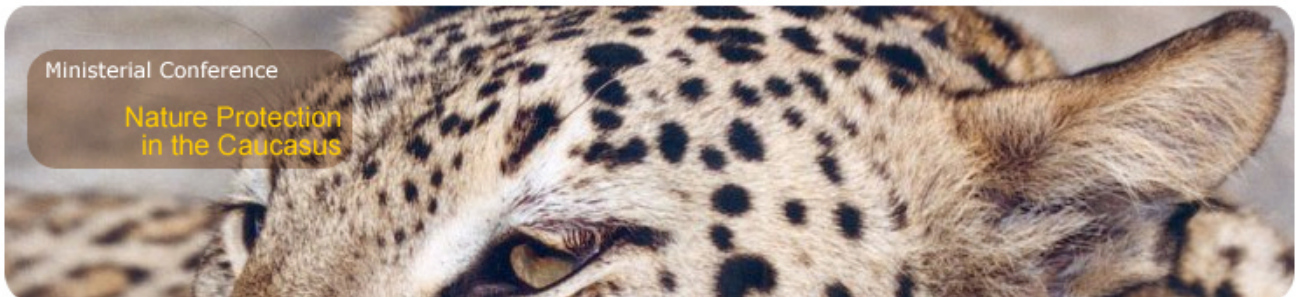


Ministerial Conference: Nature Protection in the Caucasus
Promoting Transboundary Cooperation for CBD Implementation
9-11 March 2006, Berlin – Germany



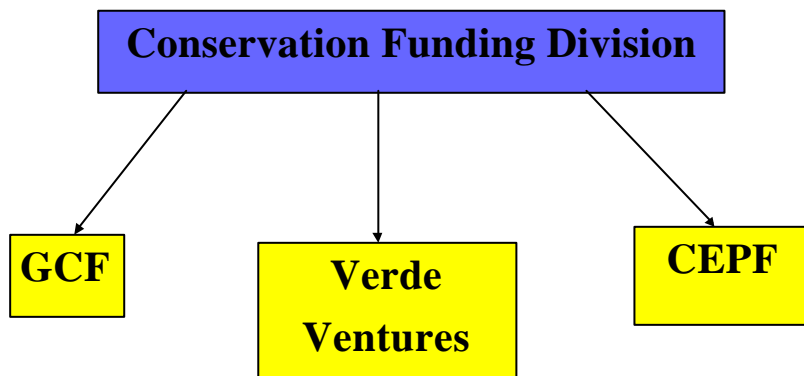
Trust Funds, Example From a Different Region

Kristina McNeff, Conservation International / Global Conservation Fund

Conservation Endowments: Lessons Learned

Kristina McNeff
Global Conservation Fund, Conservation International
10 March 2006

Funding Division at Conservation International





The Global Conservation Fund

- Support protected area creation
 - 84 funded projects
- Ensure long-term sustainable financing of created protected areas
 - 58 active projects

The role of a long-term financing mechanism

- Support core recurring costs
 - Implementing the management plan (monitoring and enforcement, etc.)
- Support other related activities
 - Promotion of sustainable economic activities
 - Ecotourism development
 - Education
 - Research



How much will it cost?

Calculating Capitalization

- Difference between expenses and income per year
- Estimate 5% interest (accounts for flux in market, inflation)
- Calculate scenarios
 - Minimum (for basic management)
 - Ideal (for “extras”)
- Start-up costs vs. Recurring costs: Account or trust may be under-capitalized in first few years

$$\text{\$130,000} / .05 = \text{\$2.6 million}$$

$$\text{\$160,000} / .05 = \text{\$3.2 million}$$

$$\text{\$900,000} / .05 = \text{\$18 million}$$

Account Types

- Endowment
 - Should preserve the capital as a permanent asset
 - Tightly controlled disbursements
 - Shouldn't ever run out
 - GCF considers endowments the primary method of long-term financing
- Many funds include more than one account type

Creating an Endowment

Legislative Review

Articles of Incorporation and Bylaws

Financial Documentation

Fundraising

Endowment: Legislative Review

- Common vs Civil Law
 - Common law: Recognizes trusts
 - Civil law: May recognize foundations, or associations
- Structural evaluation under legal regime
 - Expropriation: Can govt. take money or land held by trust?
 - Taxing: Can a non-profit exist in the country?

Endowment: Articles of Incorporation and Bylaws

- Mission
 - Clear and obtainable given funding and capacity
 - Avoid spreading too thin
- CEO and Board of Directors
 - Roles
 - Conditions under which each can be removed
 - Strong conflict of interest provisions
 - Federal PA: Inclusion of, but limitations on, govt. representation
- Account structure
 - Principle held offshore
 - Ensure the ability to use principle (set the amount to be paid each year in case markets go up or down)
 - Dissolution scenario

Endowment: Articles of Incorporation and Bylaws

- Fund distribution policy
 - Geographic and thematic elements
 - Based on scope of fund and type of account
 - Priorities often negotiated with donors and stakeholders
- Operations manual
 - Guides day-to-day operations of fund

Endowment: Financial Documentation

- Financial Documentation
 - Asset manager
 - Investment policy (may include a “social investing” policy)
 - Non-profit/501(c)(3) status or equivalency (in order to invest in the USA with out paying 30% withholding the IRS!)
 - Auditors (to review financial reports and confirm funds are invested and disbursed in accordance with guidelines)
- Fundraising
 - Matching funds are requirement of GCF and many other donors

Account Types

- Sinking
 - Disburses principal and interest toward a specific purpose and/or over a specific time period (i.e. 10 yrs of infrastructure enhancements)
 - Will eventually run out
- Revolving
 - Receives new income on a regular basis
 - Often paid out regularly so not invested
- Pass-through
 - Sub-account within a larger fund
 - Generally fits within the mission but with a specific purpose which may differ slightly

Lessons Learned

- Executive Director
- Investment Manager/Investment Advisor
- Mission: broad vs. focused
- Balance restrictions with flexibility, as appropriate
- Relationship with relevant government ministries
- Donors for endowment