



Practice Standards for CONSERVATION TRUST FUNDS

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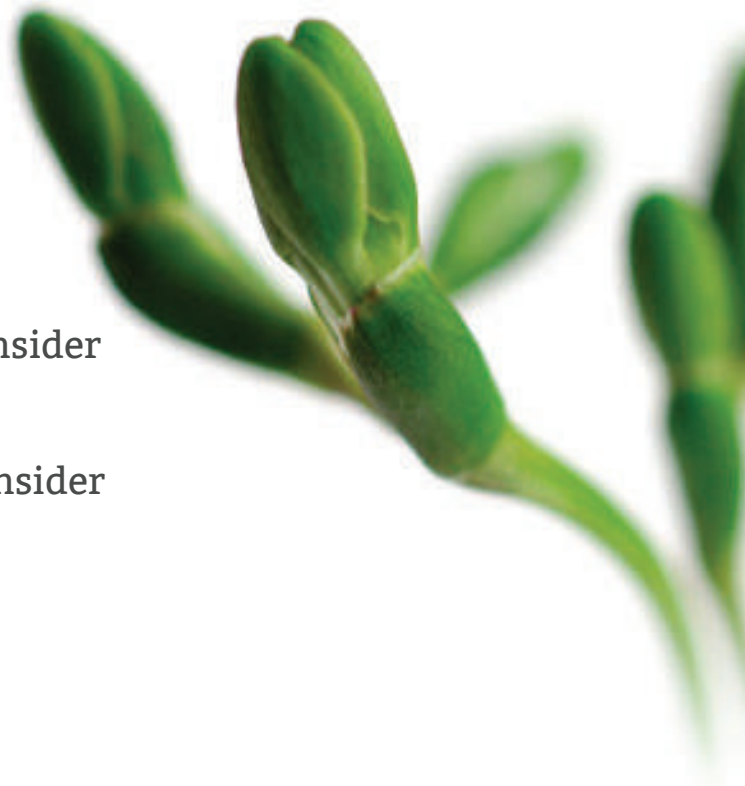
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Background

These Practice Standards for Conservation Trust Funds (CTFs) are the result of a nearly one-year collaborative initiative aimed at developing evidenced-based norms for use by CTFs and those institutions and individuals who provide financial and technical support to them.

The initiative was developed through the Conservation Finance Alliance (CFA) - a global voluntary network established in 2002 to help address the challenges of sustainable financing for biodiversity conservation. The CFA includes almost all CTFs and major donors to CTFs, as well as many other conservation organizations, networks and individual experts.

Conservation Trust Funds are private, legally independent institutions that provide sustainable financing for biodiversity conservation. They may finance part of the long-term management costs of a country's protected area (PA) system as well as conservation activities and sustainable development initiatives outside PAs. The core business of CTFs has been to mobilize resources from diverse sources - including international donors, national governments and the private sector - and to direct them in the form of grants to multiple programs and projects on the ground through non-governmental organizations (NGOs), community based-organizations (CBOs) and governmental agencies (such as national parks agencies).

Over time, CTFs have proven to be institutions of innovation, leading some to develop new business areas outside of grant-making. Many CTFs now play roles in policy making, capacity building and strengthening of civil society as

well as provide services to design financial mechanisms, ensure fiduciary management for the assets of indigenous communities or support corporate responsibility actions in the private sector.

CTFs are institutions with varied financial arrangements. Many begin by managing one single endowment or sinking fund, as is the case of CTFs that were created to support a given protected area or a network of protected areas. Over time, CTFs diversify their programs and their funding mechanisms, with the creation of "Funds" that are sums of money dedicated to conservation interventions that are distinct from the CTF's initial activities and which may even require a separate governing body. As CTFs evolve into multi-Fund entities, they may manage a combination of endowments, sinking funds, or revolving funds.

CTFs also have as their purpose the efficient management of financial assets as sinking funds or endowments. The CFA sponsors the publication of an annual Conservation Trust Fund Investment Survey (CTIS) that collects and analyzes information about the investment practices and performance of CTFs. The 2012 CTIS indicated that the

35 participating CTFs manage the equivalent of over USD 672 million in endowments and sinking funds that range from the equivalent of USD 1.3 million to over USD 120 million.

The Practice Standards have been designed for CTFs that are private independent legal entities. CTFs usually include government representatives on their governing bodies and explicitly try to promote and implement national biodiversity conservation policies and strategies, but CTFs are not themselves controlled by governments nor part of a government ministry. However, many aspects of these Practice Standards for CTFs as private independent legal entities and for the separate Funds managed by such entities can also be usefully applied to (or be adopted and adapted for) quasi-autonomous environmental funds that are hosted by (or are part of) government agencies or ministries.

The present Practice Standards concentrate on the core business of grant-making and do not attempt to develop norms in the newer business areas which are both diverse and offer limited experience on which to develop evidenced-based standards. Nonetheless, the majority of the Standards are still applicable to the CTFs as the institutions that “house” the new businesses or to the design,

management and evaluation of the Fund that carries out the business. Over the last two decades, CTFs derived valuable lessons from their experiences and have shared best practices among themselves, through CTF networks such as RedLAC – the Latin American and Caribbean Network of Environmental Funds and CAFE – The Consortium of African Funds for the Environment.

Select international donors and non-governmental organizations have also accompanied the development and strengthening of CTFs and have now come together to collectively develop these Practice Standards for CTFs.



Objectives

These voluntary Practice Standards for Conservation Trust Funds are intended to serve as a tool for improving the design, management, and monitoring and evaluation of CTFs. CTFs and their donors can decide to use, aspire to, or adapt the Practice Standards to fit their particular needs. It is hoped that they will also serve as a basis for greater harmonization of international donor rules, standards and policies for CTFs, resulting in lower transaction costs for CTFs.

The Practice Standards are also intended to increase the understanding of how CTFs function, by current and potential donors, national governments, civil society organizations, and CTFs themselves. It is hoped that this increased understanding of CTFs will in turn lead to more effective and efficient management of CTFs, and to increased donor support for CTFs (including support by private companies and other non-traditional donors). To this end, the Standards cover six core areas that are considered essential to the development of CTFs as effective institutions:

Governance addresses the composition, functions and responsibilities of a CTF governing body or bodies and the content and role of governing documents.

Operations covers strategic planning, grant-making; interactions with government, and partnerships with other organizations.

Administration takes up organizational roles and responsibilities, operations manuals, use of financial resources and auditing.

Asset Management discusses the components of investment strategies, fiduciary responsibilities and relationships with various types of investment professionals.

Reporting, Monitoring and Evaluation reviews conservation impact monitoring; frequency, format and content of technical and financial reporting to donors; and dissemination of results.

Resource Mobilization: covers fundraising as well as managing payments for environmental services (PES), compensation funds, offset payments, etc; mobilization and management of additional funding sources to enhance overall financial sustainability of biodiversity conservation, particularly protected area (PA) systems.

Finally, the Standards are not “set in stone” but will continue to evolve and be periodically updated by the CFA. Although it is possible that they could eventually evolve into a system of voluntary “certification” standards for CTFs, they are not designed to serve that purpose in their current form.

Using the Standards

In an attempt to make the Standards understandable and easy to use for the variety of purposes described above, the following format was adopted:

A Table of Standards provides the text of each standard in the six core areas for easy reference.

A section titled Expanded Standards repeats each standard supported by:

a **glossary of terms** to help establish terminology in a specific context.

the **reason(s) for the standard** (i.e. why is the standard important for the effective and efficient operation of a CTF);

practical considerations that are based on practices that have been successfully used by CTFs for achieving a particular standard or overcoming difficulties associated with achieving the standard (i.e. how have CTFs approached a standard). When relevant, the practical considerations describe which function, governing body, management, chief executive, etc. has responsibility for key actions (i.e. who is responsible for preparing or deciding on the actions, the measures or the tools); and

guidance on what “evidence” or common usage documents help to establish whether and how the CTF achieves a standard (i.e. where to look for identifiable and measurable evidence of actions, measures or tools).

Annexes 1 and 2 are checklists of principles drawn from the Standards that are commonly considered when designing and assessing a CTF.

The methodology that was followed to develop the Standards is described in **Annex 3**.



Standards for Governance Page 11

Governance Standard 1:

Governing documents clearly define the purposes for which a Conservation Trust Fund's or a Fund's assets may be used.

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Governance Standard 2:

Governing documents clearly define the composition, powers and responsibilities of the governing body (or bodies). A governing body's composition is designed so that its members will have a high level of independence and stakeholder representation.

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Governance Standard 3:

Governing body members are selected or appointed based on their competencies and commitment to contribute meaningfully to the CTF's (or Fund's) overall mission and responsibilities.

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Governance Standard 4:

Specialized committees are established by governing bodies to provide advice and to perform certain functions of the CTF or Fund more effectively and efficiently.

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Governance Standard 5:

A governing body has at least two face-to-face meetings per year, and maintains accurate written records of all meetings and decisions.

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Governance Standard 6:

Governing body members understand their fiduciary responsibilities and ensure they have (or acquire) the competence necessary to carry them out.

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Governance Standard 7:

An effective conflict of interest policy is in place to identify, avoid and manage potential and actual conflicts of interest to reduce exposure of the CTF to favoritism and reputational risk.

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Governance Standard 8:

The governing body recruits a full-time chief executive or Fund manager to manage the CTF's or Fund's daily operations, and oversees his/her performance, which is evaluated annually.

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Governance Standard 9:

A CTF keeps a "compliance list" in order to monitor and ensure its full compliance with all applicable laws and regulations, with all legal agreements between the CTF and donors, and with the CTF's own governing documents.

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Governance Standard 10:

A CTF is established under the laws of a country that effectively ensures the CTF's independence from government, that has clear and well enforced laws concerning private non-governmental organizations (including foundations or trusts), and that does not subject the CTF to paying substantial taxes.

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Operations Standard 1:

A CTF prepares a strategic and financial plan that translates its broad vision and mission statements into specific goals, objectives and activities.

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Operations Standard 2:

As public benefit organizations, CTFs actively pursue opportunities to collaborate with all relevant levels of national government(s) on achieving conservation priorities.

Page 30

Operations Standard 3:

CTFs actively seek partnerships at the national or international levels with key actors in donor agencies, businesses, non-governmental organizations, communities and research and academic institutions.

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Operations Standard 4:

When awarding grants, a CTF evaluates potential grantees by requiring them to submit key information and by making direct contact with them.

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Operations Standard 5:

CTFs follow a well-defined grant award process that aims at selecting high quality proposals in a timely manner through competitive means.

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Operations Standard 6:

The grant award cycle concludes with the signature of a contract between the CTF and the grantee; the contract sets out all important understandings and obligations related to the financing the CTF will provide.

Page 37

Operations Standard 7:

CTFs encourage cost-sharing arrangements through which grantees contribute a portion of the project or activity cost, or raise funding from others.

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Operations Standard 8:

Measures to strengthen grantee capacity are carried out which enable grantees to prepare responsive proposals and implement grant-funded activities.

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Operations Standard 9:

A CTF ensures that the entities to which it awards grant funding apply effective, efficient and transparent acquisition processes and practices such that appropriate quality goods, works or services are obtained at the best prices for value in a given market.

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Operations Standard 10:

A CTF that accepts execution responsibility applies the same standards to the service it provides for grantees as it applies to the service it carries out for its own administration.

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Standards for Administration..... Page 43

Administrative Standard 1:

Clarity of roles and organization and adequate resources allow the chief executive, managers and CTF staff to perform effectively and efficiently.

Page 45

Administrative Standard 2:

When proposing a budget or reviewing budget implementation, transparent presentation of management expenses allows a governing body to understand and analyze the full costs of delivering grant programs and any other strategic objectives.

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Administrative Standard 3:

A reasonable allocation of the available budget between management expenses and a grant program seeks to maximize funding for the grant program, but also recognizes the importance of achieving the institutional strategic objectives of the CTF.

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Administrative Standard 4:

One or more operations manuals with up-to-date policies, procedures and practices guide the day-to-day management of a CTF or Fund.

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Administrative Standard 5:

A CTF acquires the goods, works and services needed to carry out its own everyday activities through processes and practices which are efficient, cost-effective and transparent; assure the appropriate quality of goods, works and services; and aim to obtain the best price for value in the market.

Page 51

Administrative Standard 6:

A CTF undergoes an annual audit by independent external auditors who apply standards that are consistent with internationally accepted accounting standards.

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Standards for Reporting, Monitoring & Evaluation

R, M & E Standard 1:

CTFs are intentional about reporting to different audiences for different purposes.
Page 57

R, M & E Standard 2:

Grant agreements between a CTF and its donor clearly set out the specific formats, information requirements, procedures and timing for technical and financial reports.
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R, M & E Standard 3:

CTFs maintain a regularly updated checklist and schedules for all of the reports that they are required to submit to government agencies in the country where the CTF is legally registered and the countries where the CTF operates or has investments.
Page 59

R, M & E Standard 4:

A CTF monitors and evaluates its programs in relation to the CTF's purpose and its strategic plan, and in relation to national-level and international-level conservation indicators, targets and strategies.
Page 60

R, M & E Standard 5:

A CTF designs internal reporting, monitoring and evaluation, including financial management¹ reporting, to support informed decision-making by its governing body about the functioning of the CTF as an institution.
Page 61

R, M & E Standard 6:

CTF staff, and often the grantee itself, monitor grants using indicators and measures agreed upon in the grant agreement, or its required monitoring plan.
Page 62

R, M & E Standard 7:

CTFs design monitoring and evaluation to support evidence-based reporting of conservation impacts.
Page 63

R, M & E Standard 8:

CTFs support their grantees by providing clear reporting templates, frameworks and information requirements for monitoring and evaluation of the grant performance in achieving planned outputs and outcomes.
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R, M & E Standard 9:

CTF staff (and/or independent evaluators) performs due diligence and monitor grantees' progress towards achieving outputs and outcomes.
Page 65

R, M & E Standard 10:

CTFs prepare an Annual Report each year, which is distributed to donors and key stakeholders, and is made available to the general public.
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¹ "Financial management" in the context of this standard refers specifically to the transactions related to the institution's administration and operations (e.g. accounting, budgeting, grant-making).

Standards for Asset Management Page 68

Asset Management Standard 1:

A clear and comprehensive investment policy sets out the core principles the CTF applies for managing its assets.

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Asset Management Standard 2:

A CTF's investment portfolio is managed in accordance with investment guidelines that set out the specific parameters to be applied by the investment management consultant, financial advisor and/or the investment manager(s).

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Asset Management Standard 3:

The CTF governing body or its committee responsible for overseeing investment management, invests and manages as a prudent investor would invest his or her own funds.

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Asset Management Standard 4:

CTFs seek to preserve endowment capital in order to protect future earnings streams.

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Asset Management Standard 5:

The governing body may delegate responsibilities related to investing the CTF's assets to a committee of the governing body or investment professionals, but the governing body itself must review and approve the investment policy, investment guidelines, the process of selecting a financial consultant and/or investment manager(s), and reports on investment and financial consultant and/or asset manager performance.

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Asset Management Standard 6:

To appropriately carry out its own responsibilities with regard to investment management, a governing body (i) has at least one director who is a qualified professional with knowledge and experience in one or more of the fields of finance, business or economics and (ii) ensures that all its members receive targeted training on the key concepts required to make informed decisions when it carries out its responsibilities.

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Asset Management Standard 7:

The CTF assesses its existing investment capacity, identifies what types of investment professionals it may require, and selects these professionals through a competitive process and from among investment industry service providers of recognized quality.

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Asset Management Standard 8:

Contracts for services to be provided by investment professionals state in a clear and comprehensive manner the services to be provided, the objectives of the services, the costs of delivering the services, and the responsibilities of both the service provider and the CTF.

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Asset Management Standard 9:

A CTF engages in regular reviews of investment management performance.

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Resource Mobilization Standard 1:

CTFs have strategies to diversify and multiply their short-term and long-term sources of financing, rather than depending on a single source or a single funding mechanism.

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Resource Mobilization Standard 2:

CTFs develop resource mobilization strategies or action plans for raising long-term capital as well as shorter-term funding for particular projects or programs.

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Resource Mobilization Standard 3:

CTFs have policies for screening and determining which donor contributions and conditions they will accept.

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Resource Mobilization Standard 4:

CTFs analyze and pursue opportunities for using funds from particular donors or government sources as a way of leveraging additional resources.

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Resource Mobilization Standard 5:

CTF governing bodies and management try to identify, analyze and utilize opportunities for the CTF to be used as the financial and institutional mechanism for disbursing PES, user fees, REDD+, climate adaptation funding, biodiversity offset payments, environmental compensation and fines, in order to support activities that are aligned with the purpose of the CTF.

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Resource Mobilization Standard 6:

CTF governing body members and the chief executive coordinate with, and seek the support of, national government ministries and politicians in mobilizing additional financial resources for the CTF from national governments and international donors.

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Resource Mobilization Standard 7:

CTFs are able to show potential donors the role that the CTF plays in providing long-term financial support for the national system of protected areas and/or for national environmental action plans and programs.

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Standards for Governance



Glossary of terms used:

Conservation Trust Fund (“CTF”):

CTFs are private, legally independent institutions that provide sustainable grant funding for biodiversity conservation. They often finance part of the long-term management costs of a country’s protected area (PA) system as well as conservation and sustainable development initiatives outside PAs. **CTFs** raise and invest funds to make grants to non-governmental organizations (NGOs), community based-organizations (CBOs) and governmental agencies (such as national protected areas agencies). **CTFs** are financing institutions rather than institutions that implement biodiversity conservation. Within one **CTF** there may be one or more than one Fund.

Fund:

A sum of money that can only be used for specific purposes for funding biodiversity conservation. A Fund may have a governing body separate from, but acting in concert with, the governing body of the CTF.

Governing Body (or governing bodies):

the body or bodies that govern a CTF or one of its Funds in accordance with the CTF’s **governing documents**. The governing body of a CTF is usually called a **Board** (of Directors or Trustees) and is primarily responsible for governing all of the CTF’s Funds. However, in some cases (to the extent authorized in the governing documents), the CTF’s Board may delegate some of its governance powers for a particular Fund to a governing body for such Fund, which is usually called a **“Committee”** rather than a “Board”. In cases of a material conflict between the two governing bodies, a decision by the CTF’s Board can overrule a decision by the Committee that serves as a governing body for a particular Fund, but in many cases, most of the decisions relating to a particular Fund are made by its separate Committee rather than by the CTF’s Board). In these standards, “governing body” refers to any or all of the bodies that govern a CTF and any Funds that it hosts.²

Governing Documents:

CTFs usually have two levels of governing documents, which are called (depending on a particular country’s legal system): (1) a Charter, Articles of Incorporation, Statutes, or Trust Deed (which set forth the general governing principles for the CTF), and (2) the Bylaws or internal regulations (which set forth more detailed governing rules for the CTF). The first (i.e., higher) level of governing documents may be more difficult to amend, because amendments often require the approval of the authority that registered and/or regulates the CTF, or else the rules regarding amendments are onerous (in order to make it difficult to change key governance provisions), whereas amending the lower level of governing documents is usually easier, and usually does not require any external authority’s approval but only the approval of a CTF’s governing body.

A Fund will be governed by the applicable governing documents of the CTF that is responsible for such Fund. In addition to the governing documents, most CTFs also have Operations Manual(s), which set forth the internal rules and procedures for the day-to-day operations and administration of the CTF or a separate Fund, including detailed procedures for operations, administration and grant-making.

² CTFs in some countries, in addition to having a Board of Directors or Board of Trustees (which is responsible for approving grants, investment decisions, and periodic oversight of the CTF’s management), may also be governed by “Members” (e.g., in the UK) or a “General Assembly” (e.g., in some civil law countries). The “Members” or the “General Assembly” usually function similarly to the “shareholders” in a for-profit corporation, and usually meet only once per year. Their responsibility is generally focused on approving any proposed changes in the CTF’s governing legal document, removing CTF board members in exceptional cases, dissolving the CTF, and sometimes also approving the CTF’s annual financial reports. Similar to the owners of stock in a corporation, a CTF’s “Members” or “General Assembly” are usually not directly involved in managing the CTF or in approving grants or investments, but they may occasionally be asked to approve or vote on certain fundamental decisions.

Governance

Standard 1

Governing documents clearly define the purposes for which a Conservation Trust Fund's or a Fund's assets may be used.

Reason for the Standard:

Clearly written governing documents enable CTFs and Funds to effectively and efficiently achieve their purpose in a predictable manner.

Practical Considerations:

The governing documents provide a clear statement of the purposes of a CTF or Fund. In the event that specific governance rules do not provide the governing body with sufficient guidance on an issue, the governing body will have to seek guidance from the statement of purpose.

It is understood that a CTF's or Fund's purposes include not only the achievement of conservation impacts, but also the efficient management of the CTF's financial assets (including the preservation or growth of its capital, in the case of an endowment).

The governing documents clearly state the charitable purpose of a CTF. A statement of charitable purpose may be necessary to obtain preferential tax treatment for the CTF either in the country where it is legally established, or in countries where it operates, fundraises or invests its assets.

Evidenced by:

Governing document(s)



Governance

Standard 2

Governing documents clearly define the composition, powers and responsibilities of the governing body (or bodies). A governing body's composition is designed so that its members will have a high level of independence and stakeholder representation.

Reason for the Standard:

A governing body is responsible for achieving the CTF's or Fund's purposes and overseeing its activities, which is best achieved by an independent governing body that is representative of primary stakeholders, and that has clearly defined responsibilities and operating rules, including clear procedures for selecting members. Having a diverse multi-stakeholder governing body can help to maintain the CTF's autonomy and avoid the governing body becoming dominated or controlled by any one stakeholder.

Practical Considerations:

Governing bodies generally include from 5 to 20 members from various different organizations. A governing body comprised of fewer than 5 members may not be able to provide sufficient diversity and representativeness, or the different types of expertise that are needed by a governing body, or adequate checks and balances against the power of a small number of individual members of the governing body, in particular for a Fund with a expansive scope of activities. Governing bodies that are comprised of more than 20 members may face difficulties in scheduling meetings and reaching decisions.

The size of a governing body may depend on many different factors, including

1. legal requirements in the country where the CTF is legally established
2. the scope of the CTF's or the Fund's mission (a more expansive mission requires a greater variety of competencies and a greater amount of commitment)
3. the number of different stakeholders that must be given a right to appoint governing body members for various political reasons (rather than merely being consulted or asked to provide advice), such as stakeholders from different regions (in the case of a CTF established for a large and diverse country), or different countries (in the case of a multi-country CTF), or different key government ministries whose interests may differ significantly, or different donors that require representation on the governing body as a condition for making a large donation.

Governing bodies have a quorum for holding meetings which ensures that decisions cannot be approved by only one single group (such as the members appointed by government or by international donors).

Many major multilateral and bilateral donors have policies that they will only contribute to CTFs or Funds that are not “controlled” by government, meaning that it should not be possible for government-appointed members of a governing body to take any actions or decisions without the votes of at least some of the members who are not appointed by the government of the country where the CTF or Fund operates. However, it is sometimes difficult to decide whether individuals who work for government-owned institutions or individuals from outside of government who are appointed by government should also be considered as “government representatives”.

Having majority non-governmental appointees on the governing body also helps to ensure greater transparency (because the government will have to present reasons in order to convince non-governmentally appointed members), broader local “buy in” and support, and greater long-term continuity of programs (by insulating a governing body from frequent changes in government administrations). In addition, it can help to prevent a CTF’s grants from being used simply to replace government budgetary support for protected areas and conservation.

In a few cases, governing bodies have been composed entirely of non-government approved members, but it is generally useful to have some government approved members on the CTF’s governing body in order to ensure sufficient coordination and harmonization of the CTF’s activities with government policies and institutions.

Having government appointed representatives also helps to attract funding from international donors, because this can be seen as evidence of the government’s political commitment to support a CTF or a Fund that is not controlled by government. Having government agencies or ministries appoint representatives to the governing body can also result in a CTF being asked to manage a variety of different government as well as non-government funding sources, such as earmarked taxes, fees, fines, PES or payments for REDD+.

Some options for avoiding the undue influence of any particular stakeholder(s) on a governing body include requiring higher quorums, higher majorities (such as a 2/3 majority, 3/4 majority, 4/5 majority, or unanimity) and giving veto rights to certain members for certain kinds of major decisions such as amending governing documents, hiring or firing the CTF’s or the Fund’s chief executive/Fund manager, third party administrator or investment manager/advisor, invading (i.e., spending part of) the CTF’s capital, dissolving the CTF, etc.

Evidenced by:

Governing document(s)

CVs of governing body members



Governance

Standard 3

Governing body members are selected or appointed based on their competencies and commitment to contribute meaningfully to the CTF's (or Fund's) overall mission and responsibilities.

Reason for the Standard:

The rules for selection and appointment of a governing body need to ensure that the governing body has the competence and commitment for effective decision-making and oversight.

Practical Considerations:

Governing body members appointed by non-governmental constituencies (either NGOs, academia, private sector, etc.) are commonly either nominated in consultation with the constituency, or else the governing body elects its non-government appointed members.

It is useful to select at least some governing body members who have the ability to fundraise, if a CTF's (or a Fund's) strategy is to raise additional monies.

It is useful to select at least some governing body members who have expertise and experience in investing in either local or global financial markets, depending on the strategy a CTF adopts for investing its capital.

The terms of office of governing body members are generally staggered in time and limited in number. Governing documents generally limit the number of consecutive terms that can be held by a governing body member to no more than two consecutive 3-year terms. Governing bodies can allow a member to rejoin if they step off the governing body

after having served for the maximum allowable number of consecutive terms. Staggering the terms of office of governing body members (i.e., ensuring that their terms do not all end at the same time) provides greater institutional continuity. Limiting the number of terms that members serve can facilitate the introduction of new ideas, and reduce the chances that a governing body may be dominated by one or more strong personalities for a long period of time. The governing body and staff keep track of when members' terms end, and also maintain a list or table of the governing body members' competencies or copies of their CVs.

Governing bodies usually have the right to dismiss a member for undisclosed material conflicts of interest, as well as for malfeasance, gross negligence, or failure to attend a specified number of meetings.

Evidenced by:

Governing document(s)
CVs of governing body members

Governance

Standard 4

Specialized committees are established by governing bodies to provide advice and to perform certain functions of the CTF or Fund more effectively and efficiently.

Reason for the Standard:

Certain governance activities may require highly specialized knowledge and experience that the governing body may not have. In order to more effectively carry out their fiduciary responsibilities, governing bodies usually require support in those areas from specialized advisory committees (which may include non-members as well as members of the governing body) that make recommendations to (or make decisions on behalf of) the full governing body. Delegation to small committees can make the work of the full governing body more efficient.

Practical Considerations:

The two most common examples of specialized advisory committees are:

- a **finance and investment committee**, which is usually comprised of 1 or 2 governing body members with expertise in this field and, ideally of outside experts in finance and investment who volunteer their time but are not governing body members (or are only governing body members for the committee's limited purposes), which scrutinizes the selection and the performance of investment managers (or investment consultants) selected by the governing body, and which helps the governing body to formulate or review and revise its investment policies or guidelines; and

- a **scientific and technical committee**, which is often made up of a group of outside scientific and conservation experts, who are asked to review grant proposals and suggest ways to improve them from a scientific or operational perspective, as well as advise the governing body on scientific and technical matters.

CTFs whose purpose is to support conservation in large diverse countries sometimes establish separate regional committees to award and oversee grants in a particular geographical region, which can enable greater participation of local stakeholders.

Another type of committee that has often been established by relatively large governing bodies (e.g., having 15 or more members) is a smaller executive committee that meets more frequently and handles many short-term and urgent decisions, while the full governing body focuses on larger and more strategic decisions, as well as approving the annual budget, work plan and grants program.

It is necessary for each committee of a CTF to keep written minutes of its meetings, in order to avoid potential later disputes, and to inform new committee members about what has been discussed or decided in the past.

Evidenced by:

Governing document(s)
Committee terms of reference
Minutes of committee meetings
Minutes of governing body meetings

Governance

Standard 5

A governing body has at least two face-to-face meetings per year, and maintains accurate written records of all meetings and decisions.

Reason for the Standard:

A governing body meets regularly in order to ensure that it is able to make informed decisions and to carry out its fiduciary responsibilities to govern the CTF or Fund. Although holding meetings by conference calls or other electronic means usually works well if there are no fundamental issues to decide or if there is general agreement on most issues, face-to-face meetings can lead to more discussions between members (including both formal and informal discussions), which can make it easier for the governing body to reach consensus on difficult issues.

Accurate signed minutes of governing body meetings and copies of governing body decisions and policies constitute an official record to which governing body members, staff, donors and other stakeholders may refer in order to know what has been decided at governing body meetings.

Practical Considerations:

The governing body of a CTF established for a single country needs to have a minimum of 3 (and preferably at least 4) evenly spaced regular meetings per year. A telephone or video conference call of the full governing body can substitute for some governing body meetings, provided that there are at least 2 face-to-face meetings per year. Although holding meetings by telephone or other electronic means can make it easier to have a quorum (particularly in the case of a large governing body or one with members living abroad), face-to-face

meetings are preferred, because they make it easier and more likely for governing body members to fully discuss issues and then reach consensus. Decisions can also be taken without a meeting if they are agreed to in writing by a sufficient number of governing body members (unanimous agreement is often required for this), particularly in cases where decisions need to be taken urgently.

Governing documents specify the rules for providing notice of, and conducting governing body meetings. A person records and retains written minutes for each governing body meeting, and these minutes are formally approved by the governing body at the next meeting, signed by the Chair and made easily accessible to all governing body representatives.

A CTF's chief executive or a Fund's manager is present and allowed to speak at meetings of the governing body (except when his/her own performance or compensation is being discussed or if the governing body meets in closed session), but is not a voting member of the governing body, and normally should not be the person who records the minutes. The chief executive or Fund manager's primary responsibility is to implement the governing body's policies and decisions, and allowing him/her to vote on what he/she must execute (or to write the minutes of the meetings) could create perceived and real conflicts of interest.

CTF governing bodies may decide to allow observers or experts to attend or speak at meetings, but observers and experts should not participate in deliberations or decisions, and governing bodies may also close part or all of a meeting to anyone who is not a member of the governing body (including closing the meeting to the chief executive and other staff members). A closed meeting is commonly referred to as an “executive session”.

Evidenced by:

Governing documents
Governing body meetings Minutes
and Resolutions



Governance

Standard 6

Governing body members understand their fiduciary responsibilities and ensure they have (or acquire) the competence necessary to carry them out.

Reason for the Standard:

The fiduciary responsibilities of members of a board of directors or board of trustees of a charitable institution are defined by both the English “common law” (which applies in the UK, US and British Commonwealth countries) and by the statutory laws of most “civil law” countries, but are generally similar to what is listed below this standard. Even when fiduciary responsibilities are not mandated by national laws, the fiduciary responsibilities of governing body members are generally included in the governing documents, and obligate governing body members to satisfy a certain minimum standard of care in performing their duties.

Practical Considerations:

Governing body members need to understand their fiduciary responsibilities, and the legal liabilities associated with failure to carry out those responsibilities. They need to receive relevant short training (especially when first joining the governing body) including by people with legal expertise, and financial and investment expertise. They need to read materials that are distributed for governing body meetings, and to participate meaningfully in governing body discussions and decision-making.

Box 1 - Fiduciary Responsibilities of Governing Body Members

The fiduciary responsibilities of governing body members generally include:

- being familiar with the CTF’s or Fund’s activities, and fully informed of the financial status of the CTF or the fund;
- ensuring that the CTF or the Fund complies with its purpose;
- ensuring that the CTF or the Fund operates in a transparent, accountable manner, as required by its legal documents and operation manual(s);
- ensuring that neither the CTF nor the Fund is subject to unnecessary risk;
- carefully reviewing and approving the CTF’s or the Fund’s annual budget, its spending, and its sources of revenue;
- establishing and following spending policies that balance the CTF’s or the Fund’s short- and long-term needs; and
- verifying that the CTF’s financial systems and practices meet generally accepted accounting principles (IFRS/GAAP) as well as any further standards and procedures specifically agreed upon in agreements between CTFs and other donors.

Governing body members’ responsibilities need to be clearly specified in the governing documents.

Evidenced by:

Governing documents
National laws

Governance

Standard 7

An effective conflict of interest policy is in place to identify, avoid and manage potential and actual conflicts of interest to reduce exposure of the CTF to favoritism and reputational risk.

Reason for the Standard:

Conflicts of interest may lead to favoritism or even corrupt activities that are in breach of certain laws. A loss of public confidence and reputation may damage a CTF's effectiveness if governing body members, management or staff are determined to have (or even appear to have) conflicts of interest when carrying out their duties. Members of a governing body have a "duty of loyalty" to place the interests of the CTF or Fund above their personal interests, and above the interests of whatever organization appointed or employs them.

Practical Considerations:

The governing body approves the conflict of interest policy and procedures to be followed if these are not outlined in its governing document and also ensures that a policy is in place for the chief executive and staff.

It is a common practice to require that all members of the governing body(ies) (as well as all committee members) sign a statement acknowledging that they have read and understood the CTF's conflict of interest policy. They should also disclose in writing any conflict of interest that they have (according to the policy's definition of what constitutes an actual or potential conflict of interest). These statements and declarations should be renewed/updated annually and if a new real or potential conflict emerges.

Where governing body members have a material conflict of interest (as defined more specifically in the conflict of interest policy), managing this conflict includes:

- not voting on, or participating in, discussion of a matter
- not being counted towards the quorum
- withdrawing from that part of the meeting at which a matter is discussed.

In line with commonly accepted practice for charitable organizations, governing body members do not receive salaries or other payments (except if the CTF's executive director is part of the governing body), but CTFs may reimburse governing body members for reasonable expenses that are directly related to carrying out their duties, such as travel expenses to attend meetings of the governing body, although governing body members who represent donors or international NGOs usually do not receive such reimbursement.

Evidenced by:

Governing document(s)
Conflict of interest policy

Governance

Standard 8

The governing body recruits a full-time chief executive or Fund manager to manage the CTF's or Fund's daily operations, and oversees his/her performance, which is evaluated annually.

Reason for the Standard:

The Governing body has general oversight responsibility for ensuring that the CTF or Fund efficiently and effectively pursues its conservation mission, preserves or increases its financial resources, and complies with its governing documents and all applicable laws. However, the governing body only meets several times during the year, and therefore requires the support of a chief executive and other staff to effectively and efficiently manage the CTF's or Fund's daily operations.

Practical Considerations:

Governing bodies delegate management authority to a chief executive or Fund manager, who is then accountable for executing the policies and decisions of the governing body. Governing bodies monitor execution but do not interfere with the actions of the chief executive or Fund manager, because this could compromise the authority of the chief executive or Fund manager, and make it difficult or impossible to hold that person fully accountable.

The CTF chief executive or the Fund manager is responsible for hiring other staff, based on budgets and (in the case of important positions) written job descriptions that have been approved by the governing body. Depending on the relevant laws and practices in a country, a CTF's chief executive or a Fund manager may also serve as a non-voting member of the governing body, provided that the voting members can decide to not allow him or her to participate in a closed meeting (executive session) of the governing body, in

order to avoid potential conflicts of interest and to allow the voting members to speak more freely.

Governing bodies try not to micro-manage the chief executive or Fund manager. The respective roles of the governing body and chief executive or the Fund Manager are clearly specified in the governing documents and an operations manual, in order to minimize the likelihood of any conflicts or inefficiencies between them. Since ultimate fiduciary accountability for the CTF or Fund rests with its governing body or bodies, the governing body or bodies must regularly oversee the chief executive or the Fund manager.

The employment contract of a chief executive or Fund manager states that his/her performance will be evaluated annually and the basis for the evaluation (see Administrative Standard 1).

In some cases, a CTF or a Fund hires a third party administrator (such as an NGO or other service provider) to provide specific services, such as managing the CTF's or Fund's grants program in accordance with specified procedures.

Evidenced by:

Governing document(s)
Operation Manual
Minutes of governing body meetings
Chief executive's or Fund manager's terms of reference and employment contract
Administrator's Contract

Governance

Standard 9

A CTF keeps a “compliance list” in order to monitor and ensure its full compliance with all applicable laws and regulations, with all legal agreements between the CTF and donors, and with the CTF’s own governing documents.

Reason for the Standard:

Non-compliance with applicable laws, regulations or governing documents could result in government supervisory authorities intervening to fine the CTF, or canceling its charitable status (and in extreme cases, dissolving the CTF).

Non-compliance with donor agreements may constitute a breach of legal contract (which could expose the CTF to payment obligations resulting from such breach), and damage the CTF’s reputation, making it harder to attract new funding from donors.

Practical Considerations:

Laws and regulations that may be applicable to a CTF include laws and regulations of the country or countries (1) where it operates, (2) where it is legally established, (3) where the CTF’s investments are located or managed and (4) where the CTF fundraises. These may be different countries or the same country. CTFs may also be subject to other countries’ laws and regulations which are applied to a CTF by its donors, such as anti-corruption or anti-terrorism laws.

A CTF governing body may need to hire lawyers for advice in cases of uncertainties or apparent conflicts between different laws, regulations and agreements that apply to the CTF, or in the case of a contractual dispute.

Agreements between donors and CTFs often include provisions for mediation or arbitration in case of disputes or uncertainties.

Evidenced by:

Applicable Laws and Regulations
Governing Documents
Minutes of governing body meetings (or committee meetings)
Agreements with donors
Archives of documents relating to legal, regulatory and contractual obligations



Governance

Standard 10

A CTF is established under the laws of a country that effectively ensures the CTF's independence from government, that has clear and well enforced laws concerning private non-governmental organizations (including foundations or trusts), and that does not subject the CTF to paying substantial taxes.

Reason for the Standard:

Most international donors will only contribute to a CTF or a Fund that is legally independent and not controlled by government. Such legal independence allows a CTF to more effectively reflect the views of diverse stakeholders, and to ensure that the CTF's grantees (including national protected areas agencies) are required to meet specified standards, conditions and performance targets. Being exempt from taxes or subject only to low taxes enables more of a CTF's revenues to be used for supporting activities related to conservation.

Practical Considerations:

Generally it will be most efficient to legally establish a CTF in the country that benefits from the CTF's grants. There will of necessity be local activity in making and managing grants, and many of the people who are most interested in the CTF's operations will be located in-country. The main international donors and partners for CTFs are used to working with locally-based CTFs.

However, in countries where:

- the legal system is not able to ensure a CTF's autonomy;
- a basic fabric of legal institutions in which people have confidence is lacking;
- there are extremely burdensome restrictions or controls on transferring monies into and out of the country;
- CTFs may be subject to high levels of taxation; or
- in cases of regional (i.e., multi-country) CTFs if there are concerns that legally incorporating the CTF in one of the beneficiary countries could result in that country having greater influence or control over the CTF,

a CTF can be legally established "offshore" in another country where the CTF does not make any grants but whose legal system can ensure autonomy and which has a low level of taxation (or substantial tax exemptions) for charitable organizations.

If a CTF is legally established outside of the beneficiary country or countries, then it is important to ensure that the laws of the “offshore” location do not restrict any of the following:

- the nationality of the CTF governing body’s members (beyond requiring that at least one member is a resident of the country where the CTF is legally incorporated)
- where the CTF’s operational headquarters is located, or where governing body meetings can be held
- the CTF’s ability to carry out activities outside the “offshore location”
- the CTF’s right to hold assets outside the “offshore location”

- acceptance of contributions from legitimate foreign and local sources
- the source of contributions to the CTF (whether from governments, the private sector, other non-profit organizations. or individuals).

Public benefit recognition is often required in the country of operation for CTFs created “offshore” and is sometimes required for CTFs operating in their own country. In some countries, CTFs can only receive public funds (including some public donor funds) if they have public benefit recognition.

Evidenced by:

National Laws and Regulations
Governing Documents



Standards for Operations



Glossary of terms used:

Management:

Refers to the collective function exercised by the CTF's chief executive and managers as they oversee day-to-day operations of a CTF or a Fund. The term Management is also sometimes used to refer to the CTF's chief executive and the CTF's managers as a group. In the case of some Funds, the management function is supplied as part of an administrator arrangement with the CTF.

Grantees:

Are the recipients of monies and, in some instances, goods, services and infrastructure from a CTF through a direct contractual relationship with the CTF.

Execution Responsibility:

Refers to services required by a program or project that may be delivered by the CTF, but that are normally carried out by a grantee. Common examples of such services are acquisition of goods, services or works for a project or program, and selecting and overseeing the auditor of a grantee.

Cost-sharing:

As used in Operations Standard 7 means monies contributed by the grantee from its own resources or from another source that are used to complete a CTF grant-funded project or activity's financing plan. These are also termed "matching funds".

A hold-harmless clause:

Clarifies that the CTF cannot be held responsible by third parties either for damages, liabilities or losses that might result from the project or activity for which funding was awarded, or for legal and tax obligations of the grantee.



Operations

Standard 1

A CTF prepares a strategic and financial plan that translates its broad vision and mission statements into specific goals, objectives and activities.

Reason for the Standard:

A strategic and financial plan focuses the governing body on the future goals of the CTF or the Fund and gives direction to the everyday activities of the chief executive and staff.

Practical Considerations:

The governing body is responsible for defining the CTF's or Fund's future goals and approves its strategic and financial plan. **Management** prepares the plan with participation of the governing body and CTF staff and gains insight through discussions with donors, government, partners (private and non-profit sectors, community leaders and academics) and potential grantees, as appropriate.

A clear vision and mission statement is the basis for developing the strategic and financial plan of a CTF. The plan aims to be realistic and attainable by identifying the specific actions and resources needed to achieve the goals that move the mission forward.

Strategic and financial plans may also be prepared at the level of a Fund to focus on achieving the stated objectives of the Fund in an effective and efficient manner.

Box 2 - Strategic and Financial Plan

While there is no commonly accepted format, a strategic and financial plan generally addresses the following:

Goals which identify targets and state what must be done to accomplish the CTF vision

Objectives which restate goals in operational terms and quantify what and when results will be achieved.

Activities which express how the results will be achieved and describe what actions the CTF will take to achieve results.

Who is going to carry out each activity, keeping in mind that CTF's often need to work with other partners to undertake activities and achieve objectives.

Resources which are needed (human and financial) and, in particular, any gap between existing financial resources and the costs of carrying out the strategy

Metrics, benchmarks or key performance indicators (at the goal, objective and/or activity level) to identify how the CTF will measure its progress relative to goals.

A well-crafted strategic and financial plan articulates the CTF's highest priority goals in terms of specific outcomes (see R,M&E Standard 7). While the plan does not itemize all the work that the CTF will undertake, all of the CTF's projects and day-to-day work should link explicitly to achieving the outcomes laid out in the strategic portion of the plan.

A participatory process which begins by allowing key stakeholders to express their views on possible goals, objectives and activities and which ends with a presentation of the broad lines of the completed strategy can help a CTF to involve a wider public and create more buy-in for the conservation and sustainable development objectives that the CTF supports.

A strategic and financial plan addresses conservation priorities and thus provides a framework for the design of grant-making programs. It must also include the institutional changes that will be necessary to implement the plan.

An approved strategic and financial plan needs to be periodically reviewed and adjusted in light of changing conditions even if the planning period is not yet completed. Most strategic plans have a five-year planning horizon, but require adjustment after three years.

At the end of its implementation period, execution of the strategic and financial plan is evaluated and lessons learned are incorporated into the subsequent strategic plan.

Operating or business plans, annual work plans and budgets are all consistent with the approved strategic and financial plan.

Evidenced by:

Strategic and Financial Plan

Operating, business or annual work plans

Budgets



Operations

Standard 2

As public benefit organizations, CTFs actively pursue opportunities to collaborate with all relevant levels of national government(s) on achieving conservation priorities.

Reason for the Standard:

CTFs can be more effective if they are viewed as trusted and supportive partners by their national government(s) and agencies, and in turn can help government(s) and agencies be more effective in achieving conservation goals by contributing complementary knowledge, experience and resources and promoting innovation.

Practical Considerations:

Opportunities for collaboration could include:

- Providing input into the national regulatory and policy frameworks
- Contributing to national strategic planning for biodiversity conservation and sustainable development
- Identifying priority areas for biodiversity conservation to guide the use of the CTF's grant financing
- Supporting sustainable development objectives by creating jobs linked to restoring and managing natural resources and ecosystems
- Laying the groundwork for substantive REDD+ financing that could result from scaling up the trial programs already managed by CTFs

- Facilitating access of civil society (especially communities and national NGOs) to government through the CTF's mixed public-private governing body
- Revising tax policies to allow for the collection of special taxes and to provide incentives for personal and corporate contributions to charitable conservation entities thereby increasing resources for conservation

CTFs that provide grants in support of communities living adjacent to protected areas ensure that local government is informed and involved in planning of sustainable development activities.

Multi-country CTFs can be efficient fundraisers by working on behalf of several national governments at once, and may actually raise more by promoting the cooperation of several governments than if each government only sought financing for the conservation needs of its own part of a shared ecosystem or a trans-boundary conservation area.

Evidenced by:

National or regional planning and strategy documents related to biodiversity conservation
CTF strategic and financial plan
CTF annual report

Operations

Standard 3

CTFs actively seek partnerships at the national or international levels with key actors in donor agencies, businesses, non-governmental organizations, communities and research and academic institutions.

Reason for the Standard:

Partnering provides CTFs with opportunities to expand their involvement beyond grant-making, as well as to leverage their resources and achieve greater impact on conservation as a whole.

By building a broad base of partners, CTFs are well-placed to play a role as “conveners” of stakeholders when changes are needed in policy, strategy or approach to biodiversity conservation or as a builder of networks.

Practical Considerations:

The CTF governing body, managers and staff all work toward developing good relationships with partners to further the mission of the CTF and to build a positive public image for it.

Strategic and financial plans include the development of partnership relationships as a means of achieving the CTFs objectives.

To the extent possible, CTFs seek opportunities to work with donors toward harmonizing donor requirements for management tools and systems such as accounting, procurement, operating manuals, investment policies, monitoring and evaluation systems and reporting. An effective way to do this is for a CTF to apply best practices, adopt recognized standards (such as ISO 9000) and develop high quality tools and systems of its own.

CTFs can be actively opportunistic by bringing together partners who have not previously worked together but whose needs and abilities are complementary (i.e. communities and academics).

Win-win partnerships with businesses can be developed where the CTF receives financing and the business partner receives external communication opportunities that promote a commitment to significant biodiversity conservation and sustainable development goals.

Resources, both human and financial, can be pooled or funded in parallel with those of non-governmental organizations with compatible objectives in areas of common interest such as training of grantees or training for governing body members (on topics such as governance or investment management) and for staff (communications, monitoring and evaluation).

CTFs can sensitize industries to national environmental and sustainable development concerns and help industries act more responsibly by helping them incorporate solutions into their operating practices.

Nevertheless, partnerships with private sector businesses, especially those associated with extractive industries, may raise sensitive issues that a governing body needs to weigh carefully. Openness, outreach and communication on planned involvement can mitigate potential reputational risk and negative fallout to a CTF.

Evidenced by:

Strategic Plan
Annual work plan and budget
MOUs with partners
Governing or promotional documents of
Funds created as partnerships



Operations

Standard 4

When awarding grants, a CTF evaluates potential grantees by requiring them to submit key information and by making direct contact with them.

Reason for the Standard:

The potential for successful implementation is greater if a grantee has adequate human resources, basic physical means and adequate experience to manage and administer grant-funded activities.

Practical Considerations:

CTF management requests that each potential grantee provide up-to-date background information as part of its request for a grant.

Box 3 - Information requested from Grantees

Key information that is generally requested from potential grantees includes, but not limited to:

a. Institutions

- basis for legal establishment or recognition
- Governance structure, including names of governing body members, officers and key personnel
- Recent programs/projects/activities
- Publications
- Annual budget (last completed year, current year)
- Sources of revenue
- Financial statements (profit & loss, balance sheet, statement of cash flow) for most recently completed fiscal year
- Administration, accounting and control procedures
- Current auditing arrangements or equivalent (tax documents)
- Practices for purchasing goods, work and services

b. Individuals

- Education
- Experience
- Previous grants awarded
- Publications
- References



Interviews and pre-grant award site visits are useful to obtain a first-hand appraisal of the physical capacity and capability of an institution, community or individual to organize and execute the project or activity(ies) it has proposed. Interviews and visits can be used to obtain information in the following areas:

- Personnel on and off site; personnel proposed to carry out the grant activity(ies)
- Material and equipment
- Record-keeping system
- Capability for accurate, and timely reporting on project progress and expenses
- If possible, the perception of the institution by key stakeholders

Evidenced by:

Grant application

Evaluation of candidate grantees

Records of interviews or site visits

Operations

Standard 5

CTFs follow a well-defined grant award process that aims at selecting high quality proposals in a timely manner through competitive means.

Reason for the Standard:

A process that is well understood by grant seekers and carried out in a timely manner will be less costly for the CTF to undertake, more likely to create confidence among potential grantees and less vulnerable to contention.

Practical Considerations:

CTF managers and staff oversee the grant award process in accordance with the grant-making procedures set out in the operations manual. The governing body approves grants, but may also delegate approval of grants to the chief executive or an authorized manager under qualified circumstances.

At the start of the grant award process, the CTF makes available information on the objectives the grants must address and provides clear instructions that allow potential grantees to prepare complete and well-thought out proposals.

When a general call for proposals is part of the grant award process, CTFs ensure that an announcement is widely distributed by as many means as reasonably possible (website, NGO networks, community organizations, etc.) in order to reach a broad representation of potential grantees. A section of the CTF website is dedicated to the grant award process.

When grant funding is made available to a protected area (PA) or a network of protected areas, the CTF's funding priorities are generally arrived at through consultation with the protected area(s) based on management and operating plans. PA financing plans that identify existing sources and uses of and any financing gap are a key element for the identification of financial need that the CTF can address.

CTFs that support protected areas networks establish eligibility criteria that generally take into account planning, financial management and monitoring capacity, and often introduce an element of competition among PAs which might otherwise view CTF funding as an entitlement.

The steps of the grant cycle, grantee eligibility criteria, guidance for submitting proposal documents and the criteria that will be used for evaluating proposals are made public to ensure that all potential grantees have access to the same information.

The CTF designates staff to respond to questions from grant applicants which may arise during the grant award process. A CTF commonly publishes grant applicants' questions and answers on its website so that all concerned may benefit.

Many CTFs use a two-step process that reduces time and costs of both the CTF and potential grantees by pre-screening for projects or activities with high potential as well as to determine grantee eligibility:

For the first step, grant seekers prepare a concept note that provides key information on the grant seeker, a brief description of the activities proposed for financing and the objectives they address, a summary of the execution approach and a rough cost estimate.

A full proposal is prepared for those concepts judged acceptable by the CTF which may or may not request changes to the original concept. The final proposal is evaluated according to the criteria specified in the call for proposals and an interview or site visit with the candidate grantee is carried out before the grant is awarded.

CTFs often rely on external technical reviewers or consult with advisory bodies to provide objective or specialized guidance on grant selection; individuals giving advice should be independent of the grants or activities they are reviewing, and not create a perceived conflict of interest (see Governance Standard 4).

When the pool of grant applicants is small and/or grant applicants' project design skills are limited, the CTF may choose to prepare the technical parameters of priority projects or activities the CTF wishes to finance and allow grantees to compete solely on the basis of their approach to implementation.

The CTF provides timely notification to all applicants that do not receive funding. Feedback is made available on an equal-opportunity basis to all rejected applicants.

The manual covering grant-making policies and procedures specifies the responsible persons and a process for handling contentious cases that might arise from the grant award and implementation process (see Box 5 of Administrative Standard 3).

Evidenced by:

- Operations or other manual covering grant-making
- CTF website
- Distributed Calls for Proposals



Operations

Standard 6

The grant award cycle concludes with the signature of a contract between the CTF and the grantee; the contract sets out all important understandings and obligations related to the financing the CTF will provide.

Reason for the Standard:

A contract that clearly states the understandings and obligations related to receiving and using grant funds can help to avoid disagreements during grant implementation and make it easier for grantees to comply.

Practical Considerations:

Box 4 - Contracts with Grantees

The content of contracts with grantees will follow legal practices in the country(ies) where the CTF operates, but generally includes the following that are specific to the grant:

- Definition of terms or legal entities
- Grant amount
- Grant reference number given by the CTF
- Actions, if any, the grantee must carry out in order to receive grant funds
- Procedures for transferring the grant to the grantee
- Name and title of the designated representative of the grantee
- Confirmation that the procedures for (i) acquiring goods, works and services and (ii) financial record-keeping are those submitted as part of the request for proposal process or as modified through agreement between the CTF and the grantee
- Agreed indicators for grant monitoring (usually an annex)
- Confirmation that the CTF has the right (i) to visit the project site for the purposes of monitoring and evaluating; (ii) to request information on the project; and (iii) to inspect the actual financial books and records of the grantee
- Notification that expenditures determined to be ineligible will be deducted from remaining payments or reimbursed
- Reference to the approved grant proposal as the basis for grant funding (copy of proposal usually incorporated as an annex)
- Dispute resolution
- Reporting requirements (progress and completion)
- Right to disclose information on the grant and its implementation
- Procedure for amending and terminating the contract
- Ownership of grant-financed product (e.g. research report)
- A "hold harmless" clause for the CTF

CTFs with **execution responsibility** for acquisition of goods, works or services ensure that contracts with their grantees include clauses that clarify (i) ownership once the items or infrastructure acquired by the CTF are delivered to the grantee and (ii) which party, the CTF or the grantee, has oversight responsibility for acquired services while they are being rendered.

CTFs supporting protected areas or protected area networks often sign a general memorandum of understanding with their grantee(s) which states how the two parties will work together (sharing of information, site visits, reporting, process for transferring funding, dispute resolution, progress reporting and completion requirements etc.). Grant-specific contracts are still signed at the time funding is approved, but they focus more specifically on the use of the approved grant.

Evidenced by:

Grant Contract
Memorandum of Understanding



Operations

Standard 7

CTFs encourage cost-sharing arrangements through which grantees contribute a portion of the project or activity cost, or raise funding from others.

Reason for the Standard:

Agreeing to provide a portion of the costs indicates commitment by the grantee and allows a CTF's limited financing to leverage more projects or activities, with the possibility of greater impact.

Practical Considerations:

The governing body approves guidelines on cost-sharing as part of the manual covering grant-making. The chief executive or appropriate manager ensures the guidelines are applied and justifies any special cases at the time the grant program is considered for approval.

Grants at community level or to small NGOs often allow contributions in kind.

When grantees are protected areas, cost-sharing may include contributions from the government budget, park fees and other revenues. CTFs seek agreements that government contributions to

the operating costs of protected areas will be at least maintained, but ideally will increase, in PAs supported by the CTF.

Payment of cost-sharing commitments may be structured as conditions precedent to grant disbursements to ensure critical funds are available when needed.

Cost-sharing commitments are monitored as part of project or activity implementation and taken into account when evaluating grantee performance.

Evidenced by:

Operations or other manual covering grant-making
Approved grant proposals
Project or grantee accounts
Grantee progress reports

Operations

Standard 8

Measures to strengthen grantee capacity are carried out which enable grantees to prepare responsive proposals and satisfactorily implement grant-funded activities.

Reason for the Standard:

There is a higher probability that activities will be successful and accountability will be greater if grantees acquire the necessary skills for proposal writing as well as for planning, managing and reporting on their grant-funded projects.

Practical Considerations:

The CTF chief executive or Fund manager assesses the situation, reviews options and makes a proposal to the governing body which needs to formally recognize the training and technical assistance function as a necessary expense of managing the grant program.

In cases where it is determined that potential grantees do not have sufficient skills or experience, CTFs assess potential grantees' needs and support the most effective means of providing or facilitating training and/or technical assistance.

Box 5 - Strengthening Grantee Capacity

The following approaches have proven effective as means to strengthen capacity of grantees:

- Workshops incorporated in the grant cycle that are run by CTF staff or experienced trainers.
- A collective effort to train grantees organized by the CTF and other similar institutions that jointly develop a curriculum and share training costs.
- Technical assistance provided to grantees as part of the CTF's project monitoring.
- A "consortium" pairing a less-experienced grantee with an experienced grantee who agrees to facilitate transfer of knowledge during the execution of a grant-financed project or activity.
- A small grant window aimed at less-experienced grantees that learn by doing.

A CTF may use its own budget to finance its staff or consultants to provide training. If eligible and qualified grantees can deliver these services, a CTF may award grants for that purpose provided training is permitted by its governing documents.

When grant writing assistance is provided, the CTF ensures the independence of the final proposal review. It is often difficult to disapprove a proposal once the CTF is viewed as having participated in its drafting.

If training and technical assistance are provided, they must be accessible to all grantees on the basis of need and not be perceived to favor some over others.

Evidenced by:

Governing documents
Budget proposal
Minutes of meeting of governing body and relevant committees
Grant-making section of the operations manual

Operations

Standard 9

A CTF ensures that grantees apply effective, efficient and transparent acquisition processes and practices such that appropriate quality goods, works or services are obtained at the best prices for value in a given market.

Reason for the Standard:

By purchasing goods, works and services of appropriate quality and cost in an open and impartial way, grantees make the best use of the funds they have received and avoid conflicts of interest.

Practical Considerations:

Information on a potential grantee's practices for purchasing goods, works and services is requested and their acceptability determined at the earliest stage of the grant cycle (See Operations Standard 4); agreement to use those practices or agreed modified practices is confirmed in any grant contract (see Operations Standard 6).

When grantees are public entities (such as protected area agencies, local governments or other public entities) national public procurement laws are generally followed.

When grantees are non-governmental organizations, community based organizations or individuals, the CTF should be satisfied that any goods, works and services to be financed are appropriate for the project or activity and will be acquired at fair market prices, and under contracting conditions that are reasonable.

CTF staff or consultants who carry out field evaluations verify actual ex-post procurement practices.

Training provided to potential grantees with limited project management experience (see Operations Standard 8) on writing project proposals should include how to prepare a simple table of goods, works and services and how they will be purchased, while project management training should cover topics appropriate to small, low value contracts such as obtaining several price quotes, contracting local labor, buying materials, and hiring equipment.

Qualified intermediaries may be used to assist NGOs and communities when they do not have adequate capacity to carry out procurement.

Evidenced by:

Grant request, section on grantee information
Grant contracts
Progress reports

Operations

Standard 10

A CTF that accepts execution responsibility applies the same standards to the service it provides for grantees as it applies to the service it carries out for its own administration.

Reason for the Standard:

A decision by donors or project sponsors to give the CTF execution responsibility will likely be based on its demonstrated performance, therefore the CTF's own rules are the appropriate ones to apply.

Practical Considerations:

If CTFs provide procurement services for a program or project, they would generally follow Administrative Standard 5. The procurement plan referred to in that Standard would be prepared in accordance with the cycle of the program or project being financed rather than the CTF's own budget process.

If CTFs provide audit services for a program or project, they would generally follow Administrative Standard 6, taking into account grant size and grantee accounting arrangements.

Evidenced by:

Operations manual section on acquisition of goods, services and works
Documents relating to acquisition for Funds or programs for which the CTF has execution responsibility
Documents on auditor selection and audit report for Funds or programs for which the CTF has execution responsibility.



Standards for Administration



Glossary of terms used:

Management:

Refers to the collective function exercised by the CTF's chief executive and managers as they oversee day-to-day operations of a CTF or a Fund. The term Management is also sometimes used to refer to the CTF's chief executive and the CTF's managers as a group. In the case of some Funds, the management function is supplied as part of an administrator arrangement with the CTF.

Management Expenses:

Represent all direct expenses incurred by the CTF to carry out a grant program, which entail general administration (including services provided to the governing body), preparing a strategic plan for the CTF's program(s), awarding grants (determining grantee eligibility, call for proposals, proposal evaluation, negotiating grant agreements), monitoring grants under execution and, in some instances, capacity building and technical assistance for grantees.

Direct Costs:

Are costs that can be readily identified with a particular product with relative ease and accuracy. For CTFs and Funds, these are the costs (or expenses) identified with management of a program the CTF is funding.

Indirect Costs:

are costs that are not readily identified with a particular product, but are necessary for the general operation of the organization and the conduct of all activities it performs. Indirect costs generally apply only to CTFs because they are associated with activities that strengthen and improve the institution as a whole. Examples are fundraising, outreach, staff development and partnering.

Execution Responsibility:

Refers to services required by a project or program that may be delivered by the CTF, but that are normally carried out by a grantee; examples of such services are acquisition of goods or services for a project or program, carrying out studies, managing resources on behalf of grantees or selecting and overseeing the auditor of grantees.

Acquisition:

Is also commonly termed procurement or purchasing.

Administrative

Standard 1

Clarity of roles and organization and adequate resources allow the chief executive, managers and CTF staff to perform effectively and efficiently.

Reason for the Standard:

Management and staff must have a clear understanding of the work that is expected of them as well as the skills, resources and motivation to achieve it.

Practical Considerations:

The CTF governing body approves the job description of the chief executive and key staff, selects the chief executive, approves the annual budget of the institution and evaluates the performance of the chief executive annually (see Governance Standard 8).

To perform effectively and efficiently, the chief executive, managers and staff have:

- a clear mandate for the roles and responsibilities they carry out,
- the skills needed to carry out their assigned responsibilities, and
- an annual budget that is adequate for carrying out the annual work program.

The chief executive is recruited on a competitive basis in accordance with a clear and complete terms of reference/job description for the position.

The authority and responsibilities of the chief executive position are delegated by the governing body which holds the chief executive accountable for executing them appropriately.

Box 2 - Responsibilities of the Chief Executive

Responsibilities of the chief executive generally include, but are not limited to:

- hiring and managing the staff, which includes development of staff's professional growth by identifying appropriate training and providing other opportunities for staff to acquire and use relevant skills.
- executing the strategic planning process involving the governing body, CTF staff and stakeholders (see Operational Standard 1)
- preparing a work plan for the governing body's approval, and overseeing and ensuring the quality and effectiveness of its execution,
- making sound financial decisions within the rules established by the governing body with the focus on budget preparation, mid-year evaluation and end-year actual budget analysis,
- monitoring compliance with legal and regulatory requirements and assisting the governing body to implement the actions for compliance,
- developing policies for governing body approval, and ensuring their day-to-day compliance,
- providing the governing body with information and administrative support, including serving and supporting in a manner that facilitates decision-making in the best interest of the organization, and building relationships with key partners and ensuring effective governing body involvement in fundraising; the chief executive is the "public face" of the CTF, serving as its primary spokesperson and representative.

The chief executive and managers recruit CTF staff on a competitive basis in accordance with a clear and complete terms of reference/job description, consult the governing body on the selection of mid-level managers and keep it informed of staff recruitments.

Management creates opportunities for professional growth of key staff, supports reasonable remuneration that is competitive in the national marketplace and evaluates staff performance regularly.

Professional growth emphasizes acquisition of experience and skills for the operations of the CTF, including informal and formal training, to improve staff performance and allow increased responsibility.

The organizational structures and budget must be realistic given staffing levels and capacity, as well as availability of funding.

Evidenced by:

Job description of the chief executive
Documents pertaining to the chief executive selection process
Annual performance evaluation of the chief executive
Job descriptions of mid-level managers and staff
Documents pertaining to hiring of mid-level managers and staff
Annual work program
Annual budget
Operations manual or other manual covering CTF administration
Performance evaluations of mid-level managers and staff
Grant request, section on grantee information
Grant contracts
Progress reports



Administrative

Standard 2

When proposing a budget or reviewing budget implementation, transparent presentation of management expenses allows a governing body to understand and analyze the full costs of delivering grant programs and any other strategic objectives.

Reason for the Standard:

Better resource allocation and financial decisions are possible when the full costs of delivering a grant program (and other strategic areas) are clear and well understood.

Practical Considerations:

The governing body of a CTF or a Fund approves the annual budget request and monitors the use of the approved budget. The chief executive is responsible for preparing budget requests, updating the governing body on the use of financial resources and justifying actual budget implementation.

Management expenses can be narrowly defined as the **direct costs** of managing a program (see Glossary for Administrative Standards). Ideally, they also include a contribution to the **indirect costs** of the CTF such as the costs of personnel who provide a general service to the institution, institutional infrastructure, operations and maintenance of any building or equipment or general administration costs such as for communications, fundraising expenses, strategic planning, etc.

A budget presentation that facilitates analysis (e.g. presenting resource use according to spending categories and strategic areas) can be used by CTF or Fund managers to identify trade-offs and support decision-making.

Performance indicators that link the use of resources to achievement of strategic objectives help management and the governing body monitor institutional and operational effectiveness and efficiency.

Evidenced by:

Budget request
Mid-year actual budget
Year-end actual budget

Administrative

Standard 3

A reasonable allocation of the available budget between management expenses and a grant program seeks to maximize funding for the grant program, but also recognizes the importance of achieving the institutional strategic objectives of the CTF.

Reason for the Standard:

While the impact of programs is of great importance, the institutions that manage or administer grant programs will be more effective if they are appropriately resourced and their institutional goals are supported.

Practical Considerations:

The chief executive is responsible for justifying that the level of management expenses requested or utilized is “reasonable” by demonstrating that the budget allows adequate progress toward meeting grant program and strategic objectives, and that agreed performance indicators are within an acceptable range.

Existing and potential donors often focus on a “cost ceiling” that limits the allocation to management expenses in the hopes of maximizing monies that will be available to finance the grant program. A CTF should be able to demonstrate through analysis and use of common performance indicators what its own “reasonable” management expense allocation is. Both the rationale for the allocation and the basis for its calculation need to be defined when agreeing on an appropriate ratio.

New CTFs or Funds and those that are winding up grant operations generally have a higher proportion of management expenses to total expenses; the former because start-up costs are front-loaded while grant portfolios grow gradually, and the latter because fixed costs that must ensure due diligence remain even while the grant portfolio diminishes.

The share of management expenses as a percentage of total expenses will be higher when CTFs have **execution responsibility** because, in addition to the direct costs of managing the program, they are also providing services usually carried out by grantees.

Between 50 and 80 percent of CTF management expenses are typically made up of personnel and personnel-related costs, making this category an obvious target for diligent review and oversight by management and the governing body.

Administrative

Standard 4

One or more operations manuals with up-to-date policies, procedures and practices guide the day-to-day management of a CTF or Fund.

Reason for the Standard:

Managers and staff need an operations manual in order for processes and procedures to be performed reliably and consistently, and as both a reference and training tool for newly hired personnel.

Practical Considerations:

The governing body approves the initial operations manual and may choose to approve substantive revisions. What constitutes “substantive revisions” to the operations manual(s) is defined in collaboration with the governing body and could include a fully revised manual or just key policies.

Operations manuals cover administrative, financial and operational topics. The administrative section may include practices and procedures related to the governing body, or these may be collected in a separate manual or be covered in part by by-laws.

An operations manual is revised regularly. Maintaining an up-to-date operations manual ensures that the actions of managers and staff are in compliance with the internal regulations of the CTF that the manual spells out.

The chief executive, in consultation with the CTF’s managers, decides when a revision is required.

One manual may provide the rules and procedures for all Funds hosted by a CTF, or each Fund may have a separate manual covering its specific administrative and operational practices. Ideally, a CTF’s general administration, accounting, budgeting, and information technology rules and procedures would apply to all Funds it hosts.

Evidenced by:

Operations Manual or Manuals
Minutes of governing body meeting

Box 7 - Content of Operations Manual(s)

A comprehensive manual, or series of manuals, generally includes the following:

1. In the way of introduction:

- The reasons, responsibility and process for updating the manual
- A description of the CTF (or Fund), its mission, its structures (governing body, committees, management including its managerial units) and their general responsibilities
- General responsibilities of managers and staff

2. With regard to administration:

- Acquisition of goods, works and services (including process, approval authority, contracting and payment)
- Human resources (including recruitment, legal contractual arrangements, personnel files, salaries, benefits, ethics, termination, conflicts of interest policy for staff)
- Inventory (small equipment, consumables)
- Vehicles and materials (conditions for use, repair, fuel)
- Travel (reimbursable expenses for internal and external travel)
- Correspondence and other forms of communication (mail, e-mail, fax, telephone, etc.)
- Information management and document retention

3. With regard to CTF or Fund operations:

- Summary of the roles of the key structures (governing body, committees, management) in the operational processes
- Description of the grant award cycle
- Process and procedures for awarding grants (planning through signature of legal instrument)
- Process and procedures for making payments to grantees
- Monitoring and evaluation of grants under execution
- Grant completion, final evaluation and closing
- Process for handling issues of contention

4. With regard to finance:

a. Accounting

- Principles and rules of the accounting system
- Accounting framework

- Process to establish accounting records
- Accounting software instructions
- Codification and filing of justifying documentation
- Entry of transactions into accounting journals
- Preparation of financial statements

b. Budgeting

- Budget cycle
- Budget format
- Budget analysis, including key indicators

c. Management of CTF or Fund investments

- Investment policy
- Relations with the financial consultant and/or investment managers
- Annual portfolio performance review
- Review of financial consultant and/or investment manager(s)

5. Concerning information technology:

- Responsibility for employee technical support, maintenance, installation, and long-term technology planning
- How technology needs and problems will be addressed
- Password rules (minimum strength; change password)
- What constitutes "valid use" of assets (what can and cannot be installed on computers or mobile devices;)
- Internet restrictions
- E-mail policies
- Rules for remote access
- Remote management of mobile devices (i.e., wipe or lock the device if lost)
- Authority for granting access to employee e-mails and record of authorization decision
- Rules for terminated employees or users

6. Key forms in annexes to the manual and cross-referenced the text

- should begin with an explanation of the relevance or importance of the procedures to place them in the overall context of the institution.
- shows the initial date of release and, if relevant, the date on which that section was updated.

Administrative

Standard 5

A CTF acquires the goods, works and services needed to carry out its own everyday activities through processes and practices which:

- are efficient, cost-effective and transparent,
- assure the appropriate quality of goods, works and services, and
- aim to obtain the best price for value in the market.

Reason for the Standard:

Limited CTF resources will be used prudently if quality and cost are appropriately considered when acquiring goods, works and services.

Practical Considerations:

An annual plan showing the approximate value and method for the acquisition of goods, works and services is included in the budget request that is approved by the governing body. The plan is updated when a budget update is presented.

Box 8 - Acquisition Process and Procedures

A section of the CTF manual covering administration is dedicated to the processes and procedures to be followed for the acquisition of goods, works and services. Consistent with the anticipated purchases of the CTF, the manual covers:

- types of acquisition (goods, works and services)
- methods of acquisition (competitive bidding, shopping, direct contracting) and when they are appropriate
- acquisition thresholds, which are defined as the different methods of acquisition for each type of acquisition that would be employed for a given contract value or range of values
- the importance given to quality and cost for the various types and methods of acquisition
- responsibilities of the governing body, CTF managers and staff, and any other participants in the organization and management of the acquisition process
- detailed steps of the acquisition process (preparation of bid documents/proposals, bid requests/request for proposals, bid evaluation/proposal evaluation, contract award) for each method of acquisition
- content of bidding documents for goods and works and of the request for proposals for services
- types of contracts (time-based, lump sum, etc.)
- linkages between the acquisition, accounting and recordkeeping functions
- elements to ensure transparency, especially for acquisitions following competitive bidding processes, such as advertising, public bid opening and publication of contract awards.

Efficient and effective acquisition of goods, works and services is more likely to be achieved when the CTF and its donors reach agreement on the processes and procedures that the CTF will apply to all acquisitions, irrespective of the funding source.

Evidenced by:

Budget request and updating report(s)
Operations or other manual covering administration, section on acquisition
Records of acquisitions



Administrative

Standard 6

A CTF undergoes an annual audit by independent external auditors who apply standards that are consistent with internationally accepted accounting standards.

Reason for the Standard:

Independent external audits carried out in accordance with international standards provide a high level of assurance to the governing body and donors that CTF financial statements are accurate and that any material financial management issues have been identified for corrective action.

Practical Considerations:

The governing body approves the terms of reference for the audit and the selected audit firm and signs the contract with the firm.

Independent external audits are based on terms of reference that may include auditing any financial operation or transaction for which the CTF's governing body would like specific assurance of accuracy and completeness or compliance with regulations.

External auditors report to a CTF's governing body, or to a committee of that body. The external auditors' terms of reference provide for (i) a letter to CTF management that summarizes the improvements, if any, that need to be made to the CTF's accounting and internal control systems and (ii) the audit of the financial statements prepared by the CTF's accounting staff.

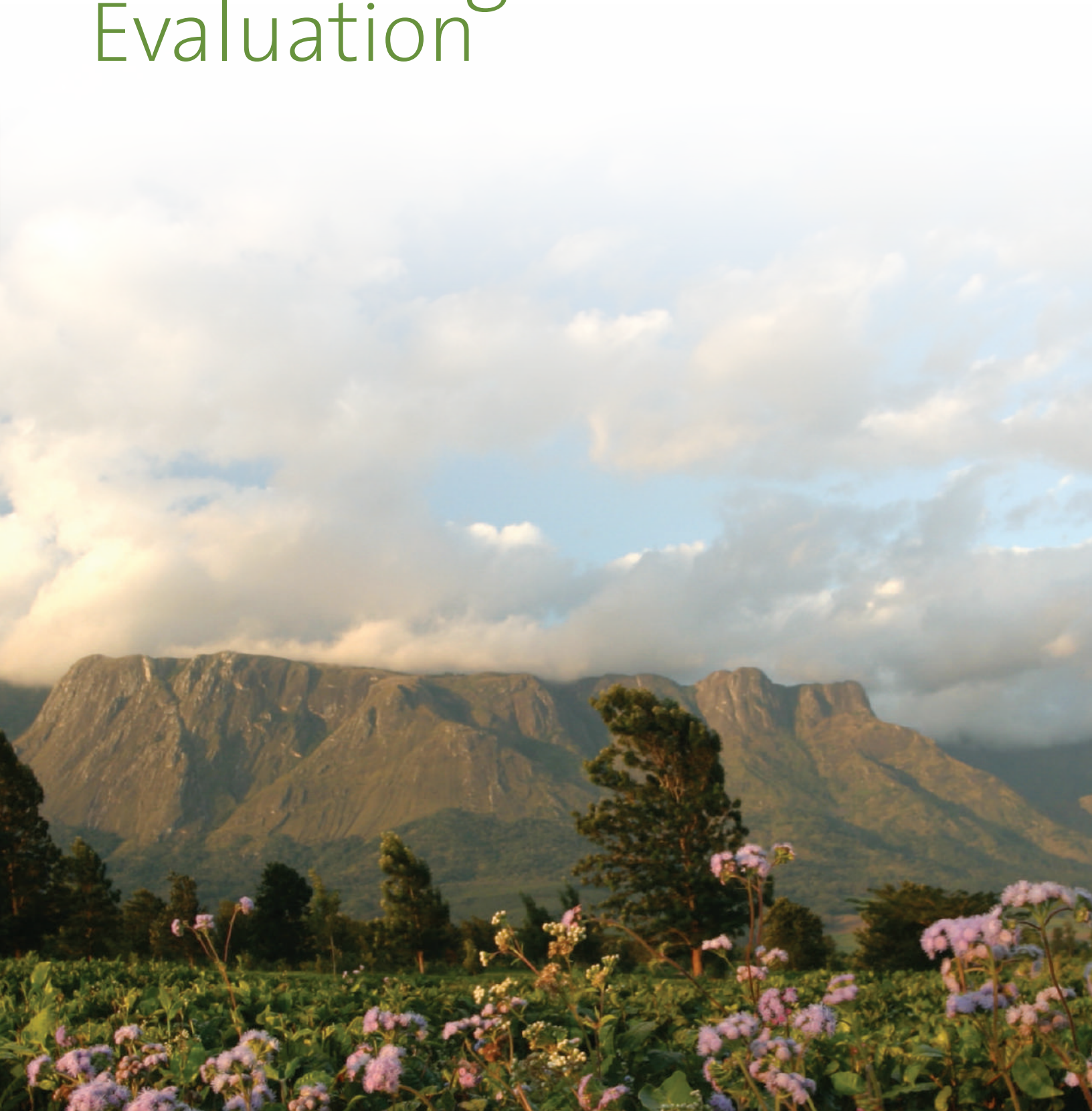
As far as possible, a CTF's external auditors carry out their audit in accordance with standards consistent with the International Financial Reporting Standards ("IFRS"), which were developed as a common standard to which many countries could align their accounting principles and practices.

Audits of grantees are required to give assurances that grantees keep appropriate records and that the grant monies awarded were used for solely for the purposes of carrying out the grant-funded activities approved by the CTF. It is the grantee's responsibility to keep records and account for the grant monies received and spent and therefore the grantee's responsibility to provide an audited statement. In those instances where individual audits by grantees are not practical, for example when there are many small grants that can be grouped or grantees do not have the capacity to engage audit services, the CTF takes on the **execution responsibility** and prepares terms of reference, selects an auditor and oversees the auditor's work. The audit is separate from the CTF's own audit of financial statements since the CTF does not spend the funds or keep records of fund use.

Evidenced by:

- Audit terms of reference
- Auditor's contract
- Audit report
- Audit Management Letter

Standards for Reporting, Monitoring and Evaluation



Glossary of terms used:

Monitoring:

is a continuing function that uses systematic collection of data on specific indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress, achievement of objectives and progress in the use of allocated funds.

Performance Monitoring:

Is the systematic collection of data on changes in performance indicators, revealing whether desired near-term results (outputs) are occurring and whether implementation is on track. In general, the results measured are related to compliance with and implementation of work or business plans, project activities, or strategic plans.

Outcomes Monitoring:

Is the systematic collection of data, which are expected to change after a project has been constructed and is operational, to test whether any observed changes are due to the project or program. In general, the results measured are the indirect and medium to long term consequences of the implementation of project or program activities.

Indicators:

Or metrics measure a particular variable, characteristic, or dimension of project results (outputs, outcomes, impacts) based on a project's results framework and underlying theory of change.

Results:

Can be classified as either outputs, which are products delivered by or directly attributable to the project or program activities, or, outcomes which are the short-term and medium-term effects of a project

or program's outputs, or impacts which are long-term effects produced or influenced by the outcomes of a project or program.

Evaluation:

Is the systematic and objective assessment of an on-going or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, efficiency, effectiveness impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process. At its core, evaluation is a simple concept: 1) it compares results with expectations, 2) it finds drivers and barriers to expected performance, and 3) it produces action plans for improving programs so that expected performance is achieved.

Performance Evaluations:

Have the purpose of determining the worth or merit of a program by providing information for making data-driven decisions that lead to improved performance. They focus on descriptive and normative questions: what a particular project or program has achieved (either at the intermediate point of execution (a formative evaluation) or at the conclusion of an implementation period (summative evaluation)); how it is being implemented; how it is perceived and valued; whether expected results are occurring; and other questions that are pertinent to program design, management and operational decision making. A formative evaluation may also be used for legal or compliance reasons. Performance evaluations often incorporate before-after comparisons, but generally lack a rigorously defined counterfactual.

Impact Evaluations:

Measure the change in a development outcome that is attributable to a defined intervention. They are based on models of cause and effect and require a credible and rigorously defined counterfactual to control for factors other than the intervention (e.g. project) that might account for the observed change. Impact evaluation in which comparisons are made between beneficiaries that are randomly assigned to either a treatment or a control group, provide the strongest evidence of a relationship between the intervention under study and the outcome measured. Baselines are required for impact evaluations.

Theory of Change:

Can be thought of as the “development hypothesis” that embodies, for a given intervention, an explicit logic and causal relationship between the building blocks needed to achieve a long-term result. In other words, it explains why and how a proposed investment (e.g. a grant), with its activities and assumptions, will lead to the specified desired outcomes.



R, M & E

Standard 1

CTFs are intentional about reporting to different audiences for different purposes.

Reason for the Standard:

Reporting is not an end in itself. The relevant question, therefore, is to whom is the CTF reporting, on what and why? The answer to this question should result in clarity of reporting. The audiences for CTF reports include: CTF grantees, CTF management, CTF governing bodies, donors, and governments (often for compliance with international conventions). The different audiences sometimes share purposes in reporting. For instance while a donor cares about a CTF's compliance with contractual obligations, it shares the desire of the CTF governing body for programs that are effective, efficient, transparent and accountable. Therefore, the data collected and information derived from each "level" of reporting is additive and cumulative as one moves up the information chain. A CTF, therefore, concerns itself with the type and quality of data produced by the CTF as well as by its grantees.

Practical Considerations:

The CTF governing body is ultimately responsible for compliance with the "externally motivated" reporting, monitoring and evaluation requirements (e.g. to donors), but also identifies its own "internal" requirements for the same. Management oversees the putting in place of systems that gather information, the carrying out of evaluations and the production of required reports.

Most reporting is the result of information derived from monitoring and evaluation. The information requirements for reporting drive the evaluation questions which, in turn, drive

the information needed from monitoring, all of which is modified by the information revealed through the reports. This is all a part of adaptive management.

The purposes of reporting, monitoring and evaluation and the form that it takes, is most frequently codified in the CTF governing documents or donor agreements and articulated in the CTF Operations Manuals.

Many stakeholders benefit from CTF reporting. The information needs of the different audiences may vary, but almost always include requirements for annual reports, work plans, financial statements, and both program and financial audits. Donor agreements often require reporting on individual grants and their performance. Host country governments, of course, may have their own legal and regulatory reporting requirements as well.

Evidenced by:

- Grant agreements between CTFs and their grantees
- Legal agreements between CTFs and donors
- Relevant government regulations and standardized forms
- CTF Operations Manuals
- Reports by grantees to CTFs, by CTF management to CTF governing bodies, and by CTFs to their donors
- Minutes of CTF governing bodies

R, M & E

Standard 2

Grant agreements between a CTF and its donor clearly set out the specific formats, information requirements, procedures and timing for technical and financial reports.

Reason for the Standard:

Clarity in agreements on the form and substance of information the CTF must provide can prevent unnecessary delays and expense created by misunderstandings.

Practical Considerations:

As far as possible, CTFs and donors try to harmonize reporting requirements as this leads to greater efficiencies and reduced costs for CTFs.

The Paris Declaration on Aid Effectiveness (signed by almost all major bilateral and multilateral donors) commits international aid donors to “harmonize their monitoring and reporting requirements, and...with partner

countries to the maximum extent possible on joint formats for periodic reporting.” However, donors may still insist that CTFs use separate reporting systems with particular formats that allow the donors to show their governments and public constituents how aid contributions were used. This can increase a CTF’s administrative expenses and be a source of inefficiency. The CTF governing bodies can use the efficiency case to engage donors early in an attempt to harmonize reporting formats.

Evidenced by:

Minutes of negotiations
Donor agreements



R, M & E

Standard 3

CTFs maintain a regularly updated checklist and schedules for all of the reports that they are required to submit to government agencies in the country where the CTF is legally registered and the countries where the CTF operates or has investments.

Reason for the Standard:

A checklist can facilitate compliance with obligations. Failure to submit reports that are legally required could in some cases result in fines, penalties, loss of capital, loss or suspension of tax privileges, or even cancellation of a CTF's legal registration.

Practical Considerations:

The chief executive and staff are responsible for ensuring the checklist is up-to-date and that reports are prepared and, when relevant, approved by the governing body.

This standard includes (but is not limited to) filing financial reports that are required by the government authorities responsible for overseeing charitable organizations, not-for-profit companies or foundations; as well as financial reports that are required to be filed with national tax authorities. Such reports generally require a listing of all grants that a CTF has made, all donations that it has received, its total operational expenses, and its annual investment income or losses, as well as a list of the CTF's current governing body members and senior management staff.

CTFs may need to prepare and file financial reports in different currencies, depending on the legal requirements of the country or countries in which a CTF is legally registered or operates (which may differ), and the requirements of donors to the CTF. Since relative currency values can fluctuate significantly over time, this can greatly affect the determination of whether targets and other financial requirements have been met.

Evidenced by:

Checklist of obligations and due dates

R, M & E

Standard 4

A CTF monitors and evaluates its programs in relation to the CTF's purpose and its strategic plan, and in relation to national-level and international-level conservation indicators, targets and strategies.

Reason for the Standard:

The success of a CTF is dependent upon the effectiveness of its contribution to the broader national conservation agenda. The national level agenda may also be tied to international convention goals or targets.. The perceived relevance of the CTF in the national context will open opportunities for greater engagement, political support and fundraising.

Practical Considerations:

As the basis against which to measure the achievement of goals and targets, the governing body approves well written plans, particularly strategic and conservation plans, with clear cause-and-effect logical connections. Both performance and impact evaluations and adaptive management require this planning framework.

Many nations have their national-level conservation indicators, targets and strategies linked to commitments to international conventions such as the UN Sustainable Development Goals or the UN Convention on Biological Diversity Aichi Conservation Targets. As a result, many CTF adopt similar indicators and targets in their own strategic plans.

When appropriate and possible, CTFs make use of existing information from the protected area systems or of scientific data rather than developing expensive monitoring systems on their own.

CTFs benefit from a comprehensive independent evaluation at least once every 3 to 5 years and use the feedback to modify their plans accordingly.

Evidenced by:

Reports of internal and independent evaluations of a CTF
Strategic Plans

R, M & E

Standard 5

A CTF designs internal reporting, monitoring and evaluation, including financial management³ reporting, to support informed decision-making by its governing body, about the functioning of the CTF as an institution.

Reason for the Standard:

Whether CTFs are designed to be sustainable institutions offering long-term conservation finance, or time-limited institutions, their governing bodies and management must strive for managerial excellence and program effectiveness and efficiency. To do so, the governing body must be capable of ensuring compliance, reviewing progress, and making informed decisions based upon well written planning, budgeting and financial reports from the CTF management and staff. Such demonstrated competency can give new donors confidence about the quality of CTF management.

Practical Considerations:

When CTF management and staff prepare internal reports, their content and timing should respond to the needs of the governing body.

Many CTFs adopt “Performance Management” (a.k.a. managing for results) which is the systematic process of monitoring the implementation of program activities; collecting and analyzing performance information to track progress towards planned results; using performance information and evaluations to influence decision-making and resource allocation; and communicating results to advance organizational learning and stakeholders.

Box 9 - Internal Reporting

Periodic reports generally include:

- Quarterly or semi-annual work program and budget-to-actual analysis
- End of year work program and budget-to-actual analysis to support the next year's requested budget
- Progress of the grant program (financial and technical)
- Interim financial statements (generally at the middle of the financial year)

Budget-to-actual reports include:

- Clearly presented tables of management expenses
- Clearly presented tables of project/grant disbursements
- Supporting explanations and analysis
- Performance ratios and indicators that compare actual performance against initial or revised projections.
- Forecasts developed by the CTF's management to indicate expected investment performance and cash availability for the remainder of the year

Evidenced by:

CTF internal planning, budgeting and financial reports
Minutes of CTF governing body meetings
Strategic Plans
Conservation Plans

³ “Financial management” in the context of this standard refers specifically to the transactions related to the institution's administration and operations (e.g. accounting, budgeting, grant-making).

R, M & E

Standard 6

CTF staff, and often the grantee itself, monitor grants using indicators and measures agreed upon in the grant contract between the CTF and the grantee, or the grant contract's required monitoring plan.

Reason for the Standard:

Monitored information is eventually evaluated. The evaluation questions drive the information needs from the monitoring plan. By including explicit indicators in a monitoring plan, the grantee better understands the basis upon which its performance is being measured. The CTF staff will use information collected from grantee written reports, but additional queries and analysis may be required to ensure that a project is achieving its purpose(s) and that the purpose(s) continue to be relevant to the CTF's mission and strategic plan.

Practical Considerations:

While the grantee itself may be monitoring project implementation in a manner consistent with its contract with the CTF and its required monitoring plan, it is the responsibility of the CTF staff to ensure appropriate selection of indicators and their use.

Indicator selection should be based upon the project's theory of change; however considerations should be given to the purpose of any given indicator that is selected. CTF monitoring can generally be defined as either **performance monitoring** or **outcomes monitoring**. Performance monitoring is generally concerned with grantees compliance with work plans, implementation of activities, and delivery of outputs. Outcomes monitoring focuses more on the results (outcomes or impacts) achieved through the grantees compliance to project work plans and activities. A balance of both types of indicators is needed

in order to assess whether a project is on track, but also to know whether the project is in fact achieving its intended results.

Best practices exist for indicator use (e.g. number and selection). For instance, it is considered good practice not to have too many indicators, and yet they should be specific, measurable, attainable, relevant and time-bound (SMART). Wherever possible indicators should be quantifiable, discrete, and indicative of the process which they claim to measure. The frequency of data collection against defined indicators, sampling effort required for data collection, and scope of data collection efforts should be defined in the monitoring plan.

Monitoring should be cost-effective and reproducible. In projects that relate to protected areas CTFs often collaborate with other institutions in the country that are already monitoring biodiversity conservation indicators. Consideration should be given to adopting a suite of fund level metrics that apply across projects regardless of the context in which the project is developed. A suite of fund level metrics applicable across projects allows funds to understand the aggregate impact and effectiveness of their investments. By harmonization of indicators, information can be compared at larger scales.

Evidenced by:

Contract between the CTF and the grantee
CTF evaluation reports on individual grants

R, M & E

Standard 7

CTFs design monitoring and evaluation to support evidence-based reporting of conservation impacts.

Reason for the Standard:

To be successful and, therefore, to attract political, financial and partnering support, a CTF must demonstrate evidence of its conservation results.

Practical Considerations:

A CTF's strategic and financial plan will have some goals, objectives, activities, etc. that relate to a CTF's expected conservation results. The plan will identify the set of actions the CTF will take, and any assumptions made, to achieve specified conservation outcomes. A strategic and financial plan may utilize cause-and-effect frameworks (e.g. results frameworks) to strategize and to communicate this **theory of change**. The plans can serve as the foundation upon which to construct a system of metrics to provide evidence of the conservation results of the CTF.

A baseline is established for each of the strategic and financial plan indicators from which conservation change will be measured and that will later inform a CTF's performance evaluations or the more rigorous impact evaluations. Collecting baseline data can be a time consuming

process, but it is far more reliable and less expensive than recreating a baseline after the project's start. CTFs and their grantees may try to make use of baseline data that has already been collected by others, or try to identify "proxy" indicators that can be monitored more easily.

The grant contract established between the CTF and the grantee, in addition to identifying administrative and financial reporting requirements, also states the requirements for the reporting, monitoring and evaluation of conservation impacts. The selection of a manageable number of key indicators is essential. (See R, M & E Standard 8).

Evidenced by:

Instructions to grantees on submitting proposals
Approved grant proposals
Grant contracts between the CTF and its grantees
Strategic and Financial Plans

R, M & E

Standard 8

CTFs support their grantees by providing clear reporting templates, frameworks and information requirements for monitoring and evaluation of the grant performance in achieving planned outputs and outcomes.

Reason for the Standard:

Progress towards achieving a project's stated objectives, and a grantee's compliance with grant conditions, is easier to ascertain when its activities, outputs and outcomes and their key indicators are presented in a template. Simple log-frames are commonly used for this purpose. Such discipline builds the capacity of the grantee and promotes accountability and self-reflection, essential for adaptive management and independence. It also enables the CTF, itself, to more efficiently and effectively manage a diverse portfolio of grants to different organizations and for different sites, and facilitates reporting, monitoring and evaluation of the CTF's entire portfolio of grants.

Practical Considerations:

Requirements are reinforced by specifying in the grant contract the standardized reporting templates, frameworks and other means of capturing information for monitoring and evaluation of grant performance that are required of grantees.

CTFs are principally concerned with a grantee's ability, as an institution, to comply with the grant conditions established in the grant agreement and with its ability to achieve the objectives of the grant (conservation impacts). The CTF therefore ensures that grantee reporting, monitoring, and evaluation addresses both of these purposes.

Grantee self-assessments are a helpful contribution to the CTF grant oversight function, but alone, are not sufficient to address the CTF grant monitoring information requirements. Monitoring requirements must be explicit and clearly communicated to the grantee and in the grant agreement. Results presented in monitoring reports should be verified (by CTF staff or third party service-providers) or verifiable (through supplementary documentation) vis-à-vis field visits or follow up meetings to ensure quality and accuracy of reporting.

When necessary, CTFs provide grantees with training and other technical assistance to enable them to conduct self-reporting, self-monitoring and self-evaluation. This technical assistance and training may be provided by CTF staff, by hired service-providers (including consultants and NGOs), or by other more experienced CTF grantees.

Evidenced by:

- Instructions to grantees
- CTF Operations Manuals
- Grant contracts between the CTF and its grantees
- Reports by grantees to the CTF

R, M & E

Standard 9

CTF staff (and/or independent evaluators) perform due diligence and monitor grantees' progress towards achieving outputs and outcomes.

Reason for the Standard:

CTFs have a responsibility to know and report on the extent to which they are achieving their objectives. Reliable monitoring is best carried out through first hand observation of grantees' project implementation progress. Through its monitoring activity, the CTF also has the opportunity to assist grantees with achieving their own target outputs and outcomes by applying principles of adaptive management

Practical Considerations:

Due diligence requires qualified CTF staff to review periodic technical and financial reports from grantees, conduct interviews with grantees and other relevant stakeholders and make field visits.

CTFs and their grantees need to have the staff capacity and budget resources to monitor the technical, administrative and financial aspects of a grant and to prepare the reports on monitoring results that inform the CTF governing body.

Monitoring by CTFs involves comparing grantees' expenditures against physical implementation of project activities to ascertain whether funds have been used for the intended purposes and to adaptively manage as appropriate.

Reporting by CTF grantees tracks expenditures and physical progress compared with targets and planning schedules set out in proposals and project plans.

Grantee reports undergo a cycle of review. A program officer and a financial officer of the CTF review reports in a timely manner and give initial feedback to grantees. Grantees promptly make corresponding amendments to the report. The CTF may delay further funding until the grantee's reports are satisfactory to the CTF. The cycle of review should be implemented in a manner to strengthen grantee capabilities.

CTFs require grantees to signal in their technical reports when extraordinary events occur, or provide additional reports to the CTF. A specific reporting schedule is outlined in the grant agreement between the CTF and its grantees, and the CTF's staff remind grantees in writing several weeks before a report is due of the impending due date. In addition to submitting technical reports, grantees also submit a financial report that includes copies of receipts, an activity report, and a report on their acquisition of goods, services and works.

When a project is on track and progress is satisfactory, the CTF notifies the grantee accordingly in writing. If the site visit reveals insufficient progress, CTF staff notify the grantee in writing and request an explanation and a proposed course of action to correct the situation. The grantee responds within the timeframe allotted by the CTF in the notice.

CTF staff determine whether a project's delays or failure to meet agreed targets is justifiable, and if corrective actions proposed by the grantee are feasible. If a grantee's response is unacceptable, the grantee is informed that

the status of the project will be presented to the CTF governing body, which will decide if the grant should be suspended or terminated.

Evidenced by:

Reports, evaluations and field notes of CTF staff
Correspondence between the CTF and grantees
Reporting templates and log-frames



R, M & E

Standard 10

CTFs prepare an Annual Report each year, which is distributed to donors and key stakeholders, and is made available to the general public.

Reason for the Standard:

An Annual Report serves as a tool for informing key stakeholders about a CTF's mission, activities, management, and financial situation. It can also be used as a marketing tool to attract new donors.

Practical Considerations:

An Annual Report is a concise but comprehensive review of the activities of a CTF during the preceding year. It includes a description of all activities funded or grants made, and an annual financial statement that shows the CTF's assets, liabilities, income (from investments or donations), operating expenses, and total grants awarded or disbursed.

Publishing an Annual Report on the CTF website is the most cost-effective way to disseminate the report to the public.

A CTF's Annual Report (and/or website) also includes a description of the CTF's mission and its strategic plan, and a summary of the progress made, and challenges encountered, during the preceding year in meeting the CTF's institutional and biodiversity conservation goals.

A CTF's Annual Report and its website also include the names of all the members of a CTF's governing body, the names of a CTF's senior management staff, and a list of donors to the CTF.

Evidenced by:
Annual Report

Standards for Asset Management



Glossary of terms used:

Sub-account:

A separate grouping of investments that share a common investment strategy. A Fund might comprise one or multiple sub-accounts.

Endowment:

A sum of money that is intended to exist in perpetuity or to preserve its capital over a long-term timeframe; an endowment's capital is invested with a long-term horizon, and normally only the resulting investment income is spent, in order to finance particular grants and activities.

Sinking Fund:

A pool of monies that will spend down its capital within a designated period of time (e.g. 5, 10, 20 years). The entire principal and investment income is disbursed over a fairly long period until it is completely spent and thus sinks to zero.

Endowment Capital:

Monies invested in order to generate a steady stream of income over a long-term period. A CTF's committee that is responsible for oversight of investment management will define "capital" in a way that allows the CTF to achieve its mission and fulfill donor obligations.

Investment Horizon:

The total length of time that an investor expects to hold a security or the portfolio that achieves the specified investment goal. The investment horizon is used to determine the investor's income needs and desired risk exposure, which are then used to identify the composition of the investment portfolio.

Risk:

In the general context of investing, there are three broadly used definitions of risk: 1) The possibility that the return on an investment will vary from the expected return. 2) The possibility that an investor might lose part or all of his/her investment. 3) The "standard deviation" or variance of returns from a reference investment or a historic average return for an investment category. "Standard deviation" is the most commonly used measure of risk by investment professionals.

For CTFs, one type of risk is not achieving the target return that provides a steady stream of income and, in many instances, maintains the purchasing power of the endowment assets.

Tolerance for Risk:

In the general context of investing, tolerance for risk refers to an investor's ability to accept price volatility and the possibility of declines in value or loss of principal.

For CTFs, risk tolerance also refers to the CTF's willingness to accept, along with positive returns on its investments, that the stream of revenue expected from those of investments could also potentially be reduced or even be zero for a given number of years during the period of the investment horizon.

For the purpose of Standard 4, **general economic conditions** means those conditions that will affect the financial markets and institutions where assets will be invested. Conditions would take into account national or regional policies that will substantively impact interest rates and money supply, banking regulations and credit availability and changes in corporate obligations or the business environment.

The principle of **duty of care** requires that each person responsible for managing and investing an institution's funds shall manage and invest the funds in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

Investment Management Consultant :

A fee-based advisor operating under a non-discretionary arrangement who can provide guidance on portfolio theory, asset allocation, manager search and selection, investment policy and performance measurement. The role of the Investment Management Consultant is to provide independent advice, and the consultant's primary responsibility is to his/her client. Investment Management Consultants can help to review the performance of Investment Managers relative to the investment goals of the client, and may give the client advice on which investment managers to hire and fire.

Financial Advisor:

A Financial Advisor is a licensed sales agent or broker with a securities firm.

Investment Manager:

Specialists in managing a portfolio or investments in a specific type of asset, such as medium quality corporate bonds; large-cap value equities, or emerging market governments' debt. Mutual fund managers, portfolio managers and hedge fund managers are examples of this. Investment Managers act with their own discretion to buy and sell investments or hire other asset managers within the parameters specified by the investment guidelines.

Custodian:

A custodian maintains possession of securities owned by the CTF, collects dividend and interest payments, redeems maturing securities, and handles receipt and delivery of securities following purchases and sales. The

custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the CTF's investment accounts.

Investment Professionals:

For the purposes of the Practice Standards, refers to an investment management consultant, financial advisor or investment manager, either separately or jointly according to the CTF's arrangement.

Discretionary:

In the context of investment advice, discretionary refers to an arrangement that gives an investment professional the authority to make decisions on behalf of the client using his or her own judgment, but within the guidelines provided by the client (i.e. the "investment guidelines" approved by a governing body or investment committee). A non-discretionary arrangement requires the investment professional to seek approval of the client when making decisions.

Substantive Performance Review:

An in-depth review of the performance of an investment management consultant, financial advisor or investment manager that is carried out at least every five years and which includes the following elements:

1. **Organization Review:** An examination of the capabilities of the individuals and the firm providing investment consulting or investment management.
2. **Documentation Review:** A review of documentation provided by the investment professional(s), including:
 - quarterly summary reports
 - economic information and advice
 - investment performance reports

- investment manager searches, profiles and reviews (for the substantive review is of an investment management consultant)
 - custodial reporting including cash flows
 - investment policy adherence reports
3. **Performance Review:** A review of quarterly and annual performance for the past five years. This should compare performance after all fees are deducted against:
- the absolute percentage return target
 - the relevant composite benchmark

The substantive performance review can be performed internally or can be contracted to an independent consultant. The results are normally reported and discussed in detail with the committee of the governing body responsible for investment management. The outcome of the review will form the basis for the committee's recommendation to either renew the investment professional's contract or else to proceed with a new competitive selection process.

Protection of Purchasing Power:

Achieved by preserving an endowment fund's capital and achieving growth equal to or in excess of the rate of inflation in the currency in which assets are invested.

Benchmark:

A standard against which the performance of a security, an asset class or an investment manager can be measured. Broad market and market-segment stock and bond indexes are commonly used for this purpose.

Spending Rule:

A formula that generally takes into account earnings, all investment management expenses and inflation to arrive at the net amount the CTF can distribute to cover its management expenses and grants program. A CTF with a strategy to grow its capital would also factor in the growth it wishes to achieve. Use of a rolling average of three or five years when calculating a spending rule will smooth out highs and lows and result in a more stable distribution amount.

Diversification:

A risk reduction strategy that allocates investments among various financial instruments, sectors, markets, etc on the basis that the different investments in those categories will not react the same way to a given event or longer term trends.

Diversification creates a portfolio of investments that collectively have a lower risk than one individual investment.

Liquidity:

The "liquidity" of an asset denotes the ease with which it can be converted to cash. At the portfolio level, liquidity is achieved by holding a percentage of the portfolio in cash or cash equivalent instruments to meet unplanned cash requirements or to avoid loss in value from the forced sale of a security in order to meet distribution requirements.

The **Conservation Trust Investment Survey** tracks the financial performance and investment strategies of CTFs throughout Africa, Asia, Eastern Europe, Oceania, Latin America and the Caribbean.

The information reported in this study is based on a variety of investments denominated both in the local currency of the CTFs' home countries, and in international currencies, including US dollars and Euros. The investments range from those held in local banks or fixed deposit receipts, to more complex investment portfolios managed by international investment firms. The CTIS is published annually on the CFA website.

Asset Management

Standard 1

A clear and comprehensive investment policy sets out the core principles a CTF applies for managing its assets.

Reason for the Standard:

A clear and comprehensive investment policy provides assurance that the governing body can appropriately exercise its fiduciary duty. Implementing the policy confirms that the governing body is fulfilling its fiduciary duty.

Practical Considerations:

The governing body that is accountable for management of the assets formally approves the investment policy related to those assets.

A governing body, or a committee to which it has delegated responsibility for oversight of investment management, may seek guidance from an investment professional when preparing or reviewing an investment policy.

A CTF's founding legal documents may specify the elements that an investment policy must address.

A CTF's investment policy aligns with its mission and goals.

A CTF may have (i) one over-arching investment policy with sub-sections that set out strategies specific to individual Funds or sub-accounts when the objectives of the individual Funds or sub-accounts are different from each other

or (iii) separate investment policies for each individual Fund or sub-account.

In order to establish for all involved parties as clear and comprehensive an understanding as possible of the objectives of investing the CTF's assets, an investment policy will generally:

Define and assign the responsibilities of all parties involved in decisions on investing CTF assets. The parties may include, but are not limited to, the governing body, the investment committee, and whichever of the following are engaged by the CTF: the **investment management consultant**, the **financial advisor**, the **investment manager(s)** and the **custodian**.

- State the elements the governing body considers as part of its exercise of prudent decision making (see Asset Management Standard 3)
- Establish the relevant **investment horizon** for which the Fund's assets will be managed.
- State the investment objective(s) and goal(s).
- Define **risk** and the CTF's **tolerance for risk**.
- Define the **spending rule** that determines the income that can be distributed annually for the purpose of financing the CTF's budget and grant program.

- Offer clear guidance and limitations to the investment professional(s) for the investment of the CTF's assets.
- Establish a basis for evaluating investment performance, as well as the events that signal the governing body's need to consider changing investment management consultants, financial advisors or investment managers.
- Define the basis and requirements for reporting by the investment management consultant and/or the investment manager.
- State the approach to addressing environmental, social and governance considerations.
- Provide for regular review of the investment policy no less often than every two years and for exceptional review when warranted by major financial market or institutional events.

The commonly accepted objective when investing endowment capital is to provide a relatively steady stream of income and **protect purchasing power** in order to meet a long-term stream of expenses; the general objective when investing non-endowment funds is to ensure adequate liquidity to meet short-term and medium-term project or program expenses.

Investment performance is generally measured by considering (i) actual return compared with target return and (ii) performance of asset classes compared

with appropriate **benchmarks**. The investment policy will state the principles to be applied; the principles will be further developed in investment guidelines that will state the target return and relevant benchmarks (see Asset Management Standard 2).

Performance of an investment management consultant, financial advisor or investment manager should be closely monitored with **substantive reviews** no less than every five years or earlier if there is a need due to any of the following: consistent underperformance compared to benchmark and/or target return, an unacceptable justification of poor results, significant qualitative changes to the investment management organization, failure to adhere to any aspect of the investment policy or investment guidelines which results in material negative consequences.

Approaches to incorporating environmental, social or governance considerations might include (i) negative filters to eliminate companies whose practices or products are not consistent with the ethical standards or environmental mission of a CTF; (ii) positive filters based on recognized positive environmental and/or social performance, (iii) thematic or targeted investments that identify companies making social and environmental achievements in line with the CTFs mission.

Evidenced by:

Investment Policy adopted by the governing body
Minutes of the governing body or its committee responsible for oversight of investment management covering approval of the investment policy and performance reviews of investment professionals

Asset Management

Standard 2

A CTF's investment portfolio is managed in accordance with investment guidelines that set out the specific parameters to be applied by the investment management consultant, financial advisor and/or the investment manager(s).

Reason for the Standard:

Investment guidelines translate the general principles of the investment policy into the transactions financial advisors or investment managers will execute to produce the earnings the CTF will need to meet its investment objectives. The guidelines also provide the basis for measuring whether the objectives are being achieved. Approval of guidelines consistent with the investment policy is further proof that fiduciary duty is being carried out appropriately.

Practical Considerations:

The governing body, or a committee of the governing body responsible for overseeing investment management, prepares the investment guidelines in collaboration with an investment management consultant or investment manager(s) as either or both will be legally bound to act in accordance with them.

The governing body formally approves the investment guidelines.

The investment guidelines will be fully consistent with the investment policy to ensure they contribute to achievement of the CTF's investment objectives.

Box 10 - Investment Guidelines

Investment guidelines generally include, but are not limited to:

- Strategic asset allocation
- **Diversification** obligations of the investment manager
- Specific guidelines for types of assets
- Target return
- Risk management strategies that will be applied
- Allowable asset class categories
- Prohibited asset class categories
- Percentage limitations for asset classes, industries or individual investments
- **Liquidity** of assets
- Benchmarks against which the investment manager and overall investment performance will be measured annually
- Selected approach for taking environmental, social and governance factors into account
- Reporting requirements

The investment guidelines are reviewed with the investment management consultant and/or investment manager(s) no less than once per year; the review includes a determination of consistency with the statement of investment policy and recommends any needed modifications.

The target return is generally based on the total returns (income + capital gains) that are estimated to be necessary to cover: (i) the CTF's target distribution of earnings to cover CTF management expenses and grant-making activities (as established by a spending policy), (ii) an inflation offset, (iii) consulting and/or investment manager fees, (iv) optional contribution to a reserve, if this is legally possible (See Asset Management Standard 4).

Once a CTF has identified its target return, it then seeks to create an investment portfolio that will optimize the likelihood of delivering that return while minimizing risk of capital losses.

Benchmarks should be consistent with the asset classes and financial markets in which the assets are being traded.

Specific parameters of the investment guidelines can only be determined once there is a firm commitment on the capital contributions that will be available to be invested.

The investment management consultant or investment manager(s) are required to provide (i) a monthly or quarterly report on investment performance, risk surveillance and compliance with investment guidelines and (ii) an annual report of full cost

disclosure covering the costs of investment management and custodian fees as well as any trading, administration and marketing costs paid to investment managers or companies, especially those that provide mutual, exchange-traded or other types of funds that are not normally required to disclose those costs.

CTFs that select and monitor their own investments, put in place a system to monitor purchases, sales, maturity dates, redemptions, etc. in lieu of reports provided by investment professionals and provide quarterly performance reports to the governing body or its committee responsible for investing.

Evidenced by:

Investment Guidelines adopted by the governing body

Investment policy

Contract with investment management consultant and/or investment manager(s)

Minutes of the governing body or committee responsible for overseeing investment management

Reports of the investment management consultant and/or investment manager(s) or quarterly reports produced by the CTF's own monitoring system.

Asset Management

Standard 3

The CTF governing body or its committee responsible for overseeing investment management, invests and manages as a prudent investor would invest his or her own funds.

Reason for the Standard:

Appropriate duty of care for the management and investment of endowment or non-endowment funds requires governing body members to act as prudent investors.

Practical Considerations:

The governing body may appoint a committee that, among its responsibilities related to oversight of investment management, has the responsibility for review of the general economic and CTF-specific investment factors that result in informed, prudent decisions. The committee will present the results of its review to the governing body.

In its review of the factors, the governing body or the committee it appoints may seek and rely on information from an investment management consultant, investment manager or other professional who is qualified to provide investment advice.

The generally accepted factors for consideration include:

- **general economic conditions;**
- the possible effect of inflation or deflation;
- exchange rate factors;
- the expected tax consequences, if any, of investment decisions or strategies;

- the role that each investment plays within the overall investment portfolio of the fund;
- the expected total return from income and the appreciation of investments;
- other resources of the institution; and
- an asset's special relationship or special value, if any, to a CTF that supports sustainable natural resource and development activities.

The factors for consideration will be documented in the CTF's investment policy.

Exchange rate factors should take into account the relationship between the currency of invested assets and the currency in which the CTF incurs its expenses.

Evidenced by:

Terms of reference of the investment or finance committee
Minutes of the investment or finance committee
Minutes of meetings of the governing body
Content of meetings with investment management consultant, investment manager or other qualified professional providing investment advice
Content of the investment policy

Asset Management

Standard 4

CTFs seek to preserve endowment capital in order to protect future earning streams.

Reason for the Standard:

In periods of declining markets or as a result of unforeseen events that curtail earnings, CTFs may be faced with a choice of reducing considerably the distribution of earnings for CTF operations or spending a portion of endowment capital. The greater the number of measures a CTF can employ to lower the risk of depleting its capital, the less likely it will have to face a tradeoff that would impact its perceived or real effectiveness.

Practical Considerations:

A donor's express conditions for its contribution to an endowment may obligate a CTF to preserve the endowment capital.

Box 11 - Balancing Capital Preservation with Achievement of the Target Return

To ensure that measures taken to preserve capital are not so restrictive that they prevent achievement of the long-term target return; CTFs can:

- carefully consider risk/return tradeoffs with a long-term view: a more conservative asset allocation may decrease the risk of market loss and depreciation of the CTF's capital base in any given year, but that allocation may also be less likely to deliver the return necessary to meet programmatic objectives over the long-term.
- require their investment professionals to undertake probability analysis aimed at achieving an appropriate balance between the two investment goals.
- practice diversification, through investing in different asset classes that are not highly correlated, to create a portfolio of investments that collectively have a lower risk than one individual investment.

A CTF can incorporate general strategies in its investment policy and guidelines to lower the risk that capital would need to be spent to meet distribution requirements, which would result in lower future earnings streams. Strategies may include:

Maintain a realistic spending policy - An out-of-date spending policy that maintains a rate of spending which exceeds earnings will lead to invasion of endowment capital. .

Establish a reserve fund - a reserve fund equal to six months of operating expenses should be adequate to withstand the majority of capital market declines. A reserve fund can be created through an allocation from earnings in years when the invested portfolio exceeds target returns or by consistently allocating a small portion of capital gains. The source of the allocation to a reserve fund may be constrained in some countries by laws governing endowments or trusts that limit the spending of income.

Obtain some capital in the form of a sinking fund - the ability to spend down a sinking fund to meet distribution obligations can help maintain and even increase endowment capital.

Investigate ways to reduce investment expenses - Some investment expenses are not required by law to be disclosed. As part of reporting requirements, investment professionals should be required to provide a report that completely discloses costs; the governing body or its committee responsible for investing can investigate those costs and seek potential economies.

Strategies for new CTFs that are building up earnings can include:

Establish a sinking fund for use following the endowment's creation - a sinking fund that allows endowment capital to grow for at least three years if the governing body would otherwise be forced to spend part of the capital during a period of market decline.

Begin investment of an endowment with a "phased allocation" - investment that starts with an initial lower allocation to riskier assets (low risk tolerance) and moves to a long-term higher risk-tolerant allocation over a period of 18-24 months. This approach can mitigate losses if capital markets decline in the initial years of investing.

Evidenced by:
Investment Policy
Investment Guidelines
Investment Reports



Asset Management

Standard 5

The governing body may delegate responsibilities related to investing the CTF's assets to a committee of the governing body or investment professionals, but the governing body itself must review and approve the investment policy, investment guidelines, the process of selecting an investment management consultant and/or investment manager(s) and reports on performance of investment professionals.

Reason for the Standard:

Fiduciary responsibility is exercised collectively by the governing body members who ensure that they have or acquire the knowledge needed to exercise that responsibility.

Practical Considerations:

Responsibilities of an investment committee may include drafting and updating the investment policy and investment guidelines, evaluating the candidates for investment management consultant and investment manager, and conducting detailed review, analysis and scrutiny of portfolio performance.

CTFs ensure, through a combination of the knowledge of their governing body (or its committee), staff and paid advisors, that they have the capacity, to (i) develop an investment policy that reflects the strategic goals of the CTF; (ii) translate the policy into investment guidelines; (iii) select managers to make investments; (iv) compare service provider contract conditions to arrive at the arrangement that is in their best interest; (v) evaluate the performance of the managers; (vi) ensure that investment decisions and performance are consistent with the investment policy; and (vii) re-evaluate the investment policy in light of changes to the

CTF strategy, the investment environment or changing market condition and make revisions as appropriate.

Transfer of knowledge by an investment management consultant or investment manager to the CTF's governing body, investment committee and senior staff is useful and can be incorporated into the process of preparing and reviewing the investment policy and guidelines and investment performance reports.

Evidenced by:

Minutes of the governing body meetings
Minutes of investment or finance committee meetings

Asset Management

Standard 6

To appropriately carry out its own responsibilities with regard to investment management, a governing body (i) has at least one director who is a qualified professional with knowledge and experience in one or more of the fields of finance, business or economics and (ii) ensures that all of its members receive targeted training on the key concepts required to make informed decisions when it carries out its responsibilities.

Reason for the Standard:

A governing body member is individually responsible for exercising his/her fiduciary duty and would not be considered to have exercised that duty by relying solely on the judgment of others, even if the others are governing body directors with expertise. Individuals with expertise can help the governing body in its consideration of complex issues, but a minimum level of understanding is required from every governing body member in order for fiduciary duty to be carried out appropriately.

Practical Considerations:

CTFs engage in knowledge sharing and learn from best practice examples of other CTFs through participation in the annual **Conservation Trust Investment Survey**.

Targeted training is delivered by a professional who is well-versed in the subject and experienced in the delivery of knowledge of institutional investing. Professionals who provide investment training should be objective and unbiased so that they do not favor the products or market the approach of any one firm.

Evidenced by:

CVs of governing body members
Training related materials from presentations or seminars



Asset Management

Standard 7

A CTF assesses its existing investment capacity, identifies what types of investment professionals it may require, and selects these professionals through a competitive process and from among investment industry service providers of recognized quality.

Reason for the Standard:

The type of professional(s) that a CTF hires is a function of internal capacity, available resources and investment goals. A competitive process is generally accepted as the way to obtain the highest quality services at the lowest price.

Practical Considerations:

The governing body is responsible for approving the selection process as well as the choice of investment professional.

The governing body, or its committee responsible for investing, may seek guidance from qualified investment professionals when preparing the selection documents, evaluating proposals and entering into a contract for investment management services.

A CTF may also seek guidance from other CTFs with similar goals and objectives when carrying out the selection process.

The type of investment professional(s) that the CTF hires will be a function of the skills, knowledge and experience of the governing body members (or investment committee), the skills, knowledge and experience of the staff, and the size and resources of the CTF.

Pooling of assets for investment purposes may bring benefits to smaller CTFs if the fees of investment professionals are thereby lowered and the CTFs can share each others' investment management expertise; in such cases each CTF still retains accountability for ensuring compliance with its own investment policy.

The competency and experience of candidate investment management service providers being sought are clearly established as those related to investing for entities with needs similar to the CTF seeking the services.

The competitive process used will depend on the location in which assets will be invested: (i) an international competitive search conducted for offshore investments in major financial markets; (ii) a national competitive search is conducted for investments in the country in which the CTF operates.

The existence of many candidate firms in the investment industry warrants use of a two-part process that initially qualifies a small number of firms and then requests the qualified firms to submit complete requests for proposals (RFPs).

- The qualification process employs a request for a basic description of the firm and the services it can provide (individuals to be assigned, asset managers and investment styles to be employed, asset allocation process given the value of the CTF's capital, general investment review and reporting process). Clearly stating the investment needs of the CTF helps to ensure that the service provider assigns the portfolio to its most appropriate unit. Any factors of critical importance that the CTF would use to eliminate firms are stated at this point (e.g. language ability). The qualification process provides essential information in a short timeframe, allowing the field of firms to be narrowed efficiently without discouraging quality firms that would not otherwise want to incur the high cost of preparing a full RFP if they must compete with many other firms.
- The full RFP provides candidate service providers with more detailed information on the CTF and the assets for which it is seeking management services as well as a copy of the current investment policy.

The qualified firms will be requested to furnish (i) detailed information on the services to be offered and the individuals who will provide them; (ii) an asset allocation strategy; (iii) a reaction to any issues that arise from the CTF's investment policy or contemplated change in investment practice; (iv) performance measurement practice (use of benchmarks, other performance measurement sources, report content and frequency), (v) cost structure and fees and (vi) a description of how the provider will work with the board or investment committee. The proposal should be supported with sample documents.

It is generally accepted as part of the selection process to include interviews with and presentations by the investment management consultant or investment manager(s) who will be responsible for managing the CTF's investments.

Fees are an important consideration in evaluating proposals of candidate investment management service providers, but are weighed carefully with the services offered and commitment to the investment goal.

Evidenced by:

Qualifying Letter
Request for Proposals
Report on evaluation of proposals
Contract

Asset Management

Standard 8

Contracts for services to be provided by investment professionals state in a clear and comprehensive manner the services to be provided, the objectives of the services, the costs of delivering the services, and the responsibilities of both the service provider and the CTF.

Reason for the Standard:

A governing body must be entirely satisfied that the agreement(s) entered into for the management of assets fully support(s) it in the exercise of its fiduciary duty and that costs are in line with the services that will be provided.

Practical Considerations:

The governing body is responsible for signing the contract with the investment professional. The contract is reviewed by the CTF's committee responsible for investment management which conveys its recommendations to the governing body.

Model contracts are requested from potential service providers as part of the RFP for investment services (see Asset Management Standard 7)

Box 12 - Key Elements of an Investment Service Provider Contract

Whether the services are to provide advice or to execute transactions, contracts should include, but are not limited to, the following:

- The exact services to be provided
- The type of arrangement (discretionary or non-discretionary)
- Services will be delivered in accordance with the objectives and parameters established by the investment guidelines (see Asset Management Standard 2)
- Fees, expenses and/or commissions that will be charged
- Reporting arrangements (which reports, how often, availability of service provider to discuss the reports)
- Means CTF will use to convey instructions (in writing)
- Restrictions on services resulting from conflicts of interest
- Confidentiality of reports and other information related to the CTF
- Governing law and applicable regulations
- Right to terminate the services

A CTF reserves the right to terminate investment services for any reason and on short notice without penalty.

To ensure a smooth transition, contracts with financial advisors and investment managers state the arrangements for transfer of assets following termination.

Evidenced by:

Offer of service provider

Service provider contract

Minutes of governing body or investment committee that has reviewed the service provider contract



Asset Management

Standard 9

The CTF engages in regular reviews of investment management performance.

Reason for the Standard:

The governing body or its committee responsible for overseeing investment must show evidence that they are engaged in regular periodic oversight of the management of the CTF's assets.

Practical Considerations:

The committee responsible for overseeing investment management undertakes a review of investment management performance at least quarterly and, in many cases, monthly.

The CTF normally engages its investment professional to provide the information for the review process.

Although the investment professional can be responsible for providing reports and information, the investment committee members still engage in a critical review to make sure all necessary information has been covered and that any changes required are authorized in order to maintain the desired standard of performance and reporting.

Evidenced by:

Agenda for each quarterly review meeting
Documents provided for each section of the review process
Summary of recommended actions to be taken as a result of the review
Record of confirmation that all actions authorized by the committee responsible for overseeing investment management were carried out



Box 13 - Elements of an Investment Performance Review

1. Economic Briefing:

- Commentary on key economic events
- Economic forecast from a reputable economist or investment firm.
- A review of the quarterly and trailing annual total return of major investment markets and investment indices.

2. Investment Account Overview:

- Current balance of accounts
- Comment on major receipts or disbursements
- A review of the CT's current asset allocation and distribution of investments among asset managers

3. Investment Performance Review:

- Total return report - prior quarter, year-to date, three year and five year
- Comparison to primary benchmarks (risk adjusted) for each period

4. Investment Manager Review:

- Performance review of investment accounts by manager
- Managers with exceptional performance: evaluate returns
- Managers with negative returns or under-performing benchmarks: evaluate returns
- Managers placed on "watch list" for potential replacement.

5. Investment Allocation Review:

- Statement of current asset allocation
- Comparison to the institution's current target allocation
- Discussion of recommended asset allocation and rationale for changes
- Review of specific transfers to be made to update the asset allocation to the desired balances

6. Finance Committee Executive Process:

- Summary of key action points recommended by the Investment Consultant
- Discussion with Investment Consultant – question and answer period
- Finance Committee executive decision making session
- Statement of authorization to take actions authorized by the Committee
- Schedule date for the next quarterly review meeting

7. Follow-up to Actions Authorized by the Investment Committee:

- Actions authorized are provided in writing to the Investment Management Consultant or Investment Manager(s)
- Portfolio changes are made by the Investment Management Consultant and/or Investment Managers and written confirmation provided to the CT
- A summary of the Quarterly Review process and all documented actions are recorded by the Investment Committee Secretary and distributed to all Investment Committee members prior to the next meeting

Standards for Resource Mobilization



Glossary of terms used:

Biodiversity offset:

Measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development after appropriate prevention and mitigation measures have been taken. The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people's use and cultural values associated with biodiversity⁴.

Debt for Nature Swap:

An agreement between the government of an indebted country and one or more of its creditors, in which creditors agree to cancel debts in return for the government's promise to use part of the annual interest and/or repayment of principal (which the government would otherwise have to pay to its foreign creditors) for conservation projects often managed by a CTF.

Environmental Compensation:

Payments that developers are legally required to pay for the purpose of financing protected areas, in order to offset or compensate for the negative environmental impacts of new projects.

Payments for Environmental Services (PES), also sometimes called "Payments for Ecosystem Services":

Payments to land users for environmental services that they generate or maintain, such as payments to landowners or land users for maintaining forest cover that can help regulate water flows in a watershed,

conserve biodiversity, sequester carbon, or provide other benefits to downstream users and national economies. PES has also been defined as "a transparent system for the additional provision of environmental services through conditional payments to voluntary providers"⁵.

REDD:

Reduced Emissions from Deforestation and Forest Degradation in Developing Countries. REDD+ goes beyond this and includes biodiversity conservation, sustainable management of forests, and enhancement of forest carbon stocks⁶.



⁴ Definition of the Business and Biodiversity Offsets Program, <http://bbop.forest-trends.org/>, 2013.

⁵ Tacconi, L. (2012). Redefining payments for environmental services. *Ecological Economics*, 73(1): 29-36

⁶ United Nations Environment Programme, www.unep.org/forests/REDD/tabid/7189/Default.aspx

Resource Mobilization

Standard 1

CTFs have strategies to diversify and multiply their short-term and long-term sources of financing, rather than depending on a single source or a single funding mechanism.

Reason for the Standard:

Diversifying funding sources can increase a CTF's independence from any one donor or other source of funding (such as a government agency or a private company). If all (or most) of a CTF's funding comes from a single donor, the CTF may become too closely associated in people's minds with that particular donor, thereby affecting the CTF's political legitimacy and its ability to influence national environmental policies or to serve as a convener of different stakeholder groups.

It is less likely that a set of different funding sources will all be simultaneously or gradually reduced than that a single funding source might be reduced or be used up, due to factors such as shifts in a particular donor's priorities, reductions in a donor's budget, or a decrease in a particular source of on-going revenue such as tourism fees, PES, offsets, compensation payments or fines.

Practical Considerations:

The various ways of finding, utilizing or creating additional new sources of funding for CTFs depends very much on each country's particular legal, political and economic system. Sources that may provide large amounts of revenue in one country may not be legally, politically or economically feasible in another country, or may only generate small amounts of revenue in another country. Many useful publications on this topic can be found on the CFA website:

www.conservationfinance.org

Box 14 - Main Sources of Funding for CTFs

Whether the services are to provide advice or to execute transactions, contracts should include, but are not limited to, the following:

- Grants from international donor agencies
- Grants from international NGOs, foundations, corporations and individuals
- Donations from nationally-based corporations, foundations and individuals
- Allocations from a national government's budget
- Fees, taxes and fines that are specially earmarked by law for a CTF
- Other voluntary and mandatory payments that can be allocated for a CTF, including payments for ecosystem services (PES), biodiversity offset payments, environmental compensation payments, payments for REDD+, and grants for adaptation to climate change
- Bilateral **debt-for-nature** swaps.

Different types of resource mobilization may require different types of specialized expertise and experience. International conservation NGOs can often assist CTFs with expert advice, and it can also sometimes be cost-effective for CTFs to pay for the services of outside experts for certain types of resource mobilization.

CTF governing body members are often the most effective fundraisers for CTFs through using their personal contacts in the private sector and the public sector. Fundraising is often one of the key responsibilities and key skills of CTF governing body members.

In order to attract contributions from individual or corporate donors outside the country where a CTF is legally established, some CTFs establish a legally separate new charitable organization to raise funds for the CTF in countries where there are a significant number

of potential donors (which in the US is often called “Friends of...” organization). This is done to make it possible for individual and corporate donors to be eligible to claim a tax deduction for contributions to a CTF that is legally established under the laws of another country. Setting up such an organization usually requires the services of a specialized tax lawyer in the country where the organization to support the CTF is going to be established. Another alternative in the US is to seek a determination from the Internal Revenue Service that a foreign-registered CTF is “equivalent” to a US tax-exempt charitable organization, but this also requires seeking advice and assistance from a tax law specialist.

Evidenced by:

- Board Minutes
- Resource Mobilization Strategy/ Plan
- Correspondence with Potential Donors



Resource Mobilization

Standard 2

CTFs develop resource mobilization strategies or action plans for raising long-term capital as well as shorter-term funding for particular projects or programs.

Reason for the Standard:

A proactive, planned and methodical approach to resource mobilization is more likely to focus the attention and efforts of the CTF's governing body and executive director on resource mobilization (and is more likely to result in successful resource mobilization).

Practical Considerations:

A CTF's Management is responsible for overseeing preparation of a resource mobilization plan or strategy, and may use services of professional fundraising consultants for this, as well as governing body members. A resource mobilization plan or strategy identifies who will be responsible for carrying out specific actions or activities.

CTFs allocate sufficient time and budgetary resources for achieving the financial targets set forth in the resource mobilization strategy or plan.

A CTF's resource mobilization strategy or plan is based on:

- Financial planning that calculates the amount of annual and long-term funding which a CTF needs in order to carry out its mission (i.e., to fulfill the basic purposes set forth in the CTF's governing legal documents and in its most recent strategic plan) under both a "basic needs" scenario and an "optimal" budget

scenario, and then estimates the amounts that are likely to be generated by the CTF's current sources, in order to estimate the size of the financial gap that is a target to meet (see Operations Standard 1);

- Identifying potential donors and funding sources, including those listed in Box 14 above;
- Researching potential donors' requirements, priorities and available budgets for the country (or region) where the CTF operates and for cross-cutting global themes such as tropical forest conservation or climate change adaptation;
- Analyzing whether and how a CTF can be promoted as an attractive vehicle or mechanism for implementing a particular donor's (or government funding agency's) own strategic priorities and programs;
- Preparing a sufficient number of different grant proposals to submit to a sufficient number of different potential funders so as to make it likely that the CTF's funding needs or targets will be met, since a significant percentage of a CTF's proposals to funders may receive only partial or zero funding.

CTFs that prioritize resource mobilization early in their life-cycle, when the CTF may be better capitalized, are in a better position to attract additional resources than if and when a CTF has few funds left.

A resource mobilization strategy or plan needs to be reviewed and updated every 2 to 3 years, in order to identify new potential financing sources and decide whether to stop pursuing others that have not produced tangible results

Evidenced by:

Governing body Minutes
Resource Mobilization Strategy or Plan
CTF budget allocations for carrying out the Strategy or Plan



Resource Mobilization

Standard 3

CTFs have policies for screening and determining which donor contributions and conditions they will accept.

Reason for the Standard:

CTFs may decide not to accept donations from companies that fail to meet environmental and social criteria, because this could damage the CTF's own reputation; undercut the CTF's mission, goals and programs; or deter other potential donors to the CTF. For the same reasons, CTFs may also decide not to accept large donations from individuals whose reputation is questionable.

Practical Considerations:

Screening principles can either be set forth in a separate document called a "Gift Acceptance Policy", which is approved by a CTF's governing body, or the principles can be included in a CTF's governing legal documents, bylaws or operations manual.

Gift Acceptance Policies or gift screening principles often also specify the minimum size (or other features) of a grant or donation that would justify the establishment of a separate sub-account for a donor who requests this as a condition for making a donation to a CTF. This decision does not involve environmental or social criteria, but whether or not the extra funds are enough to justify the extra costs of administering such a separate account, and whether this may lead to a shift in the CTF's strategic focus. The key is being able to articulate the policy or rationale clearly to the prospective donor.

There are operational implications of seeking contributions from individuals. Specifically, there can be significant compliance obligations (which entail significant transaction costs) for CTFs, such as the costs of direct correspondence with many small individual donors, provision of tax receipts to donors, and the demonstration that there is no conflict of interest with respect to accepting donations from different individuals.

Evidenced by:

Gift Acceptance Policy or equivalent document (such as relevant sections of a CTF Operations Manual)

Resource Mobilization

Standard 4

CTFs analyze and pursue opportunities for using funds from particular donors or government sources as a way of leveraging additional resources.

Reason for the Standard:

Leveraging makes scarce resources go farther and ensures increased resources for conservation

Practical Considerations:

Some international donors require that their contributions to a CTF's endowment capital must be matched either by contributions from other international donors, or by increased budgetary contributions or dedicated revenues (such as new earmarked fees and taxes) from the national government, based on a ratio that typically varies between 1:1 to 1:3.

Matching fund requirements can be viewed both as a challenge or difficulty (i.e., to raise the required extra amounts) as well as an opportunity, because a CTF can try to convince other potential donors that their potential contributions will have a multiplier (i.e., leveraging) effect.

Many private charities in the US use fundraising "challenge campaigns" (e.g., offers by a particular donor to match each contribution by other donors) as a way to create stronger incentives for other donors to give.

Matching requirements can be used to provide an incentive for national governments to increase their budgets for protected areas.

Evidenced by:

Resource Mobilization Strategy/ Plan
Correspondence with (and proposals sent to) relevant government officials

Resource Mobilization

Standard 5

CTF governing bodies and management try to identify, analyze and utilize opportunities for the CTF to be used as the financial and institutional mechanism for disbursing PES, user fees, REDD+, climate adaptation funding, biodiversity offset payments, environmental compensation and fines, in order to support activities that are aligned with the purpose of the CTF.

Reason for the Standard:

These types of innovative funding mechanisms are a potentially very large source of future funding for conserving biodiversity and for sustainably managing forests and other natural ecosystems, which CTFs are well-positioned to manage on behalf of governments, corporations and donors.

Practical Considerations:

Governing bodies identify and analyze potential new environmental financing mechanisms as part of the process of developing their resource mobilization strategy, and then the CTF's chief executive and governing body members, especially those with links to government, promote the CTF as a possible manager for these mechanisms.

CTF governing bodies and management carefully consider:

- how adding new programs based on "innovative" funding sources could either fit into, require expanding, or be inconsistent with, the purposes set forth in a CTF's governing legal documents;
- whether certain specific cases of accepting innovative new types of funding could damage a CTF's reputation (for example, if the positive impacts of a biodiversity offset turn out to be much less than the negative environmental impacts of a new development, which is something that can be quite complex and controversial to determine);
- the extent to which a CTF's current technical capacity and expertise is sufficient for carrying out its proposed new roles in managing such funding sources, and the estimated costs and time needed by the CTF for building up new capacities that may be required (including recruiting new staff, and training current staff);
- whether it would be necessary to change certain laws and regulations, or obtain high level government approval, in order for a CTF to be able to play the role of a financial intermediary for the funding that foreign governments have committed to pay under international treaties for climate change, or that corporations and individuals are

obligated to pay under national laws (such as user fees, fines, environmental taxes and compensation, etc.). Unlike voluntary contributions, such mandatory payments might be considered by some countries to be public revenues (i.e., belonging to the government), and therefore special new laws might need to be enacted in order to allow a legally independent civil society organization (i.e., the CTF) to receive and disburse such funds.

Evidenced by:

Resource Mobilization Strategy/ Plan
Correspondence with Potential Donors
Feasibility and Legal Analysis for implementation
of new financial mechanisms



Resource Mobilization

Standard 6

CTF governing body members and the chief executive coordinate with, and seek the support of, national government ministries and politicians in mobilizing additional financial resources for the CTF from national governments and international donors.

Reason for the Standard:

Many international donor agencies regard contributions to CTFs as part of their annual development assistance budget for a particular country or region, and therefore it may be important for the government(s) of the recipient country (or countries) to affirm that the government(s) want(s) the international donor agency to contribute to the CTF, and consider(s) this to be a politically high priority in the government's national (sustainable) development strategy.

CTFs align with national government policy not just to obtain donor funding, but also because they want to support national programs as part of their mission – this is often found in a CTF's governing documents.

Practical Considerations:

Some of the most successful examples of resource mobilization by CTFs have involved requests made by a country's President or Prime Minister for international donors to contribute to the CTF. Some donor agencies require that requests for contributions to a CTF must be officially endorsed by a country's government.

Several global environmental conventions require any local projects to be consistent with the national level programs and strategies.

Evidenced by:

Resource Mobilization Strategy/ Plan
Correspondence with (and proposals sent to) relevant government officials

Resource Mobilization

Standard 7

CTFs are able to show potential donors the role that the CTF plays in providing long-term financial support for the national system of protected areas and/or for environmental action plans and programs.

Reason for the Standard:

In many cases, international donors and national governments view CTFs primarily as a long-term sustainable financing mechanism for supporting a national protected area system (or particular protected area(s)), or for part of a national environmental and sustainable development strategy. For purposes of resource mobilization, it is often useful or necessary to show potential donors and national governments the role that a CTF plays (or could play) in filling financial gaps of protected areas (including activities in “buffer zones”), or achieving other environmental goals. This is often a key element of a CTF’s communications strategy.

Even in cases where donors only (or primarily) wish to support the conservation activities of non-governmental organizations, these activities are often linked to supporting protected areas (e.g., by providing local communities with sustainable livelihoods that relieve human pressures on protected areas) or to national environmental and sustainable development strategies.

Practical Considerations:

CTF staff make use of existing tools, such as UNDP’s Financial Scorecard for National Systems of Protected Areas, to analyze the financial gaps of protected areas and the potential or current role of CTFs in filling those gaps.

Regular exchanges and information sharing with donors outside the fundraising cycle using communication tools such as newsletters and annual reports allows donors to remain current with CTF achievements.

A CTF’s Monitoring and Evaluation activities (or program) can provide an evidence-based case demonstrating the CTF’s conservation impacts to potential donors and to the national government.

Evidenced by:

CTF budgets and protected areas budgets
UNDP Financial Scorecard
Annual report

Checklist of Standards to Consider when Creating a CTF

The following is a suggested checklist of principles that can serve as reference points when designing and creating a CTF or a Fund. While some principles, such as those related to the governing framework or governing bodies, are relevant when structuring a CTF, others would be taken into account when identifying the program of work and skills that are needed to support the early operation of a CTF.

It should be kept in mind when using this checklist, that the principles highlight the elements to be considered. The details found in the “practical considerations” sections of the Expanded Standards offer a more complete treatment of those elements and additional insights.

Governing Framework and Documents:

Principle: A CTF is established under the laws of a country that effectively ensures the CTF's independence from government, that has clear and well enforced laws concerning private non-governmental organizations (including foundations or trusts), and that does not subject the CTF to paying substantial taxes.

For a country where:

- the legal system is not able to ensure a CTF's autonomy;
- a basic fabric of legal institutions in which people have confidence is lacking;
- there are extremely burdensome restrictions or controls on transferring monies into and out of the country;
- CTFs may be subject to high levels of taxation; or
- in cases of regional (i.e., multi-country) CTFs if there are concerns that legally incorporating the CTF in one of the beneficiary countries could result in that country having greater influence or control over the CTF,

a CTF can be legally established “offshore” in another country whose legal system can ensure autonomy and which has a low level of taxation (or substantial tax exemptions) for charitable organizations.

Found in: Governance Standard 10

Principle: The purposes for which assets can be used are clearly defined in governing documents.

Found in: Governance Standard 1

Principle: One or more manuals with up-to-date policies, procedures and practices provide the internal regulations that guide the day-to-day management of a CTF or Fund. The manual(s) cover(s) administrative, financial and operational topics.

Found in: Administrative Standard 4

Governing Body:

Principle: The composition, powers and responsibilities of a governing body are clearly defined in governing documents.

Found in: Governance Standard 2

Principle: A governing body's composition is designed so that its members will have a high level of independence and stakeholder representation.

Found in: Governance Standard 2

Principle: Governing bodies generally include from 5 to 20 members from various different organizations depending on: 1) legal requirements in the country where the CTF is legally established, 2) the scope of the CTF's or a Fund's mission and 3) the number of different stakeholders that must be given a right to appoint governing body members.

Found in: Governance Standard 2

Principle: The terms of office of governing body members are generally staggered in time and limited in number.

Found in: Governance Standard 3

Principle: It is useful to select at least some governing body members who 1) have the ability to fundraise and 2) have expertise and experience in investing in either local or global financial markets.

Found in: Governance Standard 3

Principle: The governing body of a CTF established for a single country needs to have a minimum of 3 (and preferably at least 4) evenly spaced regular meetings per year of which 2 should be face to face meetings.

Found in: Governance Standard 5

Principle: Governing body members need to understand their fiduciary responsibilities and the legal liabilities associated with failure to carry out those responsibilities.

Found in: Governance Standard 6

Principle: To appropriately carry out its own responsibilities with regard to investment management, a governing body (i) has at least one director who is a qualified professional with knowledge and experience in one or more of the fields of finance, business or economics; (ii) receives targeted training on the key concepts required to make informed decisions when it carries out its responsibilities.

Found in: Asset Management Standard 6

Strategic and Financial Planning:

Principle: A strategic and financial plan translates its broad vision and mission statements into specific goals, objectives and activities.

Found in: Operations Standard 1

Principle: Monitoring and evaluation is designed to support evidence-based reporting of conservation impacts.

Found in: Reporting, Monitoring & Evaluation Standard 7

Principle: Resource mobilization strategies or action plans are developed for raising long term capital as well as shorter-term funding for particular projects or programs.

Found in: Resource Mobilization Standard 1

Grants (*Principles for incorporation in manual on grant-making*):

Principle: A well-defined grant award process aims at selecting high quality proposals in a timely manner through competitive means.

Found in: Operations Standard 5

Principle: Grantees are selected through evaluation of key written information about the entity or individual seeking a grant and direct questions that help to assess whether a grantee has the means required for successful planning, execution, monitoring and reporting of grant-financed activities.

Found in: Operations Standard 4

Principle: The grant award cycle concludes with the CTF and the grantee signing a contract that sets out all important understandings and obligations related to the financing the CTF will provide.

Found in: Operations Standard 6

Principle: CTF staff monitor grants using indicators and measures agreed upon in the grant agreement, or its required monitoring plan.

Found in: Reporting, Monitoring & Evaluation Standard 6

Principle: Cost-sharing arrangements are encouraged through which grantees contribute a portion of the project or activity cost, or raise funding from others.

Found in: Operations Standard 7

Principle: Guidelines on cost-sharing are approved as part of the manual covering grant-making.

Found in: Operations Standard 7

Principle: Grantees apply effective, efficient and transparent acquisition processes and practices such that appropriate quality goods, works or services are obtained at the best prices for value in a given market.

Found in: Operations Standard 9

Principle: Information on a potential grantee's practices for purchasing goods, works and services is requested and acceptability determined at the earliest stage of the grant cycle. Agreement to use those practices or agreed modified practices is confirmed in any grant contract.

Found in: Operations Standard 9

Principle: CTFs support their grantees by providing clear reporting templates, frameworks and information requirements for monitoring and evaluation of the grant performance in achieving planned outputs and outcomes.

Found in: Reporting, Monitoring & Evaluation Standard 8

Daily Management and Administration:

Principle: The governing body recruits a full-time chief executive or Fund manager to manage the CTF's or Fund's daily operations.

Found in: Governance Standard 8

Principle: The chief executive is recruited on a competitive basis in accordance with clear and complete terms of reference/job description for the position.

Found in: Administrative Standard 1

Principle: The organization and resources of the chief executive and CTF staff allow them to perform effectively and efficiently. This means they have (1) a clear mandate for the roles and responsibilities they carry out, (2) the skills needed to carry out their assigned responsibilities, and (3) an annual budget that is adequate for carrying out the annual work program.

Found in: Administrative Standard 1

Principle: Goods, works and services needed to carry out everyday activities are obtained through processes and practices which are efficient, cost-effective and transparent; assure the appropriate quality of goods, works and services, and aim to obtain the best price for value in the market.

Found in: Administrative Standard 5

Reporting:

Principle: Grant agreements between a CTF and its donor clearly set out the specific formats, information requirements, procedures and timing for technical and financial reports.

Found in: Reporting, Monitoring & Evaluation Standard 2

Principle: As far as possible, CTFs and donors try to harmonize reporting requirements as this leads to greater efficiencies and reduced costs for CTFs.

Found in: Reporting, Monitoring & Evaluation Standard 2

Managing Assets:

Principle: A clear and comprehensive investment policy sets out the core principles that the CTF applies for managing its assets.

Found in: Asset Management Standard 1

Principle: A CTF's investment portfolio is managed in accordance with investment guidelines that set out the specific parameters to be applied by the investment management consultant, financial advisor and/or the investment manager(s).

Found in: Asset Management Standard 2

Principle: A CTF seeks to incorporate as many measures as possible in its investment policy and guidelines to lower the risk that capital would need to be spent to meet distribution requirements, which would result in lower future earnings streams.

Found in: Asset Management Standard 4

Principle: A governing body may delegate responsibilities related to investing the CTF's assets to a committee of the governing body or investment professionals.

Found in: Asset Management Standard 5

Principle: A governing body itself must review and approve the investment policy, investment guidelines, the process of selecting a financial consultant and/or investment manager(s) and reports on investment and financial consultant and/or asset manager performance.

Found in: Asset Management Standard 5

Principle: The CTF assesses its existing investment capacity, identifies what types of investment professionals it may require, and selects these professionals through a competitive process and from among investment industry service providers of recognized quality.

Found in: Asset Management Standard 7

Principle: Contracts for services to be provided by investment professionals state in a clear and comprehensive manner the services to be provided, the objectives of the services, the costs of delivering the services, and the responsibilities of both the service provider and the CTF.

Found in: Asset Management Standard 8

Checklist of Standards to Consider when Assessing a CTF

Nearly every Practice Standard in this document is relevant to the assessment of a CTF. Each Standard is an “appropriate norm” that states what is commonly observed, but does not attempt to establish good or best practice. CTF managers and staff or third parties carrying out assessments can use the Standards to identify the key areas to assess, but they will need to establish not only that the CTF has the characteristics, policies, tools etc., but also whether it makes good use of them in accordance with accepted good or best practice that is commonly applied in a Core Area.

Governing Framework and Documents:

Principle: A CTF uses its assets only for the purposes stated in its governing documents.

Found in: Governance Standard 1

Principle:

A CTF monitors its compliance with all applicable laws and regulations, the CTF’s own governing documents, and with legal agreements between the CTF and donors in order to ensure that it is in full compliance.

Found in: Governance Standard 9

Principle: The CTF has a comprehensive conflict of interest policy that allows it to identify, avoid and manage potential and actual conflicts of interest to reduce its exposure to reputational risk.

Found in: Governance Standard 7

Governing Body:

Principle: Members of the governing body are appointed in accordance with the rules set forth in the CTF’s governing document.

Found in: Governance Standard 1

Principle:

A CTF monitors its compliance with all applicable laws and regulations, the CTF’s own governing documents, and with legal agreements between the CTF and donors in order to ensure that it is in full compliance.

Found in: Governance Standard 1

Principle: The governing body operates with a high level of autonomy, competency, stakeholder representation, and commitment to achieving the CTF’s mission.

Found in: Governance Standard 2

Principle: The size of the governing body is large enough to ensure the presence of needed expertise and stakeholder representation, but not so large that it creates problems for scheduling meetings or reaching decisions.

Found in: Governance Standard 2

Principle: No one stakeholder exercises undue power in the outcome of decision-making.

Found in: Governance Standard 2

Principle: The rules for selecting governing body members are clear and followed when the body renews its members.

Found in: Governance Standard 3

Principle: The terms of office of governing body members are staggered to ensure continuity of experience.

Found in: Governance Standard 3

Principle: Specialized committees provide advice and help the governing body perform more effectively and efficiently.

Found in: Governance Standard 4

Principle: The governing body meets regularly including at least 2 face-to-face meetings per year.

Found in: Governance Standard 5

Principle: Accurate meeting minutes are kept and record all decisions.

Found in: Governance Standard 5

Principle: Meeting minutes are formally approved at a subsequent meeting and signed by the meeting chairperson.

Found in: Governance Standard 5

Principle: Governing body members understand their fiduciary responsibilities and have or acquire the competence necessary to carry them out.

Found in: Governance Standard 6

Principle: Governing body members have received relevant short training including training by people with legal, financial and investment expertise.

Found in: Governance Standard 6

Principle: The governing body (i) has at least one director who is a qualified professional with knowledge and experience in one or more of the fields of finance, business or economics and (ii) has received targeted training on the key concepts required to make informed decisions when it carries out its investment management responsibilities.

Found in: Administrative Standard 6

Strategic Planning and Partnering:

Principle: A strategic and financial plan was prepared with participation of the governing body and CTF staff, and incorporated the results of discussions with donors, government, partners (private and non-profit sectors, community leaders and academics) and potential grantees, as appropriate.

Found in: Operations Standard 1

Principle: The strategic and financial plan is realistic and attainable and identifies the specific actions and resources needed to achieve the goals that move the CTF's mission forward.

Found in: Operations Standard 1

Principle:

The plan is periodically reviewed and adjusted in light of changing conditions.

Found in: Operations Standard 1

Principle:

Operating plans, annual work plans and budgets are consistent with the approved strategic and financial plan.

Found in: Operations Standard 1

Principle:

At the end of its implementation period, execution of the strategic and financial plan is evaluated and lessons learned are incorporated into the subsequent strategic plan.

Found in: Operations Standard 1

Principle:

Opportunities for collaboration with different levels of national government on achieving conservation priorities have been identified and pursued.

Found in: Operations Standard 2

Principle: Local government is informed and involved in the planning of sustainable development activities when grants are made in support of communities living adjacent to protected areas.

Found in: Operations Standard 2

Principle: Partnerships formed at the national or international levels with key actors in donor agencies, businesses, non-governmental organizations, communities and research and academic institutions have shown positive results for conservation.

Found in: Operations Standard 3

Principle: Strategic and financial plans include the development of collaborative relationships as a means of achieving the CTFs objectives.

Found in: Operations Standard 3

Grant-making Practices:

Principle: A well-defined grant award process is used to select high quality proposals in a timely manner through competitive means.

Found in: Operations Standard 5

Principle: The steps of the grant cycle, grantee eligibility criteria, guidance for submitting proposal documents and the criteria that will be used for evaluating proposals are made public to ensure that all potential grantees have access to the same information.

Found in: Operations Standard 5

Principle: The CTF has designated staff who respond to grant applicants when questions arise during the grant award process.

Found in: Operations Standard 5

Principle:

Grant applicants' questions and answers provided by the CTF appear on the CTF website so that all concerned may benefit.

Found in: Operations Standard 5

Principle: Timely notification is provided to all applicants that do not receive funding. Feedback is made available on an equal-opportunity basis to all rejected applicants.

Found in: Operations Standard 5

Principle:

Grantees are selected through evaluation of key written information about the entity or individual seeking a grant and through direct questions that help to assess whether a grantee has the means required for successful planning, execution, monitoring and reporting of grant-financed activities.

Found in: Operations Standard 4

Principle: Cost-sharing arrangements are encouraged through which grantees contribute a portion of the project or activity cost, or raise funding from others.

Found in: Operations Standard 7

Principle: Guidelines on cost-sharing are spelled out in the manual covering grant-making.

Found in: Operations Standard 3

Principle: Cost-sharing commitments are monitored as part of project or activity implementation and taken into account when evaluating grantee performance.

Found in: Operations Standard 7

Principle: Grantees are required to apply effective, efficient and transparent acquisition processes and practices such that appropriate quality goods, works or services are obtained at the best prices for value in a given market.

Found in: Operations Standard 9

Principle: Information on a potential grantee's practices for purchasing goods, works and services is requested and acceptability determined at the earliest stage of the grant cycle. Agreement to use those practices or agreed modified practices is confirmed in any grant contract.

Found in: Operations Standard 9

Principle: The grant award cycle concludes with the signature of a contract between the CTF and the grantee; the contract sets out all important understandings and obligations related to the financing the CTF will provide.

Found in: Operations Standard 6

Principle: CTFs with execution responsibility for acquisition of goods, works or services ensure that contracts with their grantees include clauses that clarify ownership once the items or infrastructure acquired by the CTF are delivered to the grantee and which party, the CTF or the grantee, has oversight responsibility for acquired services when they are rendered.

Found in: Operations Standard 6

Principle: CTF staff, and often the grantee itself, monitor grants using indicators and measures agreed upon in the grant agreement, or its required monitoring plan.

Found in: Reporting, Monitoring & Evaluation Standard 6

Principle: Indicators used are specific, measurable, attainable, relevant and time-bound (SMART). Wherever possible indicators are quantifiable, discrete, and indicative of the process which they claim to measure.

Found in: Reporting, Monitoring & Evaluation Standard 6

Principle: Grant contracts require grantees to use the CTF's reporting templates, frameworks and specify information requirements for monitoring and evaluation of the grant performance to achieve planned outputs and outcomes.

Found in: Reporting, Monitoring & Evaluation Standard 8

Principle: CTF staff (and/or independent evaluators) perform due diligence and monitor grantees' progress towards achieving outputs and outcomes.

Found in: Reporting, Monitoring & Evaluation Standard 9

Daily Management and Administration:

Principle: The performance of the Chief Executive is overseen by the governing body and is evaluated annually.

Found in: Governance Standard 8

Principle: The Chief Executive or the Fund manager is responsible for hiring other staff, based on written job descriptions and budgets that have been approved by the governing body.

Found in: Governance Standard 8

Principle: The respective roles of the governing body and CTF chief executive (or between a Fund's governing body and its Fund Manager) are clearly specified in the governing documents and an operations manual, in order to minimize the likelihood of any conflicts or between them or inefficiencies in managing the CTF.

Found in: Governance Standard 8

Principle: The organization and resources of the chief executive and CTF staff allow them to perform effectively and efficiently. This means they have (1) a clear mandate for the roles and responsibilities they carry out, (2) the skills needed to carry out their assigned responsibilities, and (3) an annual budget that is adequate for carrying out the annual work program.

Found in: Administrative Standard 1

Principle: The Chief Executive and staff are recruited on a competitive basis in accordance with clear and complete terms of reference/job description for the position.

Found in: Administrative Standard 1

Principle: Management creates opportunities for professional growth of key staff, supports reasonable remuneration that is competitive in the national marketplace and evaluates staff performance regularly.

Found in: Administrative Standard 1

Principle: The Chief Executive or Fund Manager presents a proposed or executed budget that transparently portrays management expenses which allows a governing body to understand and analyze the full costs of delivering grant programs and any other strategic objectives.

Found in: Administrative Standard 2

Principle: Performance indicators are used to link use of resources to achievement of strategic objectives.

Found in: Administrative Standard 2

Principle: Internal reporting, monitoring and evaluation, including financial management reporting, support informed decision-making by the CTF governing body, about the functioning of the CTF as an institution.

Found in: Reporting, Monitoring & Evaluation Standard 5

Principle: An Annual Report is prepared and distributed to donors and key stakeholders, and is made available to the general public.

Found in: Reporting, Monitoring & Evaluation Standard 10

Principle: The CTF complies with any agreed ratio that compares management expenses to spending on the grant program.

Found in: Administrative Standard 3

Principle: The rationale for this ratio and the basis for its calculation have been defined.

Found in: Administrative Standard 3

Principle: One or more operating manuals with up-to-date policies, procedures and practices guide the day-to-day management of the CTF or the Fund.

Found in: Administrative Standard 4

Principle: Goods, works and services needed to carry out everyday activities are obtained through processes and practices that are efficient, cost-effective and transparent; assure the appropriate quality of goods, works and services, and aim to obtain the best price for value in the market.

Found in: Administrative Standard 5

Principle: A CTF that accepts execution responsibility applies the same standards to the service it provides for grantees as it applies to the service when it carries out that service for its own purposes.

Found in: Operations Standard 10

Principle: An annual audit is performed by independent auditors who apply standards that are consistent with international audit standards.

Found in: Administrative Standard 6

Reporting, Monitoring & Evaluation:

Principle: A CTF's operating manual(s) is/are clear and explicit about the different types of reports that are prepared, as well as the specific audiences and purposes of the reporting.

Found in: Reporting, Monitoring & Evaluation Standard 1

Principle: A CTF follows the donor-specific formats and procedures for technical and financial reporting that have been agreed.

Found in: Reporting, Monitoring & Evaluation Standard 2

Principle: A regularly updated checklist and schedules (i.e., a "compliance list") are maintained for all of the reports that are required to be submitted to government agencies in the country where the CTF is legally registered and the countries where the CTF operates or has investments.

Found in: Reporting, Monitoring & Evaluation Standard 3

Principle: A CTF monitors and evaluates its programs in relation to the CTF's mission and its strategic plan, and in relation to national-level and international-level conservation indicators, targets and strategies.

Found in: Reporting, Monitoring & Evaluation Standard 4

Principle: An independent evaluation is carried out every 3-5 years and its results are reviewed by the CTF governing body which decides on how recommendations will be implemented.

Found in: Reporting, Monitoring & Evaluation Standard 4

Principle: The CTF and the grantee monitor grants using agreed indicators and measures that are incorporated into the grant contract, or a required monitoring plan.

Found in: Reporting, Monitoring & Evaluation Standard 6

Principle: Reporting, monitoring and evaluation has been designed to support informed decision-making of the governing body about the performance and functioning of the CTF as an institution.

Found in: Reporting, Monitoring & Evaluation Standard 5

Principle: Monitoring and evaluation systems exist to support evidence-based reporting of conservation impacts.

Found in: Reporting, Monitoring & Evaluation Standard 7

Principle: Instructions to grantees and grant contracts provide for clear reporting templates, frameworks and information requirements for monitoring and evaluation of the grant performance to achieve planned outputs and outcomes.

Found in: Reporting, Monitoring & Evaluation Standard 8

Principle: CTF staff (and/or independent evaluators) perform due diligence and monitor grantees' progress towards achieving outputs and outcomes.

Found in: Reporting, Monitoring & Evaluation Standard 9

Principle: A clear and comprehensive investment policy sets out the core principles the CTF applies for managing its assets.

Found in: Asset Management Standard 1

Principle: A CTF's investment portfolio is managed in accordance with investment guidelines that set out the specific parameters to be applied by the investment management consultant, financial advisor and/or the investment manager(s).

Found in: Asset Management Standard 2

Principle: Investment guidelines are reviewed with the investment management consultant or investment manager no less than once per year.

Found in: Asset Management Standard 2

Principle: A CTF that selects and monitors its own investments, has a system in place to monitor purchases, sales, maturity dates, redemptions, etc and provides quarterly performance reports to the governing body or its committee responsible for investing.

Found in: Asset Management Standard 2

Principle: The CTF governing body or its committee responsible for overseeing investment management, invests and manages as a prudent investor would invest his or her own funds.

Found in: Asset Management Standard 3

Principle: The investment policy and guidelines incorporate measures that serve to lower the risk that capital would need to be spent to meet distribution requirements.

Found in: Asset Management Standard 4

Principle: The governing body reviews and approves the investment policy, investment guidelines, the process of selecting an investment management consultant and/or investment manager(s) and reports on investment and financial consultant and/or asset manager performance.

Found in: Asset Management Standard 5

Principle: The governing body, investment committee and chief executive benefit from a transfer of knowledge by the CTF's investment management consultant or investment manager(s) as part of the review of the investment policy and guidelines and performance reports.

Found in: Asset Management Standard 5

Principle: The CTF has selected its investment professionals through a competitive process and from among investment industry service providers of recognized quality.

Found in: Asset Management Standard 7

Principle: The CTF has used a two-part process that initially qualifies a small number of firms and then requests the qualified firms to submit complete requests for proposals.

Found in: Asset Management Standard 7

Principle: Contracts for services to be provided by investment professionals state in a clear and comprehensive manner the services to be provided, the objectives of the services, the costs of delivering the services, and the responsibilities of both the service provider and the CTF.

Found in: Asset Management Standard 8

Principle: Regular reviews of investment management performance are carried out.

Found in: Asset Management Standard 9

Resource Mobilization:

Principle: A strategy is in place to diversify and multiply the CTF's short-term and long-term sources of financing.

Found in: Resource Mobilization Standard 1

Principle: A strategy or action plan exists for raising long-term capital as well as shorter-term funding for particular projects or programs.

Found in: Resource Mobilization Standard 2

Principle: The resource mobilization strategy or plan has been reviewed or updated every 2-3 years.
Found in: Resource Mobilization Standard 2

Principle: The CTF has a policy for screening and determining which donor contributions and conditions they will accept.
Found in: Resource Mobilization Standard 3

Principle: The CTF has pursued opportunities for using funds from particular donors or government sources as a way of leveraging additional resources.
Found in: Resource Mobilization Standard 4

Principle: Opportunities have been identified, analyzed and utilized that would allow the CTF to act as the financial and institutional mechanism for disbursing PES, user fees, REDD+, climate adaptation funding, biodiversity offset payments, environmental compensation and fines, in order to support activities that are aligned with the mission of the CTF.
Found in: Resource Mobilization Standard 5

Principle: Governing body members and chief executive coordinate with, and seek the support of, national government ministries and politicians in mobilizing additional financial resources for the CTF from national governments and international donors.
Found in: Resource Mobilization Standard 6

Principle: CTFs are able to show potential donors the role that the CTF plays in providing long-term financial support for the national system of protected areas and/or for environmental action plans and programs.
Found in: Resource Mobilization Standard 7

Methodology and Approach

Initial guidance was received in March 2013 from a Core Group whose members are listed in the acknowledgements to this document.

Work began with research on existing standards and partner practices, existing CTF practices and standards for self-evaluations. An extensive list of publications on CTFs was reviewed. Existing standards in the core areas and general environmental performance standards that were consulted include (but were not limited to):

- Board Source (standards for governance)
- UK Charity Commission guidance documents (accepted principles for governance, administration, fundraising)
- UPMIFA⁷ (standards for asset management)
- ISO 9000 (standards for general management of organizations)
- IFRS (International Financial Reporting Standards, i.e. accounting standards)
- Equator Principles (environmental standards for banks)
- BBOP Standards (Business Biodiversity Offsets Principles)
- METT (Management Effectiveness Tracking Tool for protected areas)
- UNDP Financial Sustainability Scorecard (for national systems of protected areas)
- Charities Review Council (standards for fundraising by US charities)
- Fundraising Standards Board (standards for fundraising by UK charities)
- Council on Foundations (grant making guidelines)
- Accreditation criteria of GEF for direct access
- Accreditation criteria of Adaptation Fund for direct access

Rough draft standards were prepared for five core areas. Weekly calls were held with Core Group participants over a five-week period with each call focused on one core area. The target of the standards, their format, the need for a glossary and other fundamental principles were all discussed in great detail. Consensus was reached on a number of key issues, and areas needing additional work before consensus could be reached were identified.

Based on comments received during the weekly calls and in writing, a first draft of the consolidated Standards was prepared and circulated on June 21, 2013. The Core Group convened physically in Washington at a meeting hosted by the World Bank on June 27 and 28 to carry out a detailed review of the draft standards. The meeting resolved key issues that the consultants confronted (among the issues were how to define “capital”, the applicability of the Standards to government managed environmental Funds, the different CTF governance arrangements, treatment of taxation issues, ways to harmonize donor requirements for CTFs, creation of a sixth core area for “administration”), and provided guidance on next steps.

The results of the June Core Group meeting and subsequent written comments were used to prepare a first full draft report for wide distribution to the “sounding board” of the greater community of practice for CTFs. The August 2013 draft Practice Standards for Conservation Trust Funds was circulated on September 3, 2013 to all CTFs and members of the Conservation Finance Alliance with a request to provide written comments and a description of the various forums in which discussions would take place.

⁷ UPMIFA stands for Uniform Prudent Management of Institutional Funds Act, a model act that has been adopted by 46 US states, and is followed by banks and asset managers in the US.

On September 10 KfW held a seminar for KfW project leaders and for attendees from AFD and FFEM to obtain feedback on the Standards' applicability and usefulness for their institutions. KfW provided a partial summary of the meeting to the consultants.

The Standards were presented by FUNBIO (Camila Monteiro) and the RedLAC President (José Luis Gomez) at the 3rd CAFÉ Assembly in Madagascar on September 20. This elicited a short discussion that indicated general support by African CTFs for the idea behind the Standards.

On September 25 a webinar for all members of the CFA provided additional verbal comments and some written comments.

The consultants also composed a list of 15 questions aimed at soliciting specific feedback and at obtaining more examples for use in the practical considerations. The questions were sent to a representative sample of 9 CTF chief executives, together with requests by the consultants to interview each of them individually. Few responses were received, and only three interviews were carried out, but a number of CTF chief executives participated very actively in Core Group meetings and conference calls and submitted written comments on particular standards.

On October 17 a Core Group webinar was held to focus on areas where there was not yet a full consensus (definitions of CTF and Fund, core business of CTFs, how to accommodate "outlier" CTFs, improvements to checklists) and to plan for the RedLAC Assembly presentation. Additional verbal and written comments were made available to the consultants, but it was decided that a new version of the document would not be produced before the RedLAC meeting, because the remaining few weeks did not allow sufficient time for another review.

In November 2013, the Standards were presented to participants in RedLAC's 15th Assembly by Maria José Gonzalez, Executive Director of the Mesoamerican Reef Fund (who provided a "CTF view"), and Jens Mackensen, KfW's Head of Division, Competence Center for Agriculture and Natural Resources - Latin America and the Caribbean (who provided a "donor perspective"). A lively discussion followed on how CTFs could use, and already were using, the Standards. Core Group members present in San José held a final meeting to discuss the form of the final version and the process for its approval. It was also agreed that a system would be put in place to obtain feedback from users over a two year period, after which the Standards would be revised.

The Conservation Finance Alliance encourages readers and users to provide feedback aimed at improving the content and ease of use of these Practice Standards.

Comments and suggestions can be submitted using the electronic version that is accessible through the CFA website (conservationfinance.org) or by sending an e-mail to the CFA Secretariat (secretariat@conservationfinance.org).

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