organization in the US. Registration in the US (or obtaining a charity equivalence) allows Funds to receive donations from US Foundations.

In 2011 the government of Germany granted MAR Fund a total of 15 million Euros through the KfW for the long-term conservation and sustainable use of the Mesoamerican Reef, and specifically to a regional network of 14 priority coastal and marine protected areas. Of this total, 10 million Euros have been assigned to an endowment fund, and its returns will be used to co-finance the operation of the MAR Fund and its Small Grants and Community Fisheries Programs. The remaining five million Euros will be invested in four priority coastal and marine protected areas within a five-year period as part of a Phase I investment in these areas.

Phase II will also be funded for five million Euros and a five-year period, and will support five additional areas of the 14 in the initial network. In 2013 the MAR Fund will receive an additional one million Euro contribution to its endowment from the FFEM. The protected area initiative will support protection of coastal and marine resources working through government and co-management arrangements; improved management and sustainable use practices of coastal and marine resources through work with communities on sustainable use; and effective communication and exchanges for the adoption of new and better management practices for coastal and marine resources.

**Legal and Institutional Framework:** The MAR Fund was created and registered in the United States in 2004 as a not for profit institution under US charities law, and has a coordinating office in Guatemala. The Fund has regional representation, including the founding conservation trust funds from the four Meso-American reef countries, and thus serves as a platform to coordinate priority investments and to channel additional funds designated for marine conservation.

The MAR Fund is a participatory, privately managed fund with a Board of Directors composed of regional funders, experts, the Central American Commission on Environment and Development (CCAD), and the in-country funds from each of the Mesoamerican Reef countries - PACT (Belize), Fundación para la Conservación de los

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Recursos Naturales y Ambiente en Guatemala (FCG), Fundación Biósfera (Honduras), and Fondo Mexicano Para la Conservación de la Naturaleza (Mexico).

## **Technical and Management Support**

The MAR Fund builds on existing regional structures and on strategies aimed at the most efficient and effective implementation and funding of programs. The Fund derives much of its management capacity from the existing technical, administrative, and financial capabilities of the four founding CTFs in the region.

The MAR Fund is a lean organization by design. MAR Fund is run by an Executive Director (ED), and supported by an Administrative Assistant and a Technical Coordinator. This keeps administrative costs low.

Some examples of MAR Fund successes include the establishment of a co-management agreement between fishing communities and the Cuero y Salado Wildlife Refuge in Honduras. The program established four fisheries recovery sites of 314 hectares, representing approximately 17% of the co-management area, and an action plan has been designed. The MAR Fund also financed the establishment of fisheries recovery sites by the Fishers Cooperative of Puerto Morelos in Arrecife de Puerto Morelos National Park in Quintana Roo, Mexico. Monitoring sites were established and a local team of fishermen was trained to carry out assessments. The work resulted in agreement to expand the recovery sites and include a new fishing ground. The total area of the fisheries recovery sites is 3,527 hectares, covering 39% of the co-management area. A third co-management fisheries project was financed for Punta de Manabique Wildlife Refuge in Guatemala. As a result of negotiations between fishers and government, three fisheries recovery sites of 345 hectares were established and will be jointly overseen by government and local communities.

## **Principal Lessons Learned**

Lessons from the MAR Fund include:

1. A regional fund was successfully incorporated in the United States as a charitable organization, and successfully attracted US foundation funding for marine conservation
2. The development of a CTF with the participation of existing conservation trust funds as founding members and board members offers a model for the coordination for regional planning and the leveraging of additional resources to support conservation.

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3. The MAR Fund was able to build its financial resources base starting with small levels of funding through its grant program (direct project funds from Foundations) to a larger endowed program with German and French support.

## 4.4.5 Micronesia Conservation Trust Fund

The Micronesia Conservation Trust (MCT) was established as a charitable corporation in 2002 after three years of preparations and multi-stakeholder consultations. The MCT is a commitment by the Chief Executives of the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), the Republic of Palau, the U.S. Territory of Guam and the U.S. Commonwealth of the Northern Mariana Islands (CNMI) to The Micronesia Challenge (TMC) that aims to effectively conserve at least 30% of the near-shore marine resources and 20% of the terrestrial resources across Micronesia by 2020. This ambitious challenge far exceeds current goals set by international conventions and treaties, which call for countries to conserve 10% of terrestrial and marine resources by 2010 and 2012 respectively. The challenge also emphasizes the need for Micronesian leaders to work together at the regional level to confront environmental and sustainable development issues. TMC was signed by each of the five Chief Executives in early 2006.

Covering 6.7 million square kilometers of ocean, the MCT responds to more than 20% of the Pacific Island region – and 5% of the largest ocean in the world. The outcomes from the MCT will contribute to the protection of at least 66 known threatened species, 4% of the total global reef area, and 483 coral species – this represents 60% of all known corals. The annual net benefits from coral reefs in terms of fisheries, tourism, coastal protection and biodiversity, to the Pacific has been estimated as \$2 billion, and approximately \$800 million worth of benefits annually may be distributed across Micronesia.

**Mission:** The MCT is committed to leading regional coordination and communication, securing sustainable funding, linking leadership with stakeholders, engaging policy makers, and enabling jurisdictional staff and partners to engage communities to effectively manage their resources. This mission is further supported by the following goals:

- Raise community awareness about biodiversity conservation and related environmental education programs;
- 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

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natural resources for the benefit of future generations.

**Scope:** Since the organization's inception, MCT has provided grants to support the following:

- Raise community awareness about biodiversity conservation and related environmental education programs across Palau, FSM and RMI
- Strengthen the capacity of over 100 professionals, communities, community organizations, government agencies, conservation and development NGOs through the Micronesians in Island Conservation (MIC) and Pacific Islands Managed and Protected Areas Community (PIMPAC) Learning Networks.
- Operate several funds that provide grants to relevant conservation community projects, including approximately 7 million dollars over the last five years from donors such as the German Ministry of Environment, US Department of Interior, US NOAA, the Non-State Actors Funds from the European Union's Economic Development Fund (EDF9) to the FSM. MCT also hosts the GEF-Small Grants Program for RMI, FSM and Palau that distributes up to US\$600,000 annually.
- Launch the MCT endowment with a goal of reaching a total of \$20 million in capital. The capitalization of the endowment to date has provided a targeted, yet flexible and accessible, albeit limited source of direct finance for conservation initiatives and projects, implemented by individual agencies and institutions, both Governmental and civil society, and in partnership with the communities and interests at the site-level.
- Conduct comprehensive project feasibility assessments for all MCT projects through the MCT Grants Program.

**Funding Source(s):** Housing all the endowments for the Challenge, the Micronesia Conservation Trust (MCT) provides the financial security and management needed to maximize the return on these funds and provide long-term support to each of the five jurisdictions of the Micronesia Challenge. All five jurisdictions are now in full support of the MCT as the overarching financial mechanism that will support the Challenge. Sustainable finance plans have been prepared by each jurisdiction to determine the funding needed to effectively meet the goals of the Challenge. Each plan identifies key strategies to secure the necessary funding from national and international sources. For example, Palau recently completed a sustainable finance plan with the assistance of TNC that estimated their nationwide Protected Area Network would cost approximately \$2.5 million per year. The two-part financing plan included 1) a Visitor



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Fee of \$50 per visitor and 2) an Endowment Fund of \$20 million to generate approximately \$600,000 per year in supplemental support.

TNC and CI will assist all five jurisdictions in raising funds from public and private sources and this funding will be invested in the Micronesia Conservation Trust as endowments to support the long-term expansion and effective management of protected area networks for each of Micronesian Challenge jurisdictions. To date, TNC and CI have together pledged \$6 million to support the Challenge in FSM, Palau and RMI, and have called on these three countries to raise \$12 million (two-to-one match) for a total of \$18 million in the first phase of the Challenge. It is currently estimated that an endowment of approximately \$100 million will need to be raised to support the long-term sustainability of the Challenge in all five jurisdictions.

**Legal and Institutional Framework:** The MCT is incorporated and housed in the Federated States of Micronesia. The institution received 501c3 determination from the IRS in 2011 with support from a Hawaii law firm. Grants are provided to grantees through a call for proposals and occasionally through a direct allocation process in which funders identify specific projects they wish to finance. The MCT provides oversight, administrative, and capacity building support wherever needed or appropriate. Funding is provided to NGOs, CBOs, and local government agencies to support conservation, fisheries, and climate change adaptation work. However, funds are not provided for employee salaries and other recurring costs. MCT and TMC are currently developing a region-wide MCT Business Plan to identify sustainable finance needs and strategies.

MCT is the region's only conservation trust fund, and works with local resource owners, traditional leaders, and local governments to develop and fund project proposals that focus on improving management and addressing key threats to the highest priority ecological sites designated through science-based and collaborative planning processes, such as National Biodiversity Strategy and Action Plans.

**Technical and Management Support:** Key partners of the RST include: The Nature Conservancy (TNC), Conservation International (CI), the Secretariat of the Pacific Regional Environment Programme (SPREP), RARE International, Palau International Coral Reef Center (PICRC), the Global Island Partnership (GLISPA), the Pacific Marine Resources Institute (PMRI), the Locally Managed Marine Area (LMMA) Network, the Pacific Islands Forum Secretariat, the United Nations Environment Programme (UNEP), the U.S. National Oceanic and Atmospheric Administration (NOAA), the US Environment Protection Agency (USEPA), the US Forest Service (USFS), the US Department of Interior, Office of Insular Affairs (OIA), and the local conservation NGOs in each island.

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**Principal Lessons Learned:** Since 2002 the MCT has been delivering significant and increasing levels of financial and technical resources to conservation stakeholders throughout Micronesia. The MCT experience represents a strong example of best practices in establishing and operating CTFs, and demonstrates the utility of this institutional form in a Pacific island context. MCT is also serving as an important mediator between community-based conservation stakeholders in Micronesia and a broad range of private and public donors interested in supporting conservation outcomes in the Micronesia region. In a region and a sector where governance outcomes have often been hampered by mixed results and inefficient or ineffective practices, MCT is distinguished by having achieved its goals at levels exceeding plans and expectations, and by performing its functions with transparency, accountability and integrity.

Lessons learned during inception phase include:

- Some jurisdiction leaders were less engaged in the beginning and considerable consultation and negotiation work has been required to bring all leaders on board to the MCT mission.
- Sustainable finance plans were only initially completed for Palau, and the full financial needs of the trust are only recently being fully articulated.
- The MCT was designed and launched at the top political levels with more limited input from mid-level “executing” agency staff. Recent efforts have resolved this difficulty and stakeholder participation is now more fully representative.
- At the beginning there was little involvement of legislative branches in the MCT design and launch.
- Initial planning efforts underestimated country needs for technical assistance and funding.
- The full range of cultural and geographic characteristics of “Micronesia” were not initially included within the Challenge – for example, Kiribati and Nauru were not included in the design and launch.
- Initial planning efforts did not fully engage all support partners, and this left a great deal of responsibility on a few organizations.

Additional important lessons have been learned during the implementation phase of the MCT, including the following:

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- Coordination among small jurisdictions across such a large region is challenging and a comprehensive and broadly endorsed communication and decision-making program has been essential. It is particularly important to develop and implement a coordinated regional fundraising strategy.
- There is a need for more local financial commitments to on-going activities. Similarly, it is difficult to get public donors to commit funds for endowments.
- A strong need remains to build greater support among some government resource agency mid-level managers.
- Each jurisdiction included with the MCT needs to institutionalize the trust mission and strategy so that the commitment survives future leadership transitions.
- A need remains to standardize the measuring of the conservation “baseline” across the region. Similarly, there is a need to define and measure “effective management” across the region.
- The MCT needs to develop a long-range business plan detailing implementation benchmarks and financial needs.

## ***5.0 A Conservation Finance Tool Kit: Building on the Process to Define Scope, Structure, Outcomes, and Strategy***

### **5.1 Applying Essential Success Factors in Preparing a WIO-CC Sponsored Fund**

The mission of the WIO-CC is to establish a regional partnership and supporting sustainable financing mechanism for the conservation and restoration of coastal and marine ecosystems in the Western Indian Ocean region. The experiences from the numerous regional and domestic conservation trust funds outlined in Section 4 of this report suggest that creating this partnership will require an alignment of goals and objectives among the participating countries. Thus it is strongly recommended that representatives from each national CTF be included in the WIO-CC working group. The WIO-CC working group will be most effective if it ultimately complements and facilitates the work of these national CTFs. It should identify any regional gaps that may exist in the geographic and technical scope for each national CTF, and then use its own scope to establish a mechanism to fill each gap. It should also serve as a coordinating body and communication resource to ensure that each national CTF is consistently aware of constraints, accomplishments, and new developments occurring in every other national CTF.

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This may entail identification of a region-wide priority or set of priorities that cut-across the entire region or affect specific sub-regions across the greater WIO-CC area of interest and influence. This critical decision-making process is an essential first step in the planning of the proposed CTF since it achieves two essential objectives. First, these decision-making steps create the purpose and scope of the new entity or Fund that will be established. Second, the process of reaching consensus among the members will foster partnership and ultimately strengthen the resulting institution.

As the WIO-CC advances its efforts to identify its regional priorities and establish participant consensus, it must also elaborate two key components that are essential in the process of developing a CTF:

- (1) *Determine the complete set of decisions that need to be made to complete each step of the CTF process; and,*
- (2) *Determine the key players who will make them.*

The experiences of the other similar CTFs from the global conservation community have again been used to inform the best practices identified in Sections 5.1.1 and 5.1.2 below.

## 5.1.1 What Decisions Must Be Made Early in the Process?

The key strategic and structural decisions that factor into the formation of a regional partnership and conservation trust fund fall into the following categories:

- Mission and Scope
- Governance structure
- Legal structure
- Strategic Plan
- Gap Analysis
- Operating Plan
- Capital and resource mobilization plan

The immediate tasks to be carried out to support this decision-making process would include forming the CTF Working Group; hiring a consultant/NGO and project coordinator to support the Working Group to develop an agenda and action plan; and carrying out the initial planning meeting.

### Key Elements of the Mission Statement

**WHO** is the entity (name)?

**WHAT** will it do (what is the overarching purpose it seeks to achieve)?

**HOW** will it do the “what” (what mechanisms and vehicles does it use)?

**WHERE** will it operate (what are its geographic parameters)?

**FOR WHOM** does it exist (or who does it seek to serve)?

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**Mission.** The most critical decision that any nascent conservation trust fund – national or regional - must reach is to *define its mission*. The mission guides decision-making in the formation and operation of the established CTF entity. The mission must be adopted through a participatory, consensus-building approach that takes into consideration the needs of all constituents. However, it must also remain practical and achievable. The mission statement should be concise, specific, and meaningful to all stakeholders. Those that are only a few words tend to be neither specific nor actionable; those that go on for a page tend to lose meaning. Ideally, a mission statement will be no more than two to three sentences and should convey the information included in the box on the right.

For WIO-CC in particular, defining the scope of the entity’s focus will be critical to developing and refining the mission. What are the conservation goals? What will be included in the scope of the trust fund (e.g, what kinds of activities will it finance and accomplish), and what specifically is out of its scope? What are the key issues that the Fund might respond to that may not be considered by other entities in the region, or else better addressed through the WIO-CC? Is it more appropriate for the WIO-CC CTF to function as a regional umbrella fund to ensure that it takes advantage of existing and proposed national funds, and serves to respond to crosscutting or transboundary issues? Are there certain protected areas whose funding might fit better within the context of a regional fund? Developing good answers to these key questions will help the WIO-CC to develop a clear purpose for the CTF and enable it to clearly articulate its role to all stakeholders, including donors.

**Governance Structure.** The mission will help to inform the most appropriate governance structure for the regional entity. Questions that factor into this decision include the following:

- What is the relationship between the regional entity (the WIO-CC) and each of the participating countries?
- Do the participating countries have conservation trust funds? If so, what will be the relationship between the domestic CTFs and the regional entity? How will they relate to each other? (See the descriptions of the Caribbean Biodiversity Fund and the Caribbean Mar Fund in Sections 4.3.3 and 4.3.4 for examples of two different, but effective models.)
- Will the regional entity “own” the conservation/biodiversity plan that supports its mission, or will it rely on the participating countries to execute their own conservation plans, with the regional entity serving only as a holder, investor, and distributor of funds?

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- Who will make decisions for the regional entity? How will each participating country be represented on the governance body? What will be the structure of the governing board? Who will be invited to participate on this board?

**Legal Structure.** The question of legal structure may be an iterative one, in conjunction with decisions about governance. Key considerations include where the entity will be incorporated, and where its management team or Secretariat will be based. Questions of political structure and language become relevant, as well as how the achievement of the organization’s mission can be helped or hindered by the laws governing incorporation (and charitable status) in different countries under consideration. Some regional CTFs choose to incorporate in the United States or the United Kingdom due to the ease of creating and operating charitable organizations in each country, while others choose to base incorporation and/or the operating headquarters in one of the member countries.

Various options will need to be considered and lessons can be learned from the variety of Funds that already exist in the region. For example, trust funds were created in Kenya and Tanzania following established trust laws similar to what exists in the United Kingdom. In fact, the concept of a “trust” originated in English common law, and refers to a legal relationship in which assets that are given by a donor are “held in trust” by a trustee (or by a board of trustees, or a board of directors) for the benefit of another person, or for a purpose specified by the donor. A “trust fund” refers either to the money that is held in trust, or to the legal entity that is created for the purpose of holding the money in trust. Under common law, a trustee is obligated to make all decisions about the assets with the beneficiary’s interests in mind. Normally stipulations of trust funds allow the CTF to invest its funds abroad or in the country, repatriate funds as needed, and avoid the payment of taxes on earnings as long as funds are used explicitly to support the charitable mission of the CTF.

Unfortunately, in most civil law countries there is no trust law and other approaches are required to establish a fund. More typically, a country’s legal system permits the creation of a legal entity very similar to a trust fund by establishing a “foundation”. The experience gained from setting up and operating CTFs in various countries, and on guidelines provided by donors such as the Global Conservation Fund (GCF), suggests that the following list of key criteria should be reviewed to determine the best legal and tax structure for a proposed WIO-CC CTF:

- *Flexibility* on requirements regarding the following legal and institutional issues:
  - The duration and conditions for formation of permissible objectives and activities;
  - Requirements for full legal recognition and operation;

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- The minimum or maximum number of directors on the governing boards;
  - Required citizenship of directors;
  - Required qualifications of board members and officers;
  - Voting procedures, rights, duties, liabilities and, government approvals needed for decisions by the board;
  - The capacity to contract national and international technical assistance.
- *Permissibility in terms of sourcing funds*: donations and grants received from national and international sources, and from public and private sources.
  - *Ability to easily transfer funds into or out of the country*: the ability to maintain accounts in foreign currencies, and the types of investments available in country and abroad.
  - *Availability of broad tax exemption* on (a) donations and grants; (b) interest and investment income (including capital gains) earned by the investment of endowment funds both at the source (i.e. in the country where the funds are invested) or in the destination country (i.e. in the country where the CTF is legally registered or operate); and (c) other applicable taxes such as VAT.

Generally there are several options that a CTF will need to consider when establishing a trust fund in a country, including those outlined in the text box to the right. For example, in Mozambique option 1 was selected and an entity, BIOFUND, was legally created. The decision reflected the fact that the Fund could easily source and transfer funds, and tax law permitted exemption on taxes on funds earned and transferred back to the country.

## Fund Creation Options

1. Creation of a legal entity in the specific country with an overseas investment account
2. Creation of a legal entity locally and a trust fund /foundation for investment created abroad
3. Creation of a trust /foundation abroad to be legally recognized in the specific country.

However, in Madagascar legislation was passed in 2004 to address limitations in Malagasy law with regard to creating a trust or endowment structure, thus permitting the creation of trusts under conditions similar to what exists for other national trust laws. The current Malagasy Foundation Law is styled on other trust laws and is now similar to what is found in Tanzania and Kenya.

When exploring regional options, important considerations should also include the legal structures within each of the proposed countries to participate in the CTF. This legal review should include attention to tax requirements and issues; limitations on daily, monthly, or annual capital flows; communication needs; and banking regulations, among other immediate concerns. Experience from the field with regard the

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establishment of regional funds demonstrates success in establishing an entity outside the region (e.g. UK, or USA), and then coordinating activities across the various countries from a Secretariat within the region. This approach, especially with efforts to coordinate with existing, and new funds, in the region has merit and should be explored. It is highly recommended that the CTF steering committee solicit legal counsel from a firm experienced in the establishment of similar charitable trusts, and preferably a firm with a presence or experience in the country in which the trust will be based.

It is also important to note that many of the regional funds outlined in this report have been created in third countries, primarily in the UK or United States (as in the case of the MarFund). These models provide very valuable lessons in terms of guiding the consideration of the possibility for WIO-CC CTF fund establishment in a third country. In fact, several existing Funds are considering the establishment of one unified UK office in order to uniformly represent the various UK registered CTFs. UK charitable law does allow for such representation and creating a mechanism whereby one entity can represent all funds would provide an effective and efficient (low cost per fund) option. The provision of such a service to a newly established WIO-CC fund could be another factor to consider when finalizing the legal arrangements.

**Strategic Plan.** As part of the planning process, it will be necessary to create a broad-based strategic plan to elaborate and define some of the central CTF goals and objectives. An initial planning process can identify the steps necessary to establish the regional CTF entity as a functioning reality. As each step is achieved, the strategic plan should adapt and evolve to focus on the mission-defined goals, including the elaboration of additional steps required to achieve them. Developing a strategic plan provides the organization with a shared destination and navigation chart, allowing focused action and decision-making. The strategic plan articulates specific goals and objectives with defined, measurable outcomes. Although there is no set rule on the necessary time frame for a strategic plan, a typical planning horizon extends for five years.

**Gap Analysis.** A gap analysis reveals the missing financial, institutional, and human resources needed by the CTF organization in order to achieve its goals (as outlined in the strategic plan). A thorough assessment of the resources and capabilities needed in comparison with those available to the CTF organization reveals the gap and provides a framework for an action plan to reduce or eliminate it. Key considerations would include the following:

- **Operating or Action Plan.** The operating plan translates the strategic plan into more actionable components, identifying specific projects or tasks towards



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achieving the strategic plan, along with the resources necessary to do so. Typically an operating plan focuses on a one-year timeframe. The gap analysis is a key input into the operating plan as it highlights the areas that require specific attention and action. An operating plan is supported by a financial model or projection for resource requirements. It mirrors a business plan in identifying the required needs and anticipated costs to ensure that sufficient investments are realized to meet CTF objectives. In the initial planning stages, the financial model must incorporate estimates of expense streams over time. It is highly recommended that the expense streams incorporate multiple scenarios to account for different possible program outcomes.

- **Capital and Resource Mobilization Plan.** The strategic and operating plans will identify the resources needed for achieving the organization’s mission in the near and long-term. The capitalization, or sustainable financing plan establishes the level of funding needed to support ongoing operations, and the organizational structure needed to deliver these operations under assumptions of reasonable and prudent investment management. In conjunction with the capital or sustainable finance plan, the organization must develop a resources mobilization (fundraising) plan to identify potential sources of funding and develop a plan for engaging donors and other potential funding providers. The resource mobilization plan is clearly tied to the overall objective of the Fund and should take into account potential donor as well as stakeholder financing sources that are available in the short, medium, and longer term.

It will be important to anticipate the length of time that may be required to bring together all appropriate stakeholders to produce consensus on all of these decisions. It would not be unreasonable for this process to require several years of effort. The complexity of decision-making may also be increased because of the number of governments involved. It is also important to note that while the questions might be considered in a linear manner, the actual process will be iterative, as new thinking will continue to inform previous decisions. Strong facilitation from an independent third party can help to keep the process moving forward efficiently while ensuring that all parties have a voice.

## 5.1.2 How Are Decisions Made?

Decision-making tasks must be assigned to a specific group of people dedicated to the defined mission of the CTF, and willing to work together to finalize its purpose and activities; define the governance and operational structure; and develop the legal documents that establish the institution to house the CTF. Normally, donor support

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provides sufficient funds to appoint and operate a Steering Committee or Working Group to fulfill these initial tasks.

At a minimum, the proposed WIO-CC CTF Working Group should include active representation from all participating countries. Ideally, the representative from each country will be highly experienced in conservation issues; able to speak authoritatively on behalf of the country represented; and able to produce necessary action within the home country political process. However, it may also be appropriate to consult technical experts in addition to the country representatives. It is imperative to keep the Working Group to a reasonable size so that meetings can be reliably scheduled, and necessary results can be achieved. For efficiency, it may be optimal to limit the Steering Committee to 10-12 standing members, with the understanding that other technical experts will be consulted for input on specific topics.

Normally one or more consultants are hired to work closely with the Working Group and manage the entire process. This can ensure effective implementation, including the running of meetings, optimal decision making on key issues, and completion of the necessary documents. The consultant supports the decision-making process within the Working Group and facilitates communication with the donors and among the various members. Some of the additional services that may need to be contracted include legal and financial/investment services, and conservation scientists to assist with technical and project related concerns. There could also be intermittent need to contract professional facilitation services, particular to guide planning and decision-making meetings.

Once the legal and operational procedures are in place, it will be essential for the Working Group to consult with member countries to define the scope of the proposed WIO-CC CTF. Essentially, defining the scope will establish the geographic and technical boundaries of the CTF – what kinds of projects or activities will be supported, by whom, and across which geographic areas? The existing mission and vision of the WIO-CC can help set the foundation for the scope of the CTF, although it will be important to refine this scope to determine the precise geographic, technical, social, and institutional parameters that will be included. It will also be equally important to articulate those parameters that will not be included under the WIO-CC CTF scope. Some of the criteria that should be taken into consideration when refining this scope include the following:

**Geographic parameters:** Discussions about geographic focus should occur early on in the Working Group discussions. Agreements should be included in the overall strategic plan and approach of the CTF.

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A primary risk for any CTF is to establish a geographic focus that does not create an agenda that moves beyond the means of the organization to deliver, and which is established to avoid pressures to expand operations before a specific timeframe or without additional resources to respond to needs.

The regional mandate of the WIO-CC requires that the proposed CTF ensure that it has the financial and technical means to deliver on its promises. Thus it is imperative for the Working Group to avoid having the CTF spread itself too thin financially and technically. Establishing conservation priorities and then matching what can be achieved according to the resources available is key. Identifying these priorities early on and identifying the capital necessary to act on those priorities is an important first step. Adjusting the operations of the CTF based on the available resources should then occur, with these adjustments occurring on a regular basis depending on the success of resource mobilization. Moreover, by establishing well-focused conservation priorities the Fund will be able to prepare a verifiable portfolio for funding to donors.

It may be helpful for the WIO-CC CTF to go through a prioritization process to minimize or avoid this risk. The experience of other CTFs with large geographic mandates suggests that the return on investment can be greatest by identifying specific sites where initial work can provide a model to be replicated more widely if additional funds become available. These sites are typically ones that have been identified as conservation priorities, or where there is demonstrated institutional capacity to work on conservation issues.

Geographic expansion can be planned into the strategic vision of the Fund. However, it should be contingent on a variety of factors, including guaranteed receipt of additional funds and the existence of the technical and institutional capacity to implement projects. A CTF may also choose to create a specific geographic focus for a specific number of years with phased in plans to expand as part of normal operations.

Another consideration should be the nature of the funding that is anticipated. For example, if the funding model for the regional CTF involves matching fund contributions from individual member country CTFs in order to address regional priorities, then the CTF may be able to work more broadly. What is key however is to ensure that the geographic focus does not strain or exceed the available resources of the CTF, and, perhaps most important, that the proposed regional WIO-CC CTF complements and strengthens, but does not impede the work of individual member country CTFs.

**Technical parameters:** Many of the key issues identified by the WIO-CC CTF Working Group may require technical expertise that is not necessarily available within the

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existing committee. In such cases, it may be useful to allocate initial funds to develop a technical advisory group that can be called on to provide review and input as needed. This will be particularly important when reviewing proposals submitted to the CTF. These advisory members are not necessarily permanent members of the CTF, but should commit to be available on an as needed basis to assist the CTF in assessing the technical quality of proposals. The technical advisory group must have a membership that is broad enough to respond to the full range of technical areas that the CTF will cover, and ensure the impartiality of reviewers. Advisors who participate in the review of any project should not have any financial interest in the specific project or activities proposed.

**Social parameters:** The success of the many programs that the Fund expects to support will depend on the engagement of local communities. In turn, securing the engagement of local communities is likely to be driven by their understanding of how they stand to benefit from project interventions. One advantage from a long-term CTF is that resources will be available to ensure payments over time that can lead to behavior change in support of conservation outcomes. This means that the CTF can finance *programs* rather than just short-term *projects*.

The CTF needs to ensure that the various activities it considers for funding have been developed through a process of stakeholder consultation and that funding is targeted to create the economic and social conditions that can deliver long-term conservation of coastal and marine resources. This implies that initial needs assessments have established an understanding of local economic needs and incentives. However, determining a comprehensive understanding of social issues and responses to incentives can be challenging, and the Steering Committee should include adaptive management measures that allow the CTF to respond modify application, approval, and implementation criteria and procedures as warranted by the results from monitoring information.

**Institutional parameters:** The operational structure of the CTF should be designed on principles of efficiency. Conservation outcomes should be optimized, while the overall cost of administration should be minimized. This can ensure that funds are going directly to support conservation activities. To achieve this efficiency it will be essential for the WIO-CC CTF to ensure that it operates in a manner that is collaborative with other existing CTFs in the region. The funding from the WIO-CC CTF thus becomes catalytic and is used to stimulate new approaches and ideas. This may require investments in specific project activities that ultimately build capacity at regional levels to respond to identified needs and gaps.

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## ***6.0 Recommended Next Steps – A Possible WIO-CC-CTF Action Plan***

The next steps for the proposed WIO-CC CTF should be to form a Working Group within the overall WIO-CC Steering Committee. This Working Group will be dedicated to elaborating the geographic, technical, and institutional framework of the proposed CTF, and to establish its operational procedures and funding strategy. A sample Terms of Reference for the Working Group is included in Annex 2. The Working Group should then identify and appoint a Project Manager to lead and maintain the continuity necessary to fully realize the expectations of the CTF. The Project Manager will be essential in the elaboration of the CTF mission and scope, and in the development of its Working Group within the overall WIO-CC Steering Committee. The Project Manager or Coordinator can be brought on board as a consultant to the Working Group, and a sample Terms of Reference for this consultant is included in Annex 3.

The creation of the WIO-CC CTF Working Group will lead to the elaboration of the governance and legal structure, and ultimately enable the CTF to seek initial operational funds. The Project Manager and Working Group should also produce a CTF design that is aimed at fostering collaboration among existing and emerging funds within the region. Ultimately, it should also develop a budget and proposal for the creation of the CTF that is realistic and specific to the identified mission and scope. Sections 6.1 – 6.5 of this report offer additional suggestions to help advance each of these tasks.

### **6.1 Appoint or Contract a Project Manager to Ensure Adequate Leadership to Realize the Ambitions of the WIO-CC CTF.**

A Project Manager should be given the responsibility for leading the process that will ultimately create the WIO-CC CTF. This person will not likely act alone, and hiring additional consultants or a consultant team to work with this program coordinator can certainly help facilitate the process and provide the technical expertise that the project coordinator may require to ensure completion of the task. However, the individual assigned to lead this task will likely be required to commit a considerable amount of time to the task, and may need to assume it as a full-time effort, at least in the initial stages of work. The project manager should report to the CTF Working Group and would move quickly to bring together the relevant parties to establish the CTF objectives and work to establish the steering committee. This would occur in the first meeting held after the manager begins work.

Once identified, the manager should begin to draft articles of association and overall structure of the CTF with help from any consultants brought on board. The results from this work should be submitted for approval to the Working Group and WIO-CC members. **Note:** *This is an important position and considerable care should be used to draft*

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*the terms of reference and complete the appointment of the Project Manager. For some CTFs the person fulfilling this role has gone on to become the Executive Director.*

## **6.2 Create a Working Group Within the WIO-CC Steering Committee:**

A CTF Working Group should lead the process of creating the CTF from an initial feasibility assessment stage through to legal establishment, funding, and implementation. The group can be formed as a working group of the larger WIO-CC Steering Committee. This Working Group should include people who can generate social, institutional, and financial support for the CTF within the region. This will require a mix of individuals with skills ranging from technical to legal and financial. Working Group members with connections to donors is also an essential concern, since some initial donor funding will be required to support the WIO-CC CTF development process. It may also be feasible and advisable for a representative from an interested donor to sit on the steering committee. In some cases, the Working Group can transform into the Board of Trustees once the CTF is created, while in others only selected members move on to the Board.

At least two people from the Steering Committee should join this working group. However, it will be essential for this working group to hold decision-making powers, and the authority to assign and oversee responsibilities for planning and implementation. We are proposing a group that will elaborate the structure, legal framework, functions, and management of the CTF. These are large responsibilities, and they will require the appointment of a working group that is capable of carrying them out quickly and effectively.

It may be most appropriate to include the following individuals in this working group:

- 2 people from the WIO-CC Steering Committee
- 1-3 people representing the existing national CTFs (Mozambique, Madagascar, Tanzania, Seychelles)
- 1-2 government representatives who can influence policy
- At least 1 representative from each country<sup>2</sup>
- 1 representative with strong technical capabilities
- 1 representative from existing or rapidly emerging private sector interests (fisheries, oil & gas)
- 1 representative from the banking sector

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<sup>2</sup> A representative from the national CTF could also serve as the country representative to avoid duplication of effort. The final Working Group should simply ensure that at least one representative is included from each participating country.

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- 1-2 representative from international NGOs
- 1 representative from civil society organizations

The composition of the Working Group should strive to ensure member company representation from among the various categories outlined here.

Including this group in the CTF process can ensure effective implementation, including the running of meetings, optimal decision making on key issues, and completion of the necessary documents. The Working Group can support the decision-making process within the broader Steering Committee and facilitate communication with the donors and among the various members. Some of the additional services that may need to be contracted include legal and financial/investment services, and conservation scientists to assist with technical and project related concerns. There could also be intermittent need to contract professional facilitation services, particular to guide planning and decision-making meetings.

Once the legal and operational procedures are in place, it will be essential for the Working Group of the Steering Committee to work with member countries to define the scope of the proposed WIO-CC CTF. Essentially, defining the scope will establish the geographic and technical boundaries of the CTF – what kinds of projects or activities will be supported, by whom, and across which geographic areas?

The Working Group can first define the mission, purpose, and operational structure of the proposed trust fund. These decisions will guide the determination of the geographic and technical activities to be supported by the fund. However, all of these decisions could be made at the same initial meeting, if sufficient time and resources are allocated to support it.

The results from this meeting can be compiled in a draft report by the consultant hired to support the Working Group, with the document circulated among the working group members. Working Group members should also agree to any findings and decisions reached in the meeting. The consultant can then work with representatives from the Working Group to create and action plan of action. The plan of action will then determine the steps to be taken to draft articles of incorporation and other legal concerns. With all the legal and admin structure in place, another meeting would take place approximately 3-4 months later to validate the proposed final structure for the CTF.

The existing mission and vision of the WIO-CC can help set the foundation for the scope of the CTF, although it will be important to refine this scope to determine the precise geographic, technical, social, and institutional parameters that will be included.

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The Working Group can begin to focus on the types of activities that the Fund might support and the geographic scope of the CTF. Criteria can be generated to establish geographic priorities, or the Fund may decide to focus on regional or transboundary issues – those that affect at least two countries. Other issues the Committee will need to consider include the overall role of the Fund. For example, it will be important to assess if funding will be provided for specific activities or will match funding of projects that meet the established objectives.

## **6.3 Identify the Mission or Purpose of the Fund:**

It will be essential for the WIO-CC to next write a clear, concise, and very specific mission statement for the proposed CTF in order to establish the purpose of the Fund. This mission statement is required in order to approach investors and to raise and invest money to meet its objectives. The WIO-CC has an expansive mandate related to the sustainable management of coastal and marine resources. The programmatic and geographic scope requires makes a very clear and specific focus for the proposed CTF. The broader the scope, and the greater the aspirations of the Fund, the larger the funding base will need to be. We recommend that this process of creating a very clear and specific mission and scope be led by the Project Manager and take place within a workshop specifically organized for this purpose. When the mission and scope of the CTF is clearly defined and agreed upon, then strategic selection of the Working Group would be able to occur to ensure that the appropriate expertise and inputs are available to guide all subsequent steps necessary to make the CTF operational.

In exploring the mission, some areas of that may be considered important for the CTF could include the following:

- Provide funding to support successful management and protection of marine protected areas (MPAs), especially those involving jurisdiction of more than one country. This focus should also help to define what is to be expected under the idea of “successful management and protection”.
- Invest in improving the sustainable livelihoods of coastal resource dependent populations through improved management, adoption of best practices and through system for payment of ecosystem services.

## **6.4 Develop a Model Aimed at Fostering Collaboration Among Existing and Emerging Funds within the region.**

The structure of the WIO-CC fund will benefit from the experience of other regional marine funds, such as the Caribbean Biodiversity Fund, as a way to promote strong coordination among the countries, and provide support consistent with the objectives of the Trust and those of the various funding organizations established in the various



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countries. Suggested options that could be considered at an early stage include the following:

- Creation of a legal trust entity in either the UK or the Netherlands (based on the legal assessment done for the BioFund in Mozambique and on the experience of existing regional funds)
- Creation of the Trust's operational offices in the Secretariat country of the WIO-CC - in this case, the Seychelles. This small administrative office would oversee grant allocations and liaison with the various existing or proposed country CTFs. Operating with a small staff and leaving more money for grants can reduce overhead expenses. Coordinating through existing funds can create greater regional synergy and increase the opportunity to tap into existing administrative structures. The Board of the WIO-CC CTF should be drawn from member countries and selected for both expertise and country-level representation (both private and public sector) and should include international stakeholders (e.g. donors). This effort could also lead to the creation of new national or sub-national CTFs in the region focused on priority coastal and marine issues.
- Development of a funding model linked directly to existing funds, or through implementation organizations with funding for priority activities from other sources. Given the regional nature of the proposed WIO-CC CTF, it may be possible and appropriate to develop an institution that has a relatively small-staff that largely serves to coordinate closely with other member country national CTS, while specifically responding to transboundary or broader regional issues and needs. The WIO-CC would work with these national CTFS to ensure that national and sub-national objectives in the member countries are being achieved, and leverage funds to support specific regional and transboundary objectives. This would involve coordinated planning among all existing and proposed regional CTFS, and with each individual government.

## **6.5 Develop a budget and proposal for the creation of the CTF:**

Experiences indicate that the process of creating a CTF can take several years in order to allow sufficient meeting time to explore and finalize the appropriate institutional, legal, and administrative systems and ensure adequate stakeholder consultation. The process is often accompanied by some initial donor support – normally a donor that is interested in supporting the creation of the CTF. Initial support should enable the WIO-CC CTF to operate for the first several years. The initial consultation process is also the mechanism to inform all stakeholders as to the mission, scope, structure and operation of the CTF, and is essential to gain stakeholder support for the initiative.

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In some cases donors may be constrained by bilateral commitments and will only provide funding for work in a specific WIO country. The structure of the CTF may need to take such funding constraints into account when considering its design. The Sangha Tri-National Fund described in Section 4.3.1 may be illustrative if this situation arises.

The proposed WIO-CC CTF will need an initial budget to cover at least the first year, and preferably first two years of operational costs. The initial budget should be calculated to provide the following:

- Salary for the coordinator (two years for the first phase)
- Travel for country meetings and to meet donors
- Computer and supplies
- Consultant time (60 days over two years)
- Consultant Travel
- Steering Committee Meetings (4 per year)
- Contract legal advise as needed (legal assistance to create the charity would be required in either the UK or Netherlands).

An estimated budget for the first two years of the CTF operation could include the following:

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Cost Item	Year One (Euro)	Year Two (Euro)
Coordinator Salary (part-time)	40000	40000
Travel for country meetings and to meet donors	6000	5000
Computer and supplies	2000	--
Consultant time	20000	20000
Consultant Travel	5000	4000
Steering Committee Meetings (4 per year)	16000	16000
Contract legal adviser	10000	--
<b>Totals</b>	99,000	85,000

Some challenges that the new CTF will face include:

- *The need to create a Fund that responds to regional needs* - multi-country or regional funds face the complexity of satisfying diverse interests. It will be particularly challenging, but essential to gain agreement on the purpose of the CTF and what it will support.
- *The risk of competition between existing or emerging national or sub-national trust funds* – It will be essential for the proposed WIO-CC CTF to minimize or avoid this risk and ensure that its establishment ultimately leads to greater collaboration among funding institutions.
- *The limited experience of the national conservation funds in the region* - many of the national level funds with the exception of Madagascar and to some extent Mozambique are still very new and have not been capitalized sufficiently to provide financing that can provide an impact. And there is still limited financing to address coastal conservation challenges. The regional fund will need to work closely with these funds to develop strategies that will ensure that joint programs are well defined and include sufficient resources to accomplish the defined objectives.

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However, the creation of the WIO-CC CTF also has resulted in some advantages that it can immediately rely on to advance the development process. These include:

- *The existence of national CTFs in the region* - the experience other countries have gained in creating and operating conservation funds throughout the region can inform decision-making as to the location and legal structure of a broader regional CTF.
- *Legal analyses exist* - legal assessments have already been carried out regarding the advantages and disadvantages of locating a Fund in one country or another. These assessments should provide useful information that can facilitate discussion regarding where to establish the Fund.
- *Existence of best practice guidance* - new CTF creation can benefit significantly from the experiences of existing CTF's. As mentioned in Section 4.1, the Conservation Finance Alliance has extensive information available on its website. The forthcoming CFA Practice Standards will provide a particularly important set of guidelines to the WIO-CC CTF that have not been available to earlier CTFs.

These advantages should serve the WIO-CC as it continues to advance its efforts towards the development of a CTF that can effectively fill the gaps needed to meet the coastal and marine challenges of the coming decades in the WIO region.

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## Annexes

### A.1 References

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## *A.2 Sample Terms of Reference for the WIO-CC CTF Working Group*

### **1. Title of the group**

The group should be called the “CTF Working Group of the Western Indian Ocean-Conservation Challenge”, to be hereafter referenced as the “CTF Working Group”.

### **2. Terms of Reference and Mandate**

#### **2.1. Role of the group**

The primary objective of the CTF Working Group is to discuss the administrative, legal, policy, and strategic orientation and activities of the proposed WIO-CC conservation trust fund, and make suggestions to the WIO-CC Steering Committee to help to improve the relevance and impact of its work. To achieve this objective it will:

- Discuss and make recommendations on high level strategic and policy issues, including the objectives and priorities or matters of significant risk to the proposed WIO-CC CTF;
- Discuss and make recommendations on issues that the CTF Working Group considers to be of major strategic significance to the development, implementation, and administration of the proposed WIO-CC CTF;
- Identify and resolve any internal conflicts or divisions of opinion with the CTF Working Group;
- Discuss and make recommendations on other issues that its members consider to be of importance to the CTF WORKING GROUP;
- Initiate, regularly review, update and where necessary recommend changes to the CTF Working Group work plan, meeting schedule, and procedures;
- Identify and review the need for specialized sub-groups on selected topics relevant to the proposed WIO-CC CTF, and advise on the establishment, outputs, or closure of such groups;
- Act as the point of contact for organizations that wish to establish dialogue with the CTF Working Group, or who seek to engage with the proposed WIO-CC CTF;
- Discuss and make recommendations on any matter involving an alteration in the mandate, terms of reference, membership, or structure of the CTF Working Group;
- Review, discuss and make recommendations on the logistic requirements of the CTF Working Group, sources and means of political and financial support, and its capability to function correctly in the future.

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## 2.2. CTF Working Group Roles

The CTF Working Group should consist of a minimum of the following representatives:

- At least one representative from the WIO-CC Steering Committee
- At least one representative from existing national CTFs (Mozambique, Madagascar, Tanzania, Seychelles)
- At least one representative engaged in the development, implementation or oversight of environmental policy at a national or international scale in the WIO-CC region
- 1 representative from each country
- 1 representative with strong technical capabilities
- 1 representative from existing or rapidly emerging private sector interests (fisheries, oil & gas, mining)
- 1 representative from the banking sector
- At least one representative from international NGOs
- 1 representative from civil society organizations

The representatives should come to agreement on the appointment of a chair, deputy chair, secretary and two ordinary members for this Working Group. The chair sets the agenda for the group, convenes meetings, and ensures that they are properly conducted. The deputy chair takes the role of the chair when the chair is not present. The secretary plans, co-ordinates and monitors all Working Group-related activities including distributing the agenda, attending the meetings, preparing minutes and reporting recommendations.

## 3. Rules of procedure

The Working Group should elect its chair, deputy chair and secretary. If neither the chair nor deputy chair is present at a Working Group meeting then the members present should elect one of their number to act as chair at that meeting.

### 3.1. Meetings

The chair is responsible for convening meetings. Meetings will normally take place in a place and at a time that is convenient for participants. The chair may convene meetings at other times when he finds support of at least two third of the members of the



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Working Group. The secretary is responsible for ensuring that the agenda of the meeting is made available to the members well in advance of any meeting.

Meetings should be open to all participants of the working group. Meeting participants who are not members of the Working Group have observer status and are entitled to speak but may not vote.

Business should be conducted by careful and considered deliberation leading to formal recommendations to the WIO-CC Steering Committee. Recommendations should be decided by consensus where possible. Consensus means that after deliberation all members support a particular point of view. Where consensus is not achieved, recommendations should be decided by simple majority vote of members voting on the question. In the case of a tied vote the person acting as chair should be entitled to a second or casting vote.

A quorum is constituted by half of the number of individuals composing the Working Group (rounded up when the number in the Working Group is uneven).

The Working Group may decide (by consensus or majority vote) to ask parties who are not members of the Working Group to participate in a meeting so that they can provide relevant information, material or knowledge to the Steering Committee.

The Working Group may establish sub-committees consisting of 3 or more of its members and refer to them any matter in the Steering Committee's mandate.

## **3.2. Channels of communication**

The Working Group secretary should provide a written report within four weeks of each meeting to summarize the topics covered in formal and informal meetings and recommendations to be considered by the full Working Group members.

The Working Group chair, deputy chair and secretary should act as the focal points of contact between the Working Group and external organizations.

## **3.3. Consultation process**

Meetings should be open to all Working Group participants. The WIO-CC Steering Committee can determine whether to consult more formally on particular issues, and if

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it decides to consult, should determine the form and method of consultation. Consultation might involve but is not restricted to plenary or partial meetings of the Working Group, focus groups, questionnaires and surveys, or workshops.

## **3.4. Review of terms of reference and mandate**

The Working Group should review the terms of reference and mandate of the group at least every 2 years, taking into account any recommendation from the WIO-CC Steering Committee for modifications.

The WIO-CC Steering Committee may at any time ask the Working Group to consider a recommendation for changes to its terms of reference and mandate.

## **3.5. Remuneration for Expenses and Time**

Travel and per diem costs for participation in formal meetings of the Working Group will be reimbursed for all participants. However, it is expected that no more than 2 formal meetings will be carried out each calendar year. Other meetings are expected to be carried out in virtual environments with no actual travel required from participants.

## **3.6. Conflict of Interest**

No member of the Working Group may participate in a discussion where such participation would give rise to a potential conflict of interest.

## **4. Selecting CTF Working Group Members**

### **4.1. Nomination**

Nominations will close on the evening of the day before the election.

The Working Group secretary should make nominations available to all members of the group orally during a plenary meeting.

A person may be added to the list of candidates standing for election only after (a) one member of the Working Group has nominated that person, (b) another member has seconded the nomination, and (c) the individual concerned has accepted the nomination.

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Those eligible to nominate or second nominations are those individuals who at the time of the call for nominations are currently designated as members of the Working Group. No person may nominate or second his or her own candidacy.

Members of the Working Group who are standing down but who re-qualify under the provisions of 4.1 may stand for re-election.

## **4.2. Selection Process**

The election process is intended to ensure that, for the sake of continuity, each Working Group member serves a full term, while, for the sake of the opportunity for renewal, approximately half of the Steering Committee stands down (for possible re-election) at least every other year.

Elections should take place annually at the first meeting of the Working Group in each calendar year.

### **4.2.1. Eligibility to vote**

Those eligible to vote are those designated Working Group members present at the meeting, or who submit a mutually accepted proxy at the time of the election.

### **4.2.2. Election**

At the time of the election, some members of the Working Group (the “serving members”) may have served only half their terms. If the number of serving members plus the number of candidates standing for election is equal to or less than the maximum number of Working Group members recommended under 2.2, all the candidates standing for election are considered elected.

If the number of serving members plus the number of candidates standing for election is more than the maximum number of Steering Committee members recommended under 2.2, elections should be by secret ballot.

Vacant seats in the steering committee should be filled with the candidates receiving the majority of votes. In case of equal votes in filling the last vacant seat selection is taking by throwing a coin.

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The member representing the Steering Committee is selected annually, or more frequently as circumstances require, by participants.

## **4.3. Term of Service**

Officers should be elected for a single term, or until successors are elected, whichever comes sooner.

Terms should begin at the close of the meeting at which they are elected.

The term of a Working Group member lasts until the close of the meeting that takes place approximately two years after the individual was elected.

## **5. Inaugural Meeting**

The inaugural meeting of the new Working Group should begin by electing a chair, deputy chair and secretary.

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## *A.3 Sample Terms of Reference for a WIO-CC CTF Project Consultant*

### **1. Summary**

The Western Indian Ocean-Coastal Challenge (WIO-CC) is seeking a highly experienced consultant to lead the process of developing the technical, administrative, and management standards and operational procedures for a new regional conservation trust fund (CTF) to be developed and managed by the WIO-CC. The standards and procedures to be developed must be practical management tools that guide the WIO-CC in its development and funding of the CTF. They must combine rigor and flexibility, and embody the core development principles of participation, inclusion and capacity building. The project will significantly influence the WIO-CC's wider strategic work, and the outcomes are expected to be of great importance in coastal and marine conservation in the Western Indian Ocean region.

### **2. Background**

The Western Indian Ocean Coastal Challenge (WIO-CC) is a governmental platform organized "to galvanize political, financial and technical commitments and actions at national and regional levels on climate change adaptation, promoting resilient ecosystems (marine and coastal resources), sustainable livelihoods and human security". The WIO-CC is now investigating the feasibility of establishing a conservation trust fund (CTF) to support the achievement of this vision, and to meet the financial needs for the planning and management of coastal and marine resources for WIO-CC participating countries. The proposed fund for the Western Indian Ocean (WIO-CC-CTF) is expected to provide the funds to cover immediate and recurrent costs for the environmental challenges facing the WIO-CC countries, with a particular focus on challenges facing the member countries from climate change and growing development pressures.

### **3. Objective**

The objective for this consultancy is to:

- Work together with the WIO-CC CTF Working Group to develop a set of clear operational standards for the proposed trust fund in order to provide practical guidance for Working Group members in the in the development of the technical criteria and operational standards for the proposed CTF. The standards must be presented in clear, unambiguous language, easy to understand and specific enough to be used as the basis for measuring how well they have been achieved.

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- Develop and lead a process that will enable the Working Group to define the CTF mission and scope, and produce a description of the CTF governance and legal structure.
- Define the unique position and strategic priorities for the WIO-CC CTF, including the preparation of a gap analysis to identify the key geographic, technical, and institutional priorities that the CTF should consider as priorities.
- Produce a draft Capital and Resource Mobilization Plan that can be reviewed and modified, as necessary, by the Working Group, and enacted to guide the implementation of the CTF.
- Produce a draft CTF Operating Plan that can be reviewed and modified, as necessary, by the Working Group.
- Develop policies and guidelines to ensure effective communication and collaboration in all Working Group meetings and task assignments.
- Develop an effective internal evaluation mechanism for geographic, technical, and institutional priorities.
- Propose a financial reporting system.

## 4. Process

The consultancy should include measures to cover the following elements:

1. Identify key lessons learned and applicable tools/experience from other organizations.
2. Analysis of all appropriate documents to provide a thorough overview of opportunities and needs to be covered by the CTF, and identify best practices that can be supported by the CTF.
3. Thorough liaison with all relevant stakeholder groups, including a delineation a appropriate stakeholder representation carried out with the WIO-CC CTF Working Group.
4. Consultation with Working Group representatives to: (a) understand experience and opinions; (b) identify best options for planning and decision-making; (c) prioritize opportunities; (d) develop realistic action plans for achieving Working Group objectives; and (e) build ownership of the operational standards.
5. Facilitate discussion of divergent views, so as to arrive at clear decisions.

It is expected that this work will be carried out using a mixture of desk review, interviews/surveys, and group discussions. The consultant(s) should be prepare to organize and participate in all formal Working Group meetings during at least the first year of the CTF development; prepare the agenda for each meeting; and produce a

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summary report for all meeting participants, including key issues identified, decisions reached, and unresolved conflicts and proposed follow on actions.

The consultant will be managed by \_\_\_\_, based in \_\_\_\_\_. The WIO-CC is committed to sector-wide learning and will permit external publications based on this project.

## 5. Qualifications

The consultant(s) will have at least ten (10) years demonstrated professional experience in the planning, development, and implementation of conservation finance mechanisms, with specific expertise in the development of operational procedures and standards for national and regional scale conservation strategies. An understanding of sources and opportunities for funding to support finance mechanisms will also be important. Demonstrated skills in facilitation, technical training, and strategic planning with a wide range of stakeholder groups operating in developing nations will also be necessary. Graduate education in conservation biology, natural resource management, conservation planning, or environmental economics will be important, with at least some demonstrated training and expertise in technical issues pertaining to coastal and marine environments.

## 6. Timescale and Budget

The project is expected to commence on or after \_\_\_\_\_ and be completed \_\_\_\_\_. Earlier implementation is possible if agreed upon by all parties.

A detailed project plan will be developed at the beginning of the consultancy project, setting out milestones including: an inception meeting, delivery of research reports, preparation of different drafts, consultation processes and finalising materials.

The budget for this project is expected to be approximately £\_\_\_\_\_ plus expenses.

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## *A.4 WCS Consultancy Team*

The WCS team carrying out the consultancy on the proposed conservation trust fund consisted of two individuals – Ray Victurine served as the overall lead of the consulting work and supported Mr. Tolisano in the analysis of findings from the literature review, consultations, and strategic planning session. Jim Tolisano served as the principal research scientist and was responsible for the compilation and review of background literature, and most of the consultations with key stakeholders in the region. He led a strategic planning session at the recent third meeting of the WIO-CC. Each individual shared in the preparation of the draft and final reports. However, Mr. Victurine continues to serve as the lead in the final confirmation of all findings and recommendations provided in the draft and final reports.