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# **UGANDA BIODIVERSITY CONSERVATION TRUST FUND STUDY**

FINAL REPORT

July 5, 2014

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# **Uganda Biodiversity Conservation Trust Fund Study**

## **FINAL REPORT**

### **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

**Background:**

This study assesses the feasibility and available options for establishment of a national biodiversity conservation trust fund in Uganda (Uganda Biodiversity CTF). This assessment followed the increased interest in developing sustainable financing strategy for Uganda's biodiversity, initiated by a donor group in late 2012. The assessment covered broad range of stakeholders in the country, and the result indicates that there exists support for the creation of a national-level conservation trust fund.

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WCS would like to thank especially the United States Agency for International Development (USAID), which funded this assessment, and was instrumental along with the Agence Française de Développement (AFD) and other donors in spearheading this initiative since late 2012.

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## List of Acronyms and Abbreviations

Acronym	Definition
AFD	Agence Française de Développement
BMCT	Bwindi Mgahinga Conservation Trust
CAADP	Comprehensive Africa Agriculture Development Program
CBO	Community Based Organization
CFA	Conservation Finance Alliance
CFM	Collaborative Forest Management
CSWCT	Chimpanzee Sanctuary and Wildlife Conservation Trust
CTF	Conservation Trust Fund
ED	Executive Director
EU	European Union
FFEM	French Fund for the Global Environment
GEF	Global Environment Fund
GDP	Gross Domestic Product
GMP	General Management Planning
KfW	KfW Banking Group
LAC	Latin America and Caribbean

LRSC	Local Representative Steering Committee
MFNP	Murchison Falls National Park
MWE	Ministry of Water and Environment
NDP	National Development Plan
NEF	National Environment Fund
NEMA	National Environment Management Act
NFA	National Forestry Authority
NGO	Non-Governmental Organization
NPI	Net Positive Impact
PA	Protected Area
PES	Payment for Ecosystem Services
REDD	Reducing Emissions from Deforestation and Degradation
SMART	Spatial Monitoring and Reporting Tool
UBF	Uganda Biodiversity Fund
UCF	Uganda Conservation Fund
UNDP	United Nations Development Programme
UCU	Uganda Conservation Limited
UNEP	United Nations Environment Programme
USAID	United States Agency for International Development

UWA	Uganda Wildlife Authority
UWCT	Uganda Wildlife Conservation Trust
UWEC	Uganda Wildlife Education Center
WCS	Wildlife Conservation Society



## I. EXECUTIVE SUMMARY

Uganda is one of the most biodiverse countries on the planet. This rich biodiversity provides the foundation for Uganda's economically important wildlife tourism sector that directly contributes \$805 million a year to the national economy (9.2% of total Ugandan GDP in 2012) as well as other sectors dependent upon water, agriculture, and forests. Much of Uganda's biodiversity is found in the Country's 10 national parks, 13 wildlife reserves, 10 wildlife sanctuaries, and 5 community wildlife areas while other areas of biodiversity and ecological importance remain outside of the protected areas network. Uganda has one of the highest population growth rates in the world and is eager to increase per capita income and provide jobs to its burgeoning population. The push for development along with population growth places significant pressures on the country's biodiversity and natural capital.

Despite the increase in tourism revenue over the past five years, the national park system remains underfunded. The situation is even worse for other departments such as Forestry and Wetlands, where the lack of sufficient resources is leading to significant losses in forest cover and wetland function. Unfortunately the Government has been unable to fill these financing gaps. Not only are inadequate amounts budgeted for but the resources actually released and utilized for biodiversity conservation are lower than the amounts indicated in the national budgets. For example, in FY2012/2013, the Ministry of Water & Environment received only 66.1% of its approved budget. A similar situation occurs in other conservation related sectors, such as in the agriculture and tourism sectors.

This situation of underfunded biodiversity and ecosystem conservation is not uncommon around the world. As a response, governments and civil society stakeholders have explored the development of a range sustainable financing mechanisms for conservation. One of those involves the creation of conservation trust funds (CTF), which are private, legally independent grant-making institutions that provide sustainable financing for biodiversity conservation and natural resource management. There are more than 60 CTFs operating in Asia, Latin America and Africa, with Africa having a diversity of CTFs. Some are recently created, while others have been operating for two decades. The Bwindi Mgahinga Conservation Trust in Uganda is one of those early funds; created in 1994 it has been successfully providing financing for conservation for twenty years. One of the great benefits of CTFs is that they can be effective means for mobilizing additional funding for biodiversity conservation and natural resource management from international donors, national governments and especially the private sector. Many CTFs help strengthen civil society and help improve the accountability and effectiveness of government-run PA management agencies.

The growing need for conservation funding in Uganda coupled with opportunities to generate funds from payments for ecosystem services and biodiversity offsets, has led to a growing interest to create a national level CTF. In December 2012, the Agence Française de Développement (AFD), together with the French Embassy in Uganda, organized a workshop to discuss opportunities for conservation financing in Uganda. Workshop participants, who included donors and NGOs, formed an informal task force to coordinate the follow-up actions resulting from the workshop. One of the key recommendations of the workshop was to conduct a study to assess the feasibility of a biodiversity focused CTF in Uganda. USAID agreed to fund the feasibility study and contracted the Wildlife Conservation Society (WCS) for the implementation.

The feasibility study had the following objectives:

- Conduct a study to provide interested stakeholders in Uganda with sufficient information to evaluate key questions regarding the feasibility, scope, scale and structure of a Conservation Trust Fund;

- Present this information in a workshop setting to allow stakeholders to evaluate options and come to consensus on the way forward; and
- Provide recommendations for specific next steps based on the study and workshop outcomes.

The WCS team undertook background research on Uganda's experience with trust funds; analyzed the conservation funding gaps (estimated to be at least \$15 million per year); and consulted with a wide variety of different stakeholders to determine the level of interest in creating a CTF. The team then held a one-day workshop in May 2014 where stakeholders were able to learn about international best practice, the investment experience of CTFs, and provide their input into how a national-level fund might be designed and implemented. The result of the consultations and workshop were consistent, with overwhelming stakeholder support for the idea of creating an independent CTF. Stakeholders felt that the CTF should strive in the short-term to reach at least a \$10 million capitalization that could grow over time to at least \$30 million, thereby generating close to \$1.5 million of conservation funding per year. Raising the capital for the endowment represents an important element of success and a key challenge. In addition, stakeholders recognized the important contribution the CTF could make in terms of managing offset money from oil companies and other industries by creating administrative flexibility that provides for different funding windows, or accounts with targeted objectives.

The workshop reached the consensus to move forward with the creation of a CTF, with an initial name of the "Uganda Biodiversity Fund" (UBF). The workshop identified the following steps to move the process forward and be able to launch the Fund sometime in 2015:

- Donors determine whether financing is available to support the creation and start-up of the Fund. The funding in the range of \$200,000 to \$300,000 is necessary for the preparatory phase over the next 9 to 12 months. Funding to support the operations of the Fund over an additional four to five years is also recommended to give time for the CTF to begin its operations, including provision of grants. An additional \$3 to \$4 million would be required to build a strong institution and develop a robust grant program that begins to fill priority conservation gaps.
- Once funds are available, the Donors should contract the technical assistance necessary to lead the process of establishing the Fund. The preparatory development phase will require the hiring of a technical assistance team that will include a Program Coordinator to support the work of the Steering Committee, and provide other necessary technical assistance. The investment will lead to the establishment of the new CTF. Adequate funding for the new Fund launch is key to the success of making the UBF viable, as will funding a post-launch phase when the CTF will begin operations and large-scale fundraising. Specifically the launch phase will involve the following:
  - a. The Program Coordinator will support the formation of the Steering Committee and then guide the process of completing the tasks necessary for the CTF creation and registration.
  - b. The other technical assistance team members will provide legal and technical support for this process with an objective of completing the Trust Deed and initiating the registration process within six to nine months of holding the first Steering Committee meeting. The products will include the Trust Deed, By-laws, draft Terms of Reference for the Executive Director, draft Operations Manual, initial investment strategy, and draft Fundraising Strategy. The Program Coordinator and technical support team should refer to guidance on best practice available from the Conservation Finance Alliance (CFA), referencing the CTF tool kit and the practice standards ([www.conservationfinance.org](http://www.conservationfinance.org)).

- Once the Fund is registered and resources are secured for operations, the Program Coordinator will work with the new Board to finalize recruitment and hiring of an Executive Director, who will then work with the Board to establish the CTF, including liaising with donors to move forward with the endowment capitalization. At this point operational funds will be required to support the mission of the UBF and build institutional capacity.

## II. BACKGROUND

### A. INTRODUCTION AND STUDY OBJECTIVES

Uganda has 10 national parks, 13 wildlife reserves, 10 wildlife sanctuaries, and 5 community wildlife areas. Of its 4.9 million hectares of forests and woodlands, 30% are in protected areas. Uganda has one of the highest population growth rates in the world and is eager to increase per capita income and provide jobs to its burgeoning population. At the same time, it is also one of the most biodiverse countries on the planet, and this biodiversity provides the foundation for its economically important wildlife tourism sector that contributes \$805 million a year to the national economy (9.2% of total Ugandan GDP in 2012). The Lonely Planet recommended Uganda as the number one travel destination in 2012, largely because of its wildlife attractions. The Government of Uganda provided in recent years about \$20 million for biodiversity protection in Uganda through various agencies and ministries. Donors provide \$10-20 million more each year, although this fluctuates. Total on- and off-budget resources for environment, natural resources, and tourism are estimated at approximately \$62 million (NEMA, 2014).

The network of protected areas and national forest reserves is well established and serves to conserve a significant portion of the biodiversity in Uganda. However, a range of activities, initiatives, and investments remain largely unfunded - in fact, strategic management and investment plans need to be updated, completed, and fully funded. In addition, oil and gas development in the Albertine Rift may have significant direct and indirect impacts on parks and critical forest ecosystems and must be well managed, along with hydropower and geothermal resource development to mitigate the cumulative impacts on the region's important biodiversity. Encroachment and other pressures on land, poaching, increased demand for charcoal and firewood, climate change impacts, and human-wildlife conflict, among other factors, could jeopardize biodiversity and protected areas. Sustainable, long-term funding is needed to expand the protected area estate to better cover wetlands, Important Bird Areas, etc.; to fund natural resources management staff, technical assistance and equipment on the ground; to meet investment needs for infrastructure and tourism facilities; and to provide assistance or investment opportunities to local communities to ensure that they share in the benefits of sustainable development.

Increasing interest in the development of a sustainable financing strategy to support biodiversity conservation actions in Uganda has led some stakeholders to discuss the idea of creating a Conservation Trust Fund (CTF). A well-structured and transparently managed CTF could allow for flexibility in responding to new challenges and ensure independence from short term government interests, in addition to leveraging funds from a variety of sources. The biodiversity sector has the potential to generate significantly more funds through increased investment in tourism, payments for ecosystem services, compensation payments (or offsets) from the private sector, and carbon finance; all of which could be managed by a CTF.

In December 2012, the Agence Française de Développement (AFD), together with the French Embassy in Uganda, organized a workshop to discuss opportunities for conservation financing in Uganda. December workshop participants, who included donors and NGOs, formed an informal task force to coordinate the follow-up actions resulting from the workshop. One of the key recommendations of that meeting was to conduct a study to assess the feasibility of a biodiversity

focused CTF in Uganda and outline the key decision points and options to assist the task force and other interested stakeholders in CTF's establishment. USAID agreed to fund that study and provided a contract to the Wildlife Conservation Society in April, 2014 to carry it out. The goal of the study is to engage a broader range of stakeholders in the formation of a CTF and bring those less familiar with the idea up to speed so that they can fully participate in decisions regarding governance issues and the overall role of the CTF.

The objectives of this report are to:

- Present the results of the Uganda CTF study thus providing interested stakeholders in Uganda with sufficient information to evaluate key questions regarding the feasibility, scope, scale and structure of a Conservation Trust Fund (CTF);
- Present the results and main conclusion of the workshop with stakeholders where they were able to evaluate options and come to consensus on the way forward; and
- Provide recommendations for specific next steps based on the study and workshop outcomes.

## B. RELEVANT PLANS, PROGRAMS, AND STUDIES ALREADY CONDUCTED IN UGANDA

Uganda has a variety of action plans and policies that are related to the design of the Conservation Trust Fund. Below is a description of several relevant plans and policies.

The National Development Plan for Uganda for 2010-2015. This plan contains relevant aspects for the CTF concept development. First, it includes agricultural development, forestry, and tourism under primary growth sectors for the country, all areas with direct impact and dependence on biodiversity. The plan mentions the importance for forest cover and the need to increase cover from 18% to 30% through the promotion of tree planting programs. The primary focus for these reforestation activities is the need for fuelwood for rural households, on which approximately 90% of households are dependent. National Core Projects (priority projects) are all related to mining programs, power supply, transport network improvement, and investment in science.

National Environment Management Policy (1995). This policy document was produced as part of the National Environment Action Plan. It envisaged the development of a National Research Fund for environmental research, which was poorly funded. There was no mention of plans to create any other funds.

National Biodiversity Strategy and Action Plan (2002). This plan was developed to fulfill a requirement of the Convention on Biological Diversity and to guide planning in Uganda regarding biodiversity. The main objectives of the plan are: a) to develop and strengthen coordination, measures and frameworks for biodiversity management; b) to facilitate research, information management and information exchange on biodiversity; c) to reduce and manage negative impacts on biodiversity; d) to promote the sustainable use and equitable sharing of costs and benefits of biodiversity; e) to enhance awareness on biodiversity issues among the various stakeholders. The plan does not include a budget for its implementation but envisages funding coming from government, development partners, donors and the private sector. There is no mention of trust funds in the plan except external trusts possibly being a source of funding for the plan's implementation. This plan is currently being revised with support from the United Nations Environment Programme (UNEP) and a financing plan to support the proposed activities will be produced by the BIOFIN project (United Nations Development Programme, NEMA, Ministry of Finance).

The Uganda Wildlife Authority (UWA) Strategic Plan (2013). UWA's most recent strategic plan (2013 – 2018) focuses on improving requisite infrastructure and capacities that would enable effective management of protected areas (PAs) and increase UWA's ability to provide its conservation and ecosystem management services in light of growing threats and expanding needs for tourism management. Major threats the plan is addressing include the increase of poaching (both for domestic consumption and specifically in regard to elephants for ivory), human-wildlife conflicts and encroachment. The plan lays out a bold vision toward financial sustainability with tourism income growing at 12% per annum. However, it is likely that UWA's expenditures will continue to climb in order to meet growing threats, making financial sustainability in the medium term challenging to achieve. UWA aims to generate 80% of its revenues internally, with the rest coming from the government and outside sources; some of the shortfall could be covered by CTF funding.

UWA's strategic plan also links with the National Development Plan, which specifically aims to increase contribution of tourism to GDP and employment through actions such as diversifying tourism products, reintroduction of some species into wildlife areas, and developing improved tourism infrastructure. The strategic plan also recognizes both existing impacts and potential threats from oil exploration, hydropower development, and new mineral exploration in protected areas. The CTF can play an important role to engage these private sector companies in increased conservation measures such as biodiversity offsets by providing a transparent financial management vehicle (see below). Many threats and program areas UWA needs to address (such as wildlife disease prevalence, restoration of ecosystems and their connectivity, poaching, community conservation) relate to areas around the parks and reserves. UWA thus needs more support (and funding) to engage in those areas, which could be done in partnership with other organizations including the private sector and could be supported by the CTF.

National Forest Plan (2011): The original National Forest Plan was developed to implement the National Forest Policy (2001) and was developed for the period 2003-2013. In 2011, the Ministry of Water and Environment developed its new ten-year National Forest Plan effective through 2022. The revision was done for several reasons. First, the institutional framework that came with the forest reform in late 1990s/early 2000s, has not delivered the expected results. The National Development Plan (NDP) in 2010 also placed forestry in the center of the country's development plans. The NDP emphasized even restoration of degraded forests, restoring forest cover back to 1990 levels and promoting forestry through industry and trade. The strategic focus of the National Forestry Authority (NFA) was aligned to: 1) increase economic productivity and employment in forest production, processing and service industries; 2) raise incomes for households through forest-based initiatives, targeting improvement of the well-being of small-scale, largely rural stakeholders; and 3) restore and improve ecosystem services derived from sustainably managed forest resources.

The estimated required budget for this ten-year plan was \$179 million but it is unlikely this will be achieved as NFAs budget during the first years of implementation is much less than expected. The plan envisages that 44% of the total NFP budget will be funded by Government through the Medium-Term Expenditure Framework; 41% will be mobilized through the private sector; and 16% through civil society organizations. Approximately 21% of the total budget is supposed to go directly for law enforcement, conservation and restoration of natural forests, though other programs also contribute toward conservation (e.g. forest certification, research, and training). Various fund mobilization schemes are proposed under the Forest Financing Strategy such as:

1. Mobilize conditional grants for forestry developments in local governments
2. Activate the Tree Fund provided for under the law to support tree growing initiatives at local government and community levels
3. Develop financial instruments for funding Payment for Ecosystem Services (PES)
4. Increase the economic productivity of natural forests in order to generate incomes for reinvestment

5. Develop innovative and non-traditional enterprises (e.g. expanding landscape tourism, botanical gardens, etc.) to diversify incomes/revenue sources
6. Promote corporate social responsibility initiatives that support tree growing and natural forest management
7. Mainstream tree planting in all public and private development programs and projects
8. Promote private-public partnerships to enhance forest sector financing
9. Mobilize long-term low-interest finance from pension funds for forest developers

The NFA is also currently working on a new Business Plan, as the most recent plan covered the period between 2009 and 2014. In this plan, NFA realizes that over 80% of its forest estate could not generate timber revenue, hence the agency needs to generate supplemental income from other sources, or attract external funding. The NFA also acknowledged that while cumulative area of new plantations is increasing, the mature timber plantations would be exhausted in 2011 to 2013, further reducing income that could be used for management and conservation. The plan called for total revenues of about \$24 million in 2014, but NFA's actual total revenue in 2013 (internal and external) was only about \$6 million.

NEMA Strategic Plan (2009). This strategic plan covers the period from 2009-2014 and focuses on the need to strengthen NEMA's ability to fulfill its mandate in Uganda. The main objectives of the plan are a) strengthening environmental compliance, b) integrating environment at national and local government levels, c) improving access to environmental information for education/awareness, d) strengthening NEMA's institutional capacity and e) improving national and regional networking and promoting international standards. The financial resource management section of the report estimated that \$9.8 million was needed to implement the plan with an annual budget of between \$1.6-2.7 million. Whether NEMA realized this level of funding is unclear as the plan's implementation period is almost completed. There is no mention of the Environment Fund within the plan or how it could support the financing needs of the institution.

Uganda's Travel and Tourism Industry Competitiveness Plan (2005). In 2005, a draft Travel and Tourism Industry Competitiveness plan was developed for Uganda. This plan was developed for 2005-2015 to improve Uganda's competitiveness in the tourism sector. In 2005 Uganda's tourism generated 25.4% of all of Uganda's export earnings (\$266 million USD) and was estimated at 9.2% of GDP. It was forecast at that time that tourism would grow by 6.1% during the lifetime of the plan. The plan identifies the need for a Sustainable Tourism Guarantee Fund to help tourism investors and was described as follows:

'While it is the case that many existing investors can access financing through traditional mechanisms, the development of Uganda's tourism industry requires a relatively fast infusion of new investment. To encourage such, it is recommended that Uganda review its investment attraction program for the tourism industry and identify the ways in which the country might provide incentives for investment. One of the ways to do this would be to set up a Sustainable Tourism Guarantee Fund, which would function to lower the cost of money borrowed to support tourism investments. Under such a Fund, the investment itself might serve as collateral for the loan'

Uganda Tourism Act (2008). This Act aims to consolidate and streamline the law relevant to tourism and to reconstitute the Uganda Tourism Board to make it private sector driven. Under this Act, a Tourism Development Levy may also be imposed by the Minister of Tourism, Trade and Industry (in consultation with the Minister for Finance) and such funds would be managed by the Tourism Development Fund. The fund as of now is not operational, though several industry participants feel that it should become an important financing vehicle to assist development of tourism in the country.

National Wetland Information System (1993; being updated). The Ministry of Water and Environment conducted an inventory and reconnaissance of wetlands nationwide in 2008 but the

validation process is not yet completed. The Wetland Information System, originally created in 1993, is being updated currently with this new information and will be closely linked with local government actions. The comprehensive datasets organized by Districts contain information on biodiversity importance, ecosystem services, wetland uses, and conservation management. Additional analyses, such as wetland replacement cost analysis, are underway. When completed, the Wetland Information System will be an important tool and be utilized to manage the wetlands nationwide and to identify relevant conservation interventions in need of CTF funding.

Guidelines and Action Plan for Financing Biodiversity Conservation in Uganda (NEMA, 2014).

Currently in its draft form, Uganda is developing a comprehensive plan for financing conservation of its biodiversity, following its Fifth National Report to the Convention on Biological Biodiversity (completed in March 2014). The plan acknowledges a variety of existing and potential sources of financing for conservation, including the utilization of Conservation Trust Funds in the future.

The “Uganda Wildlife Conservation Trust” Initiative. In late 2009 and 2010, the Uganda Wildlife Authority and the Wildlife Conservation Society, led a multi-stakeholder process with funding from the USAID (WILD project) to establish a CTF with a working name of “Uganda Wildlife Conservation Trust (UWCT)”. UWA had asked WCS to provide technical guidance in this complex process which entailed working on the following tasks:

- National Consensus Building - a consultative process involving civil society, private sector and the Government, which culminated in the stakeholder seminar/workshop in December 2009.
- Trust Fund Structure, Role and Strategy –
  - Legal structure of the fund and its registration.
  - Governance (structure and composition of governing body).
  - Funding Sources and Modalities, Types of Funds
  - Programmatic Focus – purpose, objectives, grant eligibility and criteria.
  - Business Planning & Financing Gap Analysis – assessment of the financing needs and funding gaps to guide a fundraising strategy. This was done individually for all protected areas managed by UWA with the assistance of a dedicated Business Planning Specialist.
  - Donor Discussions/Fundraising – Donor discussions and fundraising were to begin after the Trust registration.

The process for creating this CTF was spearheaded by a small Steering Committee, created following a broader stakeholder workshop in December 2009 where the participants agreed on its composition. Members of the Steering Committee were: UWA, NEMA, Ministry of Tourism, Trade and Industry; Ministry of Justice; Private Sector representatives, and WCS. The Committee met frequently over a six-month period and effectively carried out the above tasks, leading to the initial Trustee Meeting in June 2010. During this meeting, discussions were held to finalize the governance model and legal documents for the Trust. The following represent the achievements of the Steering Committee in moving toward the development of the UWCT:

- UWCT was envisioned to be an independent CTF with close focus on Uganda's Protected Areas, and with a tentative mission as follows:

*To raise, manage and provide financial resources for conserving wildlife both in and outside protected areas.*

- The proposed Trust Deed further refined this mission as follows:

*“The Trust is formed for the purpose of conserving the wildlife in and around Uganda's protected area estates for the benefit of all Ugandans, while*

*promoting environmentally sustainable development and management of natural resources important for wildlife and creating incentives for people to conserve wildlife. The Trust will provide short, medium and long term sustainable funding to local communities, non-governmental organizations, research organizations, private sector, public conservation management agencies, and any other entities engaged in wildlife conservation and management to obtain the objectives...”*

- UWCT was to be established under the Trustee Incorporation Act and the Deed was completed and the initial Trustees identified with the following conditions and composition.
  - At least nine (9) Trustees who shall meet the following criteria:
    - A strong commitment to wildlife conservation in Uganda.
    - Demonstrated leadership, knowledge and capability in their fields of expertise.
    - A commitment to carrying out fund-raising and public relations in support of the Trust.
    - A willingness to commit the time required to carry out the objectives of the Trust.
    - An appointment to the Board shall be based on merit and stakeholder representation, and the membership was to be staggered to ensure continuity.
  - The Board of Trustees was proposed to consist of membership from:
    - Uganda Wildlife Authority
    - National Environment Management Authority
    - National or local NGO with program(s) in wildlife / biodiversity conservation or rural development in Uganda.
    - International NGO with program(s) in wildlife/ biodiversity conservation in Uganda.
    - Private Sector - three (3) representatives, of which one of them shall have expertise in financial management.
    - Academia with expert in wildlife conservation.
    - Civic institutions
  - Ex officio members:
    - The Ministry responsible for Wildlife
    - The Ministry responsible for Justice
    - The Ministry responsible for Finance
- In addition, the Steering Committee began developing the CTF’s strategic plan and initial fundraising plans and activities (Donor Conference planned for November 2010) to be conducted after the Trust’s registration.

During this process, stakeholders were successful in working collaboratively toward the establishment of this CTF. However, at the time changes and disruptions at UWA led to drying up of institutional commitment and the process was placed on hold. However, it will be useful to build on this important initiative that included broad agreement on creation of an independent board, even though it did not result in the actual fund establishment.



### III. BACKGROUND ON CONSERVATION TRUST FUNDS

Conservation Trust Funds (CTFs) are private, legally independent grant-making institutions that provide sustainable financing for biodiversity conservation and natural resource management. In general CTFs can be generally categorized as either 1) funds that support Protected Area (PA) management with a primary focus on biodiversity conservation or 2) general environmental funds that cover a range of environmental issues and tend to include significant support to civil societies and local communities. There are an increasing number of funds that are hybrids between these two approaches and the Uganda Biodiversity Conservation Trust Fund could be proposed as this type of hybrid fund. CTFs are financing mechanisms and not implementing agencies. They do not implement activities directly but finance organizations through grants, and in a number of cases investments or loans. In summary, **CTFs raise and manage capital to make grants to organizations and projects that support the mission of the CTF**. The beneficiaries of CTFs include:

- Non-governmental organizations (NGOs)
- Community based-organizations (CBOs)
- Governmental agencies (such as national parks agencies)
- Research institutions

Over time, CTFs have proven to be institutions of innovation, leading some to develop new business areas outside of grant making. Many CTFs now play roles in policy making, capacity building and strengthening of civil society as well as provide services to design financial mechanisms, ensure fiduciary management for the assets of indigenous communities or support corporate responsibility actions in the private sector.

Conservation Trust Funds can be considered public-private partnerships in that although the government plays a large role and is a key stakeholder, the CTFs work effectively because they are independent institutions with a clear mandate and clientele. In most CTFs more than half of the members of their governing boards are from civil society (private sector, NGO, CBO, etc.). Although independent institutions, most CTF's have missions that are consistent with national conservation priorities, including for example supporting projects that contribute to meeting country obligations under the Convention on Biodiversity.

According to the CTF Practice Standards published in 2014<sup>1</sup>, it is generally useful to have some government-approved members on the CTF's governing body in order to ensure sufficient coordination and harmonization of the CTF's activities with government policies and institutions. In addition, having government appointed representatives also helps to attract funding from international donors, because this can be seen as evidence of the government's political commitment to support a CTF or a Fund that is not controlled by government. Having government agencies or ministries appoint representatives to the governing body can also result in a CTF being asked to manage a variety of different government as well as non-government funding sources, such as earmarked taxes, fees, fines, PES or payments for REDD+.

Conservation Trust Funds have been established in over 50 developing countries and transition

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<sup>1</sup> Conservation Finance Alliance (2014). Practice Standards for Conservation Trust Funds. Prepared by Barry Spergel and Kathy Mikitin.

economies with the majority having been established in the Latin American and Caribbean (LAC) region. During a rapid review of CTFs, Spergel and Taïeb (*Rapid Review of Conservation Trust Funds*, Conservation Finance Alliance, 2008) reported the following results:

- Number of CTFs 55+
- Capital Raised Worldwide: An estimated \$810 million
  - 74% in LAC
  - 10% in Asia
  - 9% in Africa
  - 7% in Europe.
- Capital Raised: Breakdown by Donor Worldwide
  - US: 45%
  - GEF: 19%
  - Germany: 7%;
  - National Governments: 6%;
  - Other Donors: 23%.

In an analysis of investment performance the Conservation Trust Fund Investment Survey (CTIS 2012) reported that in 2012 the average return on investment for 36 reporting funds was 8.9%. The three-year average return was 6.8% for these conservation trust funds (Matthias & Victurine, 2013). Most CTFs continue to show positive investment performance and generally have weathered downturns in the financial markets as a result of prudent investment strategies.

One of the great benefits of CTFs is that they can be effective means for mobilizing additional funding for biodiversity conservation and natural resource management from international donors, national governments and, especially, the private sector. Many CTFs help strengthen civil society and help improve the accountability and effectiveness of government run PA management agencies. Other benefits as outlined by Spergel and Taïeb include the observations that CTFs:

- Can finance recurrent costs and thus facilitate long-term planning;
- Involve broad stakeholder participation that leads to transparent decision-making and strengthens civil society;
- Can react flexibly to new challenges and opportunities;
- Develop a long-term vision that is independent of changes in government and shifts in political priorities;
- Be flexible and can pay closer attention to small details than large donors;
- Improve coordination among donors, government and civil society;
- Allow donors to comply with international recommendations for aid effectiveness; and
- Serve as an effective vehicle to secure greater private contributions for biodiversity conservation and natural resource management.

Secondary benefits can also include:

- Creating new and better economic opportunities and rural investment to improve quality of life in rural areas;

- Establishing long-term community buy-in to sustain nature;
- Changing local behavior patterns around nature and the environment;
- Building corporate and institutional partnerships;
- Leveraging expertise to attract and manage new sources of funding; and
- Supporting partner NGOs to explore new areas (e.g. incentive payments) and take on additional mission related projects

#### IV. EVALUATION OF EXISTING TRUST FUNDS IN UGANDA

##### A. BWINDI MGAHINGA CONVERSATION TRUST FUND

The Bwindi Mgahinga Conservation Trust Fund (BMCT) was established in 1994 and has been operating continuously since that time. It is the oldest Conservation Trust Fund in Africa and has served as a model for the creation of other Funds on the continent. It has been and remains focused on supporting conservation actions around two key protected areas the Bwindi Impenetrable Forest and Mgahinga Gorilla National Parks. The focus on these parks is included in its Trust Deed.

The mission of the BMCT is to foster conservation of biodiversity in Mgahinga and Bwindi protected areas through investment in community development projects, grants for research and ecological monitoring, funding park management and protection, and programs that create greater conservation awareness.

The BMCT has three main areas of activity:

- Awareness and information sharing – trying to assist the local communities understand what the Parks are, how to live with them, and how to manage conflict with animals.
- Infrastructure Development – for communities neighboring the two National Parks – schools, roads (initially), health centers, water supply, etc.
- Livelihood Improvement – with a focus on income generation including a range of small projects in agriculture, animal husbandry, business, beekeeping, etc.

The BMCT Trust Deed was recently updated in 2011 and remains incorporated under the Trustees Incorporation Act. There have been many case studies done on the BMCT and overall perception and analysis indicate that while the Trust suffered some financial hardships during downturns in the international markets where its funds are invested, it has been able to fund \$5 million in projects (\$2 million from the endowment income and \$3 million from attracting other revolving funds) over the years and has grown its endowment from \$4.3 million (from the GEF) to a current capital base of \$6.9 million in invested capital and approximately \$7.5 million total including property owned in Kampala and Kabale. These properties also generate rental income and cash flow that is available to be used by the Trust.

The BMCT is governed by a Board of Trustees that includes three local community representatives, local and international NGOs, one government official, the head of the Uganda Wildlife Authority, one private sector representative from the Uganda Tour Operators Association, and one academician. The Trust Administrator (Mark David Mwine) and two government officials (Ministry of Justice and Ministry of Finance) are ex-officio members. The full list of Board of Trustees members is presented in Table 1. The Board meets quarterly and board members are allowed to sit for two consecutive terms (according to the revised Trust Deed).

The BMCT is managed by the Trust Administration Unit (often termed *Secretariat* in other CTFs) lead by a Trust Administrator. The current staff includes a program manager, a financial and administrative manager, one liaison officer, two community projects officers and additional support

staff for a total team of 11 individuals. The Trust has two sources of project financing – trust fund disbursements and donor financing. The trust fund disbursements are unrestricted and are provided to community projects in the Parishes adjacent to the two National Parks and vetted through a comprehensive *from the ground up process* as described below. The donor financing is raised based on grant applications that the BMCT submits to donors either upon request or as unsolicited grant applications. Some recent donor financed projects include constructing gravity flow water systems for local water provisioning and school latrines to provide improved hygiene and encourage girls to stay in school longer (interestingly a theme that was also included in an education project by the Jane Goodall Institute as it has human rights and environmental benefits).

The BMCT has been designed to provide resources to communities adjacent to the two parks with improved livelihoods with the objective of decreasing their previous conflictive relationship with those NPs. Part of the success of this approach is the structure of ownership and decision making for the use of the funds that BMCT is able to generate. The main structure for assuring community representation is the Local Representative Steering Committee (LRSC). This is a subcommittee of the Board made up of individuals elected to represent the local communities at the Board level. The LRSC is chosen through a series of elections from the village level up through the sub-county level, which results ultimately in the nomination of three members to the actual Board.

**Table 1: Current Board of Trustees of the BMCT<sup>2</sup>**

<b>Name</b>	<b>Organization/Representation</b>	<b>Joined</b>	<b>Trustee/Member</b>
Dr. Andrew Seguya	Uganda Wildlife Authority	2011	Trustee
Dr. Robert Bitariho	Institute of Tropical Forest and Conservation	2012	Trustee
Mr. Frank Karake	Private Sector	2000	Trustee (Chair)
Mr. Akankwasah Barirega	Ministry of Tourism Wildlife and Antiquities	2012	Trustee
Mr. Caleb Tumwesimire Kipande	Local Community Steering Committee for Kanungu District	1999	Trustee
Mr. Richard Sebagenzi	Local Community Steering Committee for Kisoro District	1999	Trustee
Ms. Mary Tushemereirwe	Local Community Steering Committee for Kabale District	1999	Trustee
Mr. Achilles Byaruhanga	Nature Uganda	2003	Trustee
Ms. Patricia Habu	Ministry Of Justice	2011	Member (ex-officio)
Mr. George Serunjogi Mukiibi	Ministry Of Finance	2003	Member (ex-officio)
Ms. Edith Kablesime	CARE International in Uganda	2011	Trustee
Mr. Mwine Mark David	Bwindi Mgahinga Conservation Trust	2011	Secretary (ex-officio)

The way a community proposal is generated and financed follows a bottom up procedure. Through a formal request process, proposals are solicited at the level of the Parish. Any individual, group or community of any structure can make a proposal. The proposals are vetted initially by the Parish

<sup>2</sup> From the website of the BMCT, accessed April 3, 2014

council and must fit within the Parish development plans. If accepted by the Parish council, they are then passed to the sub-county where again they are vetted and compared to the sub-county development plans. Consideration is made also based on the amount of available financing for the year. The local steering committee representative is available at the sub-county level to assist with the analysis of projects. Finally if the project passes the sub-county level, it is presented to the LRSC, which makes final recommendations that are generally accepted by the Board. If the project is less than \$2000 then the LRSC can directly approve the projects.

### *Opportunities for growth*

The fund could greatly benefit from an increase in its endowment of \$6.9 million dollars enabling it to satisfy a growing demand for its services and plans are moving forward to mount a fundraising campaign. This growing demand is due to a combination of population growth and inadequacy of government financing of conservation and local development actions. The Fund could likely expand to other protected areas but would have to change the structure of its governance, which is embedded in the local communities and sub-counties bordering the two protected areas.

### *Pros and Cons*

Arguments in favor of expanding the BMCT to become a national biodiversity conservation trust fund include its 20-year history and the fact that it already has solved many administrative issues, has effectively managed an overseas invested endowment, and has proven its ability to identify and implement community-based initiatives that support conservation objectives. The Administrator recognizes the need for increased impact monitoring and is planning to engage a monitoring specialist.

Among the arguments against expanding BMCT to become a national level conservation trust fund is that its recent revision of its Trust Deed was done to increase government oversight of the Fund. The result of the specific change is that although the Board of Trustees is in theory self-selected (accepted) through a nomination procedure at the community level, and within the specific organizations listed above, the Minister of Tourism, Wildlife and Antiquities must now approve all Board members. This relatively recent change basically places the BMCT under the direct control and supervision of government and greatly lessens its independence. It is not likely that this structure will be acceptable to the donor community or the potential private sector investors who are seeking an independently governed fund. Although this change could be reversed through another revision to the Trust Deed, it is unlikely that the government will accept that revision and will argue that in fact the new Fund should also be subject to government approval of the Board. This would make the Trust tantamount to a parastatal and would severely limit the potential of the new CTF to raise adequate capital and have the desired impact.

Another challenge to altering the BMCT is the fact that the Trust currently plays an important role in the conservation of two key national parks where mountain gorillas are found in Uganda. Altering its structure or adding extremely large challenges to the management team will likely negatively impact its ability to continue effectively providing its current services. As part of this challenge, the structure of the Board will need to be completely revised and the local communities will most certainly feel like they lost an effective voice in the fund.

An alternative to altering the BMCT to become the national level fund is to form an alliance with the new CTF that includes joint fundraising, regional representation (the BMCT represents the national fund in the areas where it works) and could also include the establishment of satellite offices of the national fund based on the structure and administrative approach of the BMCT. In fact the BMCT is willing to share its administrative procedures with the new CTF – greatly decreasing the learning time required while increasing the potential effectiveness of the new CTF following its creation.

## B. ECOTRUST

The Environmental Conservation Trust of Uganda, or Ecotrust, was established in 1999 with the objective of *providing long term sustained funding for biodiversity, conservation and environmental management in Uganda*. There are five general program areas listed in the Trust Deed and although the Trust's priorities have shifted over time, these programs are cited in current publications:

- Restoration, conservation and management of critical ecosystems in support of the conservation of biodiversity
- Promotion and adoption of renewable energy and alternative energy sources
- Promotion of sustainable land use and sustainable economic development
- Management and control of pollution
- Promotion of private land management in support of conservation and conservation based development.

These objectives are very broad and the creation of Ecotrust in 1999 was during a period when the concept of a general environmental trust fund was not unusual. Since that period, there have been significant indications that such broad objectives are not effective for raising capital, as donors do not have a clear indication of how their funds might be used. Ecotrust began as an effective local Grants Management Unit that was established under the USAID supported Action Program for the Environment, which ran from 1993 until 1997 and was replaced by a follow-on project.

In 1997 after exhaustive stakeholder consultation, USAID agreed to support the transformation of the GMU into an independent conservation funding institution, transferring the property to the new legal entity and supporting it with a grant. As a result of those connections, Ecotrust had a difficult time initially defining itself as an independent fund separate from its initial ties to USAID. Perhaps because of its initial creation as a broad environmental fund and its early role as a grants management unit, Ecotrust has never raised an endowment to fund its activities – even though it started with a sinking fund from USAID. It has instead played a successful role in funneling financing to conservation actions and has become a mixed funder and program implementer. One of its most successful initiatives to date has been the creation of a carbon financing mechanism following the Plan Vivo standard that combines carbon credits with sound social and environmental objectives. In fact, Ecotrust's Trees for Global Benefit carbon program won the 2013 UNEP SEED award for excellence in sustainable development.

Ecotrust is established by Deed and is governed by a Board of Trustees incorporated under the Trustees Incorporation Act. The Board of Trustees is an open Board with the Board selecting their replacements. The sitting Board identifies the names of the Board members that will replace leaving members – this is termed self-nominating. The disciplines of the board vary and Board members serve on the Board in their individual capacity regardless of their institution. The only hard regulation cited in the Trust Deed is that there will be at least 3 women on the Board. The Board, which consists of nine individuals<sup>3</sup>, is a revolving board in that one third of the Board has the same 3 year once renewable term assuring that sitting Board members have experience when new members join – so effectively every year one third of the Board changes or is re-elected.

The Fund has a Secretariat headed by Executive Director Pauline Kalunda Nantongo and has an office and staff in Entebbe and agents based in regional offices that have been established following donor-funded projects. Ecotrust seeks to expand the impact of donor-funded projects through

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<sup>3</sup> Ecotrust's Board also includes up to an additional nine ex-officio members.

continuing engagement with communities served. Many communities are interested in participating in the Trees for Global Benefit Program, which now has a waiting list of several hundred farmers.

Ecotrust has supported a wide range of projects and financing mechanisms. It is perhaps one of the most advanced with regard to using carbon financing for supporting community reforestation and sustainable management. The award winning “Trees for Global Benefit” program pays farmers for increasing carbon stocks on their land. This includes activities on farmland including the planting of indigenous trees. The program is largely driven by farmer needs – activities depend largely in which activities farmers have expressed interest. The carbon is offered on voluntary markets under the Plan Vivo certification procedures.

Ecotrust is seeking to diversify to include other activities – expanding their carbon finance program and developing other PES efforts to include payment for water services. They have been in discussions with the National Water Administration to organize for PES to protect watersheds. Ecotrust is also looking to integrate microfinance into its carbon finance program through establishment of village savings and loans. The Trust has received funding from UNDP to create a revolving fund for carbon credits.

In addition to their carbon program with farmers, Ecotrust continues to manage grants on behalf of donors – USAID, World Bank and others and also offer grants of their own based on the carbon financing in areas where the carbon project is based. Part of their activities include the management of a self-managed risk fund – as a means to buffer the sales of carbon credits and to provide a service to farmers who are subjected to environmental risks. Some farmers are disproportionately impacted by natural problems including floods in Rwenzori where entire farms have been swept away due to flooding.

Ecotrust also acts as a Land Trust and maintains a property in trust in the Rwenzori Mountains adjacent to the Park. They have been rehabilitating the forest land simply by letting the forest regenerate. The Trust signed a tourism concession agreement with a tourism operator who built a lodge on the property allowing Ecotrust to begin generating revenue from ecotourism.

Future plans include the establishment of an endowment fund to help expand the carbon and other projects and bring in more farmers into the system. Past project expansion has been supported by the grant management function of Ecotrust – once grants end, the Trust seeks to continue supporting farmer communities through their engagement in the carbon program. Ecotrust is already self-sustaining since they own their own offices, own land, and have invested the income from the carbon fund. This way they have been able to save on administrative fees from grants and invest the savings for the future.

### *Pros and Cons*

The expansion of Ecotrust to play the role of a national Biodiversity Conservation Trust Fund has several pros and cons. On the positive side, the Trust has been in existence for 15 years and has a proven track record in managing grants – both internally and for donors. Similarly to BMCT, they have strong administrative procedures and an effective dynamic staff. Although they tend to focus on certain regions, their initial objective was national in scale and the Trust Deed would not have to be expanded to include Biodiversity Conservation – it is one of their primary goals. As well, Ecotrust is in the process of launching a fundraising campaign to establish an endowment fund to expand their key initiatives.

Some of the negative aspects include the overly broad scope of the Trust’s objectives. The Deed would have to be re-written but that is not a major hurdle. Governance could be improved through modification of board selection, allowing for guaranteed government representation and other “prescribed” representation to ensure appropriate expertise. Regardless of the source of the Trustees, all Trustees would still be serving in their individual capacities. Another large challenge is

that the Trust has a pre-existing reputation as a USAID supported entity and also has a conflictive relationship with UWA due to past issues. It is unlikely that UWA would accept Ecotrust as the national biodiversity conservation trust fund and UWA is perhaps the most important project partner – as they manage the most significant sites in the country for biodiversity conservation.

The greatest barrier to the expansion of Ecotrust into the national biodiversity conservation trust fund is that they are currently both a source of financing and an operational NGO. Their operations are a critical part of their identity and some of their projects – especially the Trees for Global Benefit program – are extremely successful and should be expanded. Conflicts of interest would be inherent to a situation that included maintaining operational initiative and being a major conservation donor at the same time.

One option for consideration is that Ecotrust could use its long history of grant management experience to become the “small grants program” of the national trust fund as managing small grants is an expensive and time consuming component of grants management programs. Outsourcing to Ecotrust would allow the new Trust Fund to focus on larger grants based on thematic results based programs.

## C. OTHER TRUST FUNDS AND FOUNDATIONS

### 1. RHINO CONSERVATION TRUST, UGANDA

The Rhino Conservation Trust is an NGO targeting the re-establishment of the rhinoceros in Ugandan habitats. It is operating as an NGO and manages a land concession of 7,000 acres. This rhino refuge currently receives up to 13 thousand visitors annually whose entrance fees contribute to the functioning of the Trust. There is no capital endowment and the Trust also supports itself with grant financing. The rhinos in the concession have increased from an initial 6 individuals to 15 and the Trust hopes to bring in additional animals to increase the diversity of the breeding stock and increase the rate of growth in the stock in anticipation of eventual reintroduction into one or more National Parks.

### 2. UGANDA CONSERVATION FOUNDATION

The Uganda Conservation Foundation implements about eight (8) conservation projects across Uganda ranging from supporting protected area infrastructure, rehabilitating habitats, human wildlife conflict, often in support of Uganda Wildlife Authority. The UCF is successful in attracting funding from diverse sources and disbursing them directly to their projects. The funds are not accumulated in any endowment account but work similar to a revolving fund structure. UCF receives financing from grant providers, private companies and private donations.

In terms of governance, Uganda Conservation Limited (UCU) is a not-for-profit company registered in Uganda to administer and control the activities of UCF within Uganda. The principal shareholder in UCU is a United Kingdom-based Trust called Uganda Conservation Foundation, which holds 99.98% of the UCU shares (the remaining 1 share is owned by the Chairman). The founders chose this set up to take advantage of stronger trust law in the United Kingdom. The UK-based charity is also able to attract tax-free contribution from the United States through a partnership with a US-based organization.

UCU is managed by a Board of Directors comprising local professionals and business people. They all support UCU on a voluntary basis, and also employ limited Ugandan staff running the programs. The strategy of the UCU is to maintain its focus and stay deliberately small in size to implement their programs effectively. They currently have an annual budget of about \$100,000.



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### 3. CHIMPANZEE WILDLIFE SANCTUARY TRUST

Originally established in 1998 as a program to care for the orphaned chimpanzees or others removed from their natural habitat and with no chance of survival back in the wild, the Chimpanzee Sanctuary and Wildlife Conservation Trust (CSWCT) was established by a Constitution and operated under an NGO status. The Constitution, inter alia, provided for the members, management and objectives of the Trust. The Board members at a time opted for NGO registration until the entity becomes more established.

Originally, the members/Board of Trustees consisted of national and international organizations. The Constitution is currently undergoing major changes to provide for an expanded mandate, and membership, and to have it duly registered as a Trust. CSWCT's Trustees will be incorporated under the Trustees Incorporation Act. Currently, the Constitution is still registered with the NGO Board. Five current Board members are The Jane Goodall Institute, Uganda Wildlife Authority, Uganda Wildlife Education Centre, ECOTRUST and Uganda Wildlife Society. Some international members resigned (there were previously total of 8 Trustees). JGI, UWA, UWEC are permanent members; ECOTRUST, UWS are represented as institutions.

It is intended that the expanded Board of Trustees be composed of three permanent conservation organizations, two other conservation organizations and three other Trustees (individuals/organizations). New members will have technical backgrounds and will not represent their institutions but will serve as individuals.

CSWCT does not currently have an endowment and has been only be able to attract revolving funds. However, ecotourism, membership (individual, corporate), guardianship and fundraising events provide additional income.

CSWCT would be unsuitable to host the proposed biodiversity trust because of its very limited mandate.

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### 4. UGANDA WILDLIFE EDUCATION CENTER

The Uganda Wildlife Education Center (UWEC) is a conservation education institution based in Entebbe, Uganda with its principal mandate being "conservation education, rescue and rehabilitation of injured, confiscated and/or orphaned wildlife, captive breeding of endangered species, and entertainment."

UWEC has evolved from its origins in 1952 as an animal orphanage and the zoo in the 1960s. Over a period of time the number of animal species increased leading to public awareness and interest to view the animals. This led to Government lifting the status of the orphanage to that of a zoo with educational and recreational emphasis. Efforts were made to improve the zoo but much remains to be done to equip it to modern standards.

In 1994, UWEC and the Ugandan government began rehabilitating this institution into its current form. UWEC is currently under the umbrella of the Ministry of Tourism, Wildlife and Antiquities, with the Board members comprised from broader civil society. Government therefore agreed that –

- (a) The zoo be replaced by the Uganda Wildlife Education Center;
- (b) The Center be managed by a Trust to which individuals and institutions, both local and foreign, could be encouraged to become members and make contributions;
- (c) The Trust operates independently as an autonomous body with a Board of Trustees drawn from both the public and private sector.

The initial Board of Trustees was to consist of 9 voting members and 4 non-voting members. Voting members comprised broad representation from UWA, local and international NGOs, professional, business, and scientific communities, as well as donors. The non-voting members were to be from the Ministry, UWEC, NEMA, and local government.

The main function of the Board of Trustees was to provide oversight for the management of UWEC, its programs, growth and development. Another main function was to establish an Overseas Capital Trust in the UK or USA. The Capital Trust was to provide a dependable long-term revenue stream through its earnings to run and maintain UWEC. The Board was to select the asset manager and insure the maximum earning power of the investment. Unfortunately UWEC was not able to attract funding for its Capital Trust.

Because of its narrow focus and mandate, UWEC is also not suitable to serve as a national trust fund.

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## 5. GOVERNMENT FUNDS

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### A) WILDLIFE FUND

The Wildlife Fund was established as a concept in the 1996 Wildlife Law as a government managed trust fund. The objective was to capture and manage the tourism and other revenues from the National Parks and Reserves. The money would be used for financing UWA's activities. In a recent revision to the Wildlife Law – currently being reviewed by the Cabinet before being submitted to Parliament – there was discussion of converting the Wildlife Fund to more of a general environmental fund. This option was dropped due to the risk of using tourism money from the Parks to fund activities totally unrelated to conservation and wildlife management. The Wildlife Fund exists in theory only as it has never been capitalized. However, UWA uses its bank accounts to manage tourism revenue and in effect acts as a Wildlife Fund managed by the Board of Trustees of UWA. The only difference is that there is no separate Board of Trustees for the Wildlife Fund and there is little effort at long-term financial investment and management under the current situation.

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### B) TREE FUND

Tree Fund was originally established under the National Forestry and Tree Planting Act in 2003, and was supposed to manage a broad range of revenue streams ranging from government funds, gifts/donations, and any monies (such as levies, fees) required to be paid to this fund as declared by the Minister responsible for Water and Environment. The act specifies support of tree planting of a non-commercial nature as the primary use for the proceeds from the fund. However, Tree Fund has never been fully operationalized primarily due to funding challenges. About US\$ 1 billion (\$400,000) is contributed annually to the fund from central government, primarily for tree planting activities.

Currently, the Ministry of Water and Environment is in discussions with the Ministry of Finance to operationalize the Tree Fund by considering various options for its funding. The following options are explored:

- Fees from hydropower generation
- Portion of the tax on hydrocarbons (petrol, diesel)
- Fees from the sale of timber products

In addition, seed funding for the Tree Fund from the Ministry of Finance is also being considered. NFA's latest National Forest Plan from 2011 calls for activation of Tree Fund for several purposes, such as:

- Support tree growing initiatives at local government and community levels
- Promote payment of ecosystem services, particularly carbon sequestration, water catchments protection developed (managed through the Tree Fund).

### C) NATIONAL ENVIRONMENTAL FUND (NEMA)

The National Environmental Act, Cap 153, enacted in 1995, established the National Environment Fund (NEF). According to the Act the NEF can source funds from a variety of sources: (a) disbursements from the Government; (b) fees charged under this as prescribed under the Act; (c) any fees prescribed for any service offered by the authority; (d) any fines collected as a result of the breach of the provisions of this Act or any statutory instrument made under this Act; (e) gifts, donations and other voluntary contributions to the fund made from any source.

The NEMA board is responsible for the management of the funds. The NEF theoretically collects funding from various fees (e.g. 20% environmental tax on used vehicles older than 8 years), however, those funds are currently transferred to the general country budget and not managed/used separately by NEMA. About USH 39 billion (\$15.5 million) and was collected through Environmental Levy annually in both 2010 and 2011 each, however, only about USH 1 billion (\$400,000) has been flowing into the fund (mainly from EIA fees).

Given the importance of this type of fund to manage the environmental risks of large development initiatives, it is recommended that the NEF be further developed in Uganda, recognizing that the character of the NEF is very different (government-managed, general environment) from the CTF (independent, biodiversity) proposed under this study.

Recently, the Natural Resource Management Committee recommended to the Parliament a resolution that an Environmental Levy be collected and deposited with NEMA. The Bill was later passed in Plenary. The Ministry of Finance will begin to operationalize this resolution and allow NEMA to begin collecting specific fees as part of this levy. NEMA expects to start receiving these funds incrementally, proposed as 40% of the total in the first year, then increasing to 60%, 80% and 100% respectively in subsequent years.

## V. UGANDA'S LEGAL FRAMEWORK AND GOVERNANCE ENVIRONMENT

Legally, a trust is a specific way of managing assets – money, investments, land or buildings – on behalf of certain people. A trust involves the “settlor” i.e. the person who puts assets into the trust; the “trustee” i.e. the person who manages the trust; and the “beneficiary” i.e. the person who benefits from the trust. In common law legal systems, a trust is a relationship whereby property is held by one party for the benefit of another.

Uganda's trust law is based on trust laws in England prior to independence (1962). Though the UK laws have undergone considerable changes to make them stronger, the Uganda laws have not been amended. In fact, many African conservation trusts, especially in ex-French colonies where trust laws do not exist, have registered as trusts under UK law. One exception is Madagascar, which passed a new Foundation Law in 2004 modeled after English charity law to facilitate the creation of the Madagascar Biodiversity Fund.

The 1995 Constitution created a public trust over specified important renewable natural resources such as land, natural lakes, rivers, wetlands, forest reserves, wildlife reserves and other conservation areas vesting them in the State to hold and protect for the common good of all citizens of Uganda. Legally, these natural resources moved from the absolute ownership of the government to the public realm under a constitutionally brokered fiduciary relationship between the State and the

citizens of Uganda. Under these sector based laws, certain lands have assigned bodies to manage these resources e.g. under the Uganda Wildlife Act, The National Forest and Tree Planting Act, The National Environment Management Act, etc. Management of these resources by a third party can only be as authorized by law. A trust creates an effective mechanism through which these resources could be managed by a third party.

With regard to a biodiversity conservation trust fund, there are several ways in which trust funds of this nature could be established. In Uganda, such trust funds have been established by Statute e.g. The Nakivubo Stadium Memorial Trust Fund. The CTF could also be established under the Company's Act of Uganda. This is more common with family trusts. Trustees could also be incorporated under the Non-Governmental Organizations Registration Regulations, 2009. The CTF could also be established by deed and the Trustees incorporated under the Trustees Incorporation Act (the Act). The choice of which law to use to incorporate the CTF will depend on the specific nature of the fund and can be determined when the fund is ready to be created. Given that the planned Trust Fund's purpose is conservation, there is a need to establish an irrevocable trust fund with a long-term sustainability mechanism to provide funding for conservation efforts.

Several trust funds in Uganda were established under the Trustees Incorporation Act as charitable trusts. The charitable nature of the trust has an impact on its tax liability. Both the Bwindi Mgahinga Conservation Trust and ECOTRUST were incorporated under this law and the incorporation of the proposed CTF could be done under this law as well. The constitution of the Chimpanzee Sanctuary and Wildlife Conservation Trust is in its final stage of revision to enable the registration of the Trust Deed and Incorporation of the Trustees under the Trustees Incorporation Act as opposed to under the NGO Registration Act where the organization's constitution is currently registered. The Uganda Wildlife Education Trust Fund is registered under the Trustees Incorporation Act. Where the trust intends to acquire land it is also best registered under the Trustees Incorporation Act.

As for the governance for trusts under this Act, trustees are the legal entity in a trust arrangement and they are the ones liable to sue and be sued on behalf of the trust. Normally, a Board of Trustees is established in the Deed. In the selection of a Board of this nature, it is important that those selected are persons who have proven interest in conservation and are persons of integrity. Once registered, the trust will be regulated under the law in which it is registered. The Trustees Incorporation Act is under the Ministry of Lands and regulates the trustees incorporated under it. The Trustees Act provides stringent condition for the responsibilities expected of trustees in addition to any condition in the Trust Deed. The Trustees Act helps keep the trustees in check since any breach of trust would lead to legal action.

In establishing the Board it is important to avoid including persons who might have corrupt tendencies and the ability to divert the trust funds. Given that the Constitution creates an obligation on Government to effectively manage the environment, it is important that, given Government's other obligations that are exercised along strict guidelines (especially with respect to fund management and strict conditions in the operation of the Consolidated funds) Government involvement, though necessary, should be restricted to the provision of oversight in the operation of the trust. The trust should be left to operate independently of government involvement especially in its governance.

Tax considerations are also important, primarily to assure that the CTF's investment income is not taxable. A charitable trust on the other hand normally would not attract tax liability, it would only be liable on withholding and paying taxes on salaries for its staff.

**Table 2. The pros and cons of the four main Ugandan regulatory frameworks for the establishment of a Conservation Trust Fund.**

	<b>Pros</b>	<b>Cons</b>
<b>Statute / Act of Parliament</b>	<p>Sound legal basis.</p> <p>National ownership.</p>	<p>Parliament owns the process and can make amendments not favorable to the original intent.</p> <p>Amendments must go through Parliament unless power is delegated.</p> <p>Process is time consuming and lengthy.</p> <p>Sense of ownership difficult for trustees and beneficiaries.</p>
<b>Companies Act</b>	<p>Sound legal basis.</p> <p>Registered as a business entity with charitable intent.</p> <p>Regulates the conduct of the Directors.</p>	<p>The role of the Company Director and those of the Trustees might be easily confused.</p> <p>The objectives of the Trust might be obscured.</p> <p>Creates obligations on the Company Directors.</p> <p>Tax exemptions difficult.</p>
<b>NGO Registration Regulations</b>	<p>One stop for registration as an NGO and for incorporation as a legal entity.</p> <p>The NGO Board meets regularly and can easily monitor the Trust's progress.</p> <p>Option for registration of Trust under either Companies Act or the Trustees Incorporation Act.</p> <p>Any interference from Government would be expeditiously communicated and addressed.</p>	<p>The concern of the NGO Board is primarily national security issues and is highly controlled by Government</p> <p>If the Trustees are not strong, they could end up being influenced and supervised by the NGO Board.</p>
<b>Trustees Incorporation Act / Deed</b>	<p>The Act's focus is on the incorporation of Trustees so it is ideal for the CTF</p> <p>One stop center for registration of Deed and incorporation as a legal entity.</p> <p>Should the Trust acquire land, registration of the land in their name as Trustees would be expeditiously done.</p> <p>Difficult for the Trustees to transfer the land into their personal names.</p>	<p>Government could try to interfere through the responsible Ministry (Land).</p> <p>The Ministry's focus is only in relation to land ownership and would not intervene on behalf of the beneficiaries in relation to other matters.</p>

## **VI. STAKEHOLDER ASSESSMENT**

The numerous potential stakeholders for a biodiversity conservation trust fund for Uganda can be broken into the multiple categories:

- The People of Uganda
- The Wildlife of Uganda
- Donors – Bilateral, Multilateral, Private Foundations
- International NGOs
- National NGOs
- Community Based Organizations (CBOs)
- Other Trust Funds in Uganda
- Universities, Academic and Research institutions (nationally and international)
- Government Ministries
- Associated Agencies (UWA, NFA, NEMA, Uganda Investment Authority, National Water and Sanitation Authority, etc.)
- Private sector – especially Tourism, Agriculture, Energy, Mining, large Consumer Product companies.

These stakeholders can be grouped into a) donors and other sources of funding, b) fund beneficiaries, and c) partners groups enabling the effective functioning of the CTF.

### **A. DONORS AND OTHER SOURCES OF FUNDING**

#### **Potential International Donors**

Potential donors can be grouped into those who may be able to provide funding in the short term to support the establishment and early activities of the CTF and those who would be able to provide the capital to build the Fund's endowment. The former include USAID, Agence Française de Développement (AFD) and the European Union (EU). All of these potential donors have expressed interest in supporting the CTF financially. USAID and AFD have indicated that they could potentially finance the establishment phase and provide some operational financing for some initial project grants – enabling the CTF to gain experience in providing grants that are aligned with the goals of these donors. USAID is unlikely to provide significant capital for the trust fund's endowment due to programmatic constraints.

Some donors have indicated an interest in helping capitalize the Fund. In addition to its interest in supporting initial establishment of the Fund, AFD will be exploring the potential for some level of endowment capital including through a partnership with the FFEM (French Fund for the Global Environment). The European Union has expressed interest in investing capital as part of the endowment fund as this will enable the EU to provide ongoing support to conservation in Uganda without complex programmatic requirements and grant-making costs. It is unlikely that these funds will be purely endowment funds and much more likely to be sinking funds.

Different mechanisms may also help to build the fund's capital. In 1994 USAID provided a grant to MBCT of \$900,000 to cover the costs of its operations, management, and grant program for more than two years. During almost three years MBCT did not touch its endowment, which increased from its original \$4.3 million to over \$5 million. USAID's grant, coordinated with the GEF allocation, was tantamount to capitalizing the Trust (i.e. putting money into the endowment) and, demonstrates

how effective donor coordination can be used to enhance the capital base of a CTF, while ensuring actions on the ground.

### **Private Sector (Extractive Industries)**

The Uganda biodiversity CTF can serve an important role in the environmental management needs of the oil consortium (Total, Tullow, and Cnooc). These companies will have a significant environmental footprint affecting both protected areas (Murchison Falls National Park, MFNP) and important wildlife corridors connecting MFNP with other parks and natural areas to the east and south of Lake Albert. The current support that Total, for example, provides to UWA is currently limited to paying entrance fees for the exploration work going on in the NP. However, Total is aware that a much larger targeted effort will be needed to support park management. The possibility of a CTF to manage these contributions will save the company enormous time and reputational risk through providing a transparent and targeted financial and technical management role for future funding. Both Total and Tullow have indicated that they would be extremely favorable toward working through an independent CTF for financing many of their conservation management issues. They both suggest that the existence of an independent CTF is practically a prerequisite for cost effective conservation support.

There are two types of support that the oil companies can provide. Early in the establishment of the CTF, they could provide funding for specific conservation objectives, with the CTF providing a grants management service. The CTF would be responsible for overseeing the implementation of the projects through various government and non-government agencies that would act as the implementing groups. The CTF would provide assurance through monitoring that the work was carried out according to the needs and stipulated provisions of the oil companies and would commit to financial and technical reporting.

In the longer term, larger sums of money may be available for conservation as a result of company commitments to achieve a net positive impact on biodiversity. Companies reach a net positive impact by compensating for, or offsetting, their residual impacts, after taking measures to avoid and reduce their impacts as part of the project planning process. In following best practice companies commit to financing the offset for at least as long as the impact persists, while some companies are considering paying into a long-term fund that will finance the offset in perpetuity. Conservation Trust Funds are uniquely positioned to work with companies to manage the flow of funds required to finance offsets. CTFs offer the transparency and accountability required by companies to ensure that funds are managed properly and are dedicated to meeting the objectives of the offset. CTFs also permit oversight by companies with their ability to establish separate funding windows and establish steering committees to oversee use of the funds provided for a specific program. Moreover, CTFs have become well-established institutions with the longevity to oversee the long-term investment in offsets.

In other countries, some large-scale mining and oil companies have developed relationships with CTFs to manage small grants funds to support social and environmental projects. Other companies are beginning to put in place mechanisms to channel their offset money through CTFs. As biodiversity offsets are new for many countries, there are relatively few cases where companies are financing offsets at this time, however several companies are in discussions with CTFs to set up offset-financing agreements. Given the level of impacts of oil and gas development in western Uganda and the company commitments to net positive impact, significant resources will be available to support conservation actions and a well-managed national CTF can play a very important role in managing offset payments.

It is important to note that at this time Uganda does not have an offset policy and does not require that companies compensate for or offset their impacts. Companies that are employing offsets are doing so as a result of lender requirements (IFC and Equator Banks require offsets for impacts in

natural or critical habitat) or voluntarily in an effort to manage their social and environmental risk. More than 30 countries have some type of no net loss or offset regulations and others are exploring putting them in place. Establishment of offset requirements provides an opportunity to encourage companies to pay the true costs of their development and to build sustainable financing mechanisms for conservation. Such policies may be developed in Uganda and, if so, a well-managed CTF can take advantage of the resources that would be generated.

## **Tourism Sector**

There are two potential sources of financing from the tourism sector: park entrance/activity fees and private sector donations collected through voluntary or mandatory levies. The potential for the CTF receiving park entrance/activity fees is extremely small. UWA currently are able to capture these funds and are doing an excellent job at managing them – returning them to fund both protected areas activities and provide 20% for the local communities surrounding the PAs. The 20% going to local communities has some management issues and a recent review found that the large majority of this money was consumed in community and local government decision-making around what projects to fund and very little was being used for the actual projects. Although this may be an opportunity for a transparent independent trust fund, the complex political challenges surrounding this money would be a minefield for a young CTF and should be completely avoided.

At some point in the future, depending on whether UWA successfully establishes its government-run Wildlife Fund, there may be an opportunity to support UWA through creating a specific financial management window where UWA's annual income can be smoothed out through a combination of investing and sound management of funds – i.e. spending 80% annually and keeping 20% invested in an investment fund for periods of low tourism income, which may arise due to potential future political or economic events that might drastically reduce tourism for certain periods of time. During these periods, a well-managed risk buffer fund could be extremely beneficial as conservation expenditures will not decrease along with tourism.

The second source of tourism income could come in the form of voluntary donations made by the tourism industry through various tourism associations (e.g. Uganda Hotel Owners Association, Association of Uganda Tour Operators, Uganda Tourism Board). The tourism industry has mixed opinions about implementing additional donations or levies for conservation through the Trust Fund. Uganda Tourism Board (through Tourism Development Levy) is already set up to collect such levies, however, this scheme is not operational. Additionally, some argue that the industry (primarily hotels) already pay enough various taxes (up to six different taxes and levies currently, with additional concession fees if based inside National Parks). However, according to Uganda Hotel Owner Association, some form of voluntary levy would be supported by the members if the proceeds went directly back to development of the industry and its tourism base (i.e. conservation activities).

The Conservation Trust Fund, however, can potentially leverage and incentivize tourism investments around high biodiversity areas through co-financing schemes or soft loans. There exist significant potential synergies between the tourism industry and the CTF, especially for development of other areas in Uganda for tourism, for example through the Community Wildlife Conservancies. According to some industry participants, community conservancies, similar to a model in Kenya (in Samburu and Maasai Mara) would be helpful in protecting certain areas around PAs in some parts of the country. Typically, local people own the conservancies but these are managed by professional companies. This type of approach started in Kenya 20 years ago and has been quite successful. Some points for adapting the approach for the Ugandan context include:

- Uganda needs to consider its own conditions in order to develop this idea. For example, the tourism sector is very fragmented and does not have experience in conservancies. As well, local people lack the experience and perhaps many of the necessary skills to manage them.



- Conservancies would be only applicable in parts of the country (e.g. Karamoja, N. Uganda, L. Mburo) with more pastoralist culture, and where people are more used to living with wildlife (same applies for conservancies in Kenya).
- Political will would be required.

Conservancies offer long-term sustainable conservation solutions and match the longer-term view of the Trust Fund. The Fund could be an important source of funding to co-finance the start-up of such projects.

In addition, the tourism industry sees the need for much greater involvement of communities in conservation. So other community-based conservation projects (in addition to conservancies) can be co-funded by the CTF as a complement to relevant tourism investments in high biodiversity areas.

### **Other Private Sector**

In the long term, the CTF can tap into funding streams by developing various initiatives with other private sector companies in Uganda. Many of these companies depend on natural resources (e.g. commercial agriculture on land and water, bottlers need clean and ample water supplies, telecom and energy companies often need to use land resources to expand their activities). As such, the CTF might be an attractive financing vehicle for these companies to help secure these natural resources, which often overlap with areas of high biodiversity. Already, there exist many examples of CTFs around the world working with (and obtaining funding from) a variety of different companies.

It is likely that the CTF might need to first establish a reputation and solid track record to be an attractive investment vehicle for most of these companies. In addition, many private companies might combine their investments in conservation with their branding/marketing strategies to help alleviate the cost of these investments while demonstrating a positive contribution to the country's natural heritage.

## **B. FUND BENEFICIARIES**

Potential fund beneficiaries include government agencies, local and international NGOs, CBOs, other community groups, individuals, and the private sector. Some CTFs focus only on a few groups – for example only civil society – but given the diverse actors and financing needs in Uganda, it is recommended that the fund consider a very wide range of potential beneficiaries. Given the lack of capacity of smaller groups and community based organizations, it may be advisable to establish a type of specialized window for smaller grants. This initiative could even be outsourced to Ecotrust or some other group to implement. Key beneficiaries could include, inter alia:

- UWA
- NFA
- Department of Wetlands (Ministry of Water and Environment)
- NEMA
- Local government bodies
- Local NGOs
- CBOs active in and around sites of interest including PAs
- Private sector tourism operators contributing directly to conservation
- Research and education institutions

## C. KEY PARTNERS

There is a very wide range of key partners that will contribute to the success of the CTF. These partners have been described elsewhere in this report but include other conservation funds, donors, government ministries and agencies, local government bodies and staff, NGOs, research and education institutions, and more. The CTF will seek to work closely with this range of partners and encourage strong stakeholder participation in major strategic decisions and in the funds' design.

## VII. CONDITIONS FOR SUCCESS

Conservation Trust Funds have been functioning worldwide for well over 20 years and certain best practices have been established over time that are prerequisites for success. Conditions can be divided into several issues: institutional, financial and administrative.

### Institutional

From an institutional perspective, the key conditions for success include sound governance, institutional independence, strong local ownership and a solid legal establishment. Sound governance includes a highly functional and well-managed Board of Trustees. The Board should have broad representation, including government, civil society and technical expertise. The technical expertise should include specialists in financial management (at least one person), biodiversity conservation and organizational management. International membership also can be positive in terms of perspective and potential linkages to donors outside the country.

Another aspect of sound governance is the minimization of conflicts of interest. The best way to assure this is to avoid any potential fund beneficiaries serving on the Board. This may be difficult as some key stakeholders such as the Ministry of Tourism, Wildlife and Antiquities, and the Ministry of Water and Environment should be represented on the Board (see below) and their agencies and authorities will certainly be beneficiaries. As such, those Board members will be required to recuse themselves from any decisions directly related to financing their organizations. Although this may not be an ideal situation, the alternative of not including them on the Board or not funding their agencies and authorities is not a desired outcome. The Trust Deed will contain conflict of interest stipulations that will clarify the role of Board members with regard to potential conflicts that may arise.

Institutional independence is perhaps the most important condition for success. Government funds have the challenge that their endowments may be used for non-core activities if there is political pressure to do so. An independent CTF will be able to maintain its stated focus – thus assuring the donors that their investments will be used for the agreed upon mission. Interestingly one of the key reasons for the BMCT's success has been its independence. The recent change in the BMCT's Trust Deed giving the Minister of Tourism, Wildlife, and Antiquities the ability to veto Board member nominations may limit the fund's future ability to raise capital. Another aspect of institutional independence is the requirement that the Board is self-appointing and members are limited to two terms. Although there will be institutional linkages where the nomination of future Board members will be the responsibility of specific institutions, the Board itself must approve all new members. This approval process is central to maintaining independence and an effective working environment. An independent and well-functioning Board will be an essential prerequisite for private sector donations into the fund.

Another element of institutional strength is the need for strong local ownership. This can only be achieved with adequate stakeholder engagement during the formative stages of the CTF combined with broad national representation on the Board. This representation does not have to be government representation but individuals can be from a range of backgrounds, including

government. The important issue is that the Board members are primarily Ugandan citizens who, through their position in society or government, are perceived as representing the interests of the Ugandan people and their biodiversity. There is also a need for international representation usually provided in the form of an international NGO or technical specialist that represents the international community and can facilitate fundraising outside the borders of Uganda and bring an external perspective to Board discussions and institutional planning. A member from the donor community may also be considered for Board membership. The workshop held in May of 2014 was an excellent vehicle for building initial local engagement and gaining an understanding of the importance of the independent Board structure so that the CTF achieves the multiple governance and local ownership objectives.

Finally, the institution will be strong and effective if it is built on a strong legal foundation. The trust fund laws in Uganda are quite good compared with many African countries allowing the CTF to be established in Uganda. However, some CTFs choose to be established (or establish an associated trust fund) in the UK even when the fund's Board of Trustees and all activities are in Uganda or another country. This is due in part to the very strong trust fund legislation in the UK combined with the ability to receive tax-exempt status for both the UK and USA with only one application. However the Charities Commission in the UK may become stricter in its requirement that a UK citizen serve on the Board of the established Trust.

The ability for donors in the US to receive tax credit for their donations is extremely useful but to achieve that the Trust would need to be created and registered in the US following US Internal Revenue Service (IRS) requirements. In some cases CTFs incorporated in their country (e.g. Tanzania and Malawi) include language in the Deed that indicates that the mission of the CTF is equivalent to US IRS charitable guidelines. This will not permit tax-exempt donations from US individuals but does facilitate financing from US Foundations. Regardless of where the CTF is officially registered, the Trust Deed is the key document for establishment and it should be well researched and written with support from a lawyer specialized in trust law.

## **Financial**

There are several financial elements that are crucial to the success of a Ugandan biodiversity CTF. First, for a CTF to be self-sustaining it requires one of two conditions to be met: a) the CTF must have a large enough endowment fund to generate enough annual income to satisfy the needs of administrative costs and provide enough financing of projects to satisfy its stated mission; or b) it must have an external source of annual revenue (revolving fund and/or sinking fund). If the endowment is too small, the relative cost of fund administration will be unacceptably high – usually CTFs will try to cap their administrative costs at 20-25% of total annual disbursements. For example, a CTF with an endowment fund of only \$2 million would generate an annual income of between \$80,000-100,000, assuming a 4-5% annual return. Those funds would be needed to cover administrative costs, financial management fees, reserve for inflation (often at 1.0%), and also provide for grants in support of the fund's mission. Given that administrative costs are somewhat fixed the percentage of funds required for administration could easily exceed 50% in such a case. Even if administrative costs (generally fixed expenditures) were only \$50,000 per year, the amount remaining for grants would be virtually nothing. In comparison, a CTF with endowment capital of \$10 million or higher, would expect to earn at least an annual income of \$400,000 - \$500,000 per year, allowing for adequate coverage of all administrative costs and providing funds to develop a grant program.

If there are complimentary revolving or sinking sources of funds such as green tax revenues, tourism fees, annual biodiversity offset payments or non-endowment donor financing, there is a much greater chance of significant granting opportunities. The CTF's role will be able to focus on smoothing annual variability and building a reserve for future urgent needs for periods of less or no income. A hybrid form of CTF – mixing an endowment and revolving or sinking fund structure can

be an especially resilient form of CTF financing, and it is common among existing CTFs around the world.

Another financial aspect that impacts success is the ability of the CTF to keep its administrative and operational costs very low. This is usually done by a combination of percentage restriction as noted above and keeping a very small staff. Maintaining a small staff is much easier for CTFs if they maintain their focus on grant making and do not fall into a trap of actual implementation. Once CTFs take on project implementation (often done for financial management reasons initially), staff needs to grow thereby increasing administrative costs relative to disbursements. There is also the possibility of outsourcing certain activities, such as small grants management, and avoiding the need to hire additional staff.

Finally, sound financial management and transparency is essential. The Board will establish a financial management committee that will oversee the international investments of the endowment and all financial transactions. Successful CTFs will publish annual reports that include full disclosure of all significant financial transactions (investments, returns, grants, total administrative expenses) while maintaining any required privacy (salaries of staff). As noted above, the Board must include at least one person highly experienced in financial management to assist the Board and the administration with financial management and transparency. Also, the CTF would benefit financially from being tax exempt in Uganda and requirements to achieve this should be examined during the design.

For the CTF to be successful at raising adequate financing – endowment, sinking, or revolving funds, it must respond to the needs of the private sector – especially the oil and gas industry that is currently expanding in Uganda. There are specific needs of these stakeholders that include the ability to target financing towards specific regions and activities. As such, it is suggested that for Uganda, the CTF should create specific financing “windows” that allow donors to earmark funds for specific protected areas, regions or projects. The administrative challenges of establishing and managing these windows are easily managed and most CTFs allow this approach. The establishment of funding windows also will facilitate the capacity of the CTF to incorporate other financing mechanisms into its operations – including schemes involving other private sector companies, programs around payments for ecosystem services (PES), compensation payments, and carbon financing such as REDD+.

The CTF will succeed if it has strong social and political support. In addition to the strong stakeholder representation on the Board and during the design process mentioned above, the actual size of the CTF will also be an important factor. If the CTF is able to raise a large endowment or have significant revolving resources, it will more effectively get a “seat at the table” for issues that concern conservation in Uganda. This level of respect and attention is one of the valuable aspects of creating a CTF – it evolves into an important institution in the local conservation network.

Other key elements include the need for an effective monitoring and evaluation system that helps to produce valuable annual reports on the success of the CTF’s interventions. The CTF should have a well-developed online presence (website, social marketing tools, etc.) that is easily accessible to all and provides relevant information about the CTF’s activities and programs – it should be a model of transparency and effectiveness in the Uganda and African conservation community.

## **Challenges**

The above section noted some key conditions for success. At the same time it is recognized that the creation of a new CTF has its challenges. This section makes note of several challenges that will need to be addressed.

**1. Governance.** As indicated above, best practice suggests that a CTF should be independent of government, but connected to government programs and policies through board members and

through support for national goals and objectives. When the Bwindi Trust was founded in 1993, there was resistance by Government to develop an independent entity, but achieving that independence was a requirement for funding and the project went ahead. That decision was reversed after 15 years. Other attempts to create an independent fund have met with early resistance but were finally created successfully. One challenge will be to get agreement early in the process to establish an independent fund and put in place the safeguards to ensure the maintenance of its independence. This will involve getting agreement among stakeholders and drafting the Trust Deed so that the independence can be preserved. Given the importance of the private sector in providing funding through the CTF, the non-governmental characteristic of the Fund is very important.

**2. Funding.** The experience with Ecotrust points to the challenge of raising endowment capital to launch a Fund, while Bwindi has been able to increase its capital mostly through investment earnings and grants that substituted for the use of investment earnings in its initial years. Finding donors interested in putting money into the endowment represents an important first step in building the Fund. For example in 2001, the Madagascar Fund for Biodiversity set a goal of raising an endowment fund of \$50 million and 12 years later it reached that goal through a combination of debt relief funds from the French Government, contributions from Germany, and funding from the World Bank among others. This capitalization is significant and the funds generated annually are significant, with most of the financing from the CTF dedicated to the management of protected areas in the country. Raising sufficient capital to meet priority needs is an important goal and difficult challenge.

**3. Effective coordination.** Uganda has been successful in creating funds that have become effective conservation institutions. The effort of the new CTF to create an endowment will directly compete with Ecotrust efforts to raise money for similar purposes for example. The existence of three CTFs with some overlapping mandates could create potential conflicts. However, this challenge could also provide opportunities if the organizations can find an effective way to coordinate and collaborate. For example, depending on the types of projects developed for offsets, Ecotrust could provide both project financing and implementation role, taking pressures from the new CTF and allowing it to have a smaller staff and lower overhead. These systems will need to be worked out as part of the overall start up process and design of the Fund.

## **VIII. PRELIMINARY ASSESSMENT OF THE SCALE OF FINANCING NEEDS**

In this section, we seek to make an initial estimation of the scale of financing needs for biodiversity conservation in Uganda to assess the potential level of contribution a CTF could make. This is not a comprehensive analysis and it should be noted that the UNDP BIOFIN project which is starting in 2014 will seek to conduct a comprehensive assessment of conservation financing needs in Uganda. The CTF will be able to benefit from the results of the BIOFIN study when completed.

Funding for biodiversity in Uganda in the 1990s and 2000s has come primarily from annual allocations from the Government combined with revenue generated from tourism fees. Government budgets are complemented from additional revenues generated by national environmental agencies (including UWA, NFA, NEMA) and external donor support (NEMA 2014).

The resources actually released and utilized on biodiversity conservation are lower than the amounts indicated in the national budgets. For example, in FY2012/2013, the Ministry of Water & Environment received only 66.1 % of their approved budget). A similar situation occurs in other conservation related sectors, such as in the agriculture and tourism sectors.

In general, the resources available for conservation and environmental sector have increased in nominal terms in the recent decade, but with large fluctuations (Table 3).

**Table 3. Public water and biodiversity conservation-related investments, including donor support (in million U\$).**

	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
Water and Environment	65.3	55.9	77.3	90.5	52.9	72.6	56.5	82.0
Tourism, Trade and Industry	20.9	20.1	18.9	19.8	17.5	27.7	15.3	27.7

Donor project support to biodiversity conservation investments have actually decreased in real terms, also with large fluctuations (Table 4).

**Table 4. Donor project support to biodiversity conservation investments (in million U\$).**

	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
Water and Environment	27.3	32.3	44.4	41.4	7.5	8.8	4.1	28.3
Tourism, Trade and Industry	13.6	11.3	13.3	8.6	8.6	1.0	0.5	4.7

Even funding for agriculture (excluded from above analysis) does not meet the need for sustained investment. In FY2014, only 3% of Uganda's national budget allocation goes to the agricultural sector, well short of the Maputo / Comprehensive Africa Agriculture Development Program (CAADP) declaration of at least a 10% allocation of national budgets for the agriculture sector (NEMA, 2014).

Thus, the sectors of economy dependent directly on natural resources account for about 45% to 50% of GDP (Table 5), yet the budgetary allocations and investments in these sectors are less than 4% of the national budget.

The annual contribution of ecosystem services to the Uganda economy has declined from \$5.1 billion in 2005 to \$4.4 billion in 2010, largely due to deforestation (NEMA, 2014). This trend suggests that investments in conservation are well short of maintaining these resources.

**Table 5. Selected statistics on natural-resource dependent economy sectors.**

<b>Tourism</b>	\$805 million / 9.2% of GDP / 630K jobs = 15% of employment
<b>Forestry</b>	6% of GDP / 100K direct employment + 750K indirect Land degradation/deforestation costs \$625 million / year 90% of population uses wood fuel for energy
<b>Watersheds</b>	Essential for business, agriculture, human and wildlife consumption. Five million people obtain water from wetlands, valued at \$25 million.
<b>Fisheries</b>	\$800 million gross value, 5.3 mil people directly dependent
<b>Agriculture</b>	24% of the GDP

Other conservation finance mechanisms in Uganda such as conservation trust funds, PES, and green markets have been used only at small scales and without a coherent national strategy. PES investments outside the government agencies estimate annual flow at about \$0.5 million per year. Markets for green products, mainly agricultural exports, are small but growing. The organic produce sub-sector has grown from \$0.37 million in 2003/4 to \$36.9 million in 2009/10. In comparison, overall exports just for organic coffee in 2011/2 are estimated at \$2.6 billion.

## Summary of the Funding Gap

There are several ways to estimate the funding gap for biodiversity conservation in Uganda, and the following section provides some options.

In short, available funds for conservation in Uganda represent only a small portion of what would be needed for optimal management of biodiversity and natural resources, creating an estimated annual funding gap of approximately \$89 million (Table 6), (NEMA, 2014<sup>4</sup>).

**Table 6. Estimated Annual Funding Gap for biodiversity conservation-related investments (U\$ million per year).**

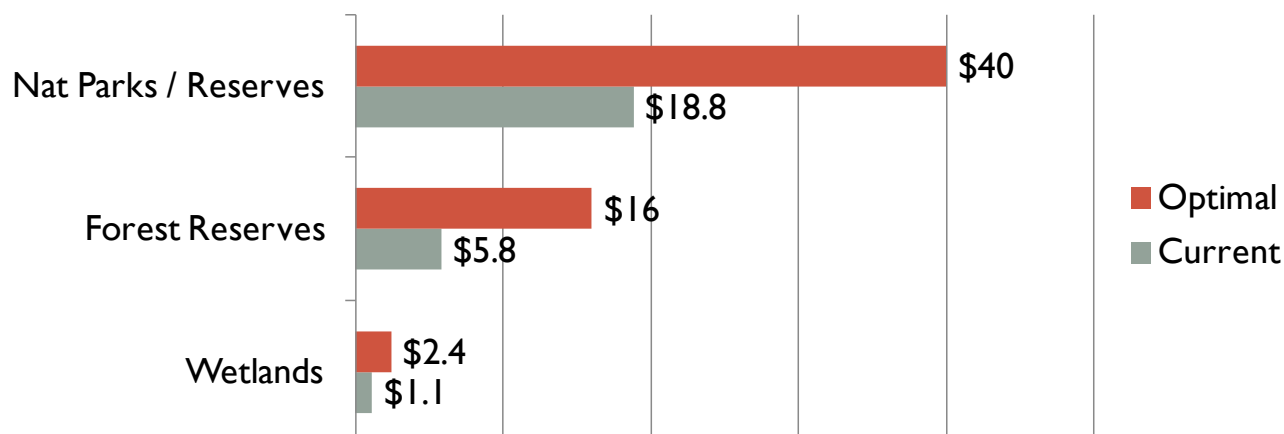
				<u>Current Funding</u>	<u>Desired Funding</u>	<u>Funding Gap</u>	
				in U\$ million			
Environment and Natural Resources							
	NEMA, NFA, CCU, DESS			\$29.15	\$65.30	\$36.15	
	FSSD, Wetlands Department						
	Directorate of Meteorology						
Tourism, Wildlife, Antiquities							
	Tourism Services			\$32.68	\$85	\$52.32	
	UWA, UWEC, UTB, CSWCT						
	UWTI, HTTI						
Grand Total					\$61.83	\$150.30	\$88.47

Notes: Current funding includes both on and off the budget resources. Desired funding is based on: a) Environment and Natural Resources Sector Investment Plan for 2008-2018 (MWE, 2008) and b) Tourism, Wildlife, Antiquities: 5% of national income of \$1.7 billion sector income = \$85 million and could support sustainable ecosystem management.

For the purposes of this analysis, we focus mainly on protected areas and wetlands harboring the highest biodiversity. The estimate for the funding gap for national parks, wildlife reserves, forest reserves and wetlands could be as much as \$33 million per year (Figure 1.), with about \$21.2 million for national parks/wildlife reserves, \$10.2 million for forest reserves, and at an extreme minimum \$1.3 million for wetlands. If UWA's funding gap from a business planning exercise in 2011 is used (\$4 to \$6 million per year), then **the minimum combined funding gap is estimated at \$15 million.**

<sup>4</sup> If the agricultural sector, and its impact on biodiversity, is included an additional funding gap of \$366 million is estimated for this sector, making a total gap to be \$455 million per year (NEMA, 2014).

**Figure 1. Non-agricultural annual optimal and current funding estimated for UWA, NFA, and Wetland Department (MWE) (in million U\$).**



Notes: UWA optimal funding assumes 2/3 of FY14 budget request of \$60 million, of which \$18.8 million is approved. Business planning in 2010 estimated ongoing funding gaps between \$4 - \$6 million per year (see Appendix 1). NFA current funding based on FY13 actual figures. Wetlands current funding based on FY14 budget.

### Protected Areas

Funding for protected areas is provided almost exclusively through the Uganda Wildlife Authority and its partners. A majority of the revenues UWA derives is from tourism: expected to be between \$18.8 to \$20.4 million in FY2014. Recently, UWA began collecting entry fees from oil companies operating in Murchison Falls National Park (MFNP). These charges have resulted in a significant increase in income for MFNP. Over the next two years this income will continue to be significant as the company installs the infrastructure to extract and transport the oil to the Central Production Facility. It is likely that the oil companies will seek to negotiate an alternative fee structure or longer term partnership.

UWA's funding gap is complex to estimate due to large unfunded needs, primarily in infrastructure, equipment, human-wildlife conflict management and capacity building. UWA's internal revenue is sufficient to cover key operations at a minimum level but funding levels are far from optimal. For example, the requested budgets from protected area managers in FY2014 amounted to \$60 million but only \$18.8 million was approved. Operations are a priority and UWA's key funding gaps occur in the following areas:

- Capital expenditures (roads, equipment, wildlife monitoring). Estimated at \$43 million (World Bank, PAMSU, 2009).
- Human-wildlife conflict activities, mainly in QEPA and MFNP. Government support for human-wildlife conflict is only \$60,000.
- Capacity Building (training of staff).
- New product development.
- Species reintroduction.
- Corridor management (e.g. Semliki-Rwenzori, Queen-Virunga-Kibale-TSWR, Rwenzori-Virungas; Murchison-E.Madi-Nimule).

Based on a series of studies on financing needs and available budgets, the estimated annual funding gap for effective management of National Parks by UWA has been estimated to range from \$2 million to \$3 million (Table 7 next page). In 2010-2011, WCS conducted rigorous business plan



analyses for all national parks and wildlife reserves, which at the time projected annual deficits of about \$4-6 million (see Appendix 1).

**Table 7. UWA's projected revenue and expenses (Strategic Plan 2013-2018) with adjustments.**

		2014	2015	2016	2017	2018
<b>Operating Costs</b>						
Resource Conservation and Management		\$1,254,763	\$2,612,415	\$2,372,855	\$1,929,135	\$1,645,735
Research and Ecological Monitoring		278,432	345,496	306,560	226,784	219,584
Capacity Development		2,526,000	3,388,000	3,538,000	3,638,000	2,698,000
Tourism Development and Fin Sustainability		4,674,600	4,730,600	3,832,200	3,864,200	3,824,200
Community Conservation		331,600	706,400	794,400	609,200	232,000
Governance and Corporate Affairs		279,704	494,048	412,192	259,992	259,992
Total Operating Costs		9,345,099	12,276,959	11,256,207	10,527,311	8,879,511
Other GMP Implementation Costs*		400,000	400,000	1,200,000	6,000,000	10,000,000
Personnel Costs		12,088,626	12,161,770	13,148,185	13,225,123	13,304,035
<b>Grand Total Costs</b>		<b>\$21,833,725</b>	<b>\$24,838,729</b>	<b>\$25,604,392</b>	<b>\$29,752,435</b>	<b>\$32,183,547</b>
<b>Tourism Revenues</b>		20,475,164	22,932,183	25,684,045	28,766,131	32,218,067
<b>Surplus / (Deficit "funding gap") [per Strategic Plan]</b>		<b>(\$1,358,561)</b>	<b>(\$1,906,546)</b>	<b>\$79,654</b>	<b>(\$986,304)</b>	<b>\$34,520</b>
<b>Adjustments to Costs</b>						
Resource Conservation and Management		0	0	500,802	1,231,887	1,831,389
Research and Ecological Monitoring		0	0	73,486	191,266	240,271
Capacity Development		0	0	0	0	1,303,800
Tourism Development and Fin Sustainability		0	0	1,371,460	1,859,826	2,472,229
Community Conservation		0	0	0	264,640	729,224
Governance and Corporate Affairs		0	0	131,261	337,806	397,586
Other GMP Implementation Costs		0	120,000	(524,000)	(5,121,200)	(8,857,560)
Personnel Costs		0	1,135,718	1,479,053	2,864,837	4,394,922
<b>Total Adjustments to Costs</b>		0	1,255,718	3,032,060	1,629,063	2,511,861
<b>Total Adjusted Costs</b>						
Resource Conservation and Management		1,254,763	2,612,415	2,873,657	3,161,022	3,477,125
Research and Ecological Monitoring		278,432	345,496	380,046	418,050	459,855
Capacity Development		2,526,000	3,388,000	3,538,000	3,638,000	4,001,800
Tourism Development and Fin Sustainability		4,674,600	4,730,600	5,203,660	5,724,026	6,296,429
Community Conservation		331,600	706,400	794,400	873,840	961,224
Governance and Corporate Affairs		279,704	494,048	543,453	597,798	657,578
Other GMP Implementation Costs		400,000	520,000	676,000	878,800	1,142,440
Personnel Costs		12,088,626	13,297,488	14,627,237	16,089,961	17,698,957
<b>Total Adjusted Costs</b>		<b>21,833,725</b>	<b>26,094,448</b>	<b>28,636,452</b>	<b>31,381,497</b>	<b>34,695,407</b>
<b>Adjusted Surplus / (Deficit "funding gap")</b>		<b>(\$1,358,561)</b>	<b>(\$3,162,264)</b>	<b>(\$2,952,407)</b>	<b>(\$2,615,367)</b>	<b>(\$2,477,341)</b>

\* The increases in GMP cost line show majority unfunded UWA capital expenditures and operating activities.

It is clear from this analysis that only three areas (Bwindi Mgahinga Conservation Area, Murchison Falls NP, and Queen Elizabeth NP) generate sufficient funds from internal revenue (tourism) to cover their current expenses. Since the previous study, the financial situation of UWA has somewhat improved primarily due to increases in tourism revenues. However, this growth was

partially offset by the corresponding increase in operational expenditures as UWA increased the number of rangers and their salaries<sup>5</sup>.

According to UWA's latest Strategic Plan summarized in the above Table 7, tourism revenues are expected to grow by 12% per annum between 2014 and 2018 to reach \$32 million (from expected \$20.4 million revenue in 2014). UWA has been successful at raising its internally generated income, mainly from tourism - revenues in 2011 were only \$11.7 million (at current exchange rates)<sup>6</sup>, though further growth could level off due to several trends and challenges:

- UWA has maximized the number of gorilla groups and number of tourists per group. Increasing the number of tourists will be difficult without threats to the animals; however some increases in price may be possible over time.
- Tariffs have been raised periodically and the room to grow is now smaller.
- The effects of oil, hydropower and other infrastructure development within national parks may contribute to a decline in tourism.

UWA also expects to introduce a SMART Card system to most of its parks in FY2015, which would significantly reduce leakages and provide a one-off spike in revenues, before leveling off in future years. The organization is also keen on exploring new revenue streams from hydropower or various conservation payments and levies, which if structured appropriately could surpass any potential loss of tourism revenue.

At the same time, UWA's expenses and needed investments in its operations and infrastructure has been rising at a comparable pace, resulting in its continuing dependence on external funding sources. It is reasonable to expect that with increasing tourism management needs, population growth and other threats, UWA's expenses are likely to keep rising along with its tourism revenues.

Under UWA's strategic plan the line item for Other General Management Planning Costs increases exponentially (from \$400K in 2015 to \$10 million in 2018; these costs include most capital expenditures and operating expenses for running the protected areas. In principle, part of this figure represents a real and obvious funding need for UWA. It is not clear how such rapid growth would occur and it seems unrealistic unless some external source of funding develops, such as long-term offset payments from the private sector<sup>7</sup>. Even with such payments the numbers seem optimistic.

At the same time, other expenditures such as research, capacity development, and community conservation show declines despite the need to increase investments in those areas. As mentioned, it is likely that more investments and expenditures will be needed for park management with increasing tourism, population pressure, and both direct and indirect impacts from investment in oil exploitation and other development activities.

In addition, currently only about 2/3 of UWA's General Management Planning activities are implemented, which suggests that additional resources are needed to optimally manage the parks and wildlife reserves. By adjusting the growth of most expenses to 10% per annum, and GMP implementation expenses to 30% per annum (see "Adjustments to Costs" in Table 7), deficits in the range of \$2 - \$3 million per annum are likely to continue.

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<sup>5</sup> 430 new rangers in 2012 but only 200 were net new as others left. 100 were specific for oil monitoring so other new net were only 130. UWA has total 1,300 rangers now.

<sup>6</sup> However, some of this increase could be attributed to large fees associated with granting access to oil companies to Murchison Falls CA.

<sup>7</sup> For example, recent initial annual management planning ask from PAs equaled \$60 million compared to about \$20 million available.

## Forest Reserves

Forest reserves in Uganda are divided between Central Forest Reserves (under management of the National Forestry Authority, NFA) and Local Forest Reserves (under jurisdiction of local governments). The NFA manages about 1.26 million ha including certain areas co-managed with UWA.

### Central Forest Reserves

According to NFA management, the NFA is severely underfunded for management and conservation. NFA's current funding is inadequate for sustained forest management and effective conservation activities. The level of illegal activities in the reserves is high due to the institution's weak enforcement capacity. NFA experiences high staff turnover rates (56 employees left in 2013) and total staff numbers are less than 300 nationwide with many forest reserves employing only minimal staff. The planned establishment of Environmental Protection Police has been ineffective due to lack of funding.

Conservation priorities are on High Biodiversity Forests but there are limited funds available (e.g. Budongo, Bugoma) for activities such as boundary demarcation, law enforcement, and encroachment prevention and management.

In FY2014, out of a budget of \$8.3 million (\$2.1 million of which are wages), about \$4.3 million (70% of remaining \$5.2 million) is earmarked for management and conservation. Of this, only about \$2.2 million will be spent in FY14 on direct field forest-based costs, such as on boundary maintenance, patrols, law enforcement, and nursery works. According to NFA management, about \$16 million is needed annually for effective forest management / conservation, with a total funding gap estimated at about \$11 to \$13 million. In its latest FY14 budget estimates, NFA itself identified a minimum of \$7 million of unfunded activities, with more than 80% (\$6 million) required for improved management of CFRs (NFA, 2014; Table 8).

Overall in recent years, funding for management of National Forest Reserves has been declining, from an estimated \$7.7 million in 2011 to \$5.8 million in 2013, mainly due to inability of the NFA to increase internally generated revenues (primarily timber sales and tourism). Timber-related income decreased since 2011 primarily because most current plantations have been depleted and the volume of timber from high tropical forests declined significantly. Most new planting started in 2003, so the new mature timber stocks will not start producing until 2028. Precise inventories have not been conducted so it is difficult to estimate future revenues. The government subvention for NFA increased significantly, primarily due to a supplementary wage bill paying NFA staff salaries.

**Table 8. NFA Revenues (FY2011 to FY2015)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>		<b>2014</b>		<b>2015</b>
	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i> (Jul-Mar)	<i>Budget</i>
Internally Generated Revenues	\$5,872,000	\$3,922,800	\$4,671,600	\$2,626,400	\$5,697,200	\$3,238,400	\$5,747,200
Donor Subventions	1,616,000	2,348,800	1,640,000	731,200	167,480	33,200	259,600
Government Allocations	<u>224,000</u>	<u>2,151,600</u>	<u>2,560,000</u>	<u>2,444,000</u>	<u>2,503,200</u>	<u>2,023,200</u>	<u>2,583,200</u>
Total Income	<u>\$7,712,000</u>	<u>\$8,423,200</u>	<u>\$8,871,600</u>	<u>\$5,801,600</u>	<u>\$8,367,880</u>	<u>\$5,294,800</u>	<u>\$8,590,000</u>

There are opportunities for NFA to increase its revenues from non-timber sales, such as ecotourism, payments for ecosystem services, and other non-timber forest products. The Conservation Trust Fund can potentially leverage investments to grow such income, which could be used for investments in conservation activities. Ancillary revenues by NFA from non-timber sales are

negligent, accounting for less than 5% of NFA revenues. There are only ten sites managed for ecotourism in forest reserves of which four (4) are managed directly by NFA. However, the number of tourists received at these facilities grew from 459 in 2012 to 3,145 in 2013 indicating potential for the future. Similarly, carbon revenues for NFA are small, coming only from one plantation project in Rwoho which generated about \$100,000 through carbon sales to a World Bank fund. The NFA is working on two more initiatives in North Rwenzori and Kasagala CFRs. Production of non-timber products is also small, with estimated volume of about 54 tons in 2013, up from almost zero in 2011.

NFA has not received significant funding from donors and what donor income has been received has been variable over the years. Currently, the only significant support comes from UNDP-funded project focused on forest reserves in greater Kidepo Valley landscape (Rom, Nyangea Napore, Morungole).

There exist significant opportunities for engaging with local communities in forest management – that could drive down costs and increase effectiveness. Collaborative Forest Management (CFM) efforts are currently limited to only 230,000 hectares, with about 11,000 households participating in 2013 (up from 780 in 2011). Recent experiences from CFM in some areas (for example in Mt. Otzi CFR from 2008 to 2011) show that investing in community engagement can have significant impact on reducing threats. However, demands of communities involved in joint management efforts are increasing recently, which could create both an opportunity and a challenge. Expanding the program without adequate staff and funding will be putting some of these schemes at risk. A CTF could play an important role in supporting such schemes through contracts with local communities.

Connectivity between the forest reserves is also critical to address, particularly in Albertine Rift region with its high number of highly diverse but fragmented tropical forests. Some NGOs with experience and capacity (e.g. CSWCT, JGI, Nature Harness Initiatives) have been successful in working in areas around some forest reserves to address major threats. The availability of additional investments for the entire region (see sub section on Landscape Connectivity below) would be an essential addition to enabling forest conservation in some of Uganda's critically important ecosystems.

## **Local Forest Reserves**

Local governments in Uganda oversee forest management on private lands (which constitute about 3.4 million hectares, or 70% of forest cover in Uganda<sup>8</sup>) and directly manage 5,000 hectares of Local Forest Reserves. These Local Forest Reserves were created during the decentralization process in 1998 but since then these forests have not been well managed as local governments have not received adequate resources. Local governments have a strong mandate in managing natural resources in their localities (outside of PAs) and can be critical stakeholders in achieving conservation targets, such as landscape connectivity. Often, the Districts with ample natural resources, receive more than 75% of their local revenue through licenses and fees on the environment and natural resources (e.g. charcoal, fisheries, timber, and sand; NEMA, 2014). Hence, in the absence of other funding, these Districts could have an incentive to effectively manage the natural resources on which they depend financially.

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<sup>8</sup> This figure includes woodlands as well. The share of high tropical forests on private lands is much smaller, with most of it in the forest reserves and protected areas.

## Wetlands

Wetlands cover about 26,300 sq km in Uganda and are important ecosystems harboring biodiversity and contributing significantly to local livelihoods and economy<sup>9</sup>. Wetlands are found in all Districts in Uganda and are managed under the jurisdictions of the Ministry of Water and Environment (MWE) and Local Governments (Districts).

Currently, the MWE has a total budget of about \$1 million to manage wetlands nationwide, of which about \$600,000 is budgeted for central activities undertaken by the Ministry, and \$400,000 is allocated to the Districts through conditional grants. This allocation follows a formula considering the following factors: area size, levels of threat, management plans developed in each District, and RAMSAR site designation. The allocation per district averaged about \$4,700 in FY13, ranging from over \$20,000 for Wakiso, Masaka, Mukono, and Kabale districts each to less than \$1,000 for Kalangala, Abim, Koboko, Kitgum, and Padibe districts each. Approximately 10% of the allocated funds are spent on administration. All Districts employ District Environment Officers and some Districts having an additional Wetland Officer as well.

In addition, about \$750,000 per year is allocated to wetlands management department for thematic areas such as:

- Information generation and dissemination
- Restoration of degraded wetlands
- Capacity building
- Formulation of policies, laws and regulations
- Capacity building at national and local government levels
- Monitoring and enforcement
- Administration (only \$30,000).

According to the MWE, a minimum of \$2.4 million would be necessary to optimize management of wetlands and address current level of threats, yielding a potential funding gap of about \$1.4 million per annum. The real gap for effective wetland management is likely to be much higher, as the action plan for financing biodiversity conservation in Uganda estimates that wetland restoration and management for 12 RAMSAR sites (most include major wetlands) is estimated at \$3.3 million per year (NEMA, 2014).

## Landscape Connectivity

Landscape connectivity is a critical factor for biodiversity conservation in Uganda as most areas with high biodiversity value have become fragmented and isolated from other such areas. For example, forests in the Murchison – Semliki landscape have lost, on average, well over 8,000 ha/year, with forest cover declining to an estimated 97,790 ha in 2014 from 122,867 ha in 2010 - more than a 20% decrease. WCS has estimated that households in the region generate the following income from land use (Akwetaireho, Plumptre, 2010):

- |                           |       |
|---------------------------|-------|
| • Forest Activities       | \$123 |
| • Agricultural Activities | \$271 |
| • Animal Husbandry        | \$150 |

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<sup>9</sup> Area of wetlands have declined from 15.6% of Uganda's surface area in 1994 to current 10.9%, representing about a 1/3 loss of this important ecosystem, primarily due to rice cultivation, dairy farming, human settlement and industrial development (NEMA, 2014).

Hence, income from agriculture exceeds income from forestry activities by about \$148/ha. There are about 123,000 hectares of forest outside the protected areas in this landscape, making the potential opportunity cost to keep them conserved significant; the CTF could support some of these initiatives.

In other parts of the country, corridors are also critical to long-term conservation objectives:

- Murchison Falls NP/East Madi/Nimule – this corridor represents an important area, including the former East Madi Wildlife Reserve that was degazetted in the 1970s. It used to be an important wildlife migration area (including elephants) between Murchison Falls NP, East Madi WR, and continuing to Nimule NP in South Sudan. WCS carried out extensive work in this region between 2008-2011, ranging from a survey of land tenure, land use planning, and working with communities on human wildlife conflict management, and confirmed the importance of this region for wildlife.
- Lipan Corridor – Lipan Corridor connects two highly-biodiverse regions (Kidepo Valley NP and Agoro Agu CFR) and used to be designated as a hunting area. UWA is currently looking for a private sector partner to develop tourism activities in the region.
- Eastern Uganda (Karamoja) – there are opportunities in the Karamoja region to link existing wildlife reserves and community wildlife areas; and possibly greater incentives to do so considering the recent confirmation of the presence of wild dogs and cheetahs.

## **IX. OFFSETTING OPPORTUNITIES**

As mentioned earlier in this report, there is no specific legislation requiring that companies offset their impacts on biodiversity. The major driving forces for companies to establish offsets are the voluntary management of reputational risk and requirements from lenders such as IFC or the various banks that are committed to the Equator Principles. In the Albertine Rift the oil companies are discussing a plan to achieve a net positive impact. That would require coordinated landscape-level planning and the development of conservation actions that compensate for their development impacts. Given the high level of impacts from the development of oil in the region, the investment in biodiversity offsets is likely to be significant for the region and would result in long-term funding for conservation. The CTF could manage all or part of that funding.

Although the amount of money required to cover the cost of implementing biodiversity offsets will be in the millions of dollars over the life of the projects, it is too early to know the precise amounts or even the range; the projects are at too early a stage to make realistic estimates. It is clear however that the companies will become major investors in conservation of critical areas in Uganda over a long period of time, and that some of that money will likely flow to protected areas to cover some of their management and operational costs.

Given the amount that will be invested, companies have expressed strong interest in working through a transparent and accountable funding institution to disburse and oversee use of the funds. This is a primary role of the new CTF and even if only the oil sector offsets in western Uganda are considered, the funding that will be provided would be sufficient to ensure the long-term sustainability of the CTF.

In the future, Uganda may develop legal rules requiring offsets for certain projects. If that was to occur, more companies would need to offset their impacts and the CTF could play a major role in helping to guide the financing of offsets by managing and disbursing funds, creating and managing contracts to deliver conservation, and ensuring that effective monitoring systems are in place. As the process evolves so will the role of the CTF in offset implementation and financing and so will the amount of money available to build a sustainable conservation financing mechanism.

## **X. FINANCING THE CTF**

As described in Section VI, various stakeholders (private companies, donors) are likely sources of funding for the CTF. These options will be refined as the process of CTF creation evolves.

### *Endowment Target Amount*

The overall funding gap for protected areas, forest reserves, and wetlands based on preliminary data appears to be on the order of at least \$15 million per year – an amount that a CTF could never effectively cover. The CTF must be seen as a complement to the other funding sources – the most important being the government. For example, if the funding gap is around \$15 million, and the objective was to cover that gap, then even an endowment fund in the vicinity of \$100 million would fall short – able to supply roughly only \$5 million a year – or 1/3 of the funding gap. Section XII G discusses a prioritization methodology, which could be used to refine the CTF's focus to assure effective use of its funds.

Even though a Uganda CTF has the potential opportunity to receive significant resources from compensation payments made by oil companies and other investors, building a \$100 million endowment fund has rarely been done globally. The average size of the endowments for African CTFs is \$10.7 million, and worldwide only 26% of CTFs are over \$20 million and only six funds currently have endowment funds over \$30 million. Even funds like the Madagascar Biodiversity Fund, which now has \$50 million and a target of \$100 million, only targets a few specific protected areas and complements funding provided by the Government and other sources.

The Ugandan CTF should set a short-term target of \$10 million for its endowment with a medium term goal of \$30 million. A \$30 million CTF would have internal resources to generate annual funding capable of meeting 10% of the funding gap identified in this study. Additional revenues from annual compensation payments, for example, would increase the percentage coverage substantially, although as noted earlier, it is too soon to have a clear estimate of the size of those payments.

### *Start up and Operational Costs*

In general, most conservation trust funds seek to spend annually about 4-7% of their endowment on operations and management costs. The rate is based on average expected returns over a three to five year period. Since most CTFs have rules about invading capital the rate of spending is generally based on the net return, plus asset management fee, plus inflation reserve. Today, rates of inflation in the US and Europe are relatively low and most asset management fees are less than 1% for funds that exceed \$5 million. With a spending goal of 5% and taking into account inflation and fees, a CTF would hope to have an average return over three to five years of around 7% or above to maintain its capital base (Table 9), which is quite feasible given the historical performance of CTFs around the world.

Thus, a \$10 million endowment can support an operating budget of about \$500,000 per year. With larger endowments, it is likely that some savings could be achieved in some fees and costs as a result of economies of scale. In addition, donors tend to limit CTFs to a 25-30% overhead rate on their contributions, even though very few of CTFs can actually raise enough funds for operations with those limits in place. However the larger the endowment and greater the income earned each year, the lower administrative fees are likely to be in percentage terms. These costs levels are based on a fully operational fund. Some administrative /operating costs are likely to be higher during start-up (more one time fees) and, and others lower (fewer full-time staff).

**Table 9. Example of returns required for a CTF to maintain its capital base.**

Spending Rule or Target Return Established by the Board	5 %
Asset Management Fee	0.7%
Inflation (Europe/US)	1.0%
Total Return Required	6.70%
Three year average return (2012) for conservation trust funds (Mathias &Victurine 2012)	6.8%

A full start-up budget can be elaborated once the other parameters of the fund are determined. Some key points will be:

- Grant making. How quickly the new entity will start implementing its projects (e.g. grant making),
- Timing. When endowment funds will be obtained so that investment can begin, and what will the funding structure of the fund look like (e.g. endowment vs. sinking vs. revolving funds – or some combination of all three).
- Use of investment income. It is also possible some investment income will be initially be reinvested and used to grow endowment capital.
- Other funding. The fund can attract other sinking or revolving funds, of which some can fund administration/operations.
- Collaboration. How will the new CTF collaborate with existing funds and be able to manage costs as a result of synergies.

#### *Types of CTF funding*

As mentioned above, significant potential for initial funding for the CTF comes from international donors and three oil companies currently operating in Uganda. After the initial capitalization and establishment of its track record, the CTF can then seek funding from broader range of private companies and donors.

Revolving and sinking funds are likely to be a significant source of additional income given the experience from other funds (e.g. Bwindi Trust), which have been able to attract additional project finance that goes directly to support field programs. In the medium to long-term future, in addition to additional donor funding, various schemes with other private sector companies can be set up (e.g. through levies, fees), of which a portion could be used both for building the endowment and for direct expenditure on projects.

CTFs can also be recipients of other investment funds (e.g. National Social Security Fund, other Socially Responsible Investors/Funds with environmental investment screens, impact investors) if it decides to pursue/support development of commercial ventures (such as tourism development with conservation co-benefits). A CTF can, for example, provide seed or expansion funding and loans (or loan guarantees) to such enterprises, together with some grants to support associated conservation projects. In this case, the tourism industry would have an incentive to expand into new areas, as it would not bear the entire cost of conserving the areas where they set up operations.

The new CTF could potentially provide a useful vehicle for capturing and disbursing Uganda's subnational REDD+ schemes (currently two initiatives in place: Albertine Rift Region, Mt. Elgon region). It remains unclear how Uganda plans to handle funds for its national scheme. However, subnational schemes can often pave the way toward the establishment of national schemes, which would need a reliable financing mechanism to collect and disburse the revenues to meet project objectives.

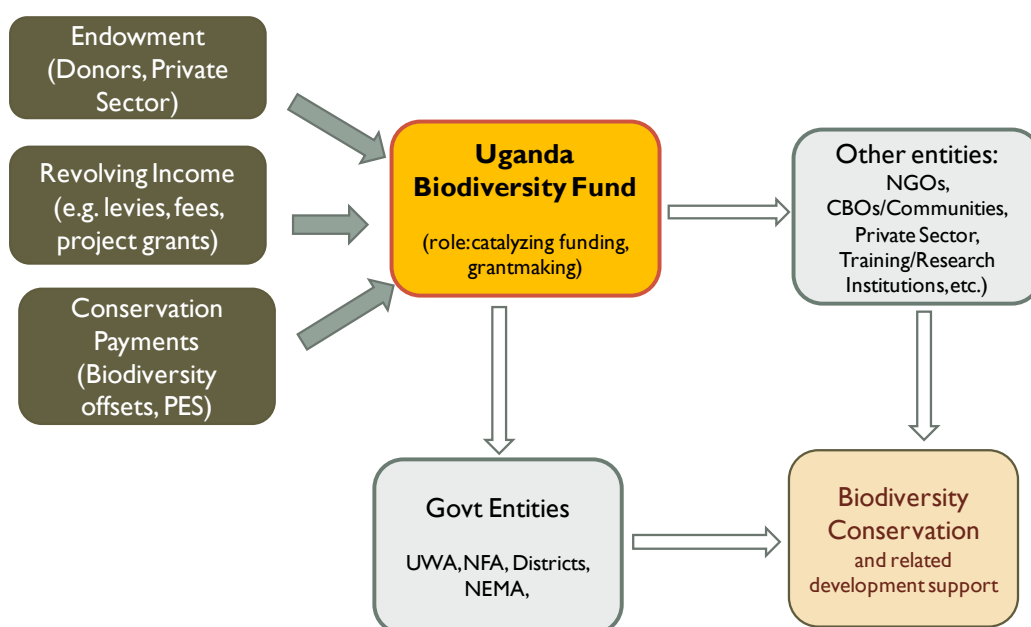


## XI. WORKSHOP RESULTS

A stakeholder workshop was held in Kampala on May 16<sup>th</sup>, 2014 with 40 participants (Appendix 2) to discuss the results of this study and to brainstorm on various aspects of the CTF design. The workshop consisted of specific presentations on the different topics related to CTF best practice as well as the findings from the stakeholder consultations; all presentations were shared with workshop participants. The workshop description and agenda is provided in the Appendix 3. There was strong participation from workshop members and several issues were covered in good detail. There were very engaged discussions on the Fund's mission, objectives, priorities, and governance.

The participants overwhelmingly supported the creation of a national-level CTF in Uganda, with primary focus on catalyzing funding and grant making (Figure 2). The results of these discussions are captured in Section XII.

**Figure 2. Uganda Biodiversity Fund role and place within Uganda's conservation framework.**



### A. STEERING COMMITTEE

The workshop included a final discussion on next steps toward the development of the new national-level CTF, during which suggestions were put forth on the constitution of a Steering Committee to move the CTF to the next level of development.

The proposed Steering Committee includes names of both specific individuals present at the workshop who have volunteered their time and a list of organizations that will be contacted to suggest individuals to participate. As such, the following constitution of the Steering Committee was proposed:

- Legal (TBD)
- Ministry of Finance (TBD)
- Economics/Finance Expert (TBD)
- UWA (TBD)
- Andy Plumtre (WCS)

- Francis Ogwal (NEMA)
- Planning Person from NEMA
- Mayanja Omugalanda (Nile Breweries / SAB Miller)
- Tourism representative (TBD)
- Ecotrust (TBD)
- Angie + Johan Genade (Rhino Fund)
- Donor Environmental Group Representative (TBD)
- Someone involved in creating Bwindi Trust
- Oil Industry Representative (TBD)
- Alex Muhwezi (Independent consultant)

It is recommended that an independent facilitator, or program coordinator, be engaged to lead the process and manage the Steering Committee meetings toward the final result of establishing the CTF. This facilitator will serve as the Coordinator for the Steering Committee's operations. Proposed terms of reference for the Coordinator appear in Appendix 4.

The consultants were requested to develop a suggested Terms of Reference for the Steering Committee, which are presented here.

### **Proposed initial Terms of Reference for the “Uganda Biodiversity Fund” Steering Committee (SC)**

- Refine and/or propose the name, mission, vision, programmatic focus and objectives of the proposed Fund.
- Develop a detailed Governance Structure based on global best practices, good governance principles, transparency and independence (e.g. follow guidance from CFA Practice Standards).
- Develop criteria for the Board Composition.
- Propose and recruit the founding Board Members, or Trustees, for inclusion in the Trust Deed.
- Meet regularly - at least once monthly over the first 6 months.
- Prepare a draft Trust Deed with the support of legal and other advisors and taking advantage of guidance available in the Practice Standard. The Steering Committee should include appropriate language in the Deed to ensure protection the independence of the Fund, as well as the CTF's assets. Any significant changes would require a super majority of Board members for example.
- Organize a broader workshop to validate the draft Trust Deed.
- Submit a final Trust Deed to appropriate authorities for the creation of the Trust.
- Explore potential sources of funding including through meetings with Donors, private sector entities and others to begin building commitments to the Fund; develop a short to medium term fundraising strategy.
- Develop a draft initial investment strategy.

- Engage with legal and other technical experts as needed to address specific concerns arising from the Committee's work.
- Define and implement additional activities or actions that must be undertaken by the Steering Committee as needed to accomplish the goal of establishing the Uganda Biodiversity Fund.

## **XII. UGANDA BIODIVERSITY FUND – PRELIMINARY DESIGN OPTIONS**

### **A. NAME**

There are multiple names that can work for the Fund and it will be the responsibility of the Steering Committee to finalize the name prior to the submission of the Trust Deed. During the workshop, it was suggested to keep the name as simple as possible. Two suggestions were maintained: the Uganda Biodiversity Fund and the Uganda Biodiversity Conservation Fund. For this Concept Note, the fund will be called the “Uganda Biodiversity Fund” as this was cited most often in the stakeholder meeting as the desired name.

### **B. MISSION AND OBJECTIVES**

The following mission statement and objectives were derived from discussions held at the stakeholder meeting. The Steering Committee will be charged with their review and modification as necessary. The final product will be shared with a larger stakeholder group prior to the finalization of the Trust Deed. The “Uganda Biodiversity Fund” will be established to accomplish the following proposed mission:

***catalyze sustainable financing for conservation of biodiversity  
and ecosystems in Uganda.***

### **Objectives and geographic scope of the CTF**

In broad terms, the Uganda Biodiversity CTF's principle objective would be to effectively complement government funding by catalyzing other financing sources to assure the resiliency of Uganda's biodiversity and critical ecosystem services. It is very important for the CTF to define upfront what success would look like in the long term (e.g. 10 years) and develop a concrete strategy on how to achieve those objectives. There are many needs within Uganda for financial support to the environment and there is a risk that a CTF will be defined with too broad a mandate. There is therefore a need to prioritize where the CTF would invest (see sub Section XII G).

#### ***Programmatic Focus of the Uganda Biodiversity Fund (UBF)***

As discussed throughout this report, the stakeholder consultations have already revealed many ideas that could be explored for the future programmatic focus and use of CTF funds. The summary of the results of those discussions is provided below:

- Focus on areas with important biodiversity and high funding gaps, based on a rigorous ranking methodology.
- Long-term funding for conservation NGOs to assure sustained implementation of projects in the field, as well as addressing urgent and emergency needs. Often, conservation efforts are

not sustained due to varying donor cycles as well as the lack of coordination and long-term planning. The UBF can work with implementing organizations on assuring more sustained long-term funding for priority biodiversity areas, thereby significantly increasing their effectiveness and scale.

- Community Development Projects – primarily income-generating activities that could be associated with new tourism development initiatives or linked to payments schemes that directly deliver conservation outcomes (offsets, conservation contracts, PES, and other incentives).
- Community Conservancies in selected parts of the country.
- Co-financing of tourism development to assure conservation co-benefits are achieved. This could be done through the soft loans, loan guarantees, grants, or provision of seed or expansion capital.
- Large Transformative Projects – the UBF could support large transformative projects (e.g. parts of PAs not currently managed or lacking infrastructure; or assist with developing conservation opportunities in parts of the country with less investment, e.g. Karamoja).
- Greater involvement of the Private Sector – the UBF should not only work with limited number of private companies (e.g. oil, tourism) but can partner with companies in additional sectors (e.g. energy, water, agriculture, consumer products).
- Linkage with Other Trusts – the UBF could explore collaboration with other trusts to leverage its investments (e.g. MBCT, Ecotrust, NSSF, agricultural trusts).

Stakeholder and the workshop discussions also yielded the following three broad groups of objectives for the UBF:

### **1) Conserve biodiversity of national and global importance in Uganda**

- Assure the conservation of endemic, threatened, and keystone species.
- Assure the ecological functioning of rare, valuable, and representative habitats.
- Support conservation of areas of significant ecological, economic and cultural values where conservation investments will result in efficient and measurable reduction of threats and increases in long-term resiliency.
- Reduce or eliminate degradation of critical habitats through investments in both direct conservation actions and policy improvements.
- Enhance the ecological and economic value of ecosystems of importance.
- Support and enhance the national conservation agenda and strategies.
- Create incentives for innovative conservation work.

### **2) Significantly increase available financing for conservation in Uganda**

- Generate funding additional to current sources to reduce the conservation funding gap
- Grow an endowment fund to assure long-term financial sustainability and funding availability.
- Support sustainable financing mechanisms (PES, tourism, services e.g. habitat creation, private reserves).
- Manage recurring (revolving) funds from private sector partners with specific conservation objectives (e.g. no net loss, compensation, biodiversity offsets).
- Mobilize public and private partnerships for financing conservation.
- Satisfy the needs of key partners and donors.
- Use the Fund's resources and reputation to leverage financing and other support for conservation objectives and in the process increase the scale and professionalism of conservation community in Uganda.

### **3) Become a recognized and respected leader in the Uganda conservation community**

- Assure strong governance principles are installed at all levels of the organization from the Board of Trustees through to grantees.
- Assure transparency in all areas of fund management, operations and grant making to the extent allowed by law.
- Minimize administrative costs and maximize the availability of financing for projects; build a strong, and efficient fund.
- Build on global best practices for conservation trust funds.
- Become recognized for professionalism, effectiveness, and measurable impact.
- Engage effectively with stakeholders from all levels of society.

#### *Strategies*

To achieve the many objectives listed above, the Uganda Biodiversity Fund should consider the following guidelines:

- Focus on providing financing, grant monitoring and oversight. Refrain from taking a role in project implementation (assured through the Trust Deed).
- Raise an endowment sufficient to make an effective contribution – the fund target for the size of the endowment should probably be at least \$30 million to be secured over 10 years, with an initial target of \$10 million in the near term.
- Assure government buy-in through having a minority of government representatives on the Board of Trustees, while assuring buy-in from the private sector and other stakeholders by ensuring that a majority of board seats are assigned to a diverse group of non-government stakeholders to aid in promoting the success of the Fund.
- Assure that the independence of the CTF is guaranteed through the Trust Deed.

#### *Effective demand for the fund's product*

There is demand for the UBF's product – sustained long-term funding for conservation and fund management – by an array of stakeholders including:

- Conservation NGOs – as discussed, one of the major challenges for conservation NGOs is the continuity of funding to sustain conservation activities. Also, funding is often needed for emergency or urgent conservation measures.
- Government Agencies – all government conservation agencies (UWA, NFA, NEMA, MWE) still face substantial funding gaps to carry out their missions effectively and need additional targeted support.
- Local Community Based Organizations – Uganda has a number of local CBOs who have the capacity to run smaller projects.
- Tourism Sector – the tourism sector can greatly benefit by UBF funding through leveraging its investments in developing tourism with conservation co-benefits. The cost of starting up such measures is high and UBF can provide significant incentives for the industry.
- Private sector – companies who have long-term goals to achieve a Net Positive Impact will need to have a trustworthy institution through which they can channel their conservation investments. The private sector could also include private landowners who can provide conservation benefits from sustainable management of their land. Many other private sectors players depend on ecosystem services such as water purification and provision, food, fiber, etc. and will benefit from collaboration with the UBF. As well, the UBF can help provide incentives for conservation through payment schemes.

## C. LEGAL CONSIDERATIONS

It is recommended that the UBF Steering Committee explore these issues in detail prior to the submission of the Trust Deed. The following suggestions summarize the current thinking with regard to legal considerations for the UBF. The UBF will be based in Uganda and most likely will be created by a Trust Deed in Uganda; it will acquire a legal status through the incorporation under the Trustees Incorporation Act. In developing the governance model and structure of the UBF, the Steering Committee should be guided by the CTF Practice Standards (2014) developed by the Conservation Finance Alliance.<sup>10</sup> Some issues to be evaluated include the following:

### **Strong Legal Status and Governance**

- Whether to establish the Trust by Act of Parliament, under Companies Act or under the Trustees Incorporation Act.
- Provision for dissolution and ensuring that the objectives of the Trust are guaranteed in perpetuity.
- Governing body of the Trust - whether Trustees are to be appointed in individual capacity or as representatives of organizations, and provision for membership continuity.

### **Independence**

- Ensuring independence of the Trust: How to avoid interference and control by government or dominance by any organization or interest group.

### **Accountability, Transparency, Tax Optimization**

- Content of the Trust Deed should ensure accountability and transparency.
- The need for additional management instruments will be addressed through bylaws and supplement the Deed.
- Exemptions and optimization of tax liabilities.
- Addressing conflict of interest issues through provisions in the Deed.

## D. UGANDA BIODIVERSITY FUND GOVERNANCE

The UBF will be governed by a Board of Trustees, of which the exact composition will be first determined by the Steering Committee. The Board will include representatives from the broader society and assure the CTF's independence. The UBF Board may have a membership of 9 to 11 people although the "founding" Board will likely be smaller until the actual founding Board members elect the remaining members. The composition proposed in the initial feasibility study that can be adapted by the Steering Committee is the following:

Government (2-3 representatives):

- Ministry of Tourism, Wildlife and Antiquities,
- Ministry of Water and Environment
- Ministry of Finance, Planning and Economic Development

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<sup>10</sup> Draft version: <http://www.dcnanature.org/wp-content/uploads/fundraising/CTF-Practice-Standards.pdf>

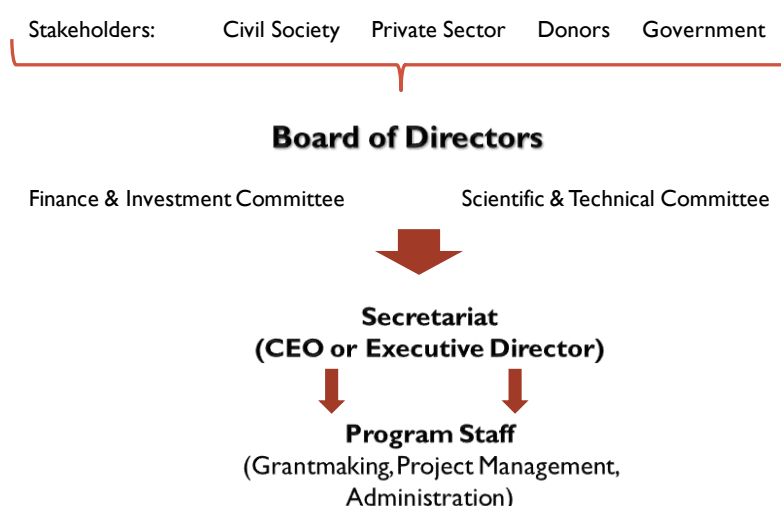
Independent (6-7 representatives):

- International NGO
- National NGO
- Academia / Scientific Research
- Private Sector – Oil and Gas/ Mining
- Private Sector – Agriculture/Forestry/Other
- Private Sector – Tourism
- Finance or Banking Professional
- Donor
- CBO Representatives (1 to 2)

Although different groups may be identified to nominate individuals for Board membership there are two important rules that should be established in the Trust Deed. The first is that members serve in their individual capacity – it will be expected that those individuals will represent specific stakeholders but *they are expected to vote in an individual capacity and are legally responsible to the Trust to fulfill their obligations as Board Members*. The second point is that after the individuals are nominated by their ministries or other organizations, *the Board of Trustees must approve these individuals* – they are not automatically Board members. This will provide an additional means of assuring that the Board members are aligned with the Trust's mission and objectives.

With regards to the timing of Board meetings and other details that will be specified in the Trust Deed, the Steering Committee will follow global best practices adapted for the context in Uganda<sup>11</sup>. The Board of Trustees will very likely establish two sub-committees: 1) Finance & Investment Committee comprising investment management and financial planning experts that will focus on the endowment investment management and 2) Scientific & Technical Committee focused on strategy and programming, comprising researchers and specialists from various scientific disciplines including biodiversity and the social sciences. Initially, a Fundraising Committee may be necessary as well. The Board will be led by a Chairman supported by a Treasurer and the UBF Executive Director (as ex-officio Secretary). The following diagram summarizes the proposed governance structure of the Uganda Biodiversity Fund (Figure 3).

**Figure 3. Proposed governance structure of the Uganda Biodiversity Fund.**



<sup>11</sup> Draft version: <http://www.dcnanature.org/wp-content/uploads/fundraising/CTF-Practice-Standards.pdf>

## E. ADMINISTRATION AND OPERATIONS

The UBF will be operated by a Secretariat led by an Executive Director (ED). The ED is recruited by the Board of Trustees and reports to the Board. The ED also plays the role of Board Secretary (ex-officio) and is responsible for recording Board Minutes and keeping the Board and its subcommittees informed of the operations of the UBF. The Secretariat staff will generally be hired by the Executive Director often with the exclusion of Director of Finance and Administration for whom Board approval is often required given the importance of the position. There will almost certainly be a Director of Programs and Grants responsible for grant management and working closely with the ED and any Board sub-committees on programmatic strategies and priorities. Another key staff member will be the Head of Monitoring and Evaluation who will design and implement a results-based planning and monitoring system.

The investment management of the trust funds' capital should be by a globally reputable investment entity or asset manager. There would be a contract established between the Trustees and the investment management entity, as is often required by donors, and it also represents global best practice. The Trustees are responsible for the oversight of the investment and should meet with the investment manager at least once a year in person to ensure they understand the investment approach and to make sure that the investment strategy is appropriate and yielding the desired results in line with the investment strategy. This responsibility is usually assumed by the Finance & Investment Committee. The Board of Trustees can alter the investment approach to reflect changing market conditions in consultation with the investment manager. Criteria for modifying the strategy, including any Board quorum, should be made clear in the investment strategy.

## F. FUNDRAISING STRATEGY

The UBF should have a medium term target of raising startup financing to allow it to establish itself and operate for at least 3 years but ideally 5 years. This should be coupled with a commitment of a minimum of initial \$10 million towards an endowment fund. A sinking fund could be used for startup (as has been the case in a range of funds) but again this must be complemented by a commitment for endowment funding as well; securing an endowment represents the long-term guarantee of financial sustainability for the Fund. The long-term financial objective of the UBF should be determined through the elaboration of a detailed Fundraising Strategy that will be outlined by the Steering Committee and validated and implemented by the Board of Trustees and the ED once he/she is hired.

It is estimated that the UBF will require in the range of \$3 million to \$4 million for startup costs during its first five years of operations, of which more than one-third (35%) will be used for initial grant-making. This amount can be divided into two phases – the preparatory phase, which will be overseen by the Steering Committee and the startup phase, which will be overseen by the founding Board of Trustees and eventually by the ED. The preparatory phase will require an estimated \$200,000 to \$300,000 over 9 to 12 months and will result in the creation of the UBF including its submitted Trust Deed, establishment of founding Board of Trustees, and initial search for an ED who will ultimately be vetted and hired by the Board.

During the startup phase, the UBF will establish all of its operating procedures and grant making strategies. As mentioned, the objective is to secure sufficient funds to launch the CTF and have over one third of the startup costs used for grant making to give the Secretariat the experience of identifying projects, soliciting grants, reviewing applications, making grants, establishing and reviewing monitoring and reporting procedures, and building financial accountability.



Given that the overall funding gap for protected areas, forest reserves, and wetlands based on preliminary data appears to be on the order of at least \$15 million per year, the UBF could never effectively cover this entire gap. The UBF should be seen as a complement to the other funding sources – the most important being the government budget.

**Donors** – the Steering Committee of the UBF will include a donor representative and will work closely with the Environmental Donors Group to identify startup funding as well as potential donor resources for endowment capital commitments. The donors who have expressed interest in supporting the UBF during its startup phase include AfD, USAID, and UNDP (GEF6). Additionally, the EU has expressed interest in using the UBF as a vehicle for grant making but may be limited in its ability to provide financing for an endowment. Many of the donors have expressed their challenges with regard to providing capital for an endowment fund. In the past, endowment funds have been supported by the GEF, KfW, FFEM, AfD, and some other donors who have managed to find a solution to any internal constraints on financing endowments.

**Oil and Gas Industry** – Both Tullow and Total have expressed interest in potentially providing financing for specific biodiversity conservation projects or general biodiversity support for their regions of activities through the UBF. These companies should be included as much as possible in the Steering Committee and otherwise consulted so that the final UBF design addresses their specific needs. Despite the potential to provide some initial startup financing to the UBF, the majority of financial flows from the oil consortium (including Cnooc) will come from revenue flows once the oil production begins and revenues are being generated.

A potentially significant flow of funds could come from the expenditures the companies will need to make to comply with their stated commitments to achieve a Net Positive Impact (NPI) on biodiversity. Essentially this means that the companies will need to invest in conservation actions that result in outcomes that are greater than the impacts caused by their projects. Achieving NPI will require that companies invest in conservation over the long-term, whether through annual payments over the life of the projects or through a payment mechanism that could establish or lead to an endowment large enough to meet annual funding needs. Generally companies will prefer to channel all or part of those payments through an independent conservation financing mechanism, such as a CTF, with a mandate to work in the Albertine Rift region and the UBF will be in a very good position to manage these payments and play a role to ensure that the investments are yielding the conservation results.

In addition to these offset/compensation payments UBF might be able to work with the companies and propose that a small fraction of company profits be assigned to build the Fund's endowment. These payments would be above and beyond any NPI payments and would serve as a donation to the Fund and its long-term sustainability. Depending on the companies' profitability, a small allocation of say half of one percent (0.5%) of profits over 30 years could ensure that the UBF has an extremely well-endowed fund that can support the long-term conservation of Uganda's biodiversity in perpetuity. This approach could easily complement the offset payments described above and guarantee that the conservation actions undertaken as part of NPI do continue in perpetuity.

**Tourism Sector** – the tourism sector is predominantly dependent on a well-functioning and ecologically rich protected areas network and other sites of natural value and interest such as river rapids, lakes, scenic landscapes, etc. The sector contributes significantly to the GDP of the country and creates a large number of jobs and secondary market demand. The tourism sector is a key partner for the UBF and could contribute substantially to the fund. One means of encouraging financial support is to work with the Ugandan tourism associations and establish a specific contribution where members provide a small percentage of their profits towards the Fund. The tourism operators could also support the CTF by establishing various campaigns where tourists that enjoy their visit can make individual contributions.

**Other Private Sector** – Although one private sector representative indicated that direct funding from companies may be difficult to obtain in the short-term, the Steering Committee should explore opportunities as some companies have expressed interest in running conservation campaigns that would lead to fund flows into the UBF. The use of branding for conservation, sponsorships, and assignment of some part of sales (e.g. 5 shillings per bottle or other products sold) potentially could be employed to generate conservation income in support of the UBF. Such schemes are more likely to be developed once the UBF has established some reputation and acquired initial capital. Nonetheless, some stakeholders believe that domestic companies should be a significant source of potential funding.

**Government** – The primary source of revenue for biodiversity conservation in Uganda is based on government budgets and policy. The Ugandan government receives a significant portion of its tax revenues from tourism related taxes and fees and in fact the entire economy is currently based on the natural resource base of the country: soils and pollination for agriculture, clean water for industry and consumption, wildlife and natural forests and savannahs for tourism, etc. As well, the government will receive income from the oil exploitation around Lake Albert. The government is a key partner for the UBF and can provide support in the form of tax relief, or revenues generated by green taxes (airport tax, carbon tax, etc.). Similar to the private sector, some of these revenue sources can be developed later after the UBF is operational and has proven its ability to effectively and efficiently manage finances that generate measurable conservation benefits that are aligned with government objectives. Building support and opportunities to leverage government support for the UBF, including funding from a variety of new sources, such as natural resource exploitation should be explored.

## G. PRIORITIZATION OF INTERVENTIONS

The UBF will establish an internal set of priorities that can be updated every 5 years or more frequently as needed. The priorities should take into consideration the Fund's Mission and Objectives. There are at least three levels of prioritization that can be considered: 1) Biodiversity Conservation Value, 2) Value to People and Business, and 3) Investment Efficiency. These approaches should be combined in each assessment or priority setting exercise. There is a range of issues that could be included in measures as part of the priority setting as indicated below:

### **Biodiversity Conservation Value**

- Endangered species
- Species diversity

### **Value to People and Business**

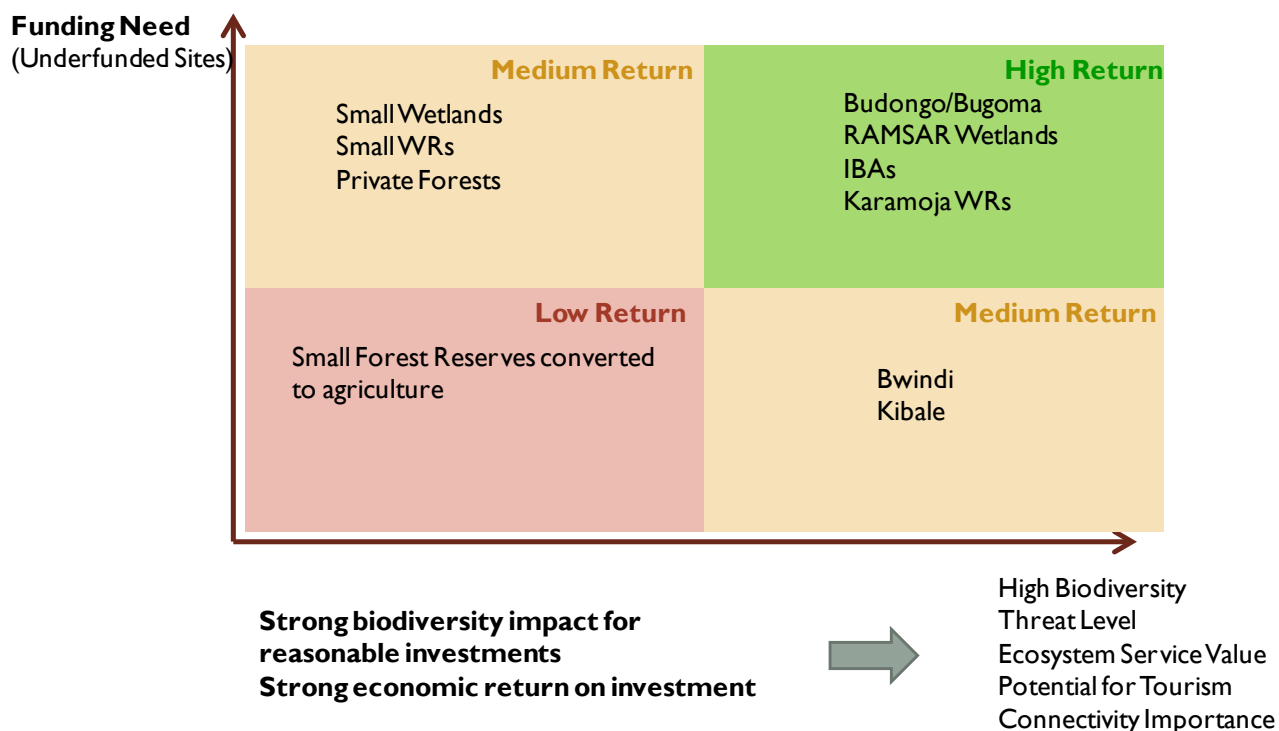
- Tourism
- Watersheds
- Productivity (e.g. agriculture and fisheries)

### **Investment Efficiency**

- Impact vs. Cost
- Results per USH spent

For example, Figure 4 demonstrates how a simple analysis might be framed showing where UBF might intervene to focus the majority of its efforts on “High Return” areas:

**Figure 4. Example of prioritization methodology identifying “High Return” areas for identifying the CTF’s focus.**



For example, several studies have been made for protected areas (e.g. for the Central Forest Reserves, Wetlands, and Important Bird Areas), which rank them according to their biodiversity richness. These results are available and can be used to prioritize these Parks, Wildlife Reserves, Central Forest Reserves, and wetlands according to their biodiversity importance. Then there is a need to rank the threats, and identify funding needs against levels of financing that is available for these priority sites. Figure 5 (page 53) is a map demonstrating an investment priority ranking. The map is derived from individual assessment of biodiversity values, threats, and the level of funding available. The maps for each category appear in Appendix 5 along with an explanation of how the investment priority map was derived. The maps were prepared as part of the analysis done for this project. They provide an example of how priority setting could be undertaken.

## H. RECOMMENDED NEXT STEPS

The attendees of the Stakeholder Workshop held on May 16<sup>th</sup> 2014 in Kampala gave overwhelming support for the creation of a national-level conservation trust fund. That support was equal across the various interest groups – Government, NGOs, the private sector, and donors. Moving forward will require both funding and leadership to ensure that the Steering Committee can complete its tasks in a timely manner, with a goal of launching the Fund in early 2015.

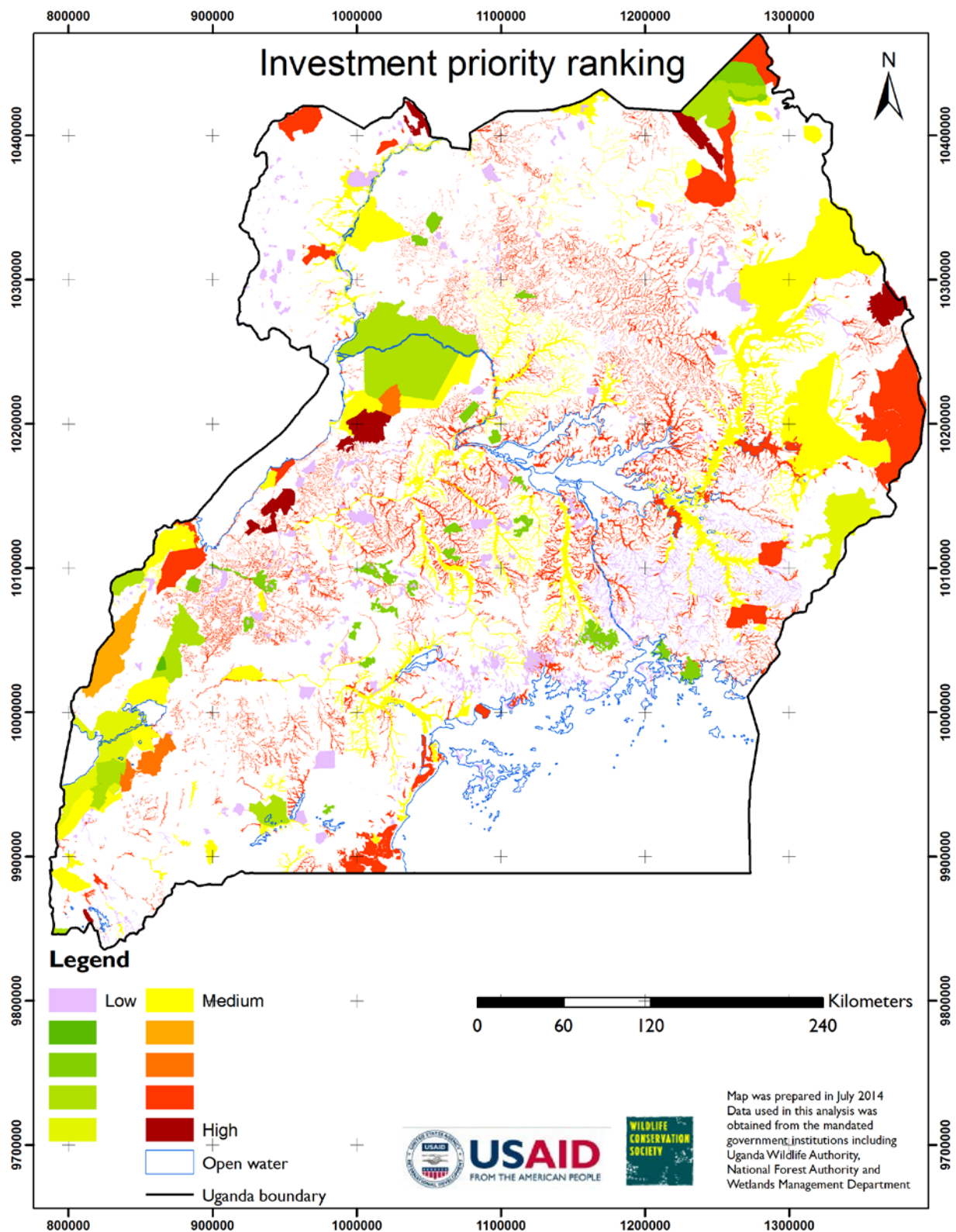
The following are the next steps required to establish the Uganda Biodiversity Fund.

- Donors determine whether financing is available to support the creation and start-up of the Fund. The funding in the range of \$200,000 to \$300,000 is necessary for the preparatory development phase over the next 9 to 12 months. Funding to support the operations of the Fund over an additional four-five years is also recommended to give time for the CTF to

begin its operations, including provision of grants. As such, an additional \$3 to \$4 million would be required to build a strong institution and develop a robust grant program.

- Once funds are available, the Donors should contract the technical assistance necessary to lead the process of establishing the Fund. The preparatory development phase will require the hiring of a technical assistance team that will include a Program Coordinator to support the work of the Steering Committee, and provide other necessary technical assistance. The investment will lead to the establishment of the new CTF. Adequate funding for the new Fund launch is key to the success of making the UBF viable, as will funding a post-launch phase when the CTF will begin operations and large-scale fundraising. Specifically the launch phase will involve the following:
  - The Program Coordinator will support the formation of the Steering Committee and then guide the process of completing the tasks necessary for the CTF creation and registration.
  - Other technical assistance team members will provide legal and technical support for this process with an objective of completing the Trust Deed and initiating the registration process within six to nine months of holding the first Steering Committee meeting. The products will include the Trust Deed, By-laws, draft Terms of Reference for the Executive Director, draft Operations Manual, initial investment strategy, and draft Fundraising Strategy. The Program Coordinator and technical support team should refer to guidance on best practice available from the Conservation Finance Alliance (CFA), referencing the CTF tool kit and the practice standards ([www.conservationfinance.org](http://www.conservationfinance.org)).
- Once the Fund is registered and resources are secured for operations, the Program Coordinator will work with the new Board to finalize recruitment and hiring of an Executive Director, who will then work with the Board to establish the fund, including liaising with donors to move forward with the endowment capitalization. At this point the operational funds will be required to support the mission of the UBF and build the institution.

**Figure 5. Investment priority ranking map**



### XIII. APPENDICES

#### Appendix I. Projections of funding surpluses for National Parks / Wildlife Areas managed by UWA (as of June 2011).

		in USD				
		2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Overall UWA</b>						
	Revenues	9,857,915	10,984,084	11,652,091	12,344,430	12,936,009
	<b>Surplus/(Deficit)</b>	<b>(\$4,390,192)</b>	<b>(\$5,856,645)</b>	<b>(\$4,886,703)</b>	<b>(\$4,319,319)</b>	<b>(\$3,986,639)</b>
<b>UWA Headquarters</b>						
	Revenues	824,352	865,570	908,848	954,291	1,002,005
	<b>Surplus/(Deficit)</b>	<b>(\$5,710,914)</b>	<b>(\$5,996,460)</b>	<b>(\$6,296,283)</b>	<b>(\$6,611,097)</b>	<b>(\$6,941,652)</b>
<b>Murchison Falls NP</b>						
	Revenues	1,504,442	1,721,018	1,935,224	2,173,765	2,440,507
	<b>Surplus/(Deficit)</b>	<b>(\$173,765)</b>	<b>(\$733,423)</b>	<b>(\$330,122)</b>	<b>\$127,635</b>	<b>\$469,655</b>
<b>Lake Mburo CA</b>						
	Revenues	326,797	412,735	459,135	501,993	549,601
	<b>Surplus/(Deficit)</b>	<b>(\$599,613)</b>	<b>(\$587,435)</b>	<b>(\$840,289)</b>	<b>(\$339,188)</b>	<b>(\$218,112)</b>
<b>Bwindi Mgahinga CA</b>						
	Revenues	4,600,532	5,120,786	5,283,438	5,449,943	5,484,431
	<b>Surplus/(Deficit)</b>	<b>\$3,630,362</b>	<b>\$3,119,019</b>	<b>\$4,387,666</b>	<b>\$4,308,742</b>	<b>\$4,470,419</b>
<b>Kibale NP</b>						
	Revenues	775,889	851,098	933,708	1,024,454	1,124,143
	<b>Surplus/(Deficit)</b>	<b>(\$26,134)</b>	<b>\$8,258</b>	<b>\$79,641</b>	<b>\$186,535</b>	<b>\$279,577</b>
<b>Semliki NP</b>						
	Revenues	28,455	29,878	31,372	32,940	34,587
	<b>Surplus/(Deficit)</b>	<b>(\$124,651)</b>	<b>(\$138,166)</b>	<b>(\$143,074)</b>	<b>(\$165,677)</b>	<b>(\$156,858)</b>
<b>Queen Elizabeth PA</b>						
	Revenues	1,425,546	1,580,913	1,669,961	1,747,420	1,811,096
	<b>Surplus/(Deficit)</b>	<b>\$489,230</b>	<b>\$500,537</b>	<b>\$445,191</b>	<b>\$375,709</b>	<b>\$383,425</b>
<b>Kidepo Valley NP</b>						
	Revenues	109,646	122,658	132,523	141,904	150,579
	<b>Surplus/(Deficit)</b>	<b>(\$479,382)</b>	<b>(\$527,944)</b>	<b>(\$575,869)</b>	<b>(\$598,818)</b>	<b>(\$626,088)</b>
<b>Rwenzori NP</b>						
	Revenues	83,346	91,681	100,849	110,934	122,027
	<b>Surplus/(Deficit)</b>	<b>(\$244,905)</b>	<b>(\$259,345)</b>	<b>(\$270,589)</b>	<b>(\$280,228)</b>	<b>(\$290,573)</b>
<b>Mt. Elgon NP</b>						
	Revenues	141,213	148,273	155,687	163,472	171,645
	<b>Surplus/(Deficit)</b>	<b>(\$603,903)</b>	<b>(\$611,673)</b>	<b>(\$683,482)</b>	<b>(\$671,026)</b>	<b>(\$704,280)</b>
<b>Toro Semliki WR</b>						
	Revenues	27,139	28,389	29,703	31,087	32,543
	<b>Surplus/(Deficit)</b>	<b>(\$146,574)</b>	<b>(\$209,317)</b>	<b>(\$220,635)</b>	<b>(\$170,585)</b>	<b>(\$184,406)</b>
<b>Katonga WR</b>						
	Revenues	7,672	8,058	8,464	8,890	9,338
	<b>Surplus/(Deficit)</b>	<b>(\$125,561)</b>	<b>(\$132,592)</b>	<b>(\$136,351)</b>	<b>(\$163,687)</b>	<b>(\$134,233)</b>

		in USD				
		<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
<b>Matheniko and Bokora WR</b>						
	Revenues	0	0	0	0	0
	<b>Surplus/(Deficit)</b>	<u>(\$70,042)</u>	<u>(\$73,544)</u>	<u>(\$77,221)</u>	<u>(\$81,082)</u>	<u>(\$85,136)</u>
<b>Pian Upe WR</b>						
	Revenues	60	63	66	69	73
	<b>Surplus/(Deficit)</b>	<u>(\$85,521)</u>	<u>(\$89,797)</u>	<u>(\$94,287)</u>	<u>(\$99,001)</u>	<u>(\$103,951)</u>
<b>Ajai WR</b>						
	Revenues	1,697	1,782	1,871	1,965	2,063
	<b>Surplus/(Deficit)</b>	<u>(\$37,034)</u>	<u>(\$38,886)</u>	<u>(\$40,830)</u>	<u>(\$42,871)</u>	<u>(\$45,015)</u>
<b>East Madi/Otzi</b>						
	Revenues	11	12	13	13	14
	<b>Surplus/(Deficit)</b>	<u>(\$32,681)</u>	<u>(\$34,315)</u>	<u>(\$36,031)</u>	<u>(\$37,832)</u>	<u>(\$39,724)</u>
<b>Kabwoya-Kaiso Tonya WR</b>						
	Revenues	1,115	1,171	1,230	1,291	1,356
	Capital Expenditures	0	0	0	0	0
	Operating Expenses	<u>50,221</u>	<u>52,732</u>	<u>55,368</u>	<u>58,137</u>	<u>61,043</u>
	<b>Surplus/(Deficit)</b>	<u>(\$49,105)</u>	<u>(\$51,560)</u>	<u>(\$54,139)</u>	<u>(\$56,845)</u>	<u>(\$59,688)</u>
Legend: Surplus / (Deficit)						
Exchange Rate of U\$1 = USH 2,200 used at a time of analysis						

**Appendix 2. Attendance List for Uganda Biodiversity Conservation Trust Fund, Stakeholder Workshop, Protea Hotel, Kampala, May 16th, 2014**

	<b>NAME</b>	<b>TITLE</b>	<b>ORGANIZATION</b>	<b>Email</b>
<b>CIVIL SOCIETY / NGOs</b>				
1	Kaddu Sebunya	COP	AWF	<a href="mailto:ksebunya@awf.org">ksebunya@awf.org</a>
2	Sam Mwandha	SPO	AWF	<a href="mailto:smwandha@awf.org">smwandha@awf.org</a>
3	Mark Mwine	Trust Administrator	Bwindi Mgahinga Conservation Trust	<a href="mailto:mmd@bwinditrust.org">mmd@bwinditrust.org</a>
4	Lilly Ajarova	Executive Director	Chimpanzee Trust	<a href="mailto:director@ngambaisland.org">director@ngambaisland.org</a>
5	Dr. Gladys Kalema-Zikusoka	CEO	Conservation through Public Health	<a href="mailto:gladys@ctph.org">gladys@ctph.org</a>
6	Robert Katuntu	Consultant	Ecotrust	<a href="mailto:rkatuntu@kisaka.ug">rkatuntu@kisaka.ug</a>
7	Stephen Kigoolo	Program Manager	Ecotrust	<a href="mailto:skigodo@ecotrust.or.ug">skigodo@ecotrust.or.ug</a> ; <a href="mailto:skigodo@yahoo.com">skigodo@yahoo.com</a>
8	Alex Muhwezi	Executive Director	FDI	<a href="mailto:alex.muhwezi@fdiug.org">alex.muhwezi@fdiug.org</a>
9	Florence Cassam Chenai	Head of Cooperation	French Embassy	<a href="mailto:florence.cassam-chenai@diplomatie.gouv.fr">florence.cassam-chenai@diplomatie.gouv.fr</a>
10	Polycarp Mwima	Program Officer	IUCN	<a href="mailto:polycarp.mwima@iucn.org">polycarp.mwima@iucn.org</a>
11	Delegate by Michael Opige		Nature Uganda	-
12	Johan Genade		Rhino Fund Uganda	<a href="mailto:johan@amukalalodeuganda.com">johan@amukalalodeuganda.com</a>
13	Angie Genade		Rhino Fund Uganda	<a href="mailto:angie@rhinofund.org">angie@rhinofund.org</a>
14	Peter Apell	Program Manager	The Jane Goodall Institute	<a href="mailto:peter@janegoodallug.org">peter@janegoodallug.org</a>
15	Felex Kamatha		Uganda Community Tourism Association	<a href="mailto:felex@pearlsofuganda.ug">felex@pearlsofuganda.ug</a>
16	Thomas Otim		WWF	<a href="mailto:totim@wwfuganda.org">totim@wwfuganda.org</a>
<b>GOVERNMENT &amp; AGENCIES</b>				
17	Stephen Fred Okiror	Sr. Wildlife Officer	Ministry of Tourism, Wildlife, & Antiquities	<a href="mailto:sfokiror@gmail.com">sfokiror@gmail.com</a>
18	Justina Aheebwa	NFMS	National Forestry Authority	<a href="mailto:justine.aheebwa@yahoo.com">justine.aheebwa@yahoo.com</a>
19	Francis Ogwal	NRMS (B&R)	NEMA	<a href="mailto:fogwal@nemaug.org">fogwal@nemaug.org</a>
20	Hope Waira	SIE	Uganda Investment Authority	<a href="mailto:wairah@ugandainvest.go.ug">wairah@ugandainvest.go.ug</a>
21	Andrew Seguya	Executive Director	Uganda Wildlife Authority	<a href="mailto:director@ugandawildlife.org">director@ugandawildlife.org</a>



22	John Makombo	Director of Conservation	Uganda Wildlife Authority	<a href="mailto:john.makombo@ugandawildlife.org">john.makombo@ugandawildlife.org</a>
23	Richard Kyambadde	SWO RD	Wetlands Management Dept. - Ministry of Water & Environment	<a href="mailto:richard_kyambadde@yahoo.co.uk">richard_kyambadde@yahoo.co.uk</a>
<b>DONORS</b>				
24	Sabrina Guerard		AFD	<a href="mailto:guerards@afd.fr">guerards@afd.fr</a>
25	Howard Standon		DFID	<a href="mailto:h-standen@dfid.gov.uk">h-standen@dfid.gov.uk</a>
26	Jalia Kobusingye	Operations Officer: Forests, Environment, Rural Energy	EU	<a href="mailto:jalia.kobusingye@eeas.europa.eu">jalia.kobusingye@eeas.europa.eu</a>
27	Johannes Rumohr		GIZ	<a href="mailto:johannes.rumohr@giz.de">johannes.rumohr@giz.de</a>
28	Geeta Uhl	Environmental Officer	USAID	<a href="mailto:guhl@usaid.gov">guhl@usaid.gov</a>
<b>PRIVATE SECTOR</b>				
29	Mayanja Omugalanda	Sustainable Development Manager	Nile Breweries Ltd.	<a href="mailto:ronald.mayanja@ug.sabmiller.com">ronald.mayanja@ug.sabmiller.com</a>
30	Anne Namakule	Environmental Engineer	Pro-Utility, Ltd.	<a href="mailto:anseru@yahoo.com">anseru@yahoo.com</a>
31	Benon Bena	Manager, Offgrid Renewable Energy	Rural Electrification Agency	<a href="mailto:ben@rea.or.ug">ben@rea.or.ug</a>
32	Marion Muyobo	Head of Stakeholder Engagement	Total E&P Uganda	<a href="mailto:marion.muyobo@total.com">marion.muyobo@total.com</a>
33	Robert Mawanda	Communications & Business Support	Uganda Manufacturers Association	<a href="mailto:mrobert@uma.or.ug">mrobert@uma.or.ug</a>
<b>WCS TEAM</b>				
34	Jane Anywar	Sr. Consultant	Environmental Development Associates	<a href="mailto:adongjane@yahoo.com">adongjane@yahoo.com</a>
35	David Meyers	Principal	Green Ant Advisors	<a href="mailto:david@greenantadvisors.com">david@greenantadvisors.com</a>
36	Andy Plumptre	Country Director	WCS Uganda	<a href="mailto:aplumptre@wcs.org">aplumptre@wcs.org</a>
37	Grace Nangendo	Landscape Ecologist	WCS Uganda	<a href="mailto:gnangendo@wcs.org">gnangendo@wcs.org</a>
38	Ray Victorine	Director, Business & Conservation	WCS	<a href="mailto:rvicturine@wcs.org">rvicturine@wcs.org</a>
39	Juraj Ujházy	Sr. Program Manager	WCS	<a href="mailto:jujhazy@wcs.org">jujhazy@wcs.org</a>

### **Appendix 3. Detailed Agenda/Concept Note. Uganda Biodiversity Conservation Trust Fund, Stakeholder Technical Workshop**

Planned Date/Time: May 16, 2014; 8 am to 5 pm

Location: Protea Hotel, Kampala

#### **Workshop Objectives:**

- Build a shared vision of the potential for an independent Uganda Conservation Trust Fund (CTF) focused on the conservation of Uganda's biodiversity and ecosystem services.
- Share initial findings from the feasibility study results with key stakeholders, including the exploration of options for the CTF design.
- Engage stakeholders in technical workgroup discussions to refine the study results, clarify key design options, and establish concrete steps forward toward the establishment of the fund.

#### **Approach:**

Conservation Trust Funds have a long history in Uganda with Bwindi Mgahinga Conservation Trust being 20 years old. Given this rich history, the workshop format will move rapidly from some introductory presentations to intensive working group breakout sessions where participants will interact to discuss a range of key concepts and design issues for the CTF. Following the breakout sessions, observations and suggestions will be shared in plenary and participants will be encouraged to contribute to the establishment of specific steps to move the process forward.

All workshop participants will receive *Feasibility Study and Options Analysis Preliminary Report* in advance to ensure that they are informed about the initial study results.

#### **Detailed Agenda / Description of Workshop Activities:**

8:30 am – Workshop opening

#### **Session 1. 9:00 am – 1:00 pm Results Presentation and the Value of Conservation Trust Funds**

##### *1a. Conservation Trust Funds and their importance for biodiversity conservation in Uganda.*

This session will provide brief overview of the role of Conservation Trust Funds for biodiversity, their successes and challenges from other countries, and how these relate to Ugandan context. The discussion will involve topics such as fund governance, programmatic focus, funding strategies/structure, and investment performance.

Presenter: Ray Victurine

##### *1b – Opportunity for a Uganda Biodiversity Conservation Trust Fund.*

The WCS team will present the findings from their feasibility study and outline options for the potential trust fund objectives, governance structure, fundraising, and programmatic focus.

- The findings will include a review of Uganda's current Trust Funds, legal framework and governance environment.
- The analysis will provide information on estimated funding needs and potential funding sources.

Presenters: David Meyers, Jane Adong

**Coffee Break: 10:30 – 10:50 am**

*1c – Establishing Biodiversity and Ecosystem Service Priorities in Uganda – How might a CTF prioritize its donations?*

- Review of existing prioritization exercises based on biodiversity values for PA, FRs and wetlands in Uganda.
- Example of a combined value / impact system incorporating the biodiversity / ecosystem service importance of an area with the conservation return on investment.

Presenters: Andy Plumptre, Grace Nangendo

**Session 2. 11:30 am – 1:00 pm Facilitated discussion**

Facilitated discussion to identify some of the key ideas presented in the Session 1a and then explore the afternoon discussion process.

**Lunch 1:00 pm – 2:00 pm**

**Session 3. 2:00 pm – 4:00 pm Results Validation and Recommendations**

The participants will form several crosscutting working groups which will discuss first each topic internally and then present succinct feedback to wider audience. By working in smaller groups, the objective is to elicit more structured feedback and to assure that all participants will be able to provide their views, which will then be collected and discussed in plenary.

*Discussion Group #1: Mission and Geographic / Thematic Focus*

One of the challenges of establishing a Conservation Trust Fund is that the demands on the fund could be much greater than the available financing. How can the fund be designed so that its objectives are well focused and the Fund is able to effectively prioritize its interventions without leaving out key areas and actions? Outputs: key themes, objectives, and suggestions on priority setting.

*Discussion Group #2: Financing the CTF*

The participants will provide feedback and recommendations on likely funding sources. The topics will include:

- Potential Financing Sources
  - Short term financing opportunities (bi- and multilateral donors, oil companies, etc.)
  - Long-term financing opportunities (offsets and compensation payment, impact investors, other private sector e.g. tourism, fees/levies, etc.)
- Structure of Fund (endowment, revolving funds, sub-accounts)
- Relationships with other CTFs in Uganda.

*Discussion Group #3: Beneficiaries and Grantmaking*

- Programmatic Use of Funds – range of potential uses might include support of PAs/FRs, support of community-based conservation and development activities, credit subsidies and soft loans for SMEs, grant making, etc.
- How will the CTF be able to support small projects that are administratively expensive?
- What way would there be to prioritize interventions among Government Authorities, NGOs, CBO, and the private sector? What are the minimum criteria for becoming a beneficiary?
- How can social and environmental safeguards be established?

#### **Coffee Break: 3:00 – 3:15 pm**

##### *Facilitated Discussion*

Facilitated discussion summarizing the results from the preceding group discussions.

#### **Session 4. 4 pm – 5 pm Recommendations for the Process toward CTF Establishment**

In this session, the participants will propose a process leading toward the establishment of a Uganda biodiversity Conservation Trust Fund. The establishment of a Steering Committee formed from the workshop participants could be created to implement the next steps agreed upon by the workshop participants.

## **Appendix 4. Terms of Reference for the Coordinator of the Steering Committee.**

### **Background**

Increasing interest in the development of a sustainable financing strategy to support biodiversity conservation actions in Uganda has led stakeholders to discuss the idea of creating a Conservation Trust Fund (CTF). Conservation Trust Funds (CTFs) are private, legally independent grant-making institutions that provide sustainable financing for biodiversity conservation and natural resource management. A national-level CTF in Uganda could provide important financing for conservation while helping to manage potentially increasing cash flow from payments for environmental services and from biodiversity offsets as companies seek to reduce their environmental risk by investing in efforts to compensate for their impacts.

A stakeholder workshop was held in Kampala on May 16<sup>th</sup>, 2014 with 40 participants to discuss the results of an initial study on the feasibility of creating and offset and to brainstorm on various aspects of the CTF design. The participants overwhelmingly supported the creation of a national-level CTF in Uganda, with primary focus on catalyzing funding and grantmaking to priority biodiversity conservation activities in the country.

Additionally, the workshop included a final discussion on next steps toward the development of the new national-level CTF, during which suggestions were put forth on the constitution of a Steering Committee to move the Fund to the next level of development.

### **Description of Work**

Establishment of the new CTF in Uganda requires a program coordinator who will work directly with the Steering Committee over a period of 9 to 12 months to lay the foundation for the launch of a new CTF in 2015. The Program Coordinator will undertake the following duties:

- Finalize the creation of the Steering Committee for the development of the CTF. This will involve contacting the people who have volunteered already (as per the workshop results) to confirm their continued participation and following up with various institutions and organizations recommended as having an important role in the process to identify the new members;
- Convene the first meeting of the Steering Committee and facilitate the process of electing a chair. Facilitate discussions to review the terms of reference developed for the Committee; develop any modifications as necessary, and establish a final work plan for the Committee and tentative timeline for the committee's work;
- Facilitate all meetings of the Steering Committee and contribute to the development of the products ensuring that the Committee meets at least once per month, and more often as needed. Ensure that accurate minutes are kept of all meetings.
- In fostering the development of the various products such as governance structure, board composition, development of investment strategy, and components of the Trust Deed, ensure that the Steering Committee members are aware of the guidance available in the Conservation Finance Alliance Practice Standards;
- Work with the Committee to develop a first draft of the Trust Deed, engaging with legal and other technical experts as needed to address specific concerns arising from the Committee's work;

- Organize a stakeholder workshop once the Trust Deed is developed to share the results with a larger group, receive feedback and comments, and use any relevant input to make modifications;
- Liaise with donors, the private sector, and others to explore funding opportunities, including discussions around the objective of capitalizing the CTF and ensuring the availability of startup capital. Based on those discussions and interviews with others, work with the Committee to create a fundraising strategy;
- Based on best practice guidance, work with the Steering Committee and other external expertise to develop an initial investment strategy;
- Support the development of the terms of reference for the Executive Director of the CTF so that recruitment can begin as soon as possible after creating the CTF and securing financial resources; and
- Work with the Committee to identify the founding Board members and finalize the Trust Deed for submission for registration to the Ugandan Government.

### **Deliverables:**

The following are the deliverables to be provided by the program coordinator:

- Final Trust Deed
- Initial Investment Strategy
- Fundraising Strategy and Objectives
- Terms of reference for the Executive Director
- Draft Operations Manual
- Final report on the work of the Steering Committee

### **Qualifications**

The program coordinator will have at least 15 years experience in conservation related activities with a strong knowledge of conservation issues in Uganda. The Coordinator will also have experience in strategic planning and organizational management. He/she will have demonstrated experience working with government, the private sector, NGOs and community groups and an ability to facilitate discussions and reach agreement among the varying stakeholder groups. Experience working with international organizations and knowledge of Trust Funds is desirable.

## Appendix 5. UBF Investment Prioritization Ranking (example)

In an effort to identify priority conservation investment areas, all areas with some degree of protection status and considered to hold viable quantities of biodiversity were ranked for various factors. The ranking looks specifically at biodiversity, the threats to that diversity, and the level of funding available for the area for management. Each factor was ranked and mapped and then a composite map of the factors prepared to establish the priorities.

The ranking of conservation value of Uganda's protected areas is demonstrated in Table 1 below. A ranking of values ranging from 1 to 3 was used e.g. a value of 3 was given to areas of highest biodiversity and 1 to areas of lowest biodiversity. The small forest reserves had not been ranked by the Forest Department (now National Forest Authority) and so they were given a value of 0. Most of these reserves are now forest plantations. Also, wetlands that are under cultivation were given a value of zero. Whereas biodiversity ranking for forest reserves was based on earlier work carried out by the Forest Department, ranking of all other conservation areas was based on expert knowledge. A protected area was given an additional value for each additional conservation designation. These additional designations are shown in Table 1 below. The table also shows threats and level of funding ranking for each protected area category again with 1 indicating a low threat and low level of funding and 3 higher values for those categories.

**Table 1. Ranking of the conservation value of Uganda's protected areas**

Protected Area Category	Biodiversity	IBA	Ramsar Site	World Heritage	Biosphere Reserves	Threats	Funding
National parks	3					1	3
Wildlife reserves	2					2	2
Community Wildlife Areas	1					3	1
Central Forest Reserves						2	2
Local Forest Reserves						3	1
Wetlands (IBA)	3					2	2
Wetlands (Big)	2					2	2
Wetlands (Small)	1					3	1



Ranking was based on the national forest plan. A value of 1 was deducted from all forest reserve rankings that were indicated by NFA as being currently degraded



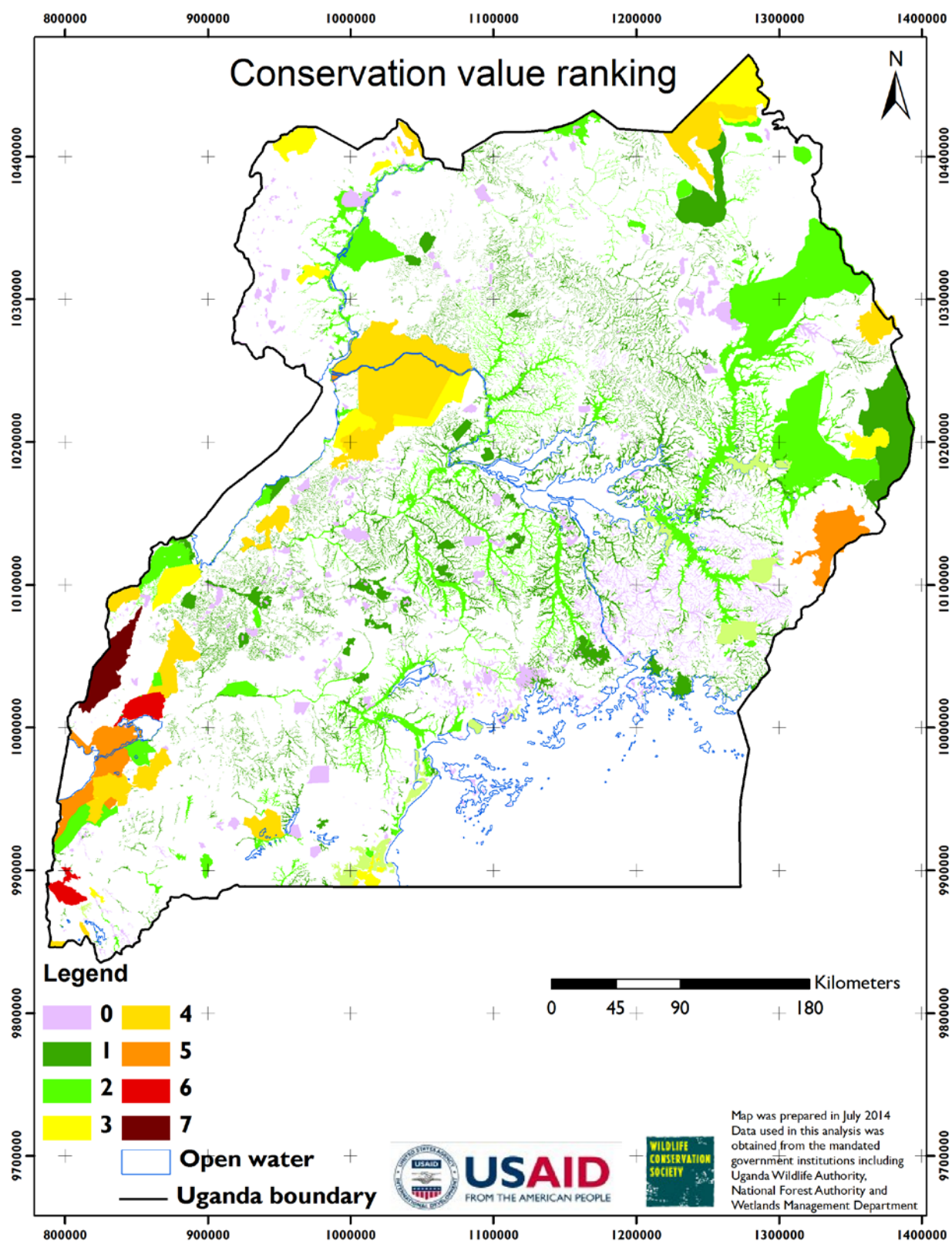
Whenever this category occurs, a value of 1 is added



Whenever this category occurs, a value of 2 is added

Biodiversity ranking, IBA (Important Bird Areas), Ramsar sites, World heritage and biosphere reserves ranking were summed up to generate the conservation value map shown below (Figure 1).

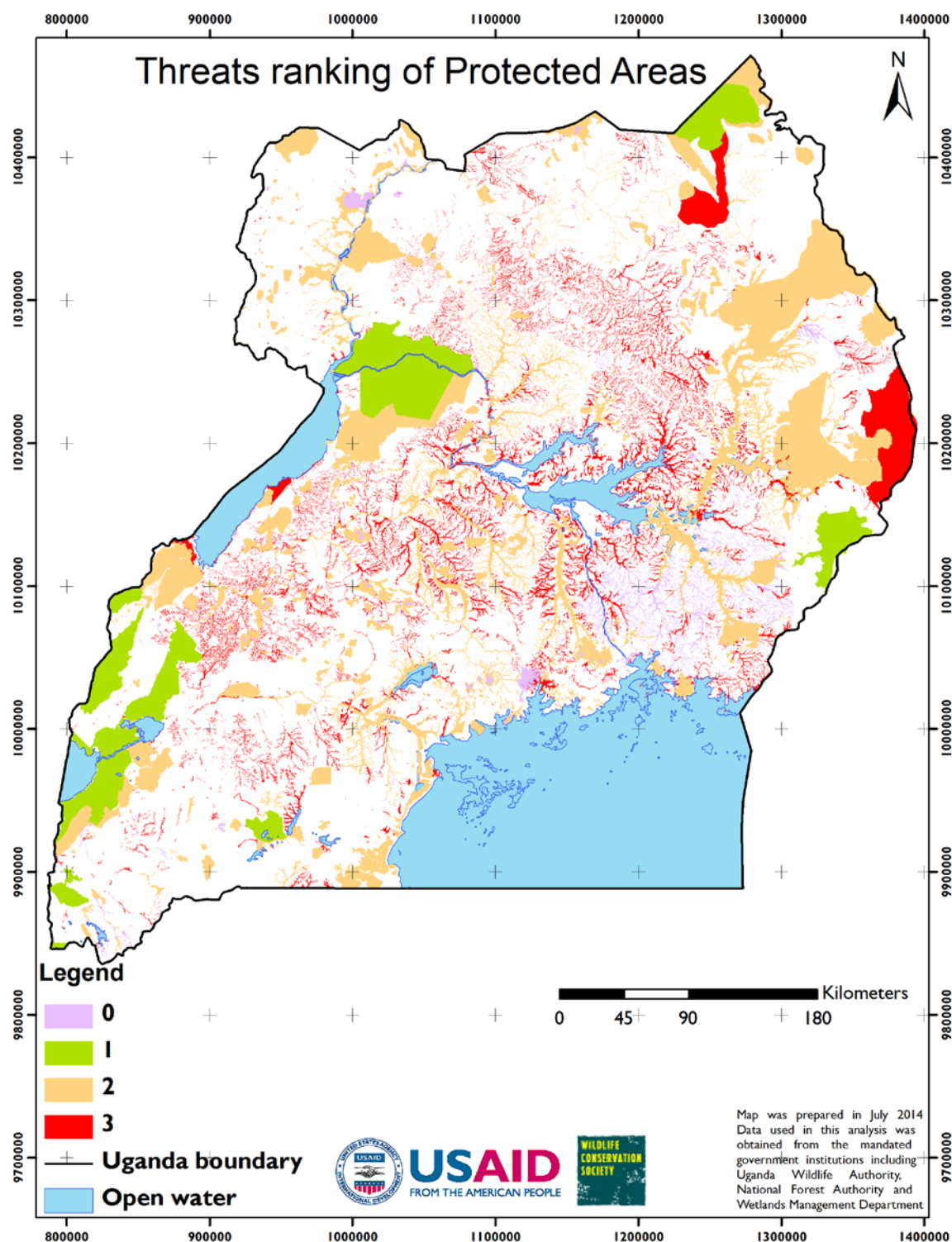
**Figure 1. Conservation value map**



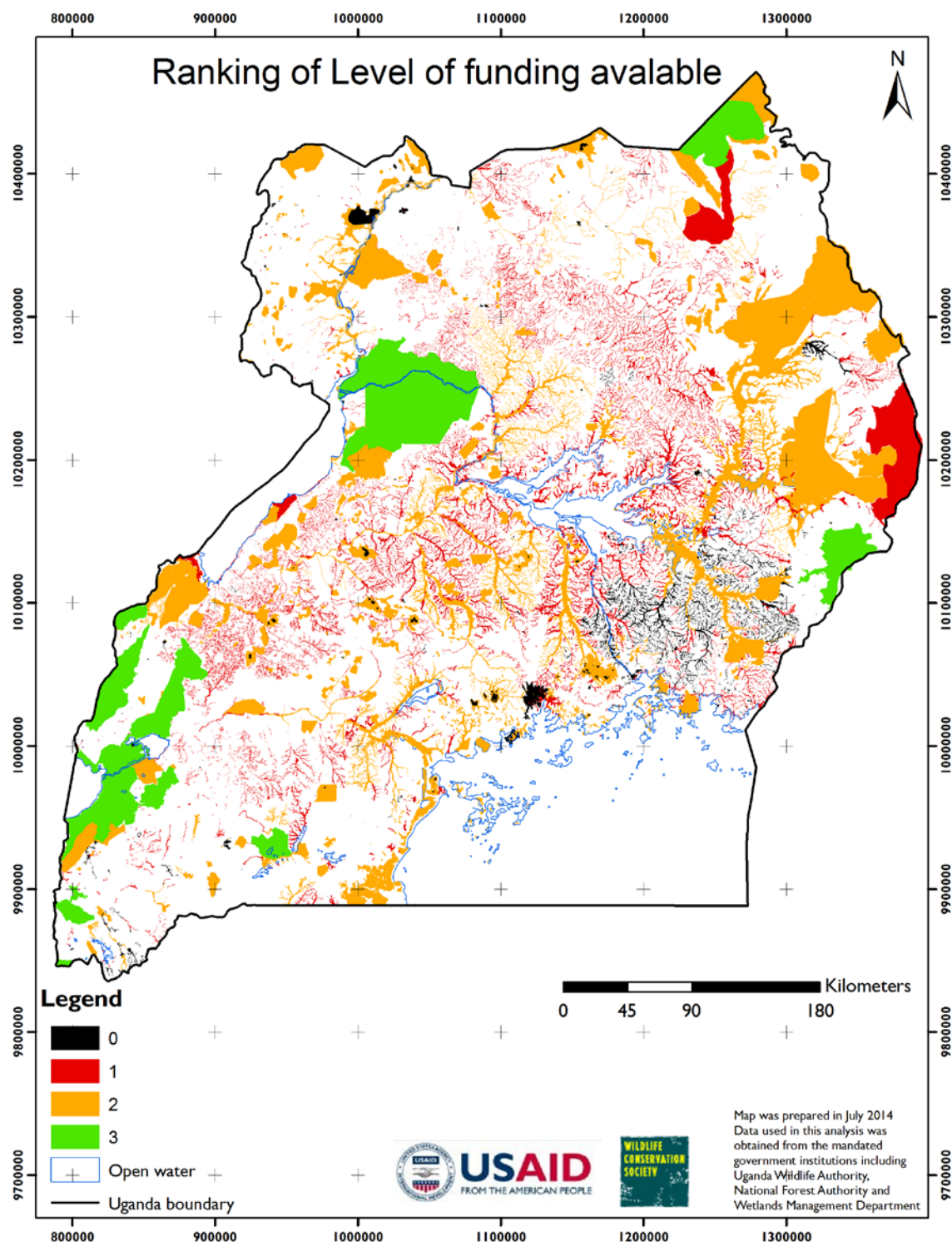


Other maps generated were the ranking of threats and funding availability (Figure 2 and 3). A score of 3 was given to areas receiving the highest funding or revenue and 1 to areas of lowest funding, while a score of 3 was given to areas where there was the highest threat to biodiversity and 1 to areas with the lowest threat.

**Figure 2. Threats ranking of protected areas**



**Figure 3. Ranking of level of funding available for the protected areas.**

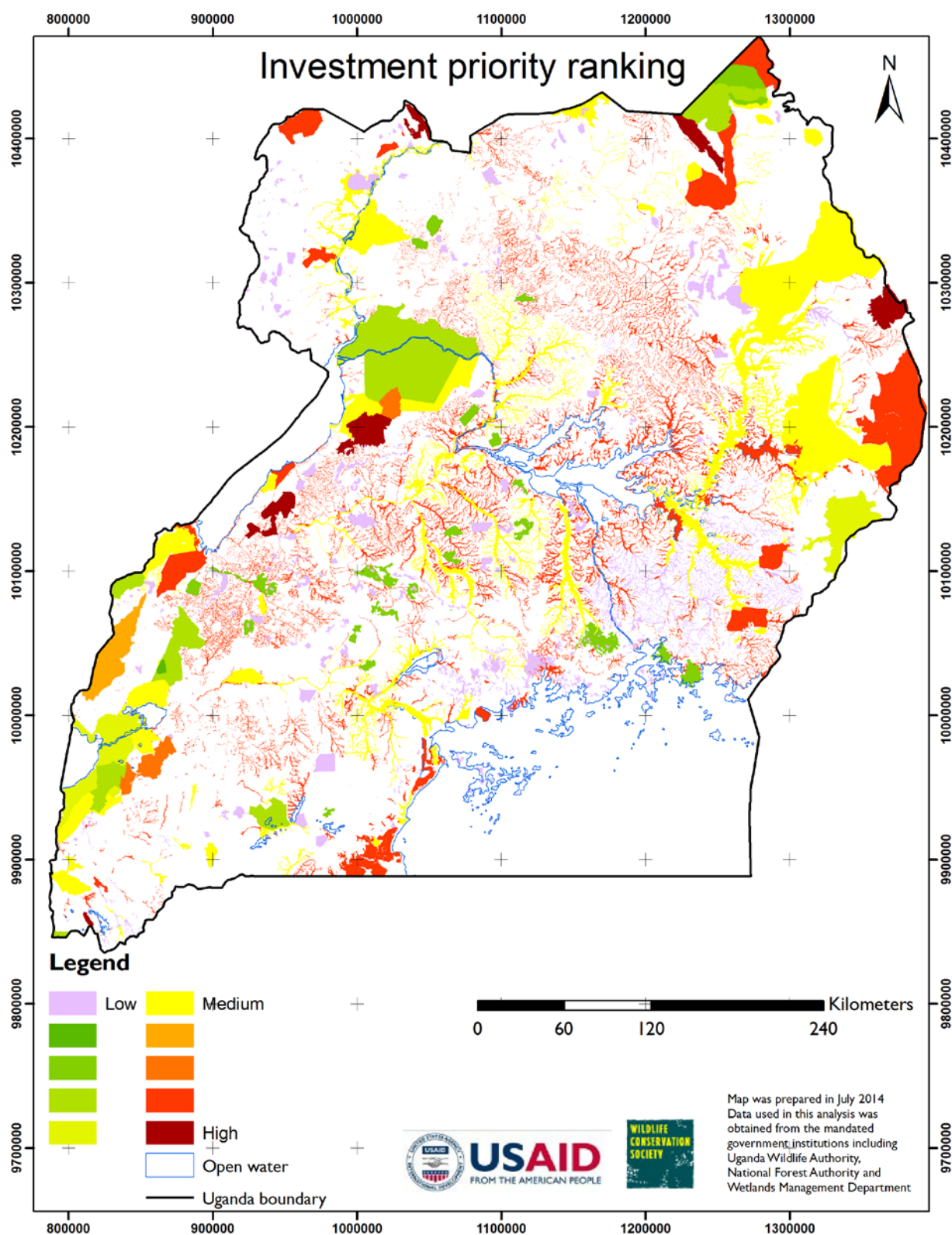


The conservation value, threats and funding information was used to generate an investment priority map. Investment priority was calculated using the following formula:

$$\text{Investment priority} = \text{Conservation value} * \text{Threats} / \text{Funding}$$

The resulting prioritization map is shown in Figure 4 below while the values generated through the application of the formula to the assigned values appears in Table 2.

**Figure 4. Investment priority ranking map.**



**Table 2. Actual values for each of the levels in the investment priority ranking**

<b>Ranking value</b>	<b>Map</b>
0	
0.67	Low
1	
1.33	
1.67	
2	Medium
2.33	
2.67	
3	
4	High

It needs to be noted that these are preliminary results that may be adjusted as actual data and more knowledge about conservation priority ranking is acquired.

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