

# CONSERVATION TRUST FUNDS

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## Overview and Key Characteristics

Conservation Trust Funds (CTFs), often called Environmental Funds in Latin America, are private, 1 legally independent institutions that provide sustainable financing for biodiversity conservation and community development.

The core business of CTFs is to mobilize resources from diverse sources – including international donors, national governments, the private sector, and sustainable finance sources – and to direct them, primarily through grants, to a diverse range of environmental programs and projects through non-governmental organ

izations (NGOs), community-based organizations and governmental agencies (such as national parks agencies; CFA, 2020). 2 Thus, one of CTFs greatest values is to provide a vehicle to receive large grants from international donors and efficiently and effectively convert them to smaller funding streams to national conservation actors such as NGOs and Community Based Organizations.

In addition to managing funds, CTFs encourage transparency and accountability of financed conservation efforts and increase the capacity of conservation practitioners to absorb funding. The CTFs accomplish this by:

- Adopting multistakeholder independent governance systems, developing and enforcing clear decision-making policies and procedures, including a Conflict-of-Interest policy.
- Providing transparent and equitable application and selection processes for grant allocation.
- Ensuring risk screening and independent technical review of proposals.
- Overseeing compliance with funder policies and required standards, including environmental and social safeguards, during implementation of projects.
- Publishing monitoring and impact assessment reports and audited financial statements annually.
- Managing financial assets professionally and efficiently for long-term financial continuity.
- Funding key research, policy making, capacity building, and strengthening of civil society activities.
- Designing and testing innovative financial mechanisms to diversify their funding sources and programs.
- Supporting partnerships and coordination with and between public and private sectors.

# How to plan for and implement CTFs

There are many steps to designing and implementing Conservation Trust Funds. An overview of the elements of CTFs can be seen in the CFA Conservation Trust Fund Practice Standards 2020 (CFA 2020). One key initial step to design a CTF is forming a coalition of interested stakeholders and carrying out a comprehensive legal analysis to help define the structure of the new entity. The coalition of stakeholders is strategic, as CTFs have a convening role, congregating multiple actors under their governance system. Government participation is essential to align resource mobilization with public policies and commitments. Many CTF donors will require the government endorsement on new programs to be managed by the CTF. Nevertheless, governments should always participate as a minority, as a way to keep the CTF independent of political influence. Other sectors, such as groups of local NGOs, community-based organizations, academia and private sector, are important participants in a CTF, bringing different perspectives and engaging different partners in common conservation objectives. A practical way of designing a CTF in a participative way is to create a working group or a steering committee with representation of the relevant stakeholders and carry out extensive consultations with this group to validate the governance and structure of the new fund. In many cases, an international NGO, a development agency or a large bi- or multilateral donor have played the role of funding and facilitating the CTF design process. This can include convening the working group, hiring specialized consultants to carry out the design, and mobilizing the seed capital to start the operationalization of the CTF. Commonly this development stage can take 2 years or more.

The definition of the legal structure is part of this process and is also a strategic aspect. It will provide the CTF with important features, such as tax exemption, protection against expropriation of assets, and flexibility to manage different types of funding. Some CTFs opt to be registered abroad, commonly in the US or UK, when the country of operation does not offer a robust legal framework, or to facilitate international fundraising.

Perhaps the most important element of creating a CTF is identifying and securing the financing required. Ideally an anchor donor will have been identified to finance the development process and initial grant-making so the CTF can go through the design phase, develop its creation and operational documents and procedures, and prove to both stakeholders and other donors that the institution is independent, transparent, and efficient. Continuous improvement can be supported by engagement with the CTF regional networks as well as the Practice Standards (CFA 2020) guidance and self assessment tool.



Gunung Leuser National Park, Indonesia, a Legacy Landscape

## Required Elements

To comply with the international standards expected from CTFs by most bi- and multilateral donors, development banks and international funders, CTFs:

- Are a legally independent entity (not controlled by the government or any other third party).
- Have a governance system with a governing body that assumes the fiduciary duties.
- Have governing body members who have the necessary competencies to carry out their fiduciary role.
- Have an operational structure with an Executive Director or CEO and a secretariat team that include conservation and finance experts.
- Have full legal recognition in the country or region with tax-efficiency.
- Are positioned to provide the disbursement of grants, technical assistance support and capacity-building.
- Are able to raise and receive funds from multiple sources, national and internationally.
- Have broad stakeholder approval and representation at the governing body level, including from the government and civil society.
- Have effective financial investment management with the funds managed by a competent professional under the direction of the CTF's governing body.

## Success Factors and Risks

The CFA 2020 Review of CTFs (CFA, 2020) outlines five aspects that lead to CTF success:

1. Transparent financial and programmatic reporting;
2. Administrative capacity to respond quickly to urgent needs (such as fires or hurricanes);
3. Continuity in conservation programs during government administrative transitions and stability in times of political turmoil;
4. Ability to partner with governments and other actors to achieve national goals; and
5. A long-term focus on conservation, as CTFs are established to be stable, durable, and vocal institutions.

Other success factors include:

1. **Ability to decentralize the governance** system to incorporate new funding opportunities, with the creation of multiple Program Accounts, in collaboration with a varied range of actors, who participate in the governance system through Program Committees. For example this is the case when a CTF manages a Project Finance for Permanence initiative (see PFP Factsheet) or other large programs.
2. **Facility to learn fast and innovate** through collective sharing of lessons learned. Networks such as the Latin America and Caribbean Network of Environmental Funds (RedLAC), and the Consortium of African Funds for the Environment (CAFÉ) have consistently held annual meetings and supported knowledge exchange among CTFs.
3. **Compliance with best international practices**, such as the Practice Standards for CTFs (CFA, 2020), which allows them to get accredited as national agencies of global funds, including the Green Climate Fund, the Global Environment Facility, the Global Fund for Coral Reefs and the Adaptation Fund.

# Case Studies

There are many case studies published on CTFs, focusing on different aspects. The CFA publication [CTFs 2020](#) profiles five case studies on national funds:

1. Launching a New CTF: BIOFUND in Mozambique
2. Public-Private Challenges in CTF Governance: FAN to FIAS in Ecuador
3. Coast Funds: Integrating Finance for Conservation and Sustainable Development of Indigenous Communities
4. Fondo para la Acción Ambiental y la Niñez (Fondo Acción): Evolution of Private Sector Engagement Strategies
5. Micronesia Conservation Trust: The Role of a Regional Conservation Trust Fund in Capacity Building for Conservation

In addition, [RedLAC and CAFÉ](#) have published more than 30 case studies through their joint capacity building projects, covering issues on governance, resource mobilization, communication, monitoring and evaluation, safeguards, impact investing from CTFs in Latin American, the Caribbean and Africa.

Regional and global CTFs have taken lessons learned from national CTFs and global multilateral funds, and have used international NGOs and national CTFs as their implementing agencies. This is the case for the Blue Action Fund and the Legacy Landscapes Fund.

## Legacy Landscapes Fund

The [Legacy Landscapes Fund](#) (LLF) was founded as an independent foundation by the German government through the Federal Ministry for Economic Cooperation and Development (BMZ) and German Development Bank (KfW) in late 2020. LLF aims to mobilise around USD 1 billion for a portfolio of 30+ legacy landscapes with outstanding biodiversity value. In less than 3 years, LLF has successfully managed to mobilise more than USD 350 million from public and private sources for 14 legacy landscapes covering more than 430.000 km - the size of Iraq.

In a combination of endowment and sinking funds, each selected legacy landscape receives USD 1 million annually for 15-30 years to cover the base operating costs; one third of the funding is provided as match funding from private sources. LLF focuses on supporting professional partnerships between experienced NGOs and protected area authorities (or custodians of the land), as well as Indigenous and local communities with the goal of managing terrestrial conservation areas effectively and sustainably. Legacy Landscapes are selected through public Calls for Proposals. It is a similar intermediary model adopted by the Blue Action Fund and the GFCR.

Under the guidance of the LLF Supervisory Board, a Management Board conducts all daily operations. In an effort to maximise synergies and minimise costs, the 4 independent CTFs created by BMZ and KfW – LLF, Blue Action Fund (BAF), Caucasus Nature Fund (CNF), and Prespa-Ohrid Nature Trust (PONT) – are all using the same back-office provided by the Nature Trust Alliance (NTA). NTA is a shared back office providing services such as finance and accounting, administrative and legal support as well as communications.



Capuchin monkey at Yasuni national park, Ecuador, a Legacy Landscape

## Trends and Future Directions

Trends and potential future directions include:

- **Scale.** Recognizing that CTFs can gather different funding sources and accommodate multiple stakeholders in a decentralized governance system under clear and comprehensive institutional policies, they are well positioned to manage increased sums of resources, including the ones related to the 2022 Kunming – Montreal Global Biodiversity Framework targets, such as countries achieving 30% of protection by 2030 (Target 3). As accredited agencies of global funds, some CTFs are also increasing their scale of funding and impact.
- **Risk management.** Increasing scale and directly accessing global funds require that CTFs adopt robust risk management systems that can identify and mitigate environmental and social impacts generated by the funded projects. Environmental and Social Management Systems (ESMS) have been adopted by CTFs in the last decade, improving the quality and sustainability of projects they fund. A challenge still to be addressed is how to avoid that such requirements make the access to funding more difficult, especially by indigenous peoples and local communities grantees. Specific finance mechanisms, such as small grants programs and microcredit, combined with comprehensive technical assistance, have been developed by CTFs to ensure access to funding by small local organizations.
- **Blended finance.** Using their grant resources to leverage private concessional and commercial capital to sustainable business models has been a modality some CTFs have adopted recently, in a way to increase the impact of the funding they provide. Grant capital and technical assistance provided by CTFs have the potential to de-risk investments in new business models that reduce drivers of degradation to biodiversity and/ or generate positive environmental and social impacts.

# Additional Resources and References

## Resources

Conservation Trust Funds 2020: [Global Vision](#), [Local Action](#), Conservation Finance Alliance, 2020

[Practice Standards for Conservation Trust Funds 2020](#), Conservation Finance Alliance, 2020

The [Environmental Funds Toolkit](#)

The [Conservation Trust Fund Investment Survey](#).

A [Rapid Review of Conservation Trust Funds](#), 2008

The [IPG Handbook on Environmental Funds](#), 2000

The [Practice Standards for CTFs Webinar series](#)

## Suggested Citation

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## REFERENCES

- [Practice Standards for Conservation Trust Funds](#) (CFA, 2020).
- [Conservation Trust Funds 2020](#): Global Vision, Local Action.