

Issues in Creating a National Stewardship Fund

Linda Nowlan, Staff Counsel
West Coast Environmental Law
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Stewardship of the land is a long established tradition in Canada. Farmers, ranchers, private landowners, stream stewards, naturalists and conservation groups know that maintaining ecological integrity involves more than government control and regulation. Yet stewardship efforts such as public education, landowner contact, inventory, and habitat management require money to succeed. As the Background paper for the National Round Table on the Environment and the Economy (NRTEE)'s *Greening the Budget* initiative recognizes, to increase effectiveness, voluntary stewardship actions by private landowners and conservation groups need to be bolstered by government support and funding (National Round Table on the Environment and the Economy, (NRTEE) *Greening the Budget* 2000 Workshop, June 22, 1999, Ian Attridge, "Sustaining Nature's Legacy – A Background Paper").

West Coast Environmental Law (WCEL) has long supported the use of a wide range of tools to protect land, including legal reforms such as allowing NGOs to hold conservation covenants, enacting tax incentives, and ensuring that species and habitat protection laws are strong and enforceable. West Coast fully endorses recent proposals to establish a new National Fund to protect the habitat of species at risk, and would like to see the Fund's mandate expanded to include broader protection of biodiversity. These proposals have been made by the NRTEE *Greening the Budget* initiative, by the National Stewardship Strategy of the Canadian Wildlife Ministers, by the multistakeholder Species at Risk Working Group, and by many NGOs.

Before designing a new federally supported Fund, whether it is a Habitat Conservation Stewardship Fund, National Parks Solutions Fund and/or an Endangered Species Habitat Fund, the experience of many existing similar funds should be examined. Pitfalls of these funds can be avoided, and positive experiences built upon. There is a wealth of examples to explore. West Coast has prepared this overview of Funds to expand the dialogue on this subject.

Other Environment and Conservation Trust Funds

Examples of similar national funds in Canada include Wildlife Habitat Canada and the North American Waterfowl management program. Provincial programs include the BC Habitat Conservation Trust Fund, Forest Renewal BC and Fisheries Renewal BC.

In other countries, more than forty five environment funds exist, ranging from national funds such as the 1995 Brazilian Biodiversity Fund, to regional funds such as the 1994 Foundation for Eastern Carpathian Biodiversity Conservation involving Slovakia, Carpathia and the Ukraine, to funds

devoted to one biodiversity feature, such as the 1995 Mgahinga-Bwindi Impenetrable Forest Conservation Trust in Uganda. Many of these funds are located in developing countries and countries in transition and receive support from the Global Environmental Facility (GEF), a multilateral agency with over \$2 billion U.S. capital, whose projects and programs are implemented by three other established agencies: the World Bank, the UN Development Programme (UNDP) and the UN Environment Programme. The Interagency Planning Group on Environmental Funds (IPG)

is an informal information exchange group managed out of the UNDP, and an important source of up to date and detailed information about the operation of these funds.

Funds in Europe and the United States can also provide valuable lessons for the establishment of any Canadian fund. In the United Kingdom, the Environmentally Sensitive Areas and Countryside Stewardship program has supported numerous private landowners' stewardship efforts. In Switzerland, government from all levels and private donations finances the Swiss Foundation for the Conservation of Cultural Landscapes. Many American states have developed innovative funding schemes for biodiversity conservation, such as the Great Outdoors Colorado program, financed by earmarked state lottery funds.

Issues that a Fund must address early in the planning stages include:

- activities supported
- source of funds
- governance structure
- financial structure
- strategic planning.

Each of these issues is briefly outlined below, followed by some preliminary lessons from other funds for the creators of any new Canadian fund.

Activities Supported

Funds may be single-issue, such as the proposed National Parks Solution Fund or Endangered Species Habitat Stewardship Fund, or multi-issue such as a National Environment Fund or Biodiversity Conservation Fund. Single-issue funds are often easier to administer. Experience shows that multi-issue funds have a more noticeable impact when they are tied to a clear strategic plan and backed by a strong government commitment. Existing funds are most often either "parks" funds, focussing on securing and managing protected areas; or "grants" type funds, which make grants based on defined criteria. Each type of fund has drawbacks and benefits.

A national Stewardship Fund should clearly define which activities it will support. The *Greening the Budget* Background Paper suggests that a National Stewardship Fund would be used for research, education, recognition, and land acquisition. It would include, but not be limited to, endangered species stewardship activities. The Habitat Stewardship Strategy released by Canadian Wildlife Ministers envisions a millennium stewardship fund that could be used for extension services, basic research and a species at risk assessment system. Some provincial authorities have expressed a preference that a Fund support a more narrowly defined range of activities, such as focussing solely on recovery planning and implementation of recovery plans for listed endangered species.

Geographic distribution of funds is closely tied to the issue of which activities a Fund will support. National programs are often dispensed equally among provinces or according to political calculations. A more strategically targeted distribution plan may be more appropriate for a new National Stewardship Fund, based on the areas where habitat and biodiversity are at greatest risk in

the country, for example, BC's Okanagan Valley.

West Coast Recommendation:

1. A Stewardship Fund should be backed by strong government commitment and should clearly define which activities it will support, and how the funds will be geographically distributed.

Source of Funds

An important consideration in the establishment of any dedicated Trust Fund is the source of the funds. A wide and diverse array of funding sources can contribute to a fund's viability and stability, and would be particularly well suited to a National Stewardship Fund. Existing funds are often based primarily on one funding source. For example, the BC Habitat Conservation Trust Fund is largely financed by the consumptive users of fish and wildlife species through surcharges on hunting, fishing, trapping and guiding licenses. As well, money from the Crown Land Account, compensation funds from industry, donations, and cost sharing funds from co-operating groups contribute to that Trust Fund. Wildlife Habitat Canada (WHC), a national, non-profit, conservation organization that funds stewardship programs, receives nearly 80% of its funds from the Stamp Conservation Program. Every year WHC produces a Canadian Wildlife Habitat Conservation Stamp in partnership with Environment Canada. This stamp is required by law to validate Migratory Game Hunting permits and is also sold to stamp collectors and nature enthusiasts. Through an agreement with Environment Canada and Canada Post Corporation, WHC receives the revenues from the sale of the stamp affixed to the permit and the stamp booklet.

In addition to direct endowments from federal, provincial and territorial revenues, other potential funding sources include:

- an income tax check-off system, where taxpayers are able to direct a portion of their tax payments to the National Stewardship Fund,
- fines and penalties for breaches of environmental statutes, such as the federal *Fisheries Act*,
- user fees,
- earmarked lottery funds,
- endowments from individuals,
- wilderness taxes levied on items such as camping equipment,
- corporate donations,
- other private sector involvement - Involving the private sector in more financing for these Funds is generally agreed on as an important goal. Private venture capital funds for biodiversity have been proposed by organizations such as the U.S. International Finance Corporation (IFC), who has found that finding suitable projects or investments is the major challenge, rather than finding the investors or money.

West Coast Recommendation:

2. A Stewardship Fund should be have a wide and diverse array of funding sources.

Governance Structure

Environment funds have been structured in different ways. Some have a governing body comprised either solely or primarily of government representatives. This is the structure typically used in Canada, such as the Board of Directors of Wildlife Habitat Canada. Other funds are NGO driven, such as the Conservation Trust of Guatemala, which has no government representatives on its governing body. Many funds are governed by a combination of government, NGO, and private sector representatives. This is a critical design issue, as it will affect how the public views the fund; the transparency, continuity and democracy of the fund; and how the funds' assets are managed.

West Coast Recommendation:

3. A Stewardship Fund should be governed by a combination of government, NGO, academic and private sector representatives.

Financial Structure

Funds can operate under different financial structures. Common structures include: endowment funds, in which all the initial money invested is maintained, and the return on investment is disbursed; revolving funds, in which new money flows into the Fund each year through government allocation, or collection of fees; and sinking funds, which are designed to disburse the entire principal over a certain time frame. These structures can be mixed as well.

Strategic Planning

This issue is closely related to what activities the Fund will support. A well-defined strategic plan, with established priorities, clear objectives for the short, medium and long term and guiding principles for the use and allocation of funds, will increase the Fund's effectiveness from the outset. Again, lessons can be learned from existing Funds.

A new Canadian National Stewardship Fund will involve many levels of government, and the participation of numerous stakeholders. Setting priorities that satisfy the diverse interests of these groups will be challenging. If priorities have been established in other participatory processes, those can be used as a starting point. When priorities are loosely defined, Funds can be flooded with grant applications, creating administrative cost overruns and bureaucratic confusion.

West Coast Recommendation:

4. A Stewardship Fund should be based on a well-defined strategic plan, with established priorities, clear objectives for the short, medium and long term and guiding principles for the use and allocation of funds.

Preliminary Lessons

Need to Specify Funding is for Incremental Costs

Ensuring that the Fund is devoted to programs and projects that law does not already obligate the government to conduct is essential. For example, one of Forest Renewal BC's Funding Principles, which guides all investment decisions, is incrementality. Funds should be used to expand the overall level of investment in the forest economy rather than displace existing spending, and FRBC. will only

invest in programs and projects that would not otherwise be undertaken by government or project proponents.

This funding principle is necessary to avoid "capture" of a Fund by one of the government agencies represented on the Fund's Board. Other safeguards should also be put in place to ensure that the flow of money from a new Fund does not allow a government to decrease its expenditures on programs it is legally obligated to fund, or has historically funded. Rather than acting as a substitute for existing programs, a National Stewardship Fund should build new capacity and fortify and expand ongoing stewardship activities.

West Coast Recommendation:

5. A Stewardship Fund should fund incremental activities, not those that the government or the private sector are already obligated by law to conduct.

Government Support for Broad Based Fund

Though the majority of initial funding will come from the government, it is important for the government players to back the concept of a Fund that is controlled by a multistakeholder Board. The voluntary stewardship movement needs some assurance that they will have a say in how the

Fund is dispensed. Appointing token NGO representatives who have minimal decision making powers will affect the public perception of, and ultimate achievements of the Fund.

West Coast Recommendation:

6. The federal government should give clear decision-making powers to a multisectoral Board of a new Stewardship Fund.

Governance Structure

In addition to the government commitment noted above, the Fund's Board needs a governance structure that has:

- conflict of interest provisions;
- succession procedures;
- continuing avenues for public consultation and participation; and
- well defined monitoring and evaluation procedures.

West Coast Recommendation:

7. The federal government should carefully design the governance structure of a new Stewardship Fund.

Multiple Roles of Fund

Although the primary role of the Fund is to provide new, additional and long-term sources of money for the stewards of the land, a Fund will have other roles as well. Catalyzing new public-private partnerships for stewardship; developing consensus approaches to conservation problems; fostering innovative financing solutions for the cash-strapped NGO community; and building capacity among NGOs to communicate, collaborate and design and deliver effective programs are all other roles that a Fund may play. Recognizing the value of these multiple roles and investing enough time at the front end of the design process of a Fund to ensure sufficient attention is paid to these roles will pay off in the long term.

West Coast Recommendation:

8. The design structure should enable a new National Stewardship Fund to play multiple roles in addition to the delivery of money.