Governance Strategies for Environmental Funds

The Latin America and Caribbean Network of Environmental Funds – RedLAC – was created in 1999 and currently includes 22 funds from 16 countries. Its mission is to set up an effective system of learning, capacity building and cooperation through a Network of Environmental Funds (EFs) aimed at contributing to the conservation and sustainable use of natural resources in the region.

RedLAC, with the support of the Gordon & Betty Moore Foundation and the French Fund for the Global Environment (FFEM, for its name in French), implements a capacity building project with the objective of strengthening the capacity of EFs to develop innovative financial mechanisms for biodiversity conservation, reducing their dependence on donations, and supporting the establishment of new EFs, by systematizing and sharing proven best practices in funds day-to-day operations.

This project, coordinated by the Brazilian Biodiversity Fund – Funbio - on behalf of the RedLAC membership, has the goal of promoting the implementation of new revenue streams for the Funds’ portfolios, creating financially sustainable sources of funding for these institutions to invest in conservation. Having knowledge management as its core, the project will systematize the existing information on different topics of interest for EFs and build new content based on the collective experience of the Funds’ community.

This manual was prepared to support the eighth workshop of the capacity building initiative, focusing on governance strategies for Environmental Funds. This manual includes concepts, best practices and case studies about governance issues. Funbio organized this workshop in collaboration with two Environmental Funds - the Tany Meva Foundation and the Madagascar Biodiversity Fund - in the city of Antisiranana, Madagascar, on September 16 to 18, 2013.
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Acronyms
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<tr>
<th>Acronym</th>
<th>Definition</th>
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<tr>
<td>CFA</td>
<td>Conservation Finance Alliance</td>
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<td>EAI</td>
<td>Enterprise of the Americas Initiative</td>
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<td>EF</td>
<td>Environmental Funds</td>
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<td>EFJ</td>
<td>Environmental Foundation of Jamaica</td>
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<td>FCF</td>
<td>Forest Conservation Fund (of Jamaica)</td>
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<tr>
<td>GEF</td>
<td>Global Environment Facility</td>
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<td>GOC</td>
<td>Government of Colombia</td>
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<tr>
<td>GOJ</td>
<td>Government of Jamaica</td>
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<tr>
<td>JPAT</td>
<td>Jamaica Protected Areas Trust</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>NGO</td>
<td>Non Governmental Organisation</td>
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<tr>
<td>OC</td>
<td>Oversight Committee</td>
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<tr>
<td>PA5</td>
<td>Protected Areas</td>
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<td>PROFONANPE</td>
<td>Peruvian Trust Fund for National Parks and Protected Areas</td>
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<tr>
<td>SERNANP</td>
<td>Servicio Nacional de Area Naturales Protegidas</td>
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<td>SINANPE</td>
<td>Sistema Nacional de Áreas Naturales Protegidas por El Estado</td>
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<tr>
<td>TFCA</td>
<td>Tropical Forest Conservation Act</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>USG</td>
<td>United States Government</td>
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<td>WB</td>
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Introduction

Governance and decision making mechanisms and strategies are one of the main building blocks of Environmental Funds’ (EF) effectiveness and efficiency. Generally speaking, a clear, transparent, effective and accountable governance structure, supported by a strong legal framework, can significantly increase the prospect for an EF to be effective in reaching its planned conservation and development outcomes, and also in reaching its fundraising, networking and advocacy objectives.

Good governance can mean a confident, forward thinking organisation, where board members and EF staff are abreast of their respective duties and activities, and services are well planned and well managed. But poor governance, on the other hand, can mean a fragile, chaotic organisation with no sense of direction, in which board members and EF staff are unprepared and do not have a clear notion of their respective roles and responsibilities, leading to potential internal conflicts and a non-effective and non-efficient management.

Each EF has its own context and environment and deals with specific conditions. There is therefore no formula or blueprint to structure and govern an EF. Each fund must discover the correct composition, size, and structure of its leadership mechanisms to ensure its ultimate effectiveness in its particular national or regional context. Nonetheless, some governance principles, best practices and lessons learned have emerged during the last decade that can help to inform the design of such structures and strengthen EF governing bodies.

This workshop intends to deliver these governance strategic principles, best practices and lessons learned to EFs, to contribute to maximising their governance effec-
tiveness and efficiencies within their particular context. It focuses on practical aspects in order to deal with the actual difficulties and possibilities EFs deal with in their day-to-day reality.

In this manual, we refer to:

(a) The high EF decision body as the Board, and its members as Board Members (in practice, various other terms are also used, such as trustees, governors or directors); and

(b) The leading executive officer of the EF management as the Executive Director.

While dealing with EF governance strategies, the following key issues should be addressed, among others:

- What is the ideal composition of the EF’s Board, its most appropriate size and the right mix of public and private representatives within this Board?
- In what capacity should EF Board Members serve?
- What are the main mechanisms and processes than can help strengthen the Board performance and efficiency?
- What roles and responsibilities should an EF Board and its Executive Director respectively endorse to implement sound, effective and efficient governance and decision making?
- How can EF legal frameworks help support the implementation of sound governance strategies?
- What are the potential mechanisms to avoid any conflict of interest in governing and managing an EF?
- What should relationships look like between an EF, the national governmental institutions and its donors?
- Why and when should an EF adopt internal and external governance assessment processes?
- How should board meetings, reports and regular contacts be planned and/or take place?

Governance can be defined as the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation. Its principles include transparency, accountability, responsibility and relations with stakeholders. Those principles will be described as part of the first module. Within this module, components of the governance structure will also be defined and their respective roles and responsibilities clarified.

In the second module, the workshop will discuss some strategic practices for governance, including the relationship between EF governing bodies and governments and donors, the alignment of priorities and expectations between the Executive Director, the Board Members and donors, the internal and external governance assessment, the communication strategies between governing actors and the concrete functioning of the different bodies.

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This is the first chapter of the practical handbook. It introduces the basic principles of governance and focuses on the components of governance structure and the roles and responsibilities of governing bodies.

1. Basic principles of governance

Ensuring the strong and effective governance of an EF encompasses the need to meet the following basic principles:

- Transparency of decision making processes and of governance mechanisms;
- Accountability and responsibility of the Board, its members and EF staff to partners, donors and beneficiaries; and
- Good relationship and openness to EF main stakeholders.

Transparency of decision making processes and of governance mechanisms

The Board and its individual Members should act according to high ethical standards and ensure that conflicts of interest are properly dealt with. A key attribute for successful boards is the integrity of their Members, their recognition and respect within their respective technical or scientific communities.
Decisions made regarding EF operations and investments should be guided by high standards of professionalism, transparency, participation and independence. Board Members are bound by an overriding duty, individually and as a Board, to act reasonably at all times in the interests of the EF. They must ensure that they remain independent, and they should clearly understand their duties and responsibilities.

Accountability and responsibility of the Board, its members and EF staff to partners, donors and beneficiaries

Although EFs evolve in specific national and regional contexts and environments, they should always be led and controlled by an effective Board which collectively ensures progress towards planned objectives, sets EF strategic direction and upholds its values.

Board members should collectively be accountable and responsible for ensuring and monitoring that the Fund is performing well, is solvent, efficient, is progressing well towards its objectives and complies with its obligations.

Active participation and leadership of board members has proven important for the successful operation of EFs. Board members have and must accept ultimate responsibility for directing the affairs of the EF.

In the meantime, board members should focus on the strategic direction of their organisation, and avoid becoming involved in day-to-day operational decisions and matters. The Executive Director should provide critical day-to-day leadership to the EF’s programs and operations and should be accountable vis-à-vis the Board for EF management and operational decisions, as shown in all 3 cases studies conducted as part of the preparation of this workshop.

Good relationship and openness to EF main stakeholders

The Board should also be open and responsive to the Fund’s users, beneficiaries, members, partners and others with an interest in its work. Board Members should set-up smooth communication channels with EF key stakeholders and partners.
2. EF Legal framework as a basis for good governance

One of the bases of a strong governance system for an EF is the setting-up, early in the process of establishment of the Fund, of a strong legal framework. This legal framework, including the Fund’s bylaws, its founding document (act, law, etc.) and its operating manual, should specify the purpose, strategic objectives and orientations of the Fund and the rules for the functioning of its governing bodies.

Bylaws should clearly specify the respective roles and responsibilities of the Board, its Members and of the Executive Director, in order to minimize the likelihood of any conflict between them. These roles and responsibilities should then be further detailed in the operations manual, which should set forth the rules and procedures for the day-to-day operations of the Fund.

The legal framework should also clarify the number of Board Members and its composition, and any restrictions vis-à-vis their nationality, for instance. This is particularly true for civil law countries which are more prone to impose burdensome legal requirements or restrictions on trust funds and foundations. Rules for conducting Board meetings, terms of elected Board Members and the process of their selection/election should also be specified in EF legal documents.

3. Components of governance structure

EF governance structure can include various bodies, such as a Board, thematic or geographic committees or commissions, secretariats and executive units. Each one of these bodies is presented below, along with a short description of its main characteristics, functioning and constituents.

3.1 The Board

Composition of the Board

Most EFs are governed by mixed public-private Boards. As the Board is ultimately responsible for achieving the EF’s objectives and overseeing its activities, building a strong, influential and cohesive Board is critical. This Board composition should be representative of the Fund’s diverse constituencies, should serve as an influential voice for biodiversity conservation and should provide strong, sound direction and oversight for the Fund. Board Members should have diverse and complementing backgrounds and expertise.

Ideally, a majority of Board Members will come from non-government affiliated entities as this type of Board composition can make an EF more effective in achieving biodiversity conservation goals. Having a non-governmental majority on the governing body helps to ensure long-term continuity of EF programs by insulating an EF governing body from the undesirable effects of frequent changes in government administrations. Independence from government institutions may also contribute to a fund’s transparency as these funds

For more information

Conservation Finance Alliance (CFA) Environmental Funds Tool Kit

The Environmental Funds Tool Kit is an online collection of original documents from EFs around the world. Through the website, EFs share their bylaws, funding agreements, founding documents and more to provide examples for other EFs and to promote best practices.

The Tool Kit can be accessed online at: http://toolkit.conservationfinance.org/
are often more likely to publicize their finances, grants, policies and priorities. Independent funds, moreover, are more successful in attracting contributions and donations from international donors and from the private sector than government controlled funds.2 Finally, independence can prevent an EF’s grant-making from being used simply to replace government budgetary support for protected areas and conservation.

On the other hand, having a “meaningful” governmental representation on an EF Board can equally help to attract funds from international donors (sign of a government’s political commitment to support an EF) and from government sources such as taxes or budgetary allocations. This governmental representation should be of high-level (ministerial for instance), to ensure the political commitment to the EF and to ensure that the Funds’ activities are linked to national biodiversity conservation strategies and policies. Sometimes, it is also necessary to involve different key government ministries within the Board because of their significant differences of interest and roles in biodiversity conservation.

To avoid exposing the Fund to undue political influence, while keeping a good public-private balance of representation within the Board and allowing the fund to benefit from a good governmental experience and input, one option is to include key government officials as ex officio Board Members. Ex officio members are those who automatically are given a seat on the Board without needing to be nominated, voted and approved. In some cases, ex officio members do not have a voting right.

In the case of an EF active in multiple countries or in multiple regions within a large and diverse country, the Board should include representatives from these different countries and regions. The opposite may also be true, an EF active in a given region can be legally incorporated in a country outside the region and all Board members and Executive Director can come from outside the region, as it is the case for instance of the Caucasus Nature Fund (CNF). CNF is legally incorporated in Germany, its main office is located in France, and all of its Board members and its Executive Director come from outside the region.

Many funds also include one or more international donors on their Board. The number of international donors as members of the Board should be limited to one or two donors, so as to keep a good sense of national ownership within the Fund. In addition to this, funds registered abroad may be required to have an international member in their Board, as is the case of any Fund registered as a Swiss charitable foundation for instance.

Donors and international NGOs can provide EFs with hands-on technical assistance and advice, more credibility with other potential donors, broader perspectives and potential fundraising connections. This representation can be a condition for making a financial contribution to the Fund. This involvement can, however, be perceived by external stakeholders as a dependency of the Fund vis-à-vis the donor agency or the international NGO.

One way of balancing the participation of international donors and NGOs in a fund’s governance is to create program or account committees related to specific grants provided by donors. Through the committee, donors can give their input and represent their interests without affecting the core institutional governance structure of the EF and its national ownership. The utility of committees is described in more detail in the next section of the handbook as well as in the handbook case studies.

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Size of the Board

The size of a Board depends on various factors, including the number of stakeholders that must be given a decision-making role for various political reasons.

Typically, an EF Board includes 5 to 20 voting members. A Board composed of fewer than 5 members cannot provide a Fund with sufficient diversity and representativeness, sufficient types of technical expertise and/or geographical background, or sufficient checks and balances against the power of 1 or 2 individuals.

On the other hand, a large Board composed of more than 20 Members may be able to draw on more technical expertise and geographic background from its Members, but could face difficulties in scheduling meetings, in reaching decisions and could significantly increase EF administrative costs. In response to these issues, one option for EFs is to have a smaller executive committee that meets more frequently and takes short-term and urgent decisions, while the full Board meets once a year and focuses on larger and more strategic decisions, as well as approving the EF annual budget, its annual work plan and the grants selection.

Certain Boards face power issues with the domination of a specific group of Members in decision making. In order to avoid such domination, it can be required to achieve higher quorums or higher majorities during a vote for strategic decisions such as amending bylaws, defining the investments policy, recruiting or firing an Executive Director, etc. Such decision majorities can, for instance, be 2/3 majority, ¾ majority, 4/5 majority or unanimity.

Profonanpe and Fondo Acción’s Boards include 8 members, while the new Environmental Fund of Jamaica Board includes 11 members (3 Permanent members, 1 Institutional member and 7 Term members)
Election of Board Members

Recruitment of new Board Members should be open and focused on creating a diverse and effective Board. Before new Board Members are elected, the Board should determine what new attributes and knowledge are needed and write them down in the form of a role description or role profile.

New Board Members should be elected by other Board Members or nominated by recognised national networks or associations on the basis of their personal capacities and expertise and on how they can contribute to achieving the Fund’s objectives and purpose, rather than their formal affiliations to any organizations, agencies or sectors. Board Members elected on the basis of their personal expertise tend generally to develop the strongest vision of the Fund as a specific institution, to be more responsible vis-à-vis their role as Board Member and to work more effectively to implement the Fund’s mission.

For instance, some EFs cannot achieve their full potential in part because their governing mechanisms contain leaders whose allegiance to a particular sector overrides their concern for the purpose of the Fund itself. Funds whose Boards are comprised first and foremost of sector representatives often have greater difficulty establishing a consensus as to the Fund’s appropriate mission, purpose and goals.3

If not elected by Board Members themselves, NGO Board Members should be nominated by a national association or a network of conservation NGOs. They should not be appointed by a governmental institution so as to avoid any criticisms about potential closed linkages with the national government. Private sector Board Members should be nominated by business associations (such as a Chamber of Commerce), and scientific or academic Board Members by scientific or academic associations.

With respect to governmental representation within the Board, it is highly advisable to choose high level, policy-making officials (such as a Minister of Environment) rather than operational level or line agency officials. For instance, the inclusion of a Minister of Environment among Board Members can facilitate processes of negotiation of support from the government and can also ensure that activities financed by the Fund are consistent with national environmental policies.

Each Board Member should have a broad knowledge of the EF and its strategic plan and an ability to contribute meaningfully to the Fund’s overall mission and objectives. It is also important to choose Board Members who have the ability to fundraise and leverage additional funding.

Once elected, new Board Members must clearly understand their duties and responsibilities. They should receive a “welcome kit” that includes relevant documents, such as the Fund’s founding document, bylaws, operating manuals, recent Board meeting minutes, the current strategic plan and the last annual report. They should also sign and return a statement or letter setting out their duties and responsibilities, and the expectations of the EF on Board Members. Such letter should, as a minimum, include obligations to:

- Uphold the values, vision and objectives of the Fund;
- Give adequate time and energy to the duties of being a Board Member; and
- Act with integrity and avoid or declare personal conflicts of interest.

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Terms of Board Members

The Board should consider setting maximum terms of office to ensure a steady renewal of Board Members. These may be set out in the EF bylaws.

Although periodic rotation of Board Members is a healthy practice for any organisation, care needs to be taken to manage this rotation to preserve institutional capacity within the Board and to ensure continuity. Bringing new experts within a Board contributes to the injection of new and fresh perspectives and ideas into the governance process and mechanisms; however, it can affect the overall management and decision making processes if the transition is not well planned. Rotation of Board Members should therefore be staggered, rather than all ending at the same time, and planned sufficiently in advance to ensure a smooth institutional continuity.

Former Board Members’ individual expertise, ideas and contacts can also be retained once they complete their terms through creating a Council of former Board Members that can be consulted in an advisory capacity. This option can also contribute to maintaining the institutional memory of the Fund.

Figure 1: Key characteristics of a well functioning Board of Directors

<table>
<thead>
<tr>
<th>Diversity</th>
<th>Balance</th>
<th>Alignment</th>
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<tr>
<td>Expertise</td>
<td>Size</td>
<td>Mission</td>
</tr>
<tr>
<td>Boards should select members with diverse technical backgrounds</td>
<td>Boards should be large enough to contain diverse expertise but small enough to avoid procedural and logistical difficulties</td>
<td>Members should be committed to the Fund’s mission</td>
</tr>
<tr>
<td>Geographic</td>
<td>Rotation</td>
<td>Nomination</td>
</tr>
<tr>
<td>Members should represent diverse geographic regions pertinent to the Fund</td>
<td>Boards should stagger rotation to allow for renewal without disrupting fund continuity</td>
<td>Members should be nominated by networks or associations according to their expertise and not their affiliations</td>
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<table>
<thead>
<tr>
<th>Institutional</th>
<th>Composition</th>
<th>Conflict of Interest</th>
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<tbody>
<tr>
<td>Government, NGOs and private representatives can all make different positive contributions</td>
<td>Boards should be balanced with a strong NGO presence, private sector, high level government ministries and one or two donor representatives</td>
<td>Members should understand their duties, sign letters of commitment and announce any potential conflicts of interest</td>
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3.2 Expert committees and sub-committees

As a way to strengthen their efficiency, EF Boards can delegate certain topics to expert committees or small groups, for topics such as finance and investment, operations and scientific and technical issues. These committees can dig more in-depth into specific aspects and then make recommendations to the full Board. They can meet more frequently than the full Board. They can also co-opt non-Board Members to cover the full range of skills and expertise required to address a particular issue.

Such sub-committees can, for instance, take the form of:

- Technical grants proposal review panels;
- Sectoral or thematic committees;
- Finance and investment advisory committees;
- Scientific and technical advisory panels.
By co-opting additional experts that are not Members of the full Board, these mechanisms contribute to broadening ownership and participation in the Fund of other constituencies that are not represented within the Board. In addition to providing advice and recommendations to the full Board, they can also provide technical inputs and advice to the overall technical management of the Fund and to the Executive Unit and lighten the work load of technical staff.

EFs active in multiple countries could also consider establishing separate regional committees. Such committees can contribute to strengthening the strategic focus of the Fund, but also to better contextualising the review and the award of grant proposals and to achieve greater participation of local stakeholders.

Sub-committees can also be a condition required by a donor to make a donation and to manage special allocations or earmarked funding. For instance, such committees can be set up as a response to a requirement to administer a separate sub-account for a particular donor or to ensure that the Fund is complying with the donor’s conditions and regulations for the management and disbursement of its contributions.

The Tropical Forest Conservation Act (TFCA) is an example of such committees as TFCA funds are often set up with an autonomous committee that works in tandem with the Board of the EF. The experiences of two different EFs, Fondo Acción and the Environmental Foundation of Jamaica, with the TFCA programme are included in the case studies to this handbook. They illustrate that, while creating programmatic committees with different degrees of autonomy may be a necessary way to access funding from certain donors, these committees need to be established with clearly defined roles and responsibilities to avoid confusion and inefficiencies.

Finally, as mentioned above, for large Boards, executive committees composed of a smaller number of Board Members and that meets more frequently and takes short-term and urgent decisions can also be set up to strengthen the efficiency of the Board and reduce the administrative costs.

3.3 Executive Unit

The number of staff and the specific roles and titles of the staff of EFs vary significantly depending on their financial resources, the size and type of grants they administer, their geographic scope, their mission, their conservation strategies and their relationship to government agencies and non-government grantees. A typical EF might have between 4 and 30-40 staff, and large EFs may have up to 60 or more staff. This staff should include at least:

- **One Executive Director;**
- **Program staff and Grant Managers** (who bring a variety of skills including familiarity with the geographic areas where the EF works and professional knowledge of the thematic areas of concern to the Fund);
- **Financial staff** (often including an accountant);
- **Administrative staff**, such as secretaries and potentially support staff, such as a messenger, driver, building caretaker/guard or office caretaker (smaller funds will not have these posts);
- **Communications staff** who support the elaboration of reporting and fundraising material and contribute to stakeholder engagement (functions could be performed by program staff, or by external consultants);
- **Lawyers** who support the creation of and adherence to the various legal texts governing fund operations;
- **Additional support staff for large funds** such as IT staff and, for even larger funds (over 60 staff), an internal auditor and documentation staff. **Investment** advisors can also be hired on a short term contractual basis to provide periodic advice to the Executive Unit and to the Board.

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Basic staff structure

A strong Executive Director and one or two senior management positions are essential to the good and effective management of an EF and its activities.

The EF Executive Director should be hired by the Board on the basis of a competitive process. The Board should establish a formal process while hiring a new Executive Director by first identifying a pool of highly qualified applicants and refining a short-list to make a selection.

Once the Executive Director has been hired, the recruitment of other staff should be under the responsibility of that person. For key positions, such as the Grants Manager and/or the Financial Officer, the ultimate validation of their recruitment could remain at the Board level. The Board should also remain involved in defining overall recruitment policies, in validating overall staff budget, and in all additional issues relating to the growth of the Fund. For instance, the Board should ensure that there is a formal mechanism for setting the remuneration of the Executive Director, which should be ratified by the Board.

The Board should develop and validate a strategic plan which should clearly lay out the vision, mission, goals and objectives of the Fund, and the actions required to attain these. Once the plan is developed and validated, it is then possible to specify staff requirements, responsibilities and profiles for each of the staff positions, and open all technical positions to a competitive selection process.

The Fund Executive Director should be present and allowed to speak during Board meetings (except when their own performance or compensation is being discussed). However, he/she should not be a voting member of the Board in order to avoid any conflicts of interest, since the Executive Director’s ultimate responsibility is to implement the vision, policies and decisions enacted by the Board.

Figure 2: The Executive Unit and basic staff structure

Board of Directors

Executive Director

Senior Programme Staff / Grant Manager

Administrative/ support staff

Communications Staff

Lawyers

Financial advisors

Recruits the Executive Director

Recruits staff with possible approval from the Board for key positions

May be consultants or staff depending on size of Fund
4. Roles and responsibilities of governing bodies and executive staff

4.1 Board

The Board of an EF has the following fiduciary roles and responsibilities. Clear standards of performance for new Board Members should be defined and detailed in EF bylaws so that expectations on new Board Members are sufficiently clear when a new Member is elected. Board Members’ roles and responsibilities include:

- Identifying and defining the Fund’s core mission, purpose, objectives, values and governing strategy and policy;
- Ensuring that the EF complies with these defined mission, purpose, objectives, etc.;
- Setting and/or approving the Fund strategic planning, strategic direction, policies, plans and budgets to achieve those objectives;
- Reviewing and approving the Fund annual budgets, annual work plans, spending and revenue;
- Ensuring the solvency, financial strength and good performance of the Fund;
- Approving the Fund financial systems and practices and verifying that these systems and practices meet international accounting standards as well as any further standards and procedures specifically agreed upon with donors or any other stakeholders;
- Making sure that the Fund operates in a transparent, accountable manner, as required by its legal documents and operation manual(s);
- Defining and implementing a fundraising strategy;
- Defining and validating investment policies and ensuring that the Fund is not subject to unnecessary risk;
- Networking with national and international stakeholders and partners;
- Contributing to advocacy and lobbying for conservation at the national level;
- Approving sectoral and geographic grant policies, financing strategy and policies;
- Approving grant awards (in some cases for small EFs, Board Members can also be in charge of reviewing and awarding grants);
- Approving Monitoring and Evaluation (M&E) policies;
- Recruiting the Fund Executive Director and reviewing annual performance;
- Reviewing the performance of the EF investment managers; and
- Setting and maintaining a framework of delegation and a system of internal control, performance reporting, policies and procedures.

To ensure efficient and effective governance, the division of roles and responsibilities between the Board of Directors, the Executive Unit and pertinent Board sub-committees should be clearly defined in the Fund’s legal and operation documents. This includes not only responsibilities but also the modalities for interaction and review between these governing entities.

For more information

The CFA Environmental Funds Tool Kit contains examples of how other EFs establish roles and responsibilities through legal documents:

http://toolkit.conservationfinance.org/categories/legal-and-governance
Board Members should avoid micromanaging the day-to-day operations of the Fund, which should ultimately remain under the responsibility of the Executive Director.

Board Members’ responsibilities should be clearly specified in the Fund bylaws or operations manual, and new Members should be given short training when they join the Board. During this training, they should receive all the information and support they need to carry out their new role, and they should meet with key staff of the Fund, its users and beneficiaries, and other stakeholders. The Board should have a strategy for the support and personal development of all Board Members so that each Board Member can keep up-to-date with the knowledge and skills needed to carry out their role.

Board Members should read materials that are distributed in preparation of Board meetings and should participate meaningfully in Board meeting discussions and decisions.

Board Members should not be remunerated for their involvement in an EF Board. They should be reimbursed for reasonable expenses that are directly related to carrying out their responsibilities (such as reasonable and necessary expenses for attending Board meetings), although international members of an EF Board who represent donors or international NGOs, as well as business sector members, typically pay for their own participation costs.
4.2 Executive staff

The list of duties of an Executive Director should be clearly defined in the EF bylaws and/or operations manual. These duties should include the following:

- Supervise day-to-day management and carry out the decisions and policies of the Board;
- Maintain a clear division of responsibilities between the Board and the staff team;
- Recruit and oversee all technical staff (including hiring, firing and promoting);
- Represent the EF in dealings with government officials, donors, local NGOs and other partners and stakeholders;
- Advocate for conservation actions;
- Deal with investment managers;
- Contribute to raising additional funds for the EF;
- Oversee the preparation of annual reports and budgets;
- Oversee financial and accounting management;
- Oversee grants selection and awarding and sign grant agreements with beneficiaries;
- Oversee communication, including the development and implementation of a specific communication strategy;
- Oversee M&E activities, including the development and implementation of an M&E framework;
- Oversee the preparation of specific terms of reference for outsourced work and studies and oversee the selection and contracting of consultants;
- Develop and implement (in conjunction with the Board) strategies for fundraising; and
- Participate to Board meetings as Secretary, but without the right to vote on decisions.

General activities that should be undertaken by the Executive Technical Staff, include the following:

- Prepare annual work plans and budgets;
- Launch and manage requests for grants proposal, review proposals, complete proposals evaluations and select proposals for grants;
- Administer grants (prepare grant agreements, follow-up, monitor and report);
- Develop and implement systems for financial management and administration that meet international accounting standards as well as any further standards and procedures specifically agreed upon with donors or any other stakeholders;
- Develop M&E policies and plans and supervise and monitor grant activities and results;
- Implement strategies for fundraising defined by the Board in conjunction with the Executive Director;
- Identify needs for capacity building and develop strategies to meet those needs;
- Prepare regular reporting to the Board on program and grants implementation;
- Develop and implement the communication strategy;
- Facilitate financial audits and implement other transparent systems for financial accountability;
- Prepare terms of reference of outsourced work and studies, launch and implement contracting processes; and
- Organize Board and sub-committee meetings.

The following organizational chart synthesizes the typical governance structure and the relationships between the different key governing and managing bodies.
Board of Directors
5-20 voting Members

- Should be representative of the Fund’s diverse constituencies
- Should serve as an influential voice for biodiversity conservation
- Should provide strong, sound direction and oversight for the Fund
- 50% of members may come from outside of government institutions and should be independent of government
- Governmental representation should be of high-level (Ministerial)
- New Board Members should be elected by other Board Members or nominated by recognised national networks or associations
- Each Board Member should have a broad knowledge of the EF and its Strategic Plan

Expert Committees and Sub-committees

- Delegate certain topics
- Provide specific advice and recommendations
- Provide technical support

Executive Unit

- Executive Director
- Oversees

Programme staff and Grant Managers
Financial Staff
Communications and Fundraising Staff
Administrative Staff
Other support staff

External Investment Manager

- Mandate and provide strategic investment orientation
- Report
- Ensure permanent relationship and communication
- Report

Figure 3: Typical Organisational Chart
5. Preventing and managing potential conflicts of interest

As part of an EF governance system, conflicts of interest can be defined as a conflict between the duties and private interests of an EF Board Member and/or EF staff, in which the Board Member or staff has private-capacity interests which could improperly influence the performance of its duties and responsibilities and influence its integrity.

In order to prevent and manage any potential conflicts of interest, clear and comprehensive provisions should be included in EF bylaws and operation manuals that forbid EF Board Members, staff or their family members from receiving any grants or economic benefits from the EF or its grantees. Clear and strictly enforced rules against potential conflicts of interest are essential to maintaining a Fund’s good reputation with the public, donors, grantees and the national government.

In addition, an EF should have a conflict of interest policy or code of ethics for Board Members and EF staff that provides for disclosure, review and decision on actual or potential conflicts of interest. The Fund must have procedures for Board Members and staff to declare actual or potential conflicts of interest to the Board. For instance, all Board Members and all staff with managerial responsibilities should sign a statement acknowledging that they have read and understood the fund’s conflict of interest policy and should sign a written declaration of any potential conflicts of interest that they could have (according to the policy’s definition of what constitutes an actual or potential conflict of interest). Such declarations should be made at the earliest opportunity. They should be recorded in Board minutes or in a register kept for that purpose.

Board Members and staff should also be required to disclose to other Board Members and supervisory staff any interest or association that they or their family members may have with an organization that is applying for a grant from the EF or that is proposing to enter into a contract to sell or purchase goods or services to or from the Fund.

While disclosing a potential conflict of interest, a Board Member should:

- Abstain from voting on, or participating in any discussions or debates on the matter;
- Offer to withdraw from the Board meeting, and the other Board Members should decide if this is required; and
- Not be counted towards the Board meeting quorum.

Finally, some international donor agencies consider being in a conflict of interest if they are involved in a Board of an organisation to which they provide financial support and which they supervise and evaluate. Therefore, they prefer not to serve on the Board of an EF to which they provide financial resources.

For more information

The following websites have useful examples and guidance documents specifically for managing Board operations, including examples of codes of ethics:

The Free Management Library at http://managementhelp.org/boards/index.htm
Conservation Finance Toolkit at http://toolkit.conservationfinance.org/
The Muttart Foundation at http://www.muttart.org/board_development_workbooks
This is the second chapter of the practical handbook. It describes some strategic practices for EF governance. It first provides some considerations and advice on the relationship between EF governing bodies and governments and donors. Next, the chapter looks at the alignment of priorities and expectations between Executive Directors, Board Members and donors so as to avoid any potential internal conflict. In the third sub-chapter, the necessary internal and external governance assessments are introduced. The chapter then focuses on the development and implementation of communication strategies between governing actors, and, to conclude, it covers the concrete functioning of the different bodies.

1. Relationship with governments and bi- and multilateral donor agencies.

Relationship with governments

Governments are generally a significant actor in almost all EFs. This is an important way that EFs can maintain linkages to public policies and programs.

However, in order to set up smooth relationships between an EF and government, it is critical to keep the Fund independent from the government in its governance and decision-making processes. To do so, a majority of Board
Members should come from outside the Government and the Chairman of the Board should not be a government official (although Profonanpe case study in annex shows the contrary). Nonetheless, at least one high level official should be a Member of the Board to ensure the relevance of the Board vision, objectives and purpose vis-à-vis national conservation and environmental policies and strategies. Non-governmental members of the Board should not be chosen or appointed by a government.

So as to avoid any potential conflicts with the government and any improper influence on the Fund, private Fund’s offices should not be physically located inside a government ministry.

One of the duties of the Fund Executive Director is to ensure formal contacts with governmental institutions and represent the EF in dealings with government officials. The Executive Directors should therefore maintain smooth relationships with key government institutions.

Profonanpe, one of the EFs profiled in the case studies, maintains a 50/50 presence on its Board of Directors between government and other entities. While working closely with the Peruvian Ministry of the Environment (and including the Ministry of Environment as a Chair to its Board of Directors) Profonanpe leverages its institutional reputation and history of accountability to insulate it from negative political changes and influence.
Relationship with bi- and multilateral donors

Donor agencies generally play a helpful and facilitating role when represented on a Board. However, while serving as Board Member, it is important that donor representatives have the Fund’s interest foremost in mind.

A financial agreement providing funds for an EF is the key instrument regulating the relationship between the EF and the donor. To ensure smooth relationship with the donor, such agreements should have the following characteristics:

- Have clear provisions as to what is expected from the EF to execute;
- Have a flexible structure to accommodate changes in direction as the Fund expands;
- Life of the agreement: 10-15 years has been the practice, but it is important to note that donor (including Bank) supervision may cease after 5 years (whether the donation will constitute part of a sinking fund or an endowment may determine the “life” of the agreement);
- Clear definition of monitoring, reporting and supervision requirements and periodicity, including the definition of performance indicators related to the objectives of the donation;
- Financial management, including the hiring of a reputable auditor;
- Environmental and social safeguards;
- Obligation of the EF to enter into an agreement with a reputable investment firm and invest funds in accordance with agreed guidelines;
- Disbursement rules: amount and pace of disbursements should be specified, including whether fundraising obligations from the EF will serve as a trigger for further disbursements;
- Rules regarding the use of funds for project activities, administrative costs and financial investment;
- Obligation of the EF not to change its internal regulations (i.e., bylaws) without donor’s approval;
- Commitment of the EF not to finance taxes out of the donation (except as a result of investment gains); and
- Obligation of the EF to refund the donor in case of contractual violation.

Other donors, such as international NGOs, Foundations and private companies, normally contribute more targeted and smaller grants to EFs and therefore do not have a seat at the Board. Nonetheless, these donors also require accountability for results and may influence the Fund’s objectives. The relationship with these donors and whether or not the donor’s project will have a specific Board committee should be defined by formal agreements. Executive staff and Board Members must also dedicate proper attention to these donors.

2. Aligning priorities and expectations between executive staff and Board Members

Healthy board-staff relations are key to effective EF management and Governance. Power issues and strong personal charisma of certain Board Members and Executive Directors can lead to conflicts and power struggles between the Fund Executive Director and the Board. To avoid such problems the Board should:
1. Clearly specify the respective roles of the Board and the Executive Director in the Fund bylaws and its operations manual (these respective roles and responsibilities should be aligned with the best practices on these aspects described in sub-chapter 1.4 above);

2. Devote sufficient time and effort to hiring the right Executive Director;

3. Avoid micromanagement at the level of the day-to-day operations of the Fund, which should ultimately remain under the responsibility of the Executive Director; and

4. Include specific performance targets in the Executive Director’s employment contract or terms of reference. Executive Director’s performance should be reviewed by the Board on an annual basis. The Board should have the right to terminate the Executive Director contract at any time for unsatisfactory performance (as judged by the Board and voted by its Members based on at least a 4/5 majority). Care should also be taken to avoid too much turn over at such a position level, which could highly negatively influence the management performance of the Fund.

The complementary relations of EF Board Members and their staff counterparts should be based on mutual respect. The nucleus of these relations is that of the Board Chair and the Executive Director. The Fund will benefit overall to the extent that these two individuals establish a productive working partnership, wherein each sees the other for the strategic advantage he or she brings to the governance equation. The Board Chair orients and guides the participation of outside leaders, while the Executive Director provides critical day-to-day leadership to the Fund’s programs and operations.5

In addition to direct conflict of interest policies, Fondo Acción, one of the EFs profiled in the case studies, emphasizes that engaging Board Members in long-term Strategic Planning is also an excellent opportunity to avoid conflicts of interest and garner alignment and commitment from Board Members.

3. Management and governance assessment processes

A sound Board is a one that is aware of its own capabilities and shortcomings, and that works to improve itself on an on-going basis. The key to the Board development process is the willingness of the Board, along with senior staff, to appraise themselves and to constantly seek ways to improve Board performance. A static Board – or a Board that chooses not to acknowledge its own weaknesses – is a Board destined for under-achievement, or worse, a leadership crisis.6

The Board should regularly review and assess its own performance, that of individual Members, and of sub-committees and other bodies. In that sense, it should:

- Assess at least every two to three years its effectiveness in achieving its mission, its performance and its functioning;
- Assess progress towards meeting its development objectives by establishing clear expectations, assigning responsibilities, defining measurable goals and objectives for conservation and for financial management, and laying out specific activities – as well as their associated costs;
- Set-up a Strategic Plan and define a specific process to monitor and evaluate progress and performance in achieving the plan’s priorities; and
- Based on these assessments, collectively determine future actions required to achieve its mission.

6 Ibid.
The assessment process can start with some sort of self-assessment. A Board can rate itself, for example, according to its effectiveness in carrying out the basic functions of a Board (setting the organization’s course, mobilizing needed resources, assuring sound management of the organization’s resources, etc.).

It is also recommended that the Board mandates periodic external institutional and organisational reviews of the Fund, so as to get independent views and recommendations on the management, operations and functioning of the institution. The Board should be open to sharing the results of such reviews to stakeholders, indicating clearly what steps they intend to take in response, and giving explanations concerning actions they have decided not to take. In larger funds, an internal control person may be incorporated. An internal auditor may be useful for overseeing the internal processes and policies and reporting directly to the Board about these issues. Also a Project Management Officer, who keeps control of all project portfolios, is a helpful staff member who gives the Executive Director and Board Members a consolidated notion of all activities being funded and carried out, as well as resources generated and spent by these activities.

The Board should use the results of such reviews to:

- Generate a creative and innovative approach to the organisation’s development;
- Inform its strategic planning;
- Make changes and improvements to its operational activities;
- Initiate collaborative work with other organisations to deliver the best possible outcomes for users, beneficiaries and members; and
- Create a positive impact on the overall effectiveness and governance of the organisation.

The performance of individual Board Members should regularly be assessed and appraised, either by the chair or another Member, or by using external assistance. In the meantime, the performance of the Chair of the Board should likewise be assessed and appraised, either by another Board Member, the Board as a whole or using external assistance. The results of these appraisals should be used to make necessary changes and improvements, to inform the creation of appropriate training programmes and to guide Board Member renewal and recruitment.

The Board of an EF may also wish to obtain feedback from the Fund’s key stakeholders – especially its grantees – to determine areas for improvement. Conducting periodic surveys targeting key stakeholders can be a way to get feedback from key stakeholders in a cost-effective way.

4. Communication strategies between governance actors and stakeholders

   Every EF should develop a communication strategy with a two-fold objective: (i) ensure effective communication between the Fund and its main stakeholders, beneficiaries, members and users; and (ii) ensure smooth and effective internal communication between the Board, the Executive Director and other staff.

   As for the first objective, EFs should regularly communicate about the organisation’s achievements and work. The Board must ensure that the EF produces an annual technical and financial report that complies with relevant national legislation and provides enough transparency for strengthening credibility.

   In terms of governance and decision making processes, there should be regular and appropriate communication and consultations with key stakeholders and partners to ensure that their views are taken into account and that they are informed and consulted on for strategic plans and decisions affecting them. Ideally communication channels will be created in a way...
that stakeholders can give feedback at anytime. Such channels could take the form of a hotline (as it is the case at Funbio) or online submission form, for example. In addition, the Board should be open and accountable by:

- Being clear and communicating about what information is available and what must remain confidential to protect personal privacy or commercial confidentiality;
- Complying with reasonable outside requests for information about the organisation and its work;
- Being open about the Fund’s governance work and its strategic reviews; and
- Ensuring that the principles of equality and diversity are applied and that information and meetings are accessible to all sections of the community.

As for the second objective, a clear and sound communication mechanism between the Board and the Executive staff must be implemented. The Executive Director should play a liaison role between the Board and staff. As mentioned above, this will mainly depend on the extent to which the Chair of the Board and the Executive Director establish a productive working partnership and use appropriate communication conduits. Regular management reports, sent electronically in between face-to-face meetings, may be a good way to keep Board Members informed and engaged.

The Executive Director and other key staff members should participate in Board meetings to represent all staff of the Fund, discuss any management issues and ensure a smooth communication with Board Members. However, the Executive Director and key staff should not have the right to vote on any decision and should withdraw from the Board meeting in case of discussions about their remuneration or their performance.

5. How to plan and execute Board meetings, reports and regular contacts

Board meetings should be organised three to four times per year with face-to-face participation. EF Boards need to meet regularly in order to ensure that it is able to make informed decisions. The frequency of these meetings will depend partly on the size of the Fund, the number and complexity of its functions and activities, and the existence of technical or sectoral sub-committees and the frequency of their own meetings. A conference call of the full Board can substitute for some governing body meetings, provided that otherwise there are at least two face-to-face meetings per year.

Planned Board meeting dates should be set up during a specific Board meeting for the next one. Documentation should be made available at least two weeks before the meeting so that Board Members have sufficient time to review it.

The Executive Director (or another delegated staff or Board Member) should record and retain written minutes for each Board meeting and keep accurate copies of governing body decisions and policies, which should be accessible to all Board Members at any time.

Bylaws should specify the rules for organising, conducting and recording Board meetings.
Fondo Acción para la Acción Ambiental y la Niñez (Fondo Acción)

Fondo para la Acción Ambiental y la Niñez (Fondo Acción) is a foundation created in 2000 and based in Bogotá, Colombia. Over the last 13 years, Fondo Acción has evolved from managing one original fund to now managing more than 15 different accounts for a diverse set of clients. This case study focuses on the types of governance structures that have been created throughout Fondo Acción’s expansion, the relation between these structures, and how Fondo Acción achieves a balanced repartition of roles and responsibilities between its different governance and executive bodies.

1.1 Context and challenge

Fondo Acción was created in 2000 through a debt-for-nature swap between the Government of Colombia (GOC) and the Government of the United States of America (USG). The original agreement created the Account of the Americas, with US$41.6 million in funds, and Fondo Acción was founded as a private, non-profit foundation for the purpose of managing that account. Fondo Acción’s mission in administrating the account was to generate significant and sustainable changes in Colombian society in two key thematic areas: 1) the conservation and sustainable use of biodiversity and ecosystem services; and 2) the protection and development of childhood.

3. Case Studies
For its first four years of operations, Fondo Acción directed its activities exclusively to the management of the Account of the Americas. In 2004, however, the Board of Directors at Fondo Acción amended the organisation’s bylaws with the purpose of enabling the creation of new accounts with third party contributions and of diversifying its funding sources.

That same year Fondo Acción was chosen as administrator of the Tropical Forest Conservation Account. This subsidized debt-for-nature swap, with US$10 million in funds, was created under the Tropical Forest Conservation Act (TFCA) with funding provided by The Nature Conservancy, the World Wildlife Foundation (WWF), Conservation International Colombia (CI) and the USG. Managing the TFCA Account included creating new governance structures within Fondo Acción, and the process proved both challenging and advantageous in that the expansion paved the way for the diversification of Fondo Acción’s funding sources and client base and led to the creation of the endowment in the Americas Account.

Following acquisition of the TFCA Account, the Board of Fondo Acción approved the creation of the Malpelo Endowment in 2008, funded in partnership with the Global Conservation Fund (GCF) with a total of US$5 million in funds. Since then, Fondo Acción has continued to diversify its client base with funding from sources such as the World Bank, the Walton Family Foundation, the MacArthur Foundation and several private companies with operations in Colombia.

As Fondo Acción expanded its role from managing the original Account of the Americas to being a foundation for multiple donors and diversified funding sources, the organisation created a number of governance tools and mechanisms that closely mirrored its expansion. Among these are the creation of different Board Subcommittees that serve to frame the objectives and operations of different accounts, accompanied by a clear set of procedures that define roles and responsibilities and ensure smooth communication across the different governance bodies.
1.2 Board structure and Subcommittees

Fondo Acción has established a governing structure characterized by a Board of Directors that works in conjunction with a variety of Subcommittees designed to address the different technical and thematic needs of the Fund’s accounts. In addition to these, a TFCA Oversight Committee (TFCA/OC) was created to oversee the administration of the TFCA account. The different governance entities as well as their composition are illustrated in Figure 4.

**Board of Directors/Council of the Account of the Americas**

Arising from the original debt-for-nature swap that created Fondo Acción, the organisation’s main governing body is its Board of Directors, or Consejo Directivo, which is also called the Council of the Account of the Americas. This Board consists of the following eight members: 1) the Director of the National Planning Department (DNP) or his/her delegate, in representation of the GOC; 2) the Minister of the Environment (MADS) or his/her delegate; 3) the Director of the USAID Colombia Mission or his/her delegate, in representation of the USG; and 4) Five independent experts from environmental and childhood NGOs, community development organisations, and academic and scientific organisations, in representation of these sectors of civil society. In this composition, NGOs represent a majority of seats on the Board.

**Tropical Forest Conservation Act Oversight Committee**

The Fondo Acción Board agreed to the creation of the TFCA/OC at the time of the account’s creation in 2004. The TFCA/OC is therefore different and independent from the Council of the Americas and has five members. The TFCA/OC, as described in the following sections, exercises considerable autonomy over the TFCA Account. It is important to note that the USG representative sits on both the Board/Council of the Americas and on the TFCA/OC. The TFCA account also has its own Finance Subcommittee which contains, in addition to representatives from the parties participating in the debt-swap agreement as well as members of Fondo Acción’s executive staff, an external financial advisor.

**Technical and Programmatic Subcommittees**

The Board at Fondo Acción has created several Subcommittees for the Account of the Americas that include a Finance Subcommittee, a Projects Subcommittee for the Environment, a Projects Subcommittee for Childhood and a Technical Subcommittee for the Malpelo Endowment. These committees include representatives from the specific funding agreement parties, members of Fondo Acción’s Executive staff and expert NGO or civil society representatives for specific subjects.

For all other accounts that are managed by Fondo Acción there are Technical Subcommittees. These are usually composed with representatives from the client that has created an account at Fondo Acción, alongside different members from Fondo Acción’s Executive Unit.

**Board Composition**

Fondo Acción maintains a majority presence of NGO and civil society representatives on the Board/Council of the Americas. Outside of establishing a clear Board composition, in the Fund’s experience there are a number of important factors to consider when choosing Board members.

Boards, and in general governing bodies, benefit significantly from diversity. Bringing representatives from regions (not only from the capital city) may cost more than having centralised Boards, but in the end this is more advantageous. Regional representatives not only provide a more comprehensive view but also key contacts and new opportunities. Representatives from the private sector have also contributed fresh views and practices and are a healthy balance, in terms of risk management, to very risk adverse public sector representatives. Board rotation is an important element to consider, and having a relatively stable Board is as important as renewing it periodically.

Fondo Acción Board members are committed individuals from the public and private sector, and the TFCA/OC members are direct stakeholders in the TFCA program. Board members and TFCA/OC members at Fondo Acción are not remunerated. The Executive Unit covers the transportation costs and per diems of Board/OC members who live outside Bogotá as well as the costs related to Board/OC meetings and missions that take place outside of Bogotá.
Figure 4: Composition of the Board and various subcommittees at Fondo Acción

**Board of Directors/Council of the Americas**
- GOC Director of the National Planning Department
- GOC Minister of the Environment
- USG USAID Colombia Mission
- 5 NGO/academia/research representatives

**TFCA Oversight Committee**
- USG USAID Colombia Mission
- GOC
- Conservation International
- The Nature Conservancy
- World Wildlife Foundation
- Environmental NGO from Fondo Acción Board

**Projects Subcommittee for Childhood**
- GOC Dir. of National Planning
- USG USAID
- Technical Director
- 1-3 childhood NGOs from Fondo Acción Board

**Malpelo Endowment Subcommittee**
- GOC National Parks Service
- Conservation International Colombia/Global Cons Fund
- Environmental NGO (from Fondo Acción Board)
- Executive Dir. Fondo Acción
- Admin/Finance Dir. Fondo Acción
- Environmental Coordinator Fondo Acción
- Dir. Malpelo Foundation

**Projects Subcommittee for the Environment**
- GOC Dir. of National Planning
- GOC Minister of the Environment
- Technical Director
- 2-3 environmental NGOs from Fondo Acción Board

**TFCA Finance Subcommittee**
- USG
- The Nature Conservancy
- Executive Dir. Fondo Acción
- Admin/Finance Dir. Fondo Acción
- External Financial Advisor

**Other Technical Subcommittees**
- Representatives from client
- Executive Dir. and staff at Fondo Acción

**Account of the Americas Finance Subcommittee**
- GOC Dir. of National Planning
- USG USAID Columbia Mission
- Executive Dir. Fondo Acción
- Admin/Financial Dir. Fondo Acción
- External Financial Advisor

Goverance Strategies for Environmental Funds
1.3 Division of roles and responsibilities

The different governing bodies at Fondo Acción are established with a clear delineation of roles and responsibilities. Figure 5 illustrates this division specifying key areas of Fund operations and which governing entities play a role in each. Importantly, the delineation of responsibility places strategic decision making, supervision and leadership in the highest levels of governance (Board of Directors/Council for the Americas Account, TFCA/OC). This is important because these representatives are not involved in micro-level management thus providing the Executive Unit with the necessary autonomy. The Executive Unit has a key role as liaison or connector between top governance and all subcommittees. The operation of the subcommittees, in turn, reduces the work load for the top governing bodies and contributes to efficient and effective decision making.

Roles and Responsibilities of the TFCA/OC

The TFCA/OC has full autonomy on the following areas related to the TFCA Account:

- Design and launch calls for proposals for the evaluation and selection of projects and organization that are eligible to request and receive TFCA grants;
- Select the proposals and authorise the grants to those organisations so that they will carry out the activities outlined in the TFCA;
- Adopt, by majority vote, the TFCA/OC operational internal rules, provided that the majority includes the affirmative votes of the duly designated representatives of both governments; and
- Oversee the implementation of the projects funded by donations and other agreements and determine if the programmed time tables and other implementation objectives are fulfilled.

Legal Framework

There are a number of legal documents that help define the relationship between Fondo Acción’s Board and Executive Unit. Any changes to decision making procedures need to be approved by the Board. The documents governing this relationship are:

- the Fund’s bylaws
- the Operational Rules adopted by the Board
- the provisions of the Quality Control System.
### Figure 5: Delineation of Fondo Acción governance responsibilities

<table>
<thead>
<tr>
<th>Strategic Planning</th>
<th>Budget and Administration</th>
<th>Grant-Making</th>
<th>Financial Asset Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approves 4 year Strategic Plan with strategic objectives and key performance indicators</td>
<td>Approves an operational budget and investment program for the Strategic Plan</td>
<td>Makes final decisions about grant-making (including annual grant for Malpelo)</td>
<td>Makes final decisions over the Americas Endowment (including the Malpelo Endowment)</td>
</tr>
<tr>
<td>Executive Director/Unit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepares proposals for the Strategic Plan and TFCA Investment Strategies</td>
<td>Prepares operational and investment budget proposals for all accounts. In charge of all administrative issues</td>
<td>Prepar es Terms of Reference for all Calls for Proposals for all accounts</td>
<td>Prepares proposals for Financial/Asset Management</td>
</tr>
<tr>
<td>Specific Technical Subcommittees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Americas Accounts Finance Subcommittee</td>
<td>Reviews proposals for financial/asset management and monitors financial performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Americas Account Environment &amp; Childhood Subcommittees</td>
<td>Evaluates proposals and makes recommendations to Board/Council of the Americas</td>
</tr>
<tr>
<td>Other Technical Subcommittees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide inputs for Strategic Planning</td>
<td>Provide inputs for operational and investment budgets</td>
<td>Evaluate proposals and make recommendations to Board/Council of the Americas</td>
<td></td>
</tr>
<tr>
<td>TFCA Oversight Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approves 4 to 5 year Investment Strategies for the TFCA Account</td>
<td>Approves an operational budget and investment strategy for the TFCA Account</td>
<td>Makes final decisions over grant-making with TFCA Account funding</td>
<td>Makes final decisions over the TFCA Endowment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TFCA Finance Subcommittee</td>
<td>Reviews proposals for financial/asset management and monitors financial performance</td>
</tr>
</tbody>
</table>
1.4 Key governance tools and procedures

As mentioned above, the division of roles and responsibilities within a fund must be accompanied by defined tools and procedures that generate cohesion and clarity across different governing bodies, and Fondo Acción adheres to a fixed set of procedures for establishing communication and alignment between its different governance bodies.

Executive Leadership

Undoubtedly the main task of an Executive Director is garnering the necessary confidence and support from the Board. The main specific qualities for this are:

- **Communication**: Proposals, plans, strategies, problems and challenges must be clearly conveyed.
- **Negotiation skills**: Boards, Committees and other governing bodies prefer to reach consensus rather than having to take a vote. Executives have to come up with options and alternatives and have to identify common ground in order to facilitate agreements.
- **Accountability**: The Executive Director and Unit have to be readily accountable for the organisation’s performance. Defining and agreeing with the Board on performance metrics (such as Key Performance Indicators, standardized reports, etc.) is a key aspect. Another very important record is the Aide Memoires or Minutes of Board

Established communication channels

Communication channels are an important part of the way governance bodies interact with each other. Maintaining a smooth working relationship between the Board and the Executive involves having direct and open communication channels, taking Board members to the field so they can witness the results of their decisions and providing the Board with the possibility of voicing their observations and opinions about the performance of the Executive Unit.

There are five principle communication channels in place at Fondo Acción to enable a fluid interaction between the Fund’s Board, Executive Unit and staff.

- **Board meetings** and **Subcommittee meetings**
- **Reports**
- **Workshops**, particularly for **Strategic Plans**
- **Direct communication** between the Board and the Executive Unit
- A specific process for responding to and treating queries, complaints and claims. This process is described in a section of the **Quality Manual** (Quality Control System, International Quality Norm ISO 9001 2008).
Board Meetings

Interaction between the Board and the Executive Unit normally takes place during Board meetings. There are at least six ordinary Board meetings every year, and the agenda usually covers the following topics:

- Approval of Aide Memoire / Minutes from the previous meeting
- Progress report on pending tasks
- Progress Report on the current Strategic Plan
- Administrative issues
- Miscellaneous

The March session is special because the Executive presents an Annual Performance Report on the implementation of the Strategic Plan as well as the Financial Audits and Balances.

During the October session of the last year of the Strategic Plan, the Executive and the Board hold a Strategic Planning Workshop. This workshop and session are held outside of the capital city, in a special setting where all Board members are able to dedicate themselves fully to the planning exercise.

Strategic Planning Process

Fondo Acción designs its strategy every four years using the Balanced Scorecard methodology. Strategic planning is done according to a procedure included in Fondo Acción’s Quality Control System (International Quality Norm ISO 9001-2008). The process describes how and when strategic planning is carried out in Fondo Acción, identifies the responsibilities of the Board and the Executive and defines the procedures and instruments to monitor performance and to update the strategy. The Strategic Plan is a guide for key areas such as fundraising, communications, marketing, branding, grant making, financial sustainability, impact investing and management of intangible assets. During the fourth and final year of the Strategic Plan, the Board and Executive meet to review the strategy and to prepare the new Plan for the following four-year period.

Internal Review Procedures

The internal review procedure used to strengthen the relationship between the Board and the Executive Unit is the Annual Performance Report. The Report is presented to the Board during the first quarter and is structured along the Objectives and Key Performance Indicators of the four-year Strategic Plan. This allows the Board and Executive to review progress and assess performance in the implementation of the organisation’s strategy.

The second internal review procedure has to do with a process that has been designed for responding to and treating queries, complaints and claims. The process is described in a section of the Quality Manual (Quality Control System, ISO 9001 2008) and involves two activities:

- The Executive Unit carries out a survey with a random sample of organisations that have participated in calls for proposals opened by Fondo Acción and/or that have been selected as grant recipients and are currently implementing projects. The results are presented annually to the Board.
- Board and TFCA/OC members answer an annual survey about the Executive Unit and grade the Unit’s performance on the following aspects:
  - Compliance with planning objectives
  - Reasonable use of resources
  - Adequate and timely response to problems, challenges and opportunities
  - Innovation
  - Information and communication channels with the Board
  - Skills and competences in the Executive Unit
  - Team work
  - Accountability
1.5 Conflict resolution

Governance tools and procedures can serve to resolve conflicts or disagreements that might arise between different governing bodies. The following are examples of how Fondo Acción’s governance arrangements assist in resolving these disagreements.

Moderation between the Executive Unit and Board of Directors

Normally, when a proposal or initiative presented by the Executive to the Board is not accepted there are two useful mechanisms to deal with the issue:

- **Using a Subcommittee:** the Executive suggests the use of an existing Subcommittee (Finance, Projects) to deal with the specific disagreements, comments and suggestions formulated by the Board;
- **Creating a Task Force:** the Executive suggests the creation of a special Task Force, ideally with the participation of a representative from the Board.

Both mechanisms enhance moderation and are useful for conflict resolution because:

- Useless discussions are avoided;
- Decision making is postponed until either the Subcommittee or the Task Force deal adequately with the issue;
- The search for a solution or a compromise is carried out jointly by the Executive and the Board’s representatives in either the Subcommittee or the Task Force.

Finally, it is the duty of the Executive Director and Unit to be transparent about everything. Providing inaccurate or untimely information erodes confidence. Confidentiality about Board decision-making and discussions is another facet of this issue.

Achieving alignment between Board Members and the Fund

One of the best opportunities for achieving alignment between Board members and the Fund’s objectives is through the Strategic Planning Process. Engaging Board members in the planning process for long-term goals can help curtail any specific, short-term interests the Board members may have and orient Board members towards the Fund’s objectives. This is also an important tool for avoiding potential conflict of interest problems.

Relationship between the Board of Directors/Council of the Americas Account and the TCFA/OC

The TFCA/OC is important because it exercises autonomous authority over most of the key elements to the TFCA Accounts; and yet, the TFCA Program is one of more than 20 accounts and programs currently managed by Fondo Acción. The division of responsibilities between the Board and the TFCA/OC is based on granting the TFCA/OC authority over the TFCA Account only, and a guarantee that the TFCA/OC accepts and values the existence of the Quality Control System. It has no say about policies adopted by the Fund’s Board (for example hiring practices, partnerships, accounting, etc.).

Despite the clear division, at times having two different Board-like entities has presented challenges. For instance, the Fondo Acción Board engages in a Strategic Planning Process mentioned above, and yet, the TFCA/OC decided that it also needed to have its own Strategic Plan. As a compromise, the Executive Unit agreed to carry out a separate strategic planning exercise with the TFCA/OC, and the TFCA/OC, in turn, accepted the use of the Balanced Scorecard method already in place for creating the plan.

At times, Fondo Acción has needed to reform its bylaws, which were restructured in 2004 to accommodate the existence and operation of the autonomous TFCA/OC. At three different times since then, the Executive Unit has presented draft reforms to the TFCA/OC with the purpose of informing this governance body and of explaining that the reforms did not affect its autonomy in relation to the Board. All reforms were approved and carried out on this basis.
1.6 Lessons learned

Throughout its expansion, Fondo Acción has arrived at a number of governance practices that facilitate the Fund’s operations. Board entities need to be created in a way that allows a Board of Directors to focus on strategic and management aspects of governance while allowing specific Subcommittees, which potentially draw on non-Board members, to contribute to management decisions by developing programmatic and technical recommendations.

An important element to Fondo Acción’s governance structure is the tools and communication channels that achieve not only efficient but also cohesive alignment between the Fund’s different governing bodies. An Executive Director has a clear role to play in this process through, not only handling the day-to-day management aspects of the Fund, but also through facilitating communication between subcommittees and the Board of Directors.

Interaction between the Board of Directors, the different Subcommittees and the Executive is moderated by a series of legal guidelines, communications procedures and internal planning and review processes. Organisational bylaws, operations manuals and quality control systems structure the roles, responsibility and relationship between different governing entities at Fondo Acción while regular Board meetings, Annual Reports and Planning Workshops establish cohesion and continuity across the different governing entities in working towards the Fund’s long-term goals.
2. Peruvian Trust Fund for National Parks and Protected Areas (Profonanpe)

The Peruvian Trust Fund for National Parks and Protected Areas (Profonanpe) is a private conservation trust fund based in Peru with over 20 years of experience in financially and technically supporting the country’s Protected Area (PA) system and their buffer zones. Throughout this time, Profonanpe has maintained a close working relationship with the Government of Peru through a direct collaboration, initially with the Natural Resources Institute (INRENA) under the Ministry of Agriculture, and currently with the National Service for Protected Areas, Servicio Nacional de Áreas Naturales Protegidas por el Estado (SERNANP), housed within the Peruvian Ministry of the Environment and in charge of the management of the National PAs System, Sistema Nacional de Áreas Naturales Protegidas (SINANPE). Since its inception, Profonanpe’s role in conservation and PAs management has grown from providing sustainable operational financing to cover part of PAs’ recurrent costs to advocating and promoting innovations to PAs management patterns in Peru. This case study describes the key components to Profonanpe’s successful collaboration with SERNANP outlining the key governance mechanisms, approach and processes in place at Profonanpe that have allowed a smooth collaboration between the various partners.

2.1 Background and context

Profonanpe is a Peruvian private, nonprofit institution created in 1992 and located in Lima, the capital city of Peru. Profonanpe’s current institutional objective is to raise, manage and channel funding for the conservation of biodiversity harbored in natural PAs and their buffer zones. Profonanpe accomplishes this objective, in part, by serving as the financial arm for SINANPE.

Profonanpe began operations through a grant from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and received an initial capital support for the creation of its endowment fund in 1995 in the form of US$5.2 million from the Global Environmental Facility (GEF) through the World Bank (WB). This endowment fund was initially designed to provide long-term funding to cover PAs recurrent costs.

Since the GEF/WB initial capital support to its endowment fund, Profonanpe has increased its funds more than 25 fold and now includes funding from multilateral organizations, bilateral agreements, private companies and international foundations. Also in this time, Profonanpe’s role in Peru’s conservation has evolved to one of supporting research, innovation and promotion of PAs. Over time, Profonanpe has generated an annual average of US$8 million to fund various conservation programs and projects. About 55% of the resources channeled to PAs has focused on investments that contributed to building infrastructure and buying equipment for PAs. In addition to financially supporting PAs recurrent costs (representing 20% of its disbursements), Profonanpe also played a key role in supporting the design of policy instruments and strategic planning (10%), and in enforcing participative management strategies (15%).

One of the main features of Profonanpe’s efforts over the years has been supporting the development of innovations in the management of PAs, contributing to the design and implementation of pilot mechanisms which, after demonstrating their relevance, are mainstreamed into the regular activities carried out by the national authority.

By securing and channelling new funds, Profonanpe makes possible a regular flow of financial resources, thus ensuring continuous and sustained activities for the preservation of the natural and cultural heritage of PAs. To accomplish this goal it encourages active public and private involvement, both domestic and international. A core element to Profonanpe’s work, therefore, is facilitating the coordination of different actors to mobilize resources for PAs.
2.2 Basic governance structure

Profonanpe’s Board of Directors includes eight seats, of which four are filled by government appointees. The other 50 percent of the Board consists of two representatives from civil society, one representative from private industry and a final representative from one of Profonanpe’s donors.

The Board composition has recently changed. In 2008, the number of government representatives increased from three to four out of eight members. Although, this increase means a stronger decision power for the Government over Profonanpe’s activities, this has not resulted so far in Government interference in Profonanpe’s activities. Profonanpe’s publicly recognized achievements and its institutional and organizational structure make it difficult for political changes to cause disruptions to the organisation. This is described more in detail below.

The following figure shows the governance structure in place at Profonanpe.

The Board turns to several committees for specific recommendations on certain topics. These committees are the following:

- The Technical Advisory Committee, composed of external experts and scientists whose most important function is to provide specialized advise to both the Board of Directors and the Executive Directorate on technical matters related to PA policies and operational strategies, biodiversity conservation, ecological issues, legal and administrative regulations, research priorities, scientific guidelines, procurement policies, international environmental issues and financial management.
- Administration Committees (for each Program administered by Profonanpe), in charge of general project supervision, annual work plans and annual report approvals, rescheduling of project activities and/or budgets.
- The Finance Committee, in charge of portfolio investment follow-up, giving technical recommendations to both the asset managers and the Executive Directorate, providing technical advice to the Executive Directorate and analyzing and recommending to the Board of Directors proposals for adjustments to the investment policy prepared by the Executive Directorate.
- The Audit Committee, whose main functions are to ensure that Profonanpe fulfils the formalities and requirements relating to the application of external audits, reviews and comments on the audit plan, participates in the formulation of responses to internal control, reviews and analyses the audit report and reviews the effectiveness and efficiency of the work performed by the external auditor.
2.3 Elements of coordination and cooperation

Profonanpe’s governance structure centers on several key foundations that permit the organization to work smoothly and efficiently with the Peruvian Government and donors. Some of the key elements to this cooperation are the following:

1. **A clear division of responsibilities between Profonanpe and SERNANP** – Profonanpe has always positioned itself as SINANPE’s financial arm, in which Profonanpe is in charge of securing and mobilizing funds, and disbursing generated funds (generated through various financial mechanisms including endowment and sinking funds, programs, etc.) according to annual action plans prepared and agreed in close collaboration with SERNANP. SERNANP, on the other hand, is in charge of the overall implementation of activities and projects financially supported by Profonanpe. Part of this division includes a close coordination of activity planning so that annual work plans, budgets and procurement plans are all developed and agreed upon by both Profonanpe and SERNANP through inter-institutional cooperation agreements. As a final agreement, all of these plans are approved and validated by the Board of Directors. All activities financed by Profonanpe during the year falls within this annual planning.

2. **Donor agreements have clear provisions** – While financial agreements are being written and negotiated with donors, potential roadblocks and challenges are identified and addressed so that the final agreement includes a clear provision of how the fund will be managed in possible scenarios and how potential challenges and problems are dealt with. Additionally, donors retain a voting seat on Profonanpe’s Board, providing them with a voice in case of potential disagreements and/or conflicts.

3. **Profonanpe’s operating documents are well-established** – Procedural manuals, such as Profonanpe’s statutes, bylaws and operation manual, among others, contain clear roles, responsibilities and procedures for the different Profonanpe governance and decision bodies including the Board and the Executive Directorate and their interaction with SERNANP. Additionally, when new Board Members are appointed, they receive all the legal and procedural documentation pertaining to Profonanpe also in addition to the documentation necessary to understand the most pertinent issues facing conservation and PA management in Peru enabling them to make informed decisions.

   An important part of the smooth interaction between the Executive Directorate and the Board is also the leadership of the Executive Director, maintaining a clear distribution of roles and responsibilities between the different governance and decision bodies.

4. **Profonanpe’s reputation is a strong asset for maintaining independence of the organization vis-à-vis government influence** – Since its inception to date, one of Profonanpe’s most important achievements in its institutional performance is its independence from government interference. Profonanpe’s publicly recognized achievements and current strengths, reputation and institutional consolidation insulate the organization from political changes and influence.
2.4 Achievements

When Profonanpe began operating, it was mainly focused on securing recurring operational costs for Peru’s PAs since sufficient funding was not available through government sources alone. For approximately its first decade of operations, Profonanpe successfully focused on securing additional operational funding for PAs.

Subsequently, the National Authority on PAs began achieving significant increases in budgets provided by the public treasury. Profonanpe was able to evolve its role away from supporting operating costs towards a role supporting research and innovation for PAs management. Currently, Profonanpe is supporting the implementation of a large number of pilot programs covering more than 20 PAs and formalizing around 12 agreements with regional (sub-national) governments.

2.5 Lessons learned

In expanding from an original endowment of US$5.2 million to acquiring over US$134 million in funding, including attracting about US$50 million in endowment funds through debt-for-nature swaps and other co-financing mechanisms, much of Profonanpe’s governance structure centers around having established a clear organizational mission and role and applying that role to Profonanpe’s relationship with government and donors.

Profonanpe facilitates funding agreements between donors and Peru’s PAs, and a key component to this work includes establishing clear funding agreements and operational procedures that anticipate challenges and prescribe clear roles and responsibilities across differing governing entities and partners. On that basis and as alignment on plans and agreements about the division of responsibilities is clearly established, Board decisions are always made based on a consensus among Board members.

Finally, in addition to a close working relationship with the Peruvian Government, Profonanpe is also able to rely on its reputation and proven accountability to maintain an ideal distance from government influence or political change. Coordination and consensus-building across agencies and organizations and identifying synergies has guided efforts towards a shared vision of conserving Peru’s biological diversity. Cooperation across institutions plays, therefore, a paramount role by making it possible for Profonanpe to meet its institutional mission.
3. Environmental Foundation of Jamaica

In 2012, two different environmental trust funds in Jamaica, both created through debt-for-nature swaps with the United States Government, began the process of consolidation into a single conservation trust fund with the hopes of improving the effectiveness and viability of both funds. This case study describes the experience of consolidating the Environmental Foundation of Jamaica (EFJ) with the Forest Conservation Fund (FCF), including the challenges arising within two different governance structures as well as the way the optimal structures from each fund were combined to form a new governance structure designed to ensure the performance and sustainability of the merged fund.

3.1 Context and challenge

Establishment of the two original funds

The Environmental Foundation of Jamaica (EFJ) was created in 1993 through an agreement between the Government of Jamaica (GoJ) and the United States Government (USG) as part of the latter’s Enterprise of the Americas Initiative (EAI). The EAI included a debt-for-nature swap component, and EFJ was established to manage and administer funds resulting from the swap (see Box 1). EFJ’s mission in managing the fund was two pronged: conserve Jamaica’s natural resources and improve child survival and child development in Jamaica.

The Forest Conservation Fund (FCF), on the other hand, was created in 2004 through the Tropical Forest Conservation Act (TFCA), which was also a debt-for-nature swap between the USG and the GoJ. The FCF’s mission was targeted to protecting Jamaica’s natural resources and biodiversity specifically through forest conservation efforts. In the case of TFCA, fees for the debt swap were paid for by The Nature Conservancy (TNC), who thus became a party to the fund agreement. From the outset, negotiations between donors for the TFCA were complicated, and the final FCF was established with a relatively abnormal governance structure compared to other funds.

FCF/JPAT’s distinctive governance arrangement

FCF’s original set-up included 3 principle governance mechanisms: 1) an Oversight Committee was created and assigned responsibilities typical of Board functions for other conservation trust fund arrangements, such as directing grant making and internal reviews, 2) an additional legal entity called the Jamaica Protected Areas Trust (JPAT) was established to manage the receipt, investment, and expenditure of debt payments to the Fund, reportedly based on TNC’s vision that JPAT could serve other advocacy functions for conservation in general in Jamaica, and 3) an arrangement with the existing EFJ to administer FCF operations via EFJ’s existing staff.

FCF/JPAT began operations relatively smoothly, in part due to its clearly defined and targeted mission; nonetheless, several problems emerged relatively quickly and were documented in a 2010 independent evaluation of the Fund. The administrator agreement with EFJ deteriorated in the first year with concerns that EFJ staff did not focus sufficient attention on FCF/JPAT issues, and fund administrator responsibilities for FCF were thus assumed by JPAT. JPAT was able to fund an Executive Director position with a grant from TNC, but this arran-
Management lasted only one year with JPAT never truly acquiring other funding for staff. The OC, on the other hand, had problems recruiting and retaining Members, and its composition was criticized as too variable and weighted in some respects towards government.

One of the largest challenges for FCF was that the division of roles and responsibilities between the OC and the JPAT Board were never clear, and each entity spent considerable effort merely to assert and clarify its own role. Overall, ambiguity in leadership and authority of the two Board structure created inefficiencies in terms of both time and money. According to the 2010 evaluation, these weaknesses were exacerbated by the Fund’s bylaws and operation manuals which, while theoretically well grounded, were nonetheless incomplete in certain areas.

The 2010 evaluation resulted in the recommendation that FCF/JPAT undergo considerable structural change. Proposed solutions included combining JPAT and the OC into one entity, separating JPAT from the OC and ascribing FCF responsibility to the OC or transferring JPAT and OC authorities to the EFJ. Based on suggestions from USAID, the final solution chosen was a complete merger between JPAT/FCF and the existing EFJ. The goal of such a merger was to bring EFJ’s management structure and leadership experience to the newer, developing FCF governance process, while augmenting the EFJ’s existing funds and building on the process begun by the FCF for an endowment fund. The overall goal was to use the merger as an opportunity to create a sustainable Conservation Trust Fund for Jamaica. The “new” fund retains EFJ’s name; however, it combines both funds’ missions and includes a complete restructuring of the EFJ, JPAT and FCF Boards into a single entity (see Box 2 and Figure 6).

### The ‘new’ Environmental Foundation of Jamaica (EFJ)

**Mission:** “To be a major funder of environmental protection and child survival initiatives in the interest of sustainable development.”

**Vision:** “To be the regional leader in funding and influencing policy for environmental management & conservation, as well as child survival and development.”

#### 3.2 EFJ’s new governance structure

Representatives and stakeholders from the former funds (including several members of the GOJ, the USG, TNC and selected Board Members from the original 3 entities) discussed the merger and agreed upon a new Board of Directors for the consolidated EFJ. These parties also created an Inception Board that will orient the fund through its first 2 years and transition gradually into the established rotation for the new Board.

The new Board composition has been created by drawing on the strengths and weaknesses of each of the original funds. A single Board will administer the newly reconstituted fund, and the new Board includes a larger number of seats with a clear NGO majority presence. It is divided into three types of Board members of which the 3 original signatories to the debt-swap agreements retain permanent seats, the GOJ retains one indefinite seat, and the remaining 7 seats will be filled by a variety of NGO representatives. There are clear stipulations that Board members shall include one forestry NGO, one child support NGO and members with experience in law and finance to ensure sufficient internal know-how for fund management decisions. The Chair of the Board will be an NGO selected from amongst the Board Members.
The Board will be responsible for awarding all grants, and each Director will be allowed to vote on all grant decisions. The EFJ procedures for recusal will be retained in the case of potential conflicts of interest. It is also expected that Board Committees will be created, for instance a Grants Committee may be established with both Board members and non-members to analyze and make recommendations on grant awards. An Executive Committee and Finance and Investment Committee may also be created to support the Board in operational decisions. Finally, the Board can create additional seats and new voting procedures in the case that new funds are acquired from additional donors.

Figure 6: Consolidation of three different Board entities into one

Original EFJ Board
- Government of Jamaica
- United States Government
- University of West Indies
- Child Survival NGO
- Four additional NGOs

JPAT Board
- Government of Jamaica
- The Nature Conservancy
- Four representatives from associations/NGOs in Jamaica

Forest Conservation Fund Oversight Committee
- Government of Jamaica (x2)
- US Government
- The Nature Conservancy
- Academia representative
- Two NGOs

New Environmental Fund of Jamaica Board Seats

Permanent Members (appointed)
1. Government of the United States
2. Government of Jamaica
3. The Nature Conservancy

Institutional Members (appointed for indefinite term)
4. Government of Jamaica

Term Members (elected for 2 year terms, max of 3 terms)
5. Forestry related NGO member
6. Child related NGO member
7. Representative from academia
8-11. Up to four NGOs active in Jamaica

Observers (non-voting)
- Ministry of Finance
- Other interested NGOs
3.3 Management and strategic direction

A Strategic Plan for 2013-2015 has been developed and approved and includes a number of priorities that follow recommendations from the 2010 JPAT/FCF evaluation. The plan consists of three overarching goals for the new fund: 1) Fundraising to ensure the longevity and sustainability of the organization; 2) Capacity Building that helps grantees overcome weaknesses to ensure the success of their and the Fund’s goals; and 3) Improving Operational Efficiency specifically by reviewing and consolidating the various operational documents for the new fund. Many of the responsibilities within the Strategy Plan are assigned to the Board of Directors, and a clear division of roles between the Executive Body and the Board of Directors is being established (see Table 1).

Table 1: Overview of fund strategies from the 2013-2015 Strategic Plan

<table>
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<th>Strategy</th>
<th>Governance responsibility</th>
<th>Example of tasks</th>
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| 1) Fundraising            | Primarily the Board of Directors with some involvement from the Executive and Senior Staff | • Securing new funding  
• Maintaining financial prudence  
• Measuring, evaluating and communicating impacts to potential donors  
• Updating Endowment Trust Agreements |
| 2) Grant-making and Capacity Building | Primarily the Executive and Senior Staff | • Use of the Institutional Self Assessment tool for Capacity Development  
• Facilitating mentoring between grantees and between EFJ and grantees  
• Providing direct support to grantees with weaknesses  
• Assisting grantees in awareness building activities |
| 3) Operational Efficiency | Primarily the Board of Directors with some involvement from the Secretariat and Executive | • Draw on the strengths of EFJ and JPAT/FCF to create a consolidated operational policy for the Fund  
• Review and establish a M&E process for reporting on the Fund’s impact  
• Review sub-committees and membership  
• Refine grant-making procedures  
• Brand and communicate the work of EFJ to interested stakeholders |

3.4 Current successes and challenges

There have been a number of successes and challenges witnessed in the merger process at EFJ thus far. Firstly, both funds stood to benefit from the merger since EFJ had reduced endowment funds but a longer management history, and FCF/JPAT was still developing in terms of grant-making but had funding and an endowment. Evaluators noted that, for a country the size of Jamaica, having two separate trust funds was potentially unnecessary. The merger allows FCF/JPAT to benefit from EFJ’s more robust experience in administering a conservation trust fund, such as EFJ’s more formalized reporting procedures and experience managing potential conflicts of interest, while allowing EFJ to benefit from FCF/JPAT’s under-deployed funds and alternative grant processes.

The newly structured Board of Directors, in particular, has been designed to respond directly to specific weaknesses observed in the original FCF/JPAT fund arrangement. Particular interest has been paid to ensuring that Board members and roles are clearly defined, that the Board includes a sufficiently large range of experience and interests and that Board members comprise a majority NGO presence. The procedural inefficiencies characterizing the original FCF/JPAT governance structure have been avoided in the new Board.

There were difficulties associated with the merger as well. Firstly, establishing a new legal framework for the fund that satisfies the requirements of the different parties involved at the USG, the GOJ and existing organizational representatives has been long, and the length of this process has, at times, discouraged both the Board and staff. Grant-making during this time has been nearly halted, and certain partnerships have been jeopardized.

Nevertheless, EFJ executive staff note that the merger has created a dialogue and reflection for both funds that has been particularly useful, and the results of these discussions leave the “new” EFJ well poised to continue grant-making and approach potential new donors.
3.5 Lessons learned

The experience of FCF/JPAT and EFJ illustrates the importance of conceiving a governance structure that responds to the wishes of different donors and parties while retaining an advantageous balance between governance complexity and efficiency. Despite strong commitment and dedication to the Fund on the part of JPAT and FCF Board Members and staff, the lack of procedural clarity hampered the Fund’s growth and operations. Not securing a consistent operational funding source for JPAT staff additionally contributed to these weaknesses.

The merger of the two funds, however, shows that significant structural change, while complex, is a potentially necessary process for resolving governance and management weaknesses to ensure coherence and sustainability in the future. The “new” EFJ has a well defined Board of Directors that is already engaged in a Strategic Planning processes with clearly defined roles and responsibilities for allowing the Fund to move forward.
Latin American and Caribbean Network of Environmental Funds