THE GREEN ROAD TO FINANCIAL SUSTAINABILITY: A STRATEGY FOR MORE EFFECTIVE ENVIRONMENTAL WORK IN AFRICA

November 1999

Contractor Team:

Management Systems International (Prime Contractor)

Abt Associates, Inc.
Development Alternatives, Inc.
Deloitte, Touche, Tohmatsu
Institute for Development Research
Institute for Public Administration
International Resources Group
Research Triangle Institute
Search for Common Ground
State University of New York at Albany
University of Pittsburgh

United States Agency for International Development
Project #936-5470

THE GREEN ROAD TO FINANCIAL SUSTAINABILITY:

A STRATEGY FOR MORE EFFECTIVE ENVIRONMENTAL WORK IN AFRICA

Lynn Ellsworth

November 1999

Implementing Policy Change Project, Phase II

U.S. Agency for International Development
Washington, DC

Preface

This paper, by Lynn Ellsworth (Abt Associates Inc. consultant), is the latest product of a multi-year collaboration between the Office of Sustainable Development in USAID's Bureau for Africa (AFR/SD) and the Implementing Policy Change Project (IPC). IPC is located in the Global Bureau's Center for Democracy and Governance. This collaboration, instigated and managed by AFR/SD's Tony Pryor (now in PPC) and Tim Resch, has focused on increasing understanding of the organizational and management dimensions of NRM policy reforms as one of the enabling conditions for improving NRM in Africa. This collaboration began in October 1991, under the leadership of Derick Brinkerhoff, IPC research director, and has continued up to the present.

The first activity consisted of a document study of AFR NRM projects and a literature review to identify and analyze organization and management issues in NRM policy, and to develop a common framework for examining NRM policy implementation (1992). The next phase pursued a number of field studies of NRM policy implementation using the framework:

1. Forestry policy reform in Mali (1993).
2. Madagascar's Environmental Action Plan (1993).
3. The Gambia's Environmental Action Plan (1994).
4. Botswana's National Conservation Strategy (1994).
5. Zimbabwe's Forestry Commission and Department of Parks and Wildlife policy implementation (1995).
6. Uganda's National Environmental Action Plan (1997).

Following the completion of the Zimbabwe study, an analysis of the five case studies conducted to date was undertaken and a synthesis report was produced (1996). The paper by Lynn Ellsworth addresses an important topic in the NRM sector: how to create a sustainable core of African institutions that can support ongoing work on environment and natural resources policies and programs. Her analysis and recommendations have important implications for donors and African NRM institutions alike.

Acknowledgments

This paper was sponsored by AID's Bureau for Africa through a buy-in to the Implementing Policy Change Project. It reflects my views and not those of the sponsoring agency. Derick Brinkerhoff (Abt Associates Inc.), IPC Research Director, served as task manager for this study. In particular, he and Agnes Kiss provided serious and challenging commentary, which helped to shape the final product. Extra thanks also go to Tony Pryor, Walter Knausenberger, Tim Resch, Mari Omland, Alan Bornbush, Robert Hall, Kate Newman, Jane Siegel, Kathleen Mikitin, Barry Spergel, and Frank Vorhies for their willingness to generously supply me with documentation and in many cases, their own views.

Table of Contents

1. Introduction and Overview

This paper proposes three goals that donors, international non-governmental organizations (NGOs), and African environmental managers can use when planning long-term support to environment and natural resource management (ENRM) programs in Africa. These are:

a) Reform of sectoral and governance policies that affect resource management, green development issues and the health of ENRM organizations in general.
b) Creation of sustainable funding organizations to benefit the ENRM sector.
c) Support to long-term organizational development and capacity building within the ENRM sector.[1]

This paper is closely linked to an earlier document that describes a path of organizational reform for publicly supported agricultural research organizations in Africa and recommended that donors structure funding to such organizations through competitive block grant programs that operate on a regional and continent-wide basis (Ellsworth, 1998). While the suggestions in that paper apply to the ENRM organizations discussed in this paper, the strategic goals reviewed here emphasize setting up the infrastructure for sustainability. The goals are derived from a discussion of the organizational ecology of ENRM programs in Africa and a review of some cases of successful sustainable finance initiatives. This paper is intended as a practical piece rather than a comprehensive literature review on ENRM work, although it does build on earlier work on this theme.

The paper is organized into four parts. The first part of the paper, "The Road So Far," briefly describes the various approaches to ENRM in Africa, the institutional and organizational landscape of ENRM work, and reviews concepts of sustainability that have dominated earlier discussion on how to best use foreign aid funds.

The review of concepts and history brings the reader to the second part of the paper, "The Current Crossroads," which describes some of the problems that practitioners and advocates of ENRM programs in Africa cited in recent evaluations and self-critical reflection. Given the degree of self-criticism in the literature, that section turns to a survey of useful examples of sustainable financing initiatives and sustainable organizations, sifting those cases for clues as to what works and what does not in order to derive the goals suggested above.

The background of Part 1 and the review of cases in Part 2 sets the stage for the third section of the paper, "The Road Ahead," which discusses three goals that might

[1] This is a variant of the three-pronged framework suggested by Louise White et al. (1987).

frame future ENRM work. The goals are useful for donors and activists who recognize that they may have to hand off much of the ENRM field work to another generation of local managers and who at the same time seek to be more effective in the long-term with respect to their conservation and development aims.

The fourth part of the paper addresses the design of sustainable funding organizations, a subject related to goal two above. Particular attention is given to the "how-to-do-it" issues behind setting up sustainable funding organizations. This is because the other goals of policy reform and capacity-building are already better known to readers, thanks to an adequate and well-developed literature in those fields of work. It is also the case that sustainable funding organizations are re-emerging as one of the more successful practices in foreign aid, so the current design issues pertinent to them merit the extra attention and pages. This part of the paper concludes with a short overview of sources of creative financing that sectoral entrepreneurs can use to capitalize or improve the financial balance sheet for particular sustainable funding organizations that support the ENRM sector.

1.2 Distinctions and Definitions

1.2.1 The Distinction between Creative Financing and Sustainable Finance

Creative financing and sustainable finance are not the same thing. Sustainable financing is the more general term and is used here to talk about setting up a sustainable income stream to a sector or specific organization. Creative financing is a subset of sustainable finance. It is concerned with innovative fund-raising such as debt swaps, bioprospecting contracts, debt-for-nature or carbon sequestration deals. The larger issues about what to do with money creatively raised and how to keep it flowing once you've raised it fall more under the general heading of sustainable finance.

1.2.2. Concepts of Sustainability as they Relate to ENRM work

Discussion about the idea of sustainability in economic development reflects two converging lines of thought. The first line of thought asked how to reconcile economic development with ecological sustainability and gave rise to the fusion term "sustainable development". Everybody has had his or her own ideas about what this term might mean. Most development agencies settled on an official definition that reflected their culture and political realities. USAID, for example, defines sustainable development as "characterized by economic and social growth that does not exhaust the resources of the host country, that respects and safeguards the economy, culture, and natural environment, that creates many incomes and chains of enterprises, that is nurtured by an enabling policy environment, and that builds indigenous institutions that involve and empower the citizenry." USAID goes on to say that development is sustainable "when it enhances the capacity of a society to improve its quality of life. Sustainable development enlarges the range of freedom and opportunity, not only day-to-day but generation to generation." This definition combines USAID's concerns of good governance and private sector development with a healthy respect for ways to green an economy.[2]

A second more financial and institutional school of thought on the subject is reflected in the many donor-sponsored reviews and evaluations of traditional foreign-aid projects.[3] This body of literature points out that most foreign-aid projects were simply not sustainable from either a financial or organizational point of view. Recommendations about how to fix things centered on engaging in donor dialogue to make African governments foot more of the project bill in the first place, inciting private sector development and training more professionals in developing countries to manage foreign aid projects. Some observers point out that building viable local organizations to do things ought to matter a lot more when planning a project. Others called on donors to pay greater attention to policy reform in developing countries since the legal and policy environment was seen as a major influence on project success. While much of this financial and institutional critique of projects has been accepted in the foreign aid community on a conceptual level, little has changed on the ground. Projects remain the most common vehicle for delivering foreign aid and most projects still don't leave behind much that is sustainable. When the donor leaves or changes priorities, the initiative falls apart. This paper points out that ENRM projects are often not much different in this regard.

Much of the financial and institutional discussion about project sustainability got submerged when the idea of "benefit sustainability" took root in the foreign aid community.[4] The core idea is that donors should design their projects so that the benefits they were promoting would not cease once the donor moved on to other fields of work. When the idea was first floated, there was a lot of argument about how to define the concept. Some thought of benefit sustainability as "an on-going dynamic process of continuing the valued outputs and outcomes of development activities…Sustainable benefit is also a process, an end result, and a state of being. It is an outcome of a process which compounds a number of factors into a whole, and is a systemization of a complex reality defined by a project and the functioning of a community" (Diwan, 1994: 6). The benefit sustainability notion sought to counteract the tendency of some projects to focus on assuring organizational viability without paying sufficient attention to what the organization produces. While this may have been a necessary corrective, it is important not to discount the importance of creating and sustaining viable public and third sector organizations in developing countries. People create and use organizations to generate the development benefits we seek; organizational performance has quite a bit to do with what benefits get made and how.

This paper takes the view that financial and organizational sustainability matters as much as ecological sustainability, that in fact no single type of sustainability can be

[2] These quotes are from the USAID "Strategies 94" document cited in Diwan (1994).
[3] See Gow (1988); Goldsmith (1988); Korhner and Ingle (1994); Waithaka and Glaeser (1991); White et al. (1987); Fort and Epstein (1991).
[4] See Russell (1995) for a summary of sustainability theory and practice.

accomplished without succeeding with the others. This means that ENRM activists must think strategically to work on all three elements of sustainability at the same time. This also requires them to pay attention to policy reform in the whole ENRM sector rather than just keeping their eyes only on the immediate prize of sustaining a particular natural resource. This argument is developed below by analyzing the organizational ecology of ENRM programs in Africa.

2. The Road Thus Far

2.1 The Institutional and Organizational Landscape of ENRM work in Africa

ENRM programs in Africa tend to be funded by foreign aid donors and are of four types, none of which are mutually exclusive and thus may operate jointly: national planning programs, protected area programs, community-based natural resource management programs (CBNRM), and traditional sectoral projects related to a resource like water or soil.[5]

Donor support to national planning has tended to concentrate on funding a process by which national environmental action plans are produced. This usually involves several years of workshops, training, expert consultations and assessments of a country's resources. It may require the creation of environmental councils, inter-governmental planning groups, or even the creation of a brand new environmental ministry. The planning work also involves a lot of inevitably difficult discussions over organizational mandates and priorities inside government, not all of which get resolved during the period of planning.[6]

Protected area programs are much more action-oriented and have a tendency to fall under the heading of "biodiversity" or integrated conservation and development projects (ICDPs). These projects originated in the need to rescue critically threatened natural resources. This type of work takes a gazetted park, forest, or coral reef, wraps a buffer zone around it or attaches a wildlife corridor to it. That package becomes the core unit of intervention and analysis.[7] The goal is usually to better manage the protected area(s), document and monitor biological diversity, restore habitat of a critical species, and beef up the skills and capacity of the management entity charged with the protected area. The government department involved might be a National Parks-type organization, a

---

[5] This categorization emerges from analysis of USAID Bureau for Africa "Results, Review, and Resources Requests" (R4s) from 1998-2000, USAID's budget presentation to Congress, and many of the USAID Africa Mission's websites.

[6] Dorm-Adzobu (1995) provides an overview of the NEAP development process; see also the implementation analysis in Brinkerhoff with Honadle (1996).

[7] An overview of the issues can be found, for example, in Brandon et al. (1998) or Presber-James (1997).

ministry of one of the natural resources involved, or one of its assorted regional and district offices. The approach is management intensive and requires strong local organizations. But in many countries in Africa, the donors and international NGOs involved jumped into ICDPs without realizing just how weak the local organizations charged with protected areas really were. To mitigate problems, many protected area project contracts were often given to international NGOs for their implementation. In some cases the donors also paid for a program to help make the local protected area management entity more effective.

The third type of ENRM program falls under the community-based natural resource management heading, popularly known as CBNRM. CBNRM work usually involves getting communities organized to better manage their local resources, e.g., wildlife, forests, trees, water, gravel, or thatching grass. The idea is that if communities living in and around a resource can better exploit and take advantage of the benefits the resource can generate, then they will have a real incentive to husband the resource rather than abuse it. While the conceptual basis for this work is remarkably deep and insightful, success on the ground is limited by the strict institutional and demographic conditions necessary for CBNRM to succeed. CBNRM programs involve international or local technical assistance teams coming in under the flag of a donor, parks service, or an NGO to organize committees, user groups, community councils, or green enterprises. The strategy for financial sustainability in CBNRM is to have the local entity leverage access to the revenues that the resource is capable of producing.[8]

The last type of program is the traditional sectoral program that is given a green flavor. The organization involved is typically a ministry or institute charged with water, forests, rangelands, soil, and agriculture. Agroforestry, social forestry, tree-cropping, low-external input cropping systems, low-tillage practices, integrated pest management and a host of other technologies and approaches testify to the greening of these sectoral worlds. These programs have been the poor step-children to the more glamorous biodiversity rescue operations, although many environmentalists are at last starting to see the connections between the need to develop sustainable cropping systems and the problems of protected area management.

In all of these programs, three reorientations have emerged in the past few years after a period of full-tilt action. First, many donors now realize the need to act on the policy and legal enabling environment that affects the management of natural resources. Thus there are good examples now of revised codes for the management of specific resources throughout Africa (Niger, Zambia, etc). Second, there has been a push to develop green businesses more or less linked to the sustainable use concept (although

[8] See Christoffersen et al. (1996) for a statement of the general "ideology" of CBNRM in Southern Africa. Freese (1998) offers a comprehensive overview of the sustainable and consumptive use issues that have divided conservationists particularly when it comes to hunting as an element of CBNRM. Murphree (1997) is the leading theorist in the field, who pointed out the conditions necessary for CBNRM to work. Hermans and Otto (1999) provide a supporting review of CBNRM related to forestry.

predictably those businesses founded by entrepreneurs with private sector money have been more successful than those built on a communal approach). Third, many donors attempted to create resource management organizations that are "public-private partnerships" in character, meaning that the government may only have a minority role on the governing Board. A strategic goal in these partnerships is often to dilute the role of government in order to gain management efficiency.

All this ENRM work has also given rise to a landscape of organizations in the sector. These are:

- Environmental ministries and ministries of natural resources, forests, or water;
- Environmental regulatory boards, agencies, or inter-ministerial planning groups;
- Resource-specific departments such as those of wildlife, irrigation, veterinary and livestock services, agriculture, etc;
- Regional and district branches of the above governmental offices;
- Quasi-governmental institutes and universities where the local pool of scientific talent tends to reside (if not already employed by an international NGO or donor);
- National Park Services;
- Capital city-based NGOs working in fields related to the environment, sometimes under contract from a donor or international group;
- Community-based organizations and field-based NGOs, most of which are project creations or the pet project of an educated "son of the region"
- A vast network of informal African associations and clubs formed by people living on or around the resource;
- International NGOs, usually of a conservation or technical assistant bent
- International donor agencies that provide project assistance and financial support to the above-described list of players.

In all of these, a number of key individuals have emerged over time in a country and these people tend to have a great deal of influence in the sector. Typically, they include:

- The three or four representatives of the biggest donor agencies supporting ENRM;
- The chief executive of the parks service;
- The minister of whichever of the ministries is most at the center of current ENRM work;
- The charismatic community-based organization (CBO) leader (often being pushed prematurely to the forefront as an activist or example of success by his/her backers);
- The expatriate team that is furnishing technical assistance to one of the big projects;

- The charismatic foreign researcher(s) of the even more charismatic mega-fauna;
- The head of the newly created local NGO in the capital city that provides the local backing to the international project(s) and who is a major gatekeeper for jobs into the sector for local young professionals;
- The wealthy chief executive officers (CEOs) of the more successful ecotourism/game hunting/timber/mineral enterprises;
- The leading authority or academic at the local university or institute;

This group may not know each other that well or interact that often, but they constitute the key actors around whom new ideas get the nod of approval, shifts in project direction occur, or new projects built. Around them all is a heady swirl of consultants, technical assistance teams, visiting headquarters personnel of the international NGOs, emerging local activists, entrepreneurs, and young local professional laboring in middle and lower management of the donor-funded projects. Everyone seeks to make his or her mark, be heard with a new idea, or attract funding.

The funding game sets the ground rules for all of these players. The controlling force is the donor-funded project, typically of two-five years in duration, and related to the donor's strategic objectives for the use of its foreign aid funds. The ENRM project may or may not be set up within a local organization, be it a ministry, institute, or NGO. Often the project has so many components and has the participation of so many donors that a multi-donor secretariat may be set up and then each donor may run their own component with more or less autonomy. But regardless of donor, sector, or objective, these large ENRM projects tend to create a remarkably similar organizational presence in a country. This is because they almost always pay for some combination of infrastructure, salaries of local professionals who work in the project, a bit of training, lots of workshops, some grant-making, the establishment of new divisions inside old organizations, planning work and a few research studies. The technical assistance is usually expatriate (although often working with local consultants) and is brought in to do assessments, training, evaluations, strategic plans and the various bits of the usual trouble-shooting that typically occurs in a project cycle.

2.2 Toward an "Organizational Ecology" of the ENRM Sector

The description above can make it seem as if the ENRM sector is a hodge-podge of barely related groups. But viewing the action through the metaphor of an "organizational ecology" helps to see how the sustainability issue is felt on the ground.

How might such a metaphor work? We could imagine it thus. At the innermost circle we find the resource (soil, water, trees, animals, biodiversity, etc) all under threat. Around it we find people whose daily lives and decisions both locally, regionally and nationally affect the resource for better or worse. Among them we have a few people concerned about the long-term sustainability of the resource and others who may have professional competence about the resource's management. This particular group of individuals almost always ends up working inside organizations rather than working as individual entrepreneurs. The organizations they work in can be seen as organisms[9] that combine people, ideas, and money to create plans, visions, more ideas, and activities -- all of which are intended to affect the underlying resource. The organizations compete with other organizations for people and money. They compete using plans and proposals to attract more money. The organizations and their staff all breathe in an "atmosphere" filled with national policies, governance systems and rules of the game for personal and organizational performance. This policy "air" affects every organization's performance. It influences which organizations have the most access to the resource and which have actual control over the resource. Thus, it affects the resource itself.

Organizations also have niches and life-cycles. Some manage to become big powerful monopolies, others remain tiny. Some last generations, some die young. The organizations also compete and cooperate at different times. Sometimes they devour each other and often they hatch new organizations. Management technologies, information, human energy and creativity are the tools with which the organizations compete and cooperate in the delivery of their products or outputs.

But organizations live on money and people. These are their fundamental resources. Too much money and too big a staff can weaken them by making them fat and lazy and given to waste and corruption. Too little money and too few staff can limit the organization's scope of action, make it feeble and desperate, and unable to think straight, let alone plan for the future.

The money that is given to ENRM organizations is most often conveyed through the donor-constructed pipeline of projects. Of course, public sector organizations can also appeal to the central government for funds. In Africa they sometimes succeed, but public budgetary resources are never enough. A few of the more successful organizations also generate their own money through gate fees or tourist enterprises. But most are heavily dependent on infusions of money from foreign aid donors.

Foreign aid donors tend to live outside the system, but affect it dramatically in terms of the size and number of project pipelines they set up to feed the local and international organizations in place. Donors also create new organizations and can determine which sectors will benefit from the pipeline. They can set up the rules of the game for turning on and off the tap of money flowing into the pipeline.

It is important to note that the project character of the donor-constructed pipeline tends also to fix certain parameters of the system. Projects/pipelines are nearly always of

[9] Hannan and Carrol (1992) have written a useful introduction to the concept of organizational ecology.

fixed duration, typically two-three years, at best five.[10] The project objectives are often loaded with stiff indicators designed to appeal to the donor's constituency at headquarters rather than the participating local and international organizations on the ground. Projects also load a lot of money into the pipeline that must be drawn down quickly. This creates immense problems of waste and opportunities for fraud and rent-seeking and has led to a situation where many donors prefer to transit their money through the big, well-known international NGOs.

The dependency on donor projects and the use of big outside NGOs have the effect of robbing local organizations and professionals of strategic initiative, since most of the field experience and planning expertise accrues over time to the donors and staff of the more favored international organizations. Of course, this is not always negative in a given situation, but it tends to inhibit the development of strong local leaders and organizations. It creates a situation where too many local professionals seek to exit the local scene for better employment opportunities in international organizations.

The project pipeline also creates a boom and bust economy due to the shifting of donor priorities. For example, for five years the CBNRM organizations might be the favored group, then when the pipeline gets diverted for some reason to supply another sector, the nascent CBNRM organizations die off.

The sustainability issue now becomes clear. Can this particular ecosystem of organizations, policies, and the project pipelines-- all of which try to affect the underlying natural resource-- last not just ten or twenty years, but for generations? Is it having an optimal effect on the underlying natural resource and if it is, can it continue to do so indefinitely? Many would reply that while this project ecosystem may not be sustainable, the concern simply doesn't matter. They point out that in the developing world, the old-fashioned project pipeline is the reigning paradigm of development, the world as we know it, it is how things happen, so whether or not it is all sustainable is just irrelevant since it can't be changed. However, these views are increasingly tough to maintain, and to their credit there are many signs of unease among practitioners. Many think now that the world as we know it and the way we do business may be worth tinkering with in order to leave behind a sustainable legacy with foreign aid money. The next section describes some of this unease and the signs of change.

3. The Current Crossroads

After several decades of work in ENRM and millions spent on ENRM projects in Africa, much has been learned about environmental planning, protected area management,

[10] World Bank staff report a positive initiative inside the bank to consider much longer project planning cycles-- as long as 10-15 years. Agnes Kiss notes that some "adaptive program lending" loans have recently been approved with such long time frames.

and CBNRM. There have been many gains. Some countries have improved their legislative frameworks for certain resources, and some parks and species have been pulled away from the brink. ENRM is an accepted part of development work, has generous funding, and much effort is going into greening the work of other development sectors.[11] Nonetheless, evaluations and analytic work by insiders has surfaced a number of concerns and problems. One observer, who otherwise has many positive things to say about ENRM work, ruefully notes that "despite substantial levels of effort and funding over a number of years, our collective efforts as conservation practitioners and as donors have not succeeded in halting or even slowing the rate of biodiversity loss in SSA [sub-Saharan Africa] or worldwide; in fact, the available evidence indicates that the rate of loss is continuing to accelerate" (Kiss, 1999). While some may disagree with the severity of the statement, it should at least allow us to ask what are the problems that prevent us from doing better? Multiple answers are typically given.[12] Some are listed below.

- Organizations charged with protected area management are often weak, mismanaged, ill-designed, or not structured to be financially sustainable despite progress here and there in diversifying the balance sheets of particular organizations through creative financing and linkages to the private sector.

- Political chaos, violence, corruption, and population growth undermine the gains made thus far,[13] as illustrated by the recent violence in Bwindi National Park in Uganda.

- The local NGOs are weak, inexperienced, and much of the wisdom and expertise of learning by doing is accruing not to Africans but to the staff of international organizations.

- Many of the conservation programs are resulting in organizations that are becoming "mega-organizations" who are trying to be all things to all people especially when it comes to the range of activities that fall under the heading of protected area management.

---

[11] Sheehan (1998) gives an interesting overview of NGO-led greening of foreign aid that helped create these gains; his libertarian ideological perspective, however, leads him to conclude that these gains need to be reversed rather than encouraged.

[12] Kiss (1999) provides a comprehensive, critical view. See also the CBNRM evaluations such as those by Agricultural Development Consultants (1998). Chinkhuntah et al.'s (1998) evaluation of Malawi's ENRM work by USAID is a good source a well. It emphasizes the need for institutional and organizational strengthening of local partners in ENRM work. Ashley and Roe (1997) present an overview of problems with community tourism, and the results of the World Bank CBNRM conference (World Bank, 1998), reviewed also by Byers (1998), tell a long story of mixed results, frustration, and occasional successes. Ritchie et al. (1998) provide insightful commentary on the lack of local buy-in to the conservation agenda.

[13] Kate Newman at WWF provided much insight into this issue and the need to plan around ecosystems. Clay et al. (1996) also point out some of the underlying demographic trends and root causes that give rise to so much concern.

- Too many ecotourism and conservation enterprises are being attempted out of enthusiasm rather than out of an underlying private sector entrepreneurial initiative. They are too frequently set up in areas with weak markets and make little financial or economic sense, thus requiring more subsidies than seem justifiable.[14]

- Neither the northern conservation agenda nor a local green development vision has been accepted locally. Too much of the ENRM work is supply-driven by international donors and NGOs.

- The enabling environment is not yet in place. Most countries still lack a coherent set of good policies, fair rules of the game, useful incentives for performance, and sound governance and legal systems concerning ENRM.

- The economic benefits of existing tourism and other resource-driven businesses are poorly distributed and are not systematically providing incentives for local people to change their behavior towards the resource towards sustainable use and conservation.

- Some of the root causes of certain problems have no immediate or generally agreed upon solution. These are population growth, unsustainable cropping systems, weak economic growth, absence of good governance, and excessive corruption.

- The enthusiasm given over to CBNRM and ecotourism may have been unjustified given just how difficult it is to succeed with such projects.

These are daunting list of problems that suggest it may be time to try new ways of doing business to improve the likelihood of success[15]. This does not mean "reinventing foreign aid" but doing more of what does work, less of what doesn't and remaining open to innovation, new ideas, and change instead of perpetuating "business as usual."

Despite such a list of problems, there is much ENRM work on organizational and financial sustainability that has been done that is innovative and has wider applicability. The next section examines some cases that suggest a path for future work.

[14] The Biodiversity Support Project has been working on this for years, and staff lament the slow progress in attaining profitability. They point out the need for ongoing subsidies to these local enterprises. See the Biodiversity Support Program's Annual Reports for 1995, 1996, and 1997.

[15] An example of new ways of doing business was provided by Agnes Kiss at the World Bank in her Strategic Framework paper (Kiss, 1999). If a community group wishes to develop an ecotourist enterprise, the old project way of doing business might be to build them the facilities and buy them equipment, where a new non-project approach might be to help them establish a solid client base so that they are sustainable.

3.1 Cases of Organizational Sustainability

This section presents five cases of organizations that have pursued strategies and undertaken actions that hold a strong promise for financial sustainability. These success stories contribute to developing the Green Road to Sustainability.

3.1.1. The Ghana Heritage Conservation Trust

The Heritage Trust is an example of how a traditional project was transformed into an initiative to create a sustainable organization. [16] The Trust is a NGO created in 1996 with a 17-member board from both public and private sectors. The board has several non-Ghanaian Board members with international reputations who are active in philanthropy, park management, and historic preservation. The Trust's mission is "the conservation, protection, and maintenance of Kakum Conservation Area, Cape Coast and Elmira Castles and Fort St. Ago and their environs, as well as the economic growth and well being of the communities around them. The long-term mission is to extend conservation activities to other parts of Ghana after establishing sustainable programs in the initial areas" (USAID/Ghana, 1997). The Trust, with its endowment and enterprise income, supplements government park expenditures for Kakum Conservation Area and serves as a lever to attract additional contributions for conservation. It survives thanks to a $2 million endowment from USAID, who also provided start-up funding for the Trust's operating costs. This funding was provided subject to the establishment of good management practices, which included such features as financial accounting systems, annual audits, a coherent strategic plan, registration in the US as a public charity, and off-shore investment of the endowment.

The origin of the Heritage Trust was a proposal by a Ghanaian local government official from Central District to restore a series of castles built in 1482 and 1655 and use them as a basis for tourist development of the region. Because of the existence of a substantial remnant of tropical rainforest in the region, project supporters quickly expanded the idea to include a protected area program and an ecotourist concept. USAID invited several international organizations to help. Conservation International worked with Ghanaians on the conservation, research, and tourist program; all of it related to getting Kakum forest named a national park. The United States Committee of the International Council on Monuments and Sites (US/ICCMS) and the U.S. Smithsonian Museum also assisted in the restoration of the castles and development of interpretive centers for tourists. The goal was to promote green economic growth through the use of a multiplicity of conservation enterprises.

The showpiece enterprise that enjoyed the most success was the creation of a canopy walkway (Africa's first) some 1000 feet in length. The walkway proved a hit with

[16] Mari Omland of Conservation International provided much commentary and documentation on this example. For more information see Conservation International (1998), USAID/Ghana (1997), and Flynn (1999).

tourists, some three-quarters of whom were Ghanaian. Annual walkway fees have grown with time and have recently passed the $100,000 mark, enough to maintain the walkway and contribute to the general costs of maintaining the park's infrastructure. The region's tourist industry has also grown considerably and profited from solid private sector investment in hotels around the park and castles. The Trust is charged with the walkway's maintenance and also oversees use of any profits from the walkway and the other small enterprises under its care, such as the curio shops at the castles. To the disappointment of park advocates, the annual revenues from entrance fees to the new park still go to the government of Ghana and then to the national parks service, not to the Trust.

The task of creating a new institution from scratch out of a project and organizing the transition from the original leadership to a local group was time-consuming and is still underway. To the organizers' credit, they designated an official transition period to allow former managers the time to transfer institutional memory and experience to the new leadership group of Ghanaians. It also allows time for staff and Board training as well as breathing space to develop business and management plans for the various trust assets and small enterprises. Trust supporters report that many tasks still remain to be planned, from expanding the community work sponsored by the Trust around the park to building a monitoring and research system for the park's biological resources. At the same time, the Trust must establish working relationships with government agencies, private companies, and other NGOs both national and local. But these tasks are the usual business of running an organization and appear to progress normally for a new organization.

3.1.2. The Mgahinga-Bwindi Impenetrable Forest Conservation Trust

The "Bwindi Trust" was set up in 1995 as a sustainable funding organization for small community projects, supplemental park management activities, and research in and around the Mgahinga and Bwindi Forests Forest in Uganda.[17] These forests are habitat for a significant population of the remaining mountain gorillas. The trust's mission is "to provide long-term, reliable support for projects promoting research or conservation of biological diversity and sustainable use of the natural resources in the Mgahinga Gorilla National Park and the Bwindi Impenetrable National Park and, incidental to these purposes, the promotion of the welfare of the residents of the surrounding areas" (Mgahinga-Bwindi Impenetrable Forest Conservation Trust, 1994).

USAID and the Dutch Government paid for nearly five years' worth of start-up operating costs of the Bwindi Trust. This allowed the Global Environmental Facility (GEF) contribution of $4 million for an endowment to grow untouched to its present value of close to $6 million. The Bwindi Trust is now structured as an independent NGO with a Board that draws representatives from the local community, national and

[17] Thanks to Ray Victurine for information on this case. See as well Tabor (1992), Luisigi and Norris's 1998 evaluation, the Mgahinga and Bwindi Trust Deed, and the Muhereza et al. 1998 evaluation sponsored by USAID.

international NGOs, the relevant government departments including the Uganda Wildlife Service, and from the community of foreign aid donors resident in Uganda. A local community steering committee makes small grants under $1000, mostly to social welfare projects, while the trust board approves larger grants for similar purposes. Evaluations suggest that the board has not yet performed as well as hoped, but no serious problems are yet signaled by this. Attendance of the government representatives at Board meetings is reportedly sporadic, and is a contributing factor to Board inactivity in general.

Although Bwindi is a small trust working in a low-key way in a defined area, it has already undergone three high profile evaluations. Its activities, operations, and even existence have been subjected to intense international scrutiny. The evaluations concur that the organization is useful, sustainable, and learning how to make grants and think strategically. Concerns have been raised that the trust may be too small and understaffed relative to the needs in the area, and that it was created without reference to a more comprehensive strategic framework for how to support the ENRM sector in Uganda.[18] An example of how a strategic framework might have helped is that the trust has to compete to attract donors with other foundations that support gorilla habitat elsewhere in the world. Sadly, it was not set up to benefit from any of the $600,000 per year revenue that comes in to the national parks service for gorilla trekking for tourists. On the other hand, a reply to these criticisms would suggest that a little competition among organizations --gorilla supporting or not-- is good for them all, and that the basis has been established so that the Trust can improve on a local timetable of change.

The Bwindi Trust also illustrates one of the issues that arise again and again in grant-making in Africa. Its first cycle of grants was made to socially-oriented village infrastructure projects such as schools and clinics. The evaluations of the trust mention repeatedly that these projects do not have a clear environmental character. This has happened everywhere in Africa and frustrates many a thematically driven grant-maker who is disappointed to learn that the villagers at first glance don't want the "right kind" of projects, that is, those the donor wants to give.

What seems to be going on is that the environmentalists are slowly learning the same lesson donors in other sectors have learned before them: work in African villages is slow, time-consuming, and incremental. It requires negotiation of goals among many local parties in villages who do not necessarily see all priorities in the same way as the donor, no matter how good and righteous the donor's cause. For example, just because the local Peace Corps volunteer wants to do butterfly farming and bee-keeping –commonly proposed activities for protected area buffer zones-- this doesn't mean that anybody in the village concerned necessarily wants to raise butterflies. This is not to say that the butterfly project is misguided, but it does mean that preconceived notions of appropriate economic activities are unlikely to accord with people's real-life priorities. It is also useful to

[18] This problem of developing a strategic framework for a sector is hardly one unique to Uganda. Swartzendruber et al. (1998) provide a survey of practitioner opinion on conservation priorities in Southern Africa and they point out the difficulty of coming to a consensus on a common strategy even among like-minded people!

remember that village projects reflect specific constituencies within a village who are not necessarily on the same wavelength with the donor or grant-maker, or even the rest of the village.

Nonetheless, the Bwindi Trust also illustrates the usefulness and pertinence of relatively modest, partial endowments in small countries with relatively weak economies. As this case and the Ghana case show, a small endowment can be combined with operating funds to let the capital grow and buy time for a fund-raising strategy to get other donors involved.

3.1.3. West Africa Rural Foundation

The West Africa Rural Foundation (WARF) is an example of a sustainable funding organization that finances CBNRM as well as other activities in rural areas of Senegal, Guinea, Guinea-Bissau, Mali, and the Gambia. [19] It was one of the first organizations in Africa that explicitly modeled itself on the grant-making foundations found in the US, although its Board of Directors is entirely African and no provisions are made for representation from the government or international community. WARF was founded nine years ago, at the initiative of Canada's International Development Research Centre, the Ford Foundation, and a Swiss NGO, Innovations and Networks for Development. The foundation has operating funds from several donors, plus a two million dollar partial endowment from the Ford Foundation. In addition, WARF continues to raise funds from other sources.

After nine years of operations, WARF has a successful, but somewhat time-consuming grant-making approach explicitly designed to avoid the trap of making grants for "wish-list" infrastructure and social project grants to poorly organized rural communities. WARF has staff capable of providing sophisticated technical assistance to grantees and a program that helps other intermediary rural organizations make longer term strategic plans and undergo internal reform to make them more effective in the field. WARF then provides substantial funding to them for several years of core operations. In addition to the grant program, WARF runs annual training activities in participatory methodologies for rural research and development. While WARF has a strong staff bias towards CBNRM and agricultural research of the green, "farmer-first" type, it does not impose a specific agenda on its grantees. Rather, it helps them work with rural communities to define a local agenda for action.

One of the more interesting examples of how WARF works, and how its approach fits in with the points raised in this paper, is the case of WARF's relationship to a rural intermediary NGO, the "Groupement d'action pour le développement communautaire" (GADEC). GADEC works in one of the remoter regions of Senegal from Tambacunda to the Malian border. It was a typical, weakly managed NGO founded by a group of

[19] See Ellsworth (1995) for more information.

intellectual activists with more ideas than management skills. GADEC was funded by a variety of radical European NGOs who saw GADEC's quasi-socialist rhetoric as a vehicle for executing their own vaguely participatory projects, most of which translated into economically unsound rural infrastructure schemes. GADEC's balance sheet was also chaotic due to the boom and bust quality of its funding. Its agenda in fact was utterly dominated by the foreign NGOs who funded it, several of whom regarded GADEC as their special turf. Thus when GADEC approached WARF for a traditional project, it was turned down. But after back and forth discussions, GADEC agreed to form a WARF/GADEC team to conduct a participatory evaluation and organizational assessment of GADEC. The results - largely negative and full of ideas about how to fix things - created an uproar and made GADEC's European-NGO donors nervous that "something bad was going on down there and we want to know what."

However, the leadership of GADEC had participated in the assessment and they bought into the results. Bit by bit GADEC changed. It reorganized internally, strengthened the village council that advised it, and worked with WARF throughout the region to beef up the participatory development skills of its staff. GADEC scrapped its program and redesigned it to more accurately reflect village demand about how to use local resources better. It developed a long-term strategic plan and after much battling, convinced its donors to join WARF in making long-term grants to a general program of work that included core support that gave GADEC time to straighten out its finances and make business plans to diversify its balance sheet. WARF no longer funds GADEC, but GADEC has emerged as the most important and effective NGO player in its region.

It is noteworthy that WARF faced an uphill battle for existence. It began with less than generous funding from its core donors for a three-year pilot phase. Donor staff inside those agencies faced huge internal resistance and obstacles to funding the pilot project. Foundation-like organizations were still not on the international agenda and considered foolish at best, impossible at worst. Both funding agencies also had other priorities, none of which were WARF. Internal restructuring in both agencies also repeatedly endangered WARF's existence. Many people at different levels of those organizations personally rescued WARF from the flames of constantly changing "new priorities" for donor funding.

Problems also arose in implementation. First, the sponsoring NGO that had oversight over WARF grew unwilling to release WARF into independence since they benefited from a significant overhead to nurse WARF into existence. Second, a good number of local African NGOs who had been happy getting grants directly from IDRC and Ford resented having to deal with a new (albeit African) intermediary that was imposing tougher standards for getting a grant than they were used to. Complaints were loud and insistent on this point. Third, another international foreign-aid donor set up a "rival" project of a similar nature and tried to hire away WARF staff with better salaries. Those projects faded eventually and WARF remained on the scene. But then other international agencies came forward, promising generous funding but asking that WARF carry out the donor's own headquarters'-designed projects. This also temporarily derailed WARF from its own agenda. Last, design errors in WARF's structure weakened its brand-new Board of Directors, temporarily froze out its major donor (Ford Foundation) and created conflicts among its Board members over mismanaged overhead costs relative to its grant-making budget. These last problems were also ironed out, although not as quickly or effectively as they might have had the errors not been made in the first place.

Despite these "growing pains," WARF has proven its staying power after other major donor projects of many varieties have already come and gone. WARF is doing excellent work that rivals or surpasses that of the best international NGOs in the region or traditional foreign-aid projects; a result nearly unimaginable nine years ago when it first began. Its "organizational development" impact on the sector as an independent third-sector grant-maker is being felt incrementally. It has influenced standards, common practice, and put African professionals in positions of intellectual leadership in the third sector. Its mistakes and successes have informed designers of other funding organizations elsewhere in the world (see the case of Tany Meva, for example). Now that it has a partial endowment, WARF is now one of the more stable landmarks in the landscape of West Africa where projects and priorities come and go with a dizzying speed. It represents a regional non-governmental center of excellence in organizational development and participatory methodologies well fitted to rural areas in Mali, Senegal, Gambia, Guinea-Bissau, and Guinea.

3.1.4. The Tany Meva Foundation in Madagascar

This green, grant-making foundation was years in the making and required substantial donor dialogue and technical assistance to set up.[20] Under a debt-reduction agreement, USAID agreed to give the Government of Madagascar a local currency grant equivalent to just over thirty million dollars. This was provided in several installments, conditional on the Government of Madagascar using the money to pay local costs of a comprehensive ENRM program, including the creation of the endowed foundation dedicated to ENRM. The agreement also required the Government to adopt legislation requiring a new environmental review process, to create a new law on NGOs, and to develop legislation for the creation of a new foundation. Other conditionalities were made related to modifying perverse economic incentives in forest management.

The agreement was signed in 1992 and an institution-building process and policy reform began. The first step along the way was the development and passage of a new law, the result of USAID-funded technical assistance and intense multi-donor lobbying. The law covered the design of any new foundations that might be created. It was comprehensive in nature (perhaps overly so, according to some) but nonetheless represented a remarkable change in the "rules of the game" for the third sector in Madagascar. The parliament of Madagascar also issued a special decree recognizing the newly created foundation as one that was of "public benefit". During this time and with

[20] See Government of Madagascar (1995) and Tany Meva Foundation (1996).

full-time technical assistance, a staff and Board were set up for the Tany Meva Foundation. Grant-making began in 1998.

In another remarkable success, Tany Meva negotiated for portion of its local currency endowment to be transferred into hard currency, and invested in a mix of equities, bonds, and cash equivalents in index funds managed by the Vanguard Company (U.S.). The mix is now modified from time to time on the advice of asset managers at Vanguard. Tany Meva's Board plans to keep this two million dollars in hard currency off-shore and untouched for about ten years, while the foundation will use the rest of its local currency as a long-term sinking fund. This strategy will allow the foundation to eventually live off its hard currency endowment.

The mission of Tany Meva is to "contribute, encourage, and provide support and or technical, financial, and management assistance to nonprofit organizations and associations, as well as to local community organizations and others who work for the improvement of natural resources management and the long-term protection and conservation of the environment in Madagascar as well as the participation and the harmonious human integration of the population who are bound to the preservation of these environments." (Tany Meva, 1995). Despite this ambitious purpose, Tany Meva has a modest budget for grants. At present the sum available is about $US 275,000. Through its investment strategy, this annual grant-making budget is projected to increase over ten years until it stabilizes at about $500,000 a year. While modest, this is a sum that is princely in Madagascar as well as in keeping with the weak capacity of the local grantee community.

Predictably, Tany Meva faces a similar problem that WARF faced and that the Bwindi trust also confronts: the low capacity of the NGO sector to formulate the "right" kind of ENRM projects. Tany Meva also must deal with the problem that there are too few local technical assistance providers able to travel to remote areas to work with potential grantees to develop better project ideas. Therefore the foundation staff must do much of the necessary design assistance work themselves. In the case of WARF, this was a planned for, but with Tany Meva, the situation tended to run up the administrative costs of the organization. This is a manageable problem, one that falls more under the typical "growing pains" problem that African grant-makers encounter when the entire third sector is undeveloped. The problem requires donors to plan for it when designing African grant-making organizations.

3.1.5. Kenya Wildlife Service

The Kenya Wildlife Service (KWS) illustrates the case of an ENRM organization that has made substantial progress on the road to financial sustainability despite a weak governance and policy environment. [21] The KWS used to be what one observer ruefully described as a "paramilitary organization" dedicated to protecting game. But over the past thirteen years it has been transformed into a more comprehensive, semi-autonomous parks service for Kenya's unique wildlife resource.

The reform movement began in 1987 when Richard Leakey was named director and the existing government agency responsible for wildlife was converted to parastatal status by means of specific enabling legislation voted by the Kenyan Parliament. At the same time, a group of donors banded together to fund a comprehensive reform program for the KWS. This was described in a plan and call to action entitled "The Zebra Book." The goal was to make the KWS financially sustainable by means of a reform program funded through a classic project mechanism, the Protected Areas and Wildlife Service (PAWS) project. Donors contributed $112 million to PAWS, but release of funds to the KWS only began in 1992, some five years after the initial changes in KWS. The delay created problems right away. Since each donor separately took on a portion of the reform project, many agreements were not signed in a timely fashion. The worst problem was that technical assistance for new management systems and the financial accounting took too long to arrive. When this critical element did come on line, critics of the project claimed the assistance was inadequately rendered. Others suggested that this delay was unimportant because an internal management system was not in place to make use of financial accounting information anyway.

Donor delays were not the only problem KWS faced. It also tread a political minefield in Kenya. Disagreements and conflict with the central government forced Leakey out of his job. A new director was named, who had different reform priorities and a different management style. Donors appeared divided over the progress of reform and the prospects for organizational sustainability. Then in another change of direction, Leakey was renamed to his old post and neglected elements of the KWS's management systems began to receive more attention.

All of this conflict and strategic turns generated uncomfortable media attention for everyone, and made both donors and KWS insiders worried about the organization's future. Some say that it looked at one time like many donors would pull out of the program altogether, leaving the organization high and dry. Fortunately, recent overhaul of systems to manage park revenue from entry fees, safari operators, and other concessionary contracts have succeeded in improving the organization's balance sheet and a sense of optimism has returned. Observers suggest that in 1999, an amazing thirteen years after

---

[21] Agnes Kiss and Alan Bornbush provided far more lengthy and insightful commentary into this complicated ongoing example of an organization struggling to attain financial sustainability that could be put into this paper. Of the mountains of documents on KWS, the author found the essay by Hall (1995b) very clear and a good introduction. Watson's 1999 summary is also a key document that describes the dramatic complexities of KWS's situation. Barrow et al.'s 1998 review of the sector is also helpful and very detailed in providing a sort of organizational ecology of the Kenyan scene. Emerton (1998) also reviews some of the enterprise initiatives that KWS undertook to improve its balance sheet.

the reform effort began, the KWS may at last be able to finance over half its costs from internally generated income. There is also talk of a partial endowment (separately managed) to help diversify KWS's balance sheet.

Other problems are still being addressed. The transition from government department to parastatal is also not yet complete and many issues remain about over what KWS can and can't do without government approval. Some suggest that the KWS Board of Trustees does not yet have the autonomy and decisive oversight role it needs.

KWS is a case where a traditional donor project succeeded in mobilizing support for KWS among many donors, but did not deliver the right technical assistance at the right time in a planned way so that the sustainability objective could be met. The failure to introduce rigorous financial management and accounting systems resulted in a certain amount of management chaos was one of the more serious problems. Without basic indicators of budget and financial status, there was no way to know if the sustainability goal was being met. But even so, money kept flowing to the KWS anyway. Donors kept the project going in the absence of financial indicators because they were unwilling to impose conditionalities on the Kenyan Government, partly out of fear of losing the existing gains they had made in improving the KWS as well as fears for the condition of the underlying wildlife resource.

The reform of KWS also involved multiple initiatives on many fronts, which may have added to a sense of confusion among participants, as many agendas were being worked out simultaneously. These included such issues as board reform, rhino and elephant poaching problems, CBNRM, the pertinence of the sustainable use concept to Kenya, staffing overhaul, and the introduction of new financial control systems. A number of internal management units were also set up, creating some basis for the fear that KWS was over-expanding. For example, a partnership and conflict resolution unit was established, as well as an enterprise development unit, a unit for community mobilization and education and even a "Wildlife for Development Fund." All of these related units and organizations sounded like good ideas, but what may have been frustrating to the players on the ground was a sense that too much was happening too fast. Too many voices shouted to be heard, and the sheer amount of money available through the project pipeline combined to exceed the capacity of the organization to deal with all the changes. This situation, exacerbated by a dramatic management conflict and leadership change in the middle of the reform process, altered morale and the general spirit of how and what was important to do. Some observers believe that despite the small army of consultants who analyzed every bit of KWS's operations and the many improvements that were made, much of KWS's success in improving its financial management was dependent more on the overall political and governance environment.

By all accounts KWS's reform process is far from over. However, despite the problems encountered along the way, it is important to recognize that significant gains have been made in rehabilitating the agency and in building up its capacity and balance sheet.

3.2 Conclusions from the Cases

The cases reviewed above of organizations that have achieved some degree of sustainability in the ENRM sector reveal a number of points.

- Getting sustainable organizations going often requires considerable donor persistence and collaboration, often in the face of serious conflict and resistance among and within donor agencies. Those looking for quick pay-offs and a riskless way of spending foreign aid funds should look elsewhere.
- Once set up, the day-to-day business of the organization is filled with the ordinary, even banal, business of management and problem-solving as the attention turns to the quality and effectiveness of what the organization does. What makes this situation unusual is that in all of these cases, local professionals have more weight in the discussion about what constitutes effectiveness and quality. Donors still have a say, but institutional space for local actors to inject their views has been created.
- The effectiveness of a sustainable organization is often limited by the larger ENRM policy setting and institutional setting that surrounds the organization, all of which may also need reform. This suggests the need for complementary policy reform work at the same time as the effort to render organizations sustainable.[22]
- The time horizon for building a sustainable organization and making it effective can be anywhere from three to fifteen years in contrast to the traditional project of one to four years.

4. Achieving Financial Sustainability in the ENRM Sector

The problems described above in achieving success in the ENRM sector and a review of a few successful cases of organizational sustainability suggest that foreign aid donors and environmental activists might usefully work on three strategic goals simultaneously. These are:

1) Build sustainable funding organizations for the ENRM sector as a whole.
2) Increase the quality of the skills and experience of local professionals and organizations within the ENRM sector.
3) Support policy and legal reform of the national enabling environment for ENRM so as to address many of the strategic issues concerning organizational independence and the use and distribution of an environmental "gross domestic product" (see Box 1 below).

Structuring foreign aid flows around these goals does not mean "the end of projects," but rather that projects ought to be deliberately set up to work on the three

[22] This is one of the key lessons that have emerged from work on sustainable financing for agricultural research and technology transfer. See Bingen and Brinkerhoff (1999).

goals. Support to a traditional project that doesn't fit one of the above goals might best be limited to situations where there is a convergence of circumstances that bode well for the traditional project approach to spending foreign aid. These circumstances might be:

- Several independent practitioners concur with the donor that results can actually be achieved in the typical 2-5 year project cycle;[23]
- Good governance, supportive sectoral polices and legal frameworks, and political stability reduce the risk of failure;
- The use of expatriate advisors, teams, and consultants adds clear long-term value and doesn't inhibit the accrual of skills and competence to local people;[24]
- The project creates or seizes upon a time-bound strategic opportunity of some kind that could be expected to benefit the sector as a whole;
- The long-term sustainability of the project's benefit is clearly planned for as an integral part of the project's activities from the very beginning of the activity rather than thought about in the last year of the project as things are winding down;
- The scenarios for long-term sustainability are robust and not based on over-optimistic planning assumptions.

Box 1: The Distribution of Environmental Gross Domestic Product: The Need for a Strategic Framework [25]

Most of Africa's natural resources have incited the creation of a real economy. Lions attract tourists, ivory attracts hunters, rivers attract hippos and kayakers, and forests attract timber companies, mopane collectors, and butterfly entrepreneurs. If you start adding up the value of these resource-specific economies, it is easy to see that all this economic activity is often worth splendid amounts of money to a country, representing an "environmental gross domestic product." The questions this big-picture view generates are:

- What combination of public agencies, private organizations, and public-private partnerships need to be built to manage the resource?
- How can the businesses that depend on the underlying resource be built up so as to use the resource in a sustainable way rather than mine it? What green business models are possible?

[23] By results I mean actual ENRM gains based on existing knowledge rather than an experimental effort to generate a collection of lessons learned about how to do better next time.
[24] One person suggested to the author, half in jest, that for every dollar in expatriate technical assistance, an equal amount of money be set aside for degree scholarships for Africans to attend the best public universities in the US, regardless of the perceived threat of "brain drain."
[25] Special thanks to Tim Resch for bringing the sectoral GDP idea to my attention.

- What national regulations need to be in place to assure that the resource has underlying protection from those who would harm it's capacity to regenerate?
- How can local people living around the resource also benefit from these industries so as to make them partners in the maintenance of the underlying resource? How accurate is the model that proposes this view?
- Must the revenues from each particular resource be the only source of support for that resource, or is some amount of public sharing possible or worthwhile? Put another way, could the revenue from tourists paying to watch gorillas be used to support general ENRM work or must it only support the gorilla's habitat? Does the calculus change if vast amounts of international money can be mobilized in favor of gorilla habitat preservation while none is forthcoming for general forestry work in the rest of the country?

4.1. Goal 1: Build Sustainable, Less Project-driven Sources of Funding to the ENRM Sector

The work of providing lasting support to a growing, changing, and emerging group of organizations in the ENRM sector is indispensable.[26] New sustainable funding organizations are the best tool for doing so, as they indigenize strategy and allow learning to accrue locally over long-periods of time. Sustainable funding organizations might benefit, in decreasing order of priority: the sector as a whole, segments of it and key organizations within it. These new sustainable funding organizations can disburse funds through a variety of types of grants or even lending windows. The specific combination would depend on the local situation and the possibility of built-in links to the private sector. A sustainable funding organization might also be regional, national, or even locally based. It is even possible to have several of them in a country, although as the Uganda example of the Bwindi Trust showed, a strategic framework for the ENRM sector should inform the design of such funding organizations from the start.

The advantages of such organizations are many:

- They allow organizational learning to take place in-country, often inside the new funding organization and among a network of its beneficiaries, past and present employees, rather than letting the lion's share of organizational learning and management experience accrue to outsiders.

- They solve the problem of lack of absorptive capacity, thus reducing waste, while simultaneously building up sectoral capacity through time;

[26] I echo and second here many of the conclusions reached in a recent internal GEF evaluation of the funds it established. See GEF (1999).

- Their modest size means that they typically operate on a scale more appropriate to the country's situation, capacities, and economy, thus reducing rent-seeking behaviors common to large projects.

- They create unprecedented opportunities outside government for professional leadership to emerge out of the organization's Board and senior staff.

- They allow for the emergence and evolution of local organizations better adapted to their niche and economy.

Despite these advantages, the idea of sustainable funding organizations typically encounters resistance in the foreign aid world. In conversations with practitioners, the following objections to the idea are common:

- We don't have enough money to do it and could never mobilize enough capital for a single sustainable funding organization let alone the whole sector.
- But we might lose control over what exactly the local trust is giving grants for!
- It takes three to five years to get a good trust up and running and that is just too long for us to bother with.
- We heard that it had to be controlled by a northern NGO forever.
- It takes too much money away from the new project stream that we want to set up in a different sector that seems more important to us now.
- Why bother? Local grant-makers couldn't be better than the usual donor-financed grant-making unit anyway.
- Someone else should do it (local governments, international companies, the African middle class through charitable donations, a different donor, etc.).
- A traditional project will allow us to spend more money faster and get better results than trickling money out through a trust.
- Our government won't let us because the (conservatives/radicals/centrists) think it means perpetual control over the funds and we don't have a perpetual time frame.
- I heard about some other trust (name the country) and it had problems.
- If it takes away from me the job of overseeing projects and planning funding priorities, then what am I supposed to do?

These objections are all completely normal given how untraditional the idea of sustainable funding organizations is, but most of the objections reflect one or more of several confusions. These are:

- An assumption that the current project pipelines of foreign aid donors are more efficient than they are, and have greater impact than they actually do.
- An unfounded belief that spending more money now on action in the field is better than spending less.
- A general ignorance about organizational design and how flexibility can be built in.
- Exaggerated standards of what constitutes the ideal organization and an unwarranted insistence that African ones not suffer from any imperfections whatsoever.

- An unwillingness to relinquish the type of power linked to having a central, strategic role in managing foreign assistance or in deciding how money gets spent.

This last point is particularly important. The presence of a sustainable funding organization can indigenize grant-making and shift the balance of decision-making power away from foreign aid donors. This can be disconcerting to those donors who wish to maintain control.

It is certainly true, however, that setting up sustainable funding mechanisms like endowed trusts or funds will of course not save any specific natural resource in the next five years. It usually takes that three to five years just to set up a good sustainable funding organization and by that time, the resource that was supposed to be saved might be depleted or exhausted. Although it is not clear what alternative actions will save a particular resource over the same time frame, in my view it is important at least to work on the structural issues that affect the general organizational ecology of the ENRM sector and the capacity of the people in it to solve their own problems.

4.2. Goal 2: Fund Long-term Capacity Building for African Professionals and Organizations Working in the ENRM Sector

Capacity-building has proven long-term, incremental effects, and many donors have rightly pumped a lot of money into it.[27] This is one of the appropriate uses for foreign aid projects, however dull and unstrategic it may seem at first glance. Reams of papers have been written and numerous projects carried out in capacity-building, and there are many lessons regarding how to do it right that now need to be applied.[28]

One of the ways of doing it right is to let people and organizations learn by doing. It's a matter of finding people who have good university educations and then giving them the chance to get more skilled over time. But too often capacity-building is reduced to supplying office equipment and running a list of standardized short training courses. The list of course topics nearly always covers teamwork, project writing, budgeting, strategic planning, brainstorming, and maybe participatory rural appraisal. This is fine, but constitutes a very limited view of capacity-building. It is essential to find ways for local professionals to develop their skills over time with guidance from seasoned outsiders, to allow local professional to make mistakes, get in trouble for them, and then dig their own way out. How else can they build up their own competence and strategic management sense?

[27] Ohiorhenuan and Wunker (1995) describe the immense capacity building needs that GEF observed a few years back. Stamberg (1998) gives a very useful overview of the various approaches, success, and failures to date with capacity-building to NGOs in Africa.

[28] See, for example, the summary of IPC's capacity-building lessons in Brinkerhoff (1996).

One of the key tools of capacity building has unfortunately been tossed out with the bath water in recent years and that is scholarship funding. There is a general reticence to send young people away for training equal to what the expatriate experts have. Donors often cite the brain-drain problem to explain their reticence. But this is shortsighted. An example of how this problem can play out can be seen in Madagascar[29] where vast sums are spent on ENRM programs. Talented young expatriates do much of the strategic thinking there on protected area management with high-quality BA/MA degrees in a field pertinent to the ENRM work they are doing. Yet the number of young Malagasy sent away for similar degrees is negligible and has created dependence on these bright young expatriates. So is it any wonder that the ENRM programs in Madagascar are accused of having no local ownership?

4.3. Goal 3: Support Policy and Legal Reform for ENRM[30]

There is little controversy around this third goal. Why guard the protected area if the government can without legal challenge give a French timber country the right to log most of it? Why build up the national parks service if the system has no checks and balances to correct for poor staff performance or corruption? Why insist on democratic elections if there are no independent parties allowed? Others have eloquently made the case for policy reform in Africa so I need not repeat all that here, except to agree with the many who have pointed out that accomplishing reform is easier said than done. Among other things, it requires donors to work together and use dialogue, a game that is without a lot of meaning if there is no will or ability to "bite" rather than just "bark."[31]

Among the kinds of reforms and policy changes that can help to foster sustainable resource use, environmental protection, and conservation of biodiversity are the following:

- Changes in legislation and ministerial directives that affect the management of natural resources and their associated industries.

- Legal, tax and policy changes that free civil society to assemble independently of government to act in the defense of resources and to create and finance their own organizations.

[29] It seems unfair to pick on Madagascar where donors, Malgache actors, and international NGOs are engaged in Herculean labors to protect diminishing forests, but I know the case well and find that it has archetypal qualities. My comments will come as no surprise to those on the ground there.

[30] A recent review of policy dialogue provided by the EPIQ Technical Advisory Group (1998) for USAID provides a useful overview of the complexities of policy dialogue. Esty (1999) describes the need for a green overhaul of international trade rules that affect natural resources.

[31] Dollar and Easterly (1999) provide a good summary case of the need to make progress on policy reform and to specifically due so in countries where there is already a local reform movement in place.

- Removal of perverse incentives that encourage unsustainable resource use (Bagri et al, 1999) and in the international arena, changes in trade policies that do not penalize or otherwise incite unsustainable resource use.

- Creation of environmental review procedures that cross traditional sectors, such as fisheries, water, soil, etc.

- Parliamentary, civil rights, governance, and decentralization changes that move autocratic regimes towards democracy and illiberal democracies closer to the ideal of democracy, and that reduce civil strife (see Brinkerhoff and Veit, 1999).

5. Design Issues for Sustainable Funding Organizations

Locally managed sustainable grant-making organizations of a private or public-private character, and that are not tied to particular donor-funded projects, are relatively new to Africa and developing countries in general (Mikitin, 1995). They have, however, a very long history in the United States and the United Kingdom. Thus we are not so ignorant of what they are. Developed country foundations have long provided support to policy- or activist-oriented organizations that have had difficulty competing with traditional charities for consistent public charitable giving. Indeed, in the US and UK, environmental groups and activist individuals and organizations from every cause imaginable have depended on such funding organizations at some point in their history. It is the case even today. The Worldwide Fund for Nature (WWF-US) for example typically succeeds in raising about $5 million a year from the various U.S. foundations. Could we not imagine a situation where in twenty years local groups in Kenya do the same from Kenyan and other African foundations, albeit on a different scale?

Unfortunately, one of the obstacles to starting such organizations is the tendency to think of them as bizarre new entities on the development landscape. For example, there is a tendency in the foreign aid and international conservation world to think of these sustainable funding organizations as “funds”, “instruments,” or “mechanisms”. Others assume that there is something special about the environmental cause that requires the opening up of a new field of inquiry into how to set up funding organizations that support green causes, activities, and organizations. All this creates unnecessary confusion and risks wasting time on the learning curve. These organizations are not complicated at all, nor are they new. The basic idea and design issues are accessible to everyone in the foreign aid world and no priestly caste of experts is necessary.

It helps to realize that sustainable funding mechanisms, of which environmental funds are an example, are organizations like any other. They have governing boards, founding documents, histories, cultures, internal structures, operating procedures, programmatic and internal problems, strategic plans, budgets, and staff. They can be assisted through the application of the well-established toolkits from organizational development and strategic management. Second, the design of grant-making organizations is a craft, not an art or science. It can be learned and improved upon by African practitioners themselves without elaborate training and diplomas. This should be seen as good news. In fact there is already a large, existing body of literature, practitioners, and supporting organizations to draw upon in both the US and UK, many of which have substantial international experience as well. Thus, there is no need to reinvent the wheel about the design of sustainable funding organizations or grant-making, either in the environmental community in Africa, or elsewhere in the developing world. However, because design issues have occupied so much attention given recent proliferation of these organizations, this section reviews some of the principles and issues under discussion.

5.1. Kinds of Sustainable Funding Organizations

First of all, it is useful to note that what makes these organizations sustainable is that they benefit from some kind of long-term sinking fund, endowment, or reliable source of income allocated from the public sector (like a tourist or green tax of some kind). Except for the very big privately funded organizations in the US and UK, few of these organizations rely on endowment income alone. Most typically engage in other fund-raising activities to augment the income side of their financial statements.

Note also that sustainable funding organizations can be regional, national, or community-based. They can be dedicated to serving a particular cause, sector, or organization. They can make grants or loans themselves or they can give money to somebody else to make grants or loans. They can be set up to do anything that their initiators want them to do, within some limits. It is however unwise from a financial and organizational point of view to force them to implement programs in the field or to play the role of venture capitalists.

In the US and UK, a certain typology of these organizations has emerged. It is important to note that this typology reflects the specific legal, social and institutional history of those countries and does not necessarily need to be imposed anywhere else. A loose typology includes:

- Private foundations and trusts founded out of the wealth of a single family or individual;
- Community foundations dedicated to serving a very geographically defined zone who raise money from both public and private sources, including other foundations;
- Publicly-funded semi-autonomous agencies (“parastatals”) (e.g., the National Science Foundation or the African Development Foundation);
- Public-private foundations (e.g., the New York City Parks Foundation);
- Community trusts with income from “United Way” annual appeals;

- Grant-making programs embedded within larger multi-purpose charities of a religious or welfare character.

On the international scene the landscape is quite different. There are simply far fewer sustainable funding organizations. It is typical to find that such organizations in developing countries benefit from only a tiny bit of endowment money to cover some of their recurring operating costs. The Synergos Institute conducted a useful survey of them a few years back and found that the majority was set up with mere symbolic amounts of initial capital.

Since that study, the international landscape has improved. A major advocate for these kinds of organizations internationally has been the Charles Stuart Mott Foundation. A key player behind the American community foundation movement, Mott also played a catalytic role in getting such organizations established in Eastern Europe. Also, with the creation of the Global Environmental Facility and with the greater use of creative financing, more resources have been available for creating new sustainable funding organizations. There is now a healthy scattering of such organizations worldwide (see GEF, 1999). There is even an interagency planning group that promotes the establishment of such organizations in the environmental sector. Thus, compared to five years ago, sustainable funding organizations outside the US are now far more common.

5.2. Design Considerations specific to Africa

Several things affect how sustainable funding structures might be set up for the ENRM world in Africa. First, Africa's governance and corruption problems make it such that a government controlled funding organization is not advisable. A public-private partnership model is more appropriate, one not excessively dominated by government. Second, the small size of the NGO sectors in so many countries and the scattered population problem means that operating a fund on a regional or partly regional basis is often desirable. But an obstacle to this is the absence of appropriate legal frameworks for the third sector on a national or regional basis. It is sometimes possible to develop ad hoc solutions and make do with existing legislation. WARF, for example, is recognized in each of the five countries where it works as an "international organization" by the ministries of foreign affairs. But a better possibility and one that would bring great system-wide benefits to a country as a whole is to deliberately set out to reform the legal framework to make such regional, NGO, and public-private organizations easier to create. Recall that this was done in Madagascar to facilitate the creation of Tany Meva, where a new foundation law resulted after lengthy donor dialogue and conditionalities as well as considerable technical assistance.

An important problem that must also be designed for is that in most African countries the NGO sector is still weak, small and even the green NGOs are rarely purely environmental in character. This means it may not be possible to fund them just for CBNRM or protected area work through a generic grant-making program and expect stellar performance without a lot of specific capacity-building and institutional-strengthening built into the support.

Another issue is cultural and does affect organizational design. This has to do with strong feelings of nationalism in Africa. This may not figure as strongly in other parts of the world. It translates into suspicion about donor suggestions for grant-making criteria, or resistance to the suggestion of having an international person or donor-appointed person on a board of a new sustainable funding organization. It can also mean unwillingness to follow the sound practice of investing capital funds offshore.

A telling example of how these cultural issues can arise unexpectedly happened with the Tany Meva Foundation in Madagascar. At the foundation's very first Board meeting, the original donors and international advocates found themselves asked to leave the room and the meeting was conducted entirely in Malagasy. There is surely some cultural symbolism here of great importance that supporters of the idea should sympathize with. It also means that it is important to build into the design process awareness and responsiveness to nationalist sentiment and cultural sensibilities while taking care not to isolate new funding organizations from their counterparts in the rest of the world.

Last, in Africa the problem of financial management of assets emerges as a big issue, even more so than it does in other developing regions. Governance problems, weak legal systems and financial markets all conspire to make offshore management of capital assets essential. Once again, getting this to happen may require some kind of reform of the enabling environment. Usually laws and policies about flows of capital in and out of the county are at play. Dialogue with the finance ministry and parliament may well be necessary. Once again, temporary or partial solutions are possible, such as setting up a two-tiered trust, one offshore with another locally. However, these situations are better addressed by starting the work of solving the root of the problem with policy dialogue over enabling legislation instead of looking for quick, ad hoc fixes.

A related design and management problem that many initiatives stumble over is the problem of how to invest the capital assets of the sustainable funding organization. It is important to avoid tasking board members with funds management, and to reject any fund manager who claims to be good at picking particular equities. A wiser approach is to have the board pick an asset management firm that deals in index funds, usually one that doesn't charge more than one percent of the asset per year for both annual advice and investment costs combined. It also means that time may need to be devoted to helping the new board and donor group understand what their investment options are. It is equally important to manage donor and board members who become overly enthusiastic about the idea of using capital funds as venture capital.[32]

[32] See for example Kelley (1993), who reviews the weaknesses of the financial sector and successive failures of credit schemes in Uganda. He provides many suggestions to reform the enabling environment for credit and reform of the worthy organization charged with venture capital in the country which suffered from too many bad-debt write-offs.

Another issue emerges over the design of grant-making. As mentioned above, grant-making is a learnable craft. Unfortunately in Africa it has remained an exclusive domain of international donor agencies, American foundations, or international NGOs. This is unnecessary. The new African grant-makers should realize that the range of practice in the grant-making world is considerable, and that except in the case of research funding, there is disagreement among experts about what constitutes best practice. There is a large box of tools available and it helps to know what they are. It is even impossible to say that one tool is best. But a typical design mistake is for donors and their consultants to over-determine grant-making criteria and procedures and build in a lot of unnecessary monitoring and evaluation. This is all very expensive in Africa's high transaction-cost environment. A better approach is to pay more attention to setting up a simpler process of learning-by-doing with occasional time-outs to improve the operating rules. It is also essential to design feedback and dialogue mechanisms among grant-makers and grantees. Then let the board and staff determine grant-making criteria, goals, funding windows, and strategies. This process of allowing the group to catch errors and rectify them facilitates organizational learning and capacity-building over time. The idea is to let the organization flexibly adapt to the organizational landscape and the nature of the problems the organization faces. Over-design to fit current environmental views of how to do things will interfere with this adaptation.

A last issue to manage is the problem of "Donor-as-King." Donor-as-King is a condition that affects grant-makers when they forget that their power and influence lies in their position as check-writers. Too often the donor starts to think that the reason so many colleagues and grantees suddenly agree with everything he or she says has something to do with inherent donor brilliance and brainpower. Why else would so many people be saying, "yes" all the time? Donor-as-King situations emerge when staff turnover is so low among grant-makers that little empires and fiefdoms develop around specific grant-makers, who can then too easily lose all sense of respect for the grantee community. Favorite grantees develop, creativity is often lost, and a whole category of professionals and NGOs get frozen out of the funding stream because they have "displeased" the king-making grant-maker or else just plain disagree with him or her. The problem is often quite serious even in the US and UK where angry editorials frequently explode in the philanthropic press against the private foundation world. In those places where a new sustainable funding organization is the only game in town, this problem must be anticipated. Strategies and rules may need to be built into a new organization to avoid the worst effects of this tendency. Examples of coping mechanisms and management tactics to deal with this are shifting grant-makers among programs, using team grant-making approaches, or avoiding the models provided by the US private foundations altogether and using competitive procedures instead.

5.3. Creative Financing

The second major line of concern with sustainable funding organizations is how to raise funds to put into the endowment, loan, or sinking fund that sustains the new funding organization.[33] This is the easier part of the picture. There is a wide range of tools and approaches available to entrepreneurial fund-raisers who want to find creative ways to diversify their organization's or sector's balance sheets. Some of the fund-raising ideas promise to generate more money than others, although none reduce the need for the GEF and major bilateral and multilateral aid agencies to serve as major donors for new sustainable funding organizations.

When looking at the list below, it is also important to note that while expertise is useful, economic advice helpful, and experience counts, it is also the case that most of the experts in these fund-raising tools *also learned by doing*. This means that the entrepreneurial neophyte in Africa with a good head for both numbers and legalities and a willingness to study past cases need not be intimidated from trying to use these tools. Last, it is important to remember that these tools are ineffective and unlikely to succeed if the organization they are intended to benefit is weak. Here are some creative financing possibilities:

- **Debt swaps.** Because so many African countries have little private sector debt, debt swaps are not necessarily the attractive source of funds that many hope them to be. Nonetheless, opportunities should be taken where they exist. Debt swaps typically generate local currency funds that could capitalize a sustainable funding organization, should the will exist to set one up. The existence of a debt-swap opportunity can also drive the initiators to create a sustainable funding organization in order to manage the funds thus obtained.

- **Tropical Forest Conservation Act of the United States.** This act allows for debt reductions and buy-backs for certain kinds of debt in certain countries fulfilling stringent conditions. Africa is unlikely to be a major beneficiary of this act as it benefits from other debt reduction possibilities. Nonetheless, opportunities for using the act should be investigated on a case-by-case basis.

- **Carbon sequestration and emission trading**. As a result of the Kyoto Agreement in 1997, the signing countries agreed to limit carbon emissions. A country can now gain credits that reduce obligations to cut back on carbon emissions by investing in carbon reducing activities in another country. There are a number of difficulties involved in measuring the success of emission reduction projects as well as how to measure the effectiveness of carbon sinks, but there may nonetheless be occasional opportunities for a country to gain

[33] IUCN has assembled a great number of papers describing creative financing tools, as has USAID and SPAAR's Sustainable Financing Initiative. See Emerton and Vorhies (1998), Hecht and Orlando (1998), Pryakuryal (1998) for Nepal, Reid et al. (1993) on bioprospecting, Seidl (1998) for an example of using public finance, and Hall (1995a) for an interesting example in the Gambia. Honey (1999) provides a lengthy review of the ins and outs of trying to raise funds through ecotourism. See Fort and Epstein (1991) on the issue of health NGOs developing small enterprises to improve their balance sheets. It is a discussion of entrepreneurial possibilities that all NGOs might take heed of.

investment funds for reforestation or forest rehabilitation. Once again, the attractiveness of this option will vary from country to country.

- **Public finance and taxation.** Much more needs to be tried to find ways to create a stream of funds to ENRM through the use of local tax revenue. Examples of ideas that fall under this heading include set-asides of lotto revenue for environmental purposes, dedicated taxes on natural resource exports, fees attached to tourist airline tickets (see the case of Belize), and taxes on petrol use (see the case of Namibia's new project along these lines). All of these approaches dedicate public revenue to a sustainable funding organization such as a trust or foundation. Costa Rica's Environmental Services Payment program is a good example of tax revenues going to an environmental fund.[34]

- **Park/protected area entry and user fees.** This fund-raising idea simply means charging admission fees to access the resource. An expanded use of the mechanism might include things like trophy fees, hunting and fishing licenses, etc. These are most commonly used in CBNRM work or in protected area management so as to diversify balance sheets of the managing organization.

- **Concession contracts and contracts related to sustainable use.** A typical way to generate funds for protected area management or CBNRM is to organize contracts with private sector firms granting them temporary rights to operate tourist concessions, lodges, or to run hunting safaris in or near the protected area.

- **Damage assessments and fines.** Some writers have suggested that fines imposed on polluters might also be able way to finance ENRM work.

- **Corporate and citizen contributions.** Most fundraising strategies in the US also include efforts to generate voluntary contributions from private sector companies and individual citizens. While this is a useful activity, it may not generate as much money in Africa as fund-raisers might hope for, since the economic and institutional incentives for such voluntary giving are still weak or non-existent, and a prosperous middle-class with a tradition of charitable giving small or absent.

- **Conservation enterprises.** This includes everything from licensing products and animal logos to sustainable harvesting of forest resources such as honey and butterflies. The difficulties here are mostly associated with obtaining seed capital and finding entrepreneurial initiative to manage such enterprises without constant subsidy from the public sector. Note that creative use of existing public trading arrangements can also encourage the development of

[34] Thanks to Agnes Kiss for this information.

conservation enterprises. See the Ghana case developed with support of the U.S. Commerce Department in Box 2.

- **Bioprospecting.** This refers to agreements in which pharmaceutical companies pay for rights to prospect for micro-organisms and extracts from a country or protected area. Agreements usually include detail about royalty payments should the company find material suitable for commercial use. Substantial funds are often possible. Contracts channel the funds to a sustainable funding organization or to the organization directly involved in protected area management.

Box 2: The Greening of International Trade as a Creative Financing Tool

A good example of creative financing to do environmental work is a recent deal between the Export-Import Bank of the US and the Government of Ghana.[35] The Ex-Im Bank guaranteed a loan of nearly $90 million for an American company to dredge and restore a RAMSAR designated site in Ghana: the Keta Lagoon. The expectation is that restoring the wetlands will allow regeneration of the fish, a return of an artisanal fishing industry, and attract both beach tourism and small businesses to the region. This project has many commercial elements but it was its designation as an environmental project that made the deal work. The hope is that it will turn into a case where an ecologically oriented investment of a traditional kind will lead to a thriving local economy no longer in need of aid.

It may be difficult for a single organization in Africa to field a person who can explore all the above fund-raising options on a full-time basis. It may be more useful for donors within their ENRM program to support such a person who operates full or part-time over several years as a facilitator and "sectoral entrepreneur" on a regional or national basis. Such a person would better serve the entire ENRM sector rather than a specific organization. It may not necessarily be an expatriate expert who is needed, as a multi-lingual person with good business sense willing to learn from existing cases and network appropriately with the existing pool of experience in the international NGO and donor community worldwide would have a good chance of succeeding. It would be also useful to aim at developing a pool of African professionals with experience in such deal-making.

5.4. Key Points on Designing Sustainable Funding Organizations

- There is no ideal sustainable funding organization and no perfect grant-making system, so it is important to avoid over-design. The point is to start up a system or process so that the organization can integrate into the local scene and evolve with the country's general governance, policy environment, and adapt to changing circumstances through local initiative.
- It is important with sustainable funding organizations not to create long-term dependence on an original designer, international NGO, or donor.

---

[35] Thanks to Jane Siegel, U.S. Department of Commerce, International Trade Administration, for information about this case.

- Creative finance is one of the many ways to raise funds, but should be undertaken to benefit strong organizations providing useful services.
- Sustainable funding organizations solve many problems related to building up the ENRM sector, but they still live within an organizational ecology specific to a country or region. Thus, they are affected by the general policy and governance environment so it is still important to pay attention to policy interventions that may be necessary to promote sustainability.
- ENRM programs for countries or regions need to consider hiring a full-time "creative financier" with the leeway to help the entire sector cut deals that bring in income or capital.

6. Summary and Conclusions

After a review of approaches to ENRM work in Africa this paper examined some of the problems with implementing ENRM programs as well as some of the more successful examples of sustainable finance initiatives: the Tany Meva Foundation in Madagascar, the Kenya Wildlife Service, the West Africa Rural Foundation, the Bwindi Trust in Uganda, and Ghana's Heritage Conservation Trust. This paper argued for three strategic goals of work to structure funding to ENRM programs in Africa. These are: building sustainable funding organizations for the ENRM sector; reform of the national and international policy environments for ENRM; and financial support for more effective capacity-building for African professionals and organizations working in ENRM. A final section went into some detail on the lesser known aspects of designing and building sustainable funding organizations and reviewed creative financing tools to generate sustainable income flows to such organizations.

The goals discussed here address an underlying problem: most ENRM programs, like other foreign aid projects, are not sustainable. Local constituencies are not strong and powerful in Africa and neither is there a sustainable funding base for local environmental activists in Africa. The solution is not merely to have the international supporters of ENRM do all the work themselves or to fundraise madly using the long-list of creative financing tools. Rather, a more strategic approach is suggested in this paper, an approach that relies on methodically building the organizational and human-resource infrastructure in Africa so that ENRM programs will not fall apart without an expatriate presence.

Appendices

Appendix 1: WHAT DONORS CAN DO TO HELP ORGANIZATIONS BECOME MORE SUSTAINABLE[36]

- Significantly raise standards of financial accountability for donor-supported organizations;
- Initiate, lobby for, and support improvements of the enabling legislation that surrounds the governance and management of public and non-governmental organizations;
- Match financial support to an organization's long-term absorptive capacity, not the donor's budget;
- Relieve internal spending pressure inside donor agencies by allowing donors to allocate money to regional or national funding "trusts", pools, endowments, or consortia rather than to a specific organization for a specific fiscal year;
- Establish common and high standards of organizational performance with other donors and then apply them consistently across regions;
- Fund effective organizations rather than ineffective organizations working in chic themes, and do so with a goal of making the beneficiary organization even more effective and viable in the long-term;
- Use structured funding competitions on a regional and continent-wide scale as a way of choosing among possible beneficiaries, be they countries or organizations;
- Over the long-term (5-10 years) reward the best performing and most effective organizations across regions with partial endowments, debt swaps schemes, and assistance in developing dedicated taxes in-country;
- Support recruitment rules that encourage the rise of a regional and continent-wide labor market for CEO's, controllers, and other senior managers of publicly-supported and private non-profit organizations;
- Cooperate with other donors in all of the above, especially in the enforcement of penalties for poor organizational performance and the creation of regional funding pools.

[36] From Ellsworth (1998).

Appendix 2: THE ROAD TO SUSTAINABILITY FOR INDIVIDUAL ORGANIZATIONS[37]

Step 1: ORGANIZE FOR CHANGE

Step 2: CLEAN UP THE FINANCES, STARTING WITH A MAJOR AUDIT AND INSTALLATION OF ACCOUNTING AND CONTROL SYSTEMS

Step 3: CONDUCT AN ORGANIZATIONAL DIAGNOSIS

Step 4: CONDUCT A REGIONAL NICHE ASSESSMENT

Step 5: FIX THE GOVERNANCE STRUCTURE AND ENABLING LEGISLATION

Step 6: DEVELOP A PRELIMINARY STRATEGIC VISION AND REORGANIZATION PLAN, THEN GET A MANDATE FOR IT FROM KEY STAKEHOLDERS

Step 7: ENACT THE MANDATE

Step 8: GET THE INTERNAL INCENTIVES RIGHT

Step 9: PREPARE A LONG-TERM SUSTAINABILITY PLAN

Step 10: COMPETE FOR DEALS THAT ENHANCE ALL FOUR TYPES OF CAPITAL (ORGANIZATIONAL, SOCIAL, PHYSICAL, AND FINANCIAL)

---

[37] See Ellsworth (1998) for details on these steps.

Bibliography

Agricultural Development Consultants. 1998. "Assessment of Community-Based Natural Resource Management (CBNRM) in Southern Africa." (Gaborone, Botswana: U.S. Agency for Inernational Development, Regional Center for Southern Africa, July).

Ashley, Caroline and Dilys Roe. 1997. "Community Involvement in Wildlife Tourism: Strengths, Weaknesses and Challenges." (London: International Institute for Environment and Development, April).

Bagri, Andrea, Jill Blockhus, and Frank Vorhies. 1999. "Perverse Subsidies and Biodiversity Loss-- A Draft Scoping Paper for IUCN-The World Conservation Union and the Van Lennep Program" (http://economics.iucn.org, February).

Barrow, Edmund et al. 1998. "Comparative Review and Analysis of Community Conservation in East Africa" (London: International Institute for Environment and Development, IIED Project on Evaluating Eden).

Bingen, R. James and Derick W. Brinkerhoff. 1999. "Agricultural Research in Africa and the Sustainable Financing Initiative: Review, Lessons, and Proposed Next Steps" (Washington, DC: U.S. Agency for International Development, Agricultural Policy Analysis Project, Phase III, Research Report No. 1072, January).

Biodiversity Support Program. 1997. "Biodiversity Conservation Network: Annual Report 1997" (Washington, DC: World Wildlife Fund, The Nature Conservancy, and World Resources Institute).

Biodiversity Support Program. 1996. "Biodiversity Conservation Network: Annual Report 1996" (Washington, DC: World Wildlife Fund, The Nature Conservancy, and World Resources Institute).

Biodiversity Support Program. 1995. "Biodiversity Conservation Network: Annual Report 1995" (Washington, DC: World Wildlife Fund, The Nature Conservancy, and World Resources Institute).

Brandon, Katrina et al. 1998. Parks in Peril: People, Politics, and Protected Areas (Washington, DC: The Nature Conservancy).

Brinkerhoff, Derick W. 1996. Enhancing Capacity for Strategic Management of Policy Implementation in Developing Countries. Monograph No. 1 (Washington, DC: U.S. Agency for International Development, Implementing Policy Change Project, September).

Brinkerhoff, Derick W., with George Honadle. 1996. Co-Managing Natural Resources in Africa: Implementing Policy and Institutional Changes in Five Countries. Monograph No. 4 (Washington, DC: U.S. Agency for International Development, Implementing Policy Change Project, October).

Brinkerhoff, Derick W. and Peter G. Veit. 1999. "Links Between Democratic Governance and Environmental Policy in Africa: Guidance for NGOs and Donors." Policy Brief No. 5 (Washington, DC: World Resources Institute, Natural Resources Policy Consultative Group for Africa, June).

Brown, Chris. 1999. "The USAID-Industry Strategic Alliance for Small Farmer Cacao: A 'Win-Win Opportunity for Small Farmers, Traders and Exporters, Private Cacao Processors, the Research Community, and USAID." Discussion Paper (Washington, DC: U.S. Agency for International Development. USAID Global Center for Economic Growth and Agricultural Development, March).

Buck, Susan J. 1998. The Global Commons: An Introduction (Washington, DC: Island Press).

Byers, Bruce. 1998. "Seminar on Community Based Natural Resource Management: Summary Report" (Washington, DC: U.S. Agency for International Development. Global Bureau, Center for the Environment, May 21).

Chinkhuntah, Glyvyns et al. 1998. "Adjusting Priorities: A Strategic Assessment of USAID/Malawi's Natural Resources Program" (Washington, DC: U.S. Agency for International Development, June).

Christoffersen, Nils, Bruce Campbell, and Johan du Toit, eds. 1996. "Communities and Sustainable Use: Pan-African Perspectives" Proceedings of the Pan-African Symposium on the Sustainable Use of Natural Resources and Community Participation, Harare, Zimbabwe, June 1996 (Washington, DC: IUCN/The World Conservation Union).

Clay, Daniel C., Thomas Reardon, and Asif Shaikh. 1996. Population, Environment and Development In Africa: Dynamic Linkages and their Implications for Future Research and Development Programming (East Lansing: Michigan State University, Institute for International Agriculture).

Conservation International. 1998. "Fact Sheet on Ghana's Central Region: Economic Growth through Resource Conservation" (Washington, DC: Conservation International, July 29).

Conservation International. 1999. "Promoting Conservation Through International Assistance" (www.conservation.org, May).

Diwan, Romesh. 1994. “Sustainability and Sustainable Development” (College Park: University of Maryland, Center for Institutional Reform and the Informal Sector, USAID PN-ABT-749).

Dollar, David and William Easterly. 1999. “The Search for the Key: Aid, Investment and Policies in Africa.” Discussion Paper No. 2070 (Washington, DC: World Bank, March).

Dorm-Adzobu, Clement. 1995. New Roots: Institutionalizing Environmental Management in Africa (Washington, DC: World Resources Institute).

Ellsworth, Lynn. 1998. “The Road to Financial Sustainability: How Managers, Government, and Donors in Africa Can Create a Legacy of Viable Public and Non-Profit Organizations.” Technical Paper No. 85 (Washington, DC: U.S. Agency for International Development, Bureau for Africa, Office of Sustainable Development, January).

Ellsworth, Lynn. 1995. “Institution-Building in International Development: A Case Study of the West Africa Rural Foundation” (New York: Paper prepared for the Ford Foundation).

Emerton, Lucy. 1998. “Innovations for Financing Wildlife Conservation in Kenya.” Paper presented at the Workshop on Financial Innovations for Biodiversity, Bratislava, Slovakia, May 1-3 (Washington, DC: IUCN/The World Conservation Union).

Emerton, Lucy and Frank Vorhies. 1998. “Wetlands Services-Getting Customers to Pay.” Paper presented to the Second International Conference on Wetlands and Development (Dakar, Senegal: IUCN/The World Conservation Union, November).

EPIQ, Technical Advisory Group. 1998. “Environmental Policy Dialogue: Lessons Learned” (Washington, DC: U.S. Agency for International Development, Environmental Policy and Institutional Strengthening Indefinite Quantity Contract, Draft, February).

Esty, Daniel. 1994. Greening the GATT: Trade, Environment, and the Future (Washington, DC: Institute for International Economics).

Flynn, Sharon. 1999. “Final Report: Conservation International Ghana, Central Region Project Consultancy” (Washington, DC: Conservation International, March).

Fort, Catherine and Eve Epstein. 1991. “Promoting NGO Sustainability: The Lessons of Enterprise” (Boston, MA: John Snow Inc., USAID PN-ABJ-948).

Freese, Curtis. 1998. Wild Species as Commodities: Managing Markets and Ecosystems for Sustainability (Washington, DC: Island Press/World Wildlife Fund).

Global Environment Facility. 1999. "Experience with Conservation Trust Funds." Evaluation Report No.1-99 (Washington, DC: GEF).

Goldsmith, Arthur. 1988. "Institutional Sustainability and Rural Development: Issues for Asia and the Near East in the 1990's" (College Park:University of Maryland, International Development Management Center, PN-ABC-443, August).

Government of Madagascar. 1995. "Republic of Madagascar Law on Foundations, Public Benefit Decree." Decree No. 95-028 (Antananarivo: GOM, September).

Gow, David. 1988. "Beyond the Project: The Quest for Sustainability in the Third World." Working Paper (Washington, DC: U.S. Agency for International Development, Development Strategies for Fragile Lands Project, PN-ABA-317, June).

Hall, Robert. 1995a. "Intra-sectoral Revenue Retention in the Gambia: Considerations for Natural Resource Management Agencies" (Washington, DC: U.S. Agency for International Development, and U.S. Forest Service, August).

Hall, Robert. 1995b. "The Kenya Wildlife Service: A Case Study of Parastatal Organization" (Washington, DC: U.S. Agency for International Development, and U.S. Forest Service, August).

Hannan, Michael and Glenn Carrol. 1992. Dynamics of Organizational Populations: Density, Legitimation, and Control (New York: Oxford University Press).

Hermans, John and Jonathon Otto. 1999. "Whose Woods These Are: Community-Based Forest Management in Africa" (Washington, DC: U.S. Agency for International Development, Bureau for Africa, Office of Sustainable Development, February).

Hecht, Joy E. and Brett Orlando. 1998. "Can the Kyoto Protocol Support Biodiversity Conservation? Legal and Financial Challenges." Paper presented at the Workshop on Financial Innovations for Biodiversity, Bratislava, Slovakia, May 1-3 (Washington, DC: IUCN/The World Conservation Union).

Honey, Martha. 1999. Ecotourism and Sustainable Development: Who Owns Paradise? (Washington, DC: Island Press).

Kelley, Robert. 1993. "Venture Capital Feasibility Assessment-Uganda. Final Report" (Washington, DC: U.S. Agency for International Development, PN-ABH-317).

Kiss, Agnes. 1999. "Draft Biodiversity Strategic Framework for World Bank" (Washington, DC: World Bank, May).

Kornher, Kenneth and Marcus Ingle. 1994. “Sustainability and Non-governmental Organizations: An Overview” (Alexandria, VA: Thunder and Associates. Report for USAID, PN ABT-113).

Luisigi, Walter and Ruth Norris. 1998. “Draft Country Report for Uganda: Mgahinga-Bwindi Impenetrable Forest Conservation Trust” (Washington, DC: U.S. Agency for International Development).

Margolis, Richard and Nick Salafsky. 1998. Measures of Success: Designing, Managing and Monitoring Conservation and Development Projects (Washington, DC: Island Press).

Mikitin, Kathleen. 1995. “Issues and Options in the Design of GEF-Supported Trust Funds for Biodiversity Conservation.” Paper No. 011 (Washington, DC: World Bank, Global Environment Division, April).

Muhereza, Frank et al. 1998. “Report of the Evaluation of the Mgahinga and Bwindi Impenetrable Forest Conservation Trust, February-March, 1998” (Washington, DC: U.S. Agency for International Development).

Murphree, Marshall. 1997. “Congruent Objectives, Competing Interests, and Strategic Compromise: Concept and Process in the Evolution of Zimbabwe’s CAMPFIRE Programme.” Paper presented at the Conference on Representing Communities: History and Politics of Community-Based Resource Management (Harare: University of Zimbabwe, Center for Applied Social Sciences, June).

Ohiorhenuan, John F. E. and Stephen M. Wunker. 1995. “Capacity Building Requirements for Global Environment Protection.” Working Paper No. 12 (Washington, DC: Global Environmental Facility, June).

Presber-James, Stephanie. 1997. “The New Institutional Economics of Park Management.” Paper presented to the conference on Politics and Economics of Park Management organized by Political Economic Research Center of Montana, October.

Pyakuryal, Bishwanbher. 1998. “Prospects for Financing Biodiversity Conservation in Nepal.” Paper presented at the Workshop on Financial Innovations for Biodiversity, Bratislava, Slovakia, May 1-3 (Washington, DC: IUCN/The World Conservation Union).

Reid, Walter et al. 1993. Biodiversity Prospecting: Using Genetic Resources for Sustainable Development (Washington, DC: World Resources Institute).

Ritchie, Daniel et al. 1998. “Biodiversity Conservation Projects in Africa: Lessons Learned from the First Generation.” Dissemination Note No. 62 (Washington, DC: World Bank, Environment Department, July).

Russell, Diane. 1995. “Theory and Practice in Sustainability and Sustainable Development” (Washington, DC: U.S. Agency for International Development, Center for Development Information and Evaluation, PN-ABU367, January).

Seidl, Andrew. 1998. “Financing Open Space in Colorado, USA.” Paper presented at the Workshop on Financial Innovations for Biodiversity, Bratislava, Slovakia, May 1-3 (Washington, DC: IUCN/The World Conservation Union).

Sheehan, James M. 1998. Global Greens: Inside the International Environmental Establishment (Washington, DC: Capital Research Center).

Stamberg, Lou. 1998. “USAID Support for NGO Capacity Building: Approaches, Examples, Mechanisms” (Washington, DC: U.S. Agency for International Development, Office of Private and Voluntary Cooperation, PN-ACE-81, July).

Swartzendruber, Fred et. al. 1998. “Southern African Opinions on Environmental Trends and Emerging Issues” (Washington, DC: International Resources Group, November).

Tabor, Gary, ed. 1992. “Bwindi Impenetrable Forest Conservation Trust: Institutional Design” (Kampala: Government of Uganda, GEF, World Bank, and UNDP).

Tany Meva Foundation. 1995. “Articles of Incorporation” (Antananarivo: Tany Meva Foundation, November).

USAID/Ghana. 1997. “Proposal to Establish an Endowment with Appropriated Funds for the Ghana Heritage Conservation Trust” (Washington, DC: U.S. Agency for International Development, November).

Veit, Peter, ed. 1998. Africa’s Valuable Resources: A Reader in Natural Resource Management (Washington, DC: World Resources Institute).

Veit, Peter. 1993. “Decentralizing Natural Resource Management: Some Issues Regarding Sub-District Environmental Planning and Implementation in Ghana” (Washington, DC: World Resources Institute).

Waithaka, David and Edward Glaeser. 1991. “Profiles of Sustainability-Practical Applications in Kenya: Conference Proceedings” (Washington, DC: U.S. Agency for International Development, PDC-5317).

Watson, Andrew. 1999. “Conservation of Biodiverse Resource Areas (COBRA) Project: Kenya (1992-1998): Summary Report” (Bethesda, MD: Development Alternatives Inc., February).

White, Louise, Tjip Walker, and Marcus Ingle. 1987. “Increasing the Sustainability of Development Assistance Efforts: Lessons Learned and Implications for Donor Agencies” (College Park: University of Maryland, International Development Management Center, PN-ABB-683).

World Bank. 1998. “Results of International Workshop on Community Based Natural Resource Management” (Washington, DC: World Bank, Economic Development Institute, www.worldbank.org/html/edi/conatren/ostr.html).

Yacoob, May and Fred Rosensweig. 1992. “Institutionalizing Community Management: Processes for Scaling Up.” WASH Technical Report No. 76 (Washington, DC: U.S. Agency for International Development, Water and Sanitation for Health Project, PN-ABK-882).