

# Establishing Environmental Funds

David Smith,  
Managing Director,  
Business and Environment Management Services Ltd.

# What are Environmental funds?

- Structure
  - Endowments
  - Sinking Funds
  - Loans
- Purpose
  - National Parks or Protected Areas
  - Cleanups “Brown”
  - Environmental Conservation “Green”

# Advantages of EFs?

- Predictable source of Funding
- Allows for Programme frameworks to be developed and implemented
- Allows grantees to step off the project treadmill
- Better for Protected Areas
- Support capacity building
- Support networking and information exchange

## Four features are essential for success:

- Broad-based, active government support to create a mixed, public-private sector mechanism that functions *beyond direct government control*
- A significant environmental issue is to be addressed over the long term
- A critical mass of people from diverse sectors who can work together
- A basic fabric of legal, financial and supporting institutions including auditors, bankers, etc. in which the majority of people have confidence

# Methods

- Stakeholder consultations and involvement from the early concept stage
- Particularly important to consult with the potential beneficiaries
- Design flexibility into the fund
- Ensure that more than one source of income is possible (even if a large source of funding is available now)

# Governance

- Simple structures work better
- Ensure a good mix of management and technical expertise on the Board
- Decide early if the Board will fundraise (before they are chosen & prior to hiring the CEO)
- Get a mix of members from Private and Public sectors, academia and donors
- Avoid “representatives” of organizations

# Operations

- Openness and fairness in the project selection process
- Integrity and transparency in financial management
- Dedicated and competent staff
- Good partnerships with Government Agencies and intermediaries to provide services to clients and other organizations in the environmental community

# Accountability

- Constituents & Beneficiaries
- Stakeholders
- Members
- Good accountants
- Better auditors
- Publicize Financials on web and otherwise
- Ensure transparency in making grant decisions

# Independence

- Funds are more effective when they function independently of government control
- Best funds have a mixed Board of Private sector, Government, NGOs and academia
- Large and successful funds often attract the attention of politicians

# Mobilizing Resources

- Taxes
  - Green Fund Levy in Trinidad & Tobago
  - Travel tax in Belize
- Debt reduction and swaps
  - Environmental Foundation of Jamaica
  - Many Trust Funds, INBIO in Costa Rica
- Solicitation / Campaigns
  - “Adopt an acre”, Panama
- Private Donations
- Overseas Development Assistance
- Provision of services

# Other possibilities

- Water Royalties
- Carbon Sequestration
- Joint Implementation
- Clean Development Mechanism
- Partnerships with private land owners

# Capacity: Of the Foundation

- Staff should be recruited locally whenever possible. The operation of a successful EF is complex and requires several diverse skills within senior management. It is important to ensure that the salary packages offered are competitive.
- Clear focus on goals, priorities & strategy, don't be afraid to say "no"
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# Capacity: Of the Grantee

- Lack of human resources and infrastructure to develop and implement programmes.
- Narrow donor-driven funding bases, and lack of plans for self-sufficiency or independence.
- Weak mechanisms for NGOs/CBOs to act as partners in development at the community level.

# Capacity Building



# Capacity Building

- A programme with definite outputs and a plan should be developed.
- Takes place at three levels
  - Individuals
  - Organizations
  - Systems
- Funds may not be able to address capacity at all 3 levels

# Conclusions

- Transparency and fairness in determining grants
- Determine role of Board: governance, operations, fundraising. Ensure a balance of skills for the Board
- Financial responsibility
- Independence from Government
- Hire and keep well qualified staff
- Several sources of income
- Set goals and objectives for the grant/loan programme

## Several publications have been produced on EFs. One should acquire at least:

- *The IPG Handbook* ([www.pactpub.com](http://www.pactpub.com))
- *Evaluation of Experience with Conservation Trust Funds*, GEF Secretariat 1998 ([www.gefweb.org](http://www.gefweb.org)) on *Environmental Funds*, Norris, R. Editor ([www](http://www))
- *Environmental Funds: experiences and future direction for the IDB*, KPMG (Inter-American Development Bank)
- *Environmental Funds: Lessons learned and Future Prospects*, Bayon, R., Deere, C., Norris, R. and Smith, S. (available from the IDB)
- Optional [www.consultjamaica.com/documents](http://www.consultjamaica.com/documents)