

Global Conservation Fund

Business Planning as Tool for Long-term Financing

July 2008



Our Mission



The Global Conservation Fund finances the creation, expansion, and long-term conservation management of critical ecosystems in the world's biodiversity hotspots, high-biodiversity wilderness areas, and important marine regions.



Our Strategy



- Invest in high quality and innovative projects to protect highest priority places.
 - **\$25 million from Moore Foundation**
- Develop and provide seed capital for long-term financing (LTF) mechanisms to ensure financial sustainability.
 - **\$75 million from Moore Foundation**
- Mobilize additional financial resources from other partners to capitalize LTF mechanisms.
- Monitor and adaptively manage both individual projects and GCF program.

Impacts Program to Date



- 55 areas created or expanded
 - 79 million hectares in 22 countries.
 - \$22 million invested in project development
- 15 Long-term financing deals closed
 - \$14 million invested in LTF
 - 6 endowments
 - 9 debt swaps, land purchases, etc.
- \$75 million leveraged from partners.

Projected Impacts 2013



- Over 100 areas created or expanded
 - Over 96 million hectares in 27 countries
- 42 Long-term financing deals closed
 - 93% endowments
 - 7% debt swaps, land purchases, etc.
- \$400 million estimated to be leveraged from partners
- Over 720 globally threatened species protected by GCF-supported projects

Goal of Long-term Financing



- **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

LTF Lessons Learned



- GCF focus has been on endowment funds
- Endowments are reliable sources of revenue but
 - Few donors are interested in providing endowment capital
 - Endowments have administrative costs
 - Endowments can be complicated and time consuming to set up
- **Endowments should not be the only financing option explored**

Role of Business Plan



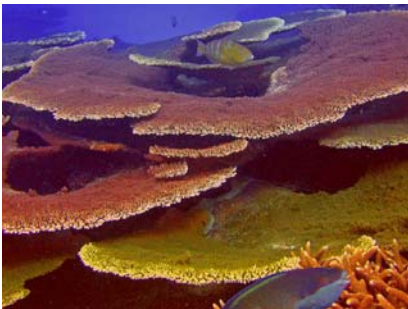
- GCF taking more holistic approach to PA financing
- GCF views a business plan as part of long-term financing strategy for many projects
- Business plans should:
 - explore variety of revenue opportunities
 - project scenarios to assist with financial management
 - Market fluctuations
 - Donor priorities
 - Prioritization of activities

Role of Business Plan



- Difference between expenses and possible income may be “gap” for endowment
 - Determine **if** an endowment fund should be pursued
 - Determine **which** activities/expenses will be supported by the endowment
 - Determine the **target** endowment capital
- For projects without a full Business Plan, GCF requires financial plan to calculate:
 - Minimum (basic management)
 - Optimal (full suite of mgt. plan activities)

Calculating endowment target



- Set endowment target based on annual expenses to be covered
- GCF supported Rapid Review of Conservation Trust Funds (Conservation Finance Alliance)
 - Conservation trust funds (CTF) historically average 8% return
 - Most CTFs are less than 10 years old
- GCF estimates 5% interest
 - Lower estimate accounts for flux in market

Calculating endowment target



- Examples:
 - $\$160,000 / .05 = \3.2 million
 - $\$900,000 / .05 = \18 million
- Factor in administrative costs
 - Part of a larger fund → lower
 - Specially created fund/NGO → higher
- Note difference between start-up costs vs. recurring costs
- Endowment may be under-capitalized in first few years

Recent GCF Initiatives



- 15+ projects developing business plans
- Technical Assistance Grants
 - Business Planning
 - Ecosystem Service Analysis
- Learning Network Opportunities
 - GCF Tool Kit (sample documents)
 - Developing short guidelines document based on best practices developed by TNC and others
 - Active in Conservation Finance Alliance
 - Training and workshops

LTF Monitoring



- GCF putting in place an monitoring framework
- Includes monitoring LTF mechanisms
- Links two levels of monitoring:
 - Protected Area Monitoring
 - *Biodiversity results*
 - *Protected area management*
 - Long-Term Finance Monitoring
 - *Governance*
 - *Financial performance*
- Plan to use results to adapt best practices and guidelines for LTF

Challenges



- **New sources of revenue**
 - How can we support costly recommendations/follow-up analysis (i.e. carbon)
 - How can we be sure to explore ALL revenue sources and not just easy/obvious (dependant on expertise of author)
 - Costs of new revenue streams may not be obvious (e.g. carbon is a new market)
 - Some revenue sources may not be politically feasible (e.g. tourism fees go to central bank)

Challenges



- **Consultants as authors of plans**
 - Who takes responsibility for updating plan and overall continuity
 - How do we ensure stakeholder buy-in?
- **Adaptive management over time**
 - How can we be sure strategies are incorporated into management plan?
 - How can we monitor uptake?
 - Can we measure/assess advantages of a PA having a business plan over the long-term?

Opportunities



- **Role for LTF mechanism**
 - How can a central mechanism be used to hold and disburse funds other than endowment
- **Business Plan as a fundraising tool**
 - Provides donors/investors with confidence and understanding of full financial picture
- **Business plan as policy tool**
 - The plan may be useful in working with national/local governments
 - May be required for certain types of revenue projects (e.g. carbon, tourism, etc.)