

**CONVENTION ON WETLANDS (Ramsar, Iran, 1971)**

**26<sup>th</sup> Meeting of the Standing Committee**

**Gland, Switzerland: 3- 7 December 2001**

**DOC. SC26-12**

Agenda item 14.3 (ii)

**Proposal to establish a Ramsar Trust Fund to resource the SGF**

**Action requested:** The Standing Committee is requested to receive the views of the Subgroup on Finance on this proposal and to take a decision on it.

1. Resolution VII.5 of Ramsar COP7, related to the Ramsar Small Grants Fund for Wetland Conservation and Wise Use (SGF), *inter alia*:
  - “9. EXPRESSES its conviction that the critical review submitted to Ramsar COP7 of the first nine years of operation of the ... SGF demonstrates that this mechanism continues to be extremely valuable for facilitating the implementation of the Convention in developing countries and countries in transition;
  10. REITERATES its conviction expressed in Resolutions 5.8 and VI.6 that the level of resources available to the Ramsar SGF should be increased to at least US\$ 1 million annually;
  11. URGES that a mechanism be developed for receiving commitments of contributions to the SGF, if possible for a three-year period at a time, and REQUESTS the Contracting Parties that will chair the Standing Committee and the Subgroup on Finance of the Standing Committee in the next triennium to seek to initiate this mechanism, with the assistance of the Ramsar Bureau and the Standing Committee as a whole;”
2. The Senior Advisor on Environment and Development at the Ramsar Bureau has devoted particular attention and energy to identifying a mechanism to resource the SGF, as requested by the COP in the Resolution quoted above. His work has concentrated primarily in the bilateral development assistance agencies, which are perceived as the main depositories of funds for the type of projects funded under the SGF.
3. Nevertheless, the conclusion has been that the nature and *modus operandi* of the SGF (very small projects by bilateral aid agency standards, projects that do not always have a clear poverty alleviation component, and a mechanism open to all countries in the OECD/DAC list) does not make it very attractive to the development assistance community, and the agencies do not seem to be prepared to enter into a regular and more or less long-term commitment to provide funds.
4. In parallel, Wetlands International has carried out an exercise to explore the interest of the business community in supporting wetland conservation-related work, through consultations with some 30 major multinational companies and a workshop chaired by the CEO of Evian Mineral Waters. The conclusion was that, in general, and at least for the

time being, companies do not perceive wetlands as a “selling” issue that they would be prepared to invest considerable funds in.

5. Consequently, the Ramsar Bureau has reached the conclusion that the creation of a Ramsar Trust Fund could be at present the most promising alternative in order to resource the SGF at the level foreseen by the Conference of the Parties (one million US dollars available for disbursement every year).
6. In order to achieve this target, the Trust Fund should obtain donations to create a capital of some 10 million US dollars/Euros, which when appropriately invested should generate one million of interests/benefits per year to resource the SGF. Ten million dollars is, on the one hand, a significant amount and, on the other, a tiny amount when compared with the billions of dollars devoted every year to environment and development issues in the developing countries and countries in transition (not always with the degree of efficiency demonstrated by the Ramsar SGF mechanism!).
7. The Bureau has circulated a discussion text on the Ramsar Trust Fund to a large number of agencies and individuals that have experience in the establishment and running of trust funds, of which there are many, for many different purposes around the world. In general, the idea was well received and a number of useful comments about its *modus operandi* were made.
8. Attached is the proposal prepared by the Bureau, which includes at the end draft Provisional Rules for the operation of the Fund.

## **Proposal for the establishment of a *Ramsar Trust Fund to Resource the Convention's Small Grants Mechanisms for Wetland Conservation and Wise Use***

### **Background on the Small Grants Fund (SGF)**

1. The SGF was established by the Conference of the Contracting Parties (COP) to the Ramsar Convention at its 4<sup>th</sup> meeting (1990) with the name "Wetland Conservation Fund". It was created as a mechanism to assist developing countries in implementing the Convention and to enable the conservation and wise use of wetland resources. At its 6<sup>th</sup> meeting in 1996, the Ramsar COP, through Resolution VI.6, adopted the current name of the Fund and decided that countries with economies in transition should also be eligible for funding. As it is today, the SGF provides financing for small projects up to a maximum amount of 40.000 Swiss francs.
2. Projects eligible for funding by the SGF are:
  - a) activities that clearly contribute to the implementation of the Convention's triennial work plan adopted at each COP;
  - b) responses to emergencies affecting Ramsar sites;
  - c) assistance to non-Contracting Parties to prepare the designation of its first Ramsar site in order to adhere to the Convention.
3. The wise use of wetlands, including poverty alleviation, is a very important priority for the Convention. The Convention was a pioneer in introducing the concept of "wise use" in its text: Article 3.1 states that the Contracting Parties "shall formulate and implement their planning so as to promote the conservation of the wetlands included in the List, and as far as possible, the wise use of wetlands in their territory."
4. Ramsar COP3 (Canada, 1987) gave the following definition to the concept of wise use:

"the sustainable utilisation of wetlands for the benefit of humankind in a way compatible with the maintenance of the natural properties of the ecosystem".

The concept of wise use, or sustainable use, is therefore central to the work of the Convention. Unfortunately, it is also a difficult one to apply in the field, and much work remains to be done to convince decision-makers that wetland conservation constitutes one more tool for poverty alleviation and sustainable economic development. The SGF has been a modest but very important instrument in promoting this kind of pilot sustainable development projects.
5. The Ramsar Bureau, under the supervision of the Standing Committee, administers the SGF, which is financed from voluntary contributions and additional revenues received by the Bureau. The financial management follows the Terms of Reference for Financial Administration of the Convention adopted by Resolution V.2 in 1993.
6. The project cycle is governed by the Operational Guidelines for the SGF adopted by the Standing Committee for each triennium. The Guidelines include a Format for Request for

Funding; a Project Proposal Assessment Form; a Format for Progress Reports; a Format for Final Reports; and an Evaluation Form for Completed Projects. The Standing Committee periodically reviews these procedures and adjusts them as required.

### Achievements

7. From its establishment in 1991 to 2000, the SGF has attracted a total amount of 5,080,880 Swiss francs (some 3 million US dollars / Euros) and provided financing to 137 projects. All projects received an initial payment of 80% of the full project grant at the time of signing the contract. The 20% balance of the funds is retained pending the submission of an acceptable final report, which should include a statement of expenditure for the funds provided.
8. At the request of Ramsar COP6, the Ramsar Bureau carried out an in-depth evaluation of the functioning and pertinence of the SGF. This evaluation was endorsed by the Ramsar Standing Committee in October 1998 and submitted to Ramsar COP7 in May 1999. Following this report, the COP expressed its conviction that “the critical review submitted . . . demonstrates that this mechanism continues to be extremely valuable for facilitating the implementation of the Convention in developing countries and countries in transition.” The COP also urged “that a mechanism be developed for receiving commitments of contributions to the SGF, if possible for a three-year period at a time”.
9. The 1998 review stresses that the SGF has supported a wide range of projects in an increasing number of countries. Both the quality of the projects and the cost-effectiveness of the programme improved greatly over the years. The SGF proved to be a particularly valuable instrument for the implementation of the Convention through small-scale projects dealing with a variety of wetland management issues, taking into account the varieties of regions and countries (see list of projects funded in annex 1).
10. The following table summarizes the operation of the SGF in its 10 years of existence.

**Table 1: SUMMARY OF PROJECTS FUNDED, 1991-2000**

Year	No. of projects submitted	No. of countries that submitted projects	Projects considered suitable for funding	Projects funded	No. of countries that received funding	Total allocated in CHF, incl. 10% admin. Charge
1991	17	17	17	7	7	200,025
1992	29	24	27	12	11	280,566
1993	35	24	28	15	14	469,880
1994	24	18	20	10	9	371,360
1995	30	22	25	11	14	346,530
1996	27	21	15	12	12	403,150
1997	83	40	55	28	28	1,064,840
1998	67	42	48	18	18	679,470
1999	86	39	16	16	16	600,208
2000	47	38	15	8	8	302,420
<b>Totals</b>	<b>445</b>		<b>266</b>	<b>137</b>		<b>4,718,449</b>

**Table 2: SUITABLE PROJECTS NOT FUNDED BECAUSE OF LACK OF RESOURCES IN THE SGF, 1991-2000**

Year	Number of projects NOT funded	Year	Number of projects NOT funded
1991	10 (out of 17)	1996	3 (out of 15)
1992	15 (out of 27)	1997	27 (out of 55)
1993	13 (out of 28)	1998	30 (out of 48)
1994	10 (out of 20)	1999	70 (out of 86)
1995	14 (out of 25)	2000	39 (out of 47)
			<b>231 (out of 368)</b>

11. The following table indicates the number of progress and final reports received, and reports still due for projects funded under the SGF. It should be noted that as from 1999, the Ramsar Bureau, under the instruction of the COP and the Standing Committee, is devoting more attention to reporting issues, and since then no new projects are funded in countries where final reports of previous projects have not been submitted by the agreed deadline.

**Table 3: SGF FINAL REPORTS RECEIVED**

Projects funded	Reports submitted	Reports due
7 in 1991	5 final	2 final (out of 7)
12 in 1992	9 final	3 final (out of 12)
15 in 1993	10 final	5 final (out of 15)
10 in 1994	7 final	3 final (out of 10)
11 in 1995	7 final	4 final (out of 11)
12 in 1996	5 final	7 final (out of 12)
28 in 1997	16 final	12 final (out of 28)
18 in 1998	2 final	16 final (out of 18)
16 in 1999	1 final	15 final (out of 16)
8 in 2000	-	First progress reports are due in 2001.

12. The SGF is particularly appreciated by the recipient institutions and partners for its flexibility, especially in providing “emergency assistance”, and for its relatively simple application procedures.
13. The overall conclusion of the evaluation exercise was that the SGF constitutes a highly successful mechanism. However, despite this success, the optimal functioning and use of the SGF are hindered by some limitations:

#### **Limitations and need for improvement**

14. *The size of the SGF, the irregularity of the funding, and earmarking of the funds.* Ramsar COPs 5, 6 and 7 established and reiterated a target of US\$ 1 million per year to be

distributed amongst the different regions of the Convention. This target has never been reached and the availability of funds varies considerably from year to year (see above table). This raises the problem of opportunity-cost of the management of the Fund. Is it really worth investing so much staff time for (some years) such a small amount of money?

15. ***The irregularity of the contributions*** also implies serious planning problems. The transparent functioning of the SGF relies on public calls for proposals, but Bureau staff never know in advance how much money is going to be available. Hence the strong disappointment for institutions submitting good proposals, at the Bureau's invitation, only later to see their proposals turned down due to the lack of sufficient resources.
16. ***Country eligibility and funding sources***: For some donors, it is not clear whether the SGF is a development cooperation fund or an environmental fund. Ramsar Administrative Authorities (in general, nature conservation agencies) who are willing to give funds might be reluctant because they are not supposed to give funds for development cooperation work, which is the competence of other institutions. On the other side, development cooperation agencies are sometimes reluctant to give funds for "environmental protection" because their agenda is clearly linked to poverty alleviation. Some development cooperation agencies want to concentrate on "least developed countries" or have priority countries or regions and are therefore not willing to give unrestricted funds that might be used in richer countries.
17. ***The project approval process and the role of the Standing Committee***: Project proposals are carefully screened by Bureau staff and rated according to a very objective system of points. Once approved by the technical Bureau staff, proposals are submitted to the Standing Committee for final approval.
18. ***Project monitoring and the process of learning lessons***: Both the project size (maximum SFr 40,000) and the availability of staff time within the Ramsar Bureau do not make it easy to monitor all projects closely and therefore to report adequately to the donors. Monitoring is done when Ramsar Regional Coordinators have to visit countries where a project is being implemented or when Ramsar's International Organization Partners have the opportunity of doing so on behalf of the Ramsar Bureau.
19. ***The cost of systematic in situ monitoring*** makes it far too expensive to do it for all projects. The same applies to the process of learning lessons from projects and communicating these lessons to other State members. A serious effort is being made by Bureau staff to monitor and evaluate as many projects as possible. But, as decided by Resolution VII.5 (1999), other ways should also be sought to allocate the necessary time to improve project monitoring and follow up, including through a better involvement of Ramsar Partners, Ramsar Administrative Authorities, the Scientific and Technical Review Panel, and the Ramsar Standing Committee. A special financial allocation should be set aside for this purpose.

#### **Option for a reshaped, financially sustainable SGF**

20. A considerable number of Contracting Parties see the Ramsar Small Grants Fund as one of the most important tools of the Convention. The October 2000 Ramsar Standing Committee insisted that all efforts should be made to make the Fund much more efficient

as a tool to help developing countries and countries in transition to implement the Convention.

21. The Ramsar Bureau has been requested to give priority to trying to establish a more reliable and long-term funding mechanism for the SGF. To that end, a reshaping of the functioning and capitalization of the Fund will be necessary. The Ramsar Bureau therefore has prepared the following proposal to respond to each of the limitations mentioned above.
22. There are two ways to avoid the irregularity of the capitalization of the SGF: (1) to negotiate regular donation agreements (framework agreements) for the SGF with interested donors, both private and public, and (2) to create an endowment Fund. Both possibilities have *pros* and *cons*.
23. After several months of consultations with experts, donor representatives, Standing Committee members, and financial institutions, the Ramsar Bureau has come to the conclusion that the best way forward is to establish a “*Ramsar Trust Fund to Resource the Convention’s Small Grants Mechanisms for Wetland Conservation and Wise Use*” (Note: the proposed name will imply changing the “SGF” into the “SGM”, to avoid having the word “fund” twice in the name of the Trust Fund.)
24. The Trust Fund would have two “windows”: a “sinking fund” window and an “endowment fund” window.
25. The sinking fund window (“sinking” because the resources received are not invested but used immediately to finance projects) will operate as the SGF operates at present, with earmarked donations for a particular year and/or project, and will continue to be the main window until the endowment fund window receives enough contributions to allow it to start generating benefits to resource the SGM.
26. The endowment fund window represents the funds that are not used to finance projects but put in an interest-bearing account or invested wisely in some other way, not using the capital but only what it yields – the interest produced or the proceeds of the investment – to finance projects. This window may take some time to reach the appropriate level of capital, unless one or two significant donations are obtained soon. It could constitute an attractive mechanism for bequests, for example.
27. The endowment fund window has the advantages of being a secured long-lasting financial instrument and of providing a relatively good estimate of the amount of funds available for funding projects each year.
28. One limitation of this mechanism is that, at the beginning, before the window has a critical mass of capital, it may compete with donations that could be used to fund projects immediately (the sinking window). This limitation is tempered by the fact that the proposed Trust Fund might be sufficiently attractive to raise the minimum mass of capital soon after its start. A minimum of US dollars 3.5 million or Euro 4 million would be necessary to benefit from the lower institutional management fee offered by financial institutions.

29. It will therefore be important to make every effort to reach that minimum as soon as possible.

### **Sources of funding and country eligibility**

30. It is expected that the sources of capitalization of the Trust Fund will be multiple and varied, including donations specifically obtained for this purpose and other non-earmarked income. This leads to important questions regarding the efficient functioning of the mechanism: some degree of conditionality will have to be accepted but too much conditionality will make the mechanism difficult to manage and perhaps less attractive to recipients or even potential contributors. A good balance will have to be sought between an exaggerated subordination to donors' preferences and a lack of attention to them.
31. Attention will also have to be paid to returns to contributors in terms of visibility. This is especially important for the private sector contributors but also for public donors.

### **Private sector**

32. While at present it seems that the prospects of big business supporting wetland work are still dim, it should always be taken into account that motivation is key to attracting private sponsors. Companies only sponsor activities if there is a direct or indirect benefit to them. Supporting wetland conservation and wise use has many direct positive implications for a series of private companies, the most evident of which is the access to clean natural water that comes into the industrial processes: drinking water companies, soft drink companies, canning companies, food companies, etc. For those companies, wetland degradation imposes considerable additional economic cost on water treatment. The Ramsar/Danone-Evian partnership is a good illustration of this. The same reasoning may apply to many other sectors: tourism, agriculture, electricity, transports, fisheries, and so on.
33. An indirect benefit has to do with the increasing importance of the public concept of social and environmental responsibility of private companies, be it in the sector of goods or of services. Good environmental and social records for a private company are seen as a very important element in the marketing approach. Today, even financial institutions and banks are pushed by the growing number of green investors. Nevertheless, the interest of the private sector should not be overemphasized.

### **Public sector**

34. The reasons why the public sector should be interested in investing in the Ramsar Trust Fund are twofold: 1) because it is within their mandate to support sustainable development and environmental conservation in developing countries and countries in transition; and 2) because it is in their interest to support policies and activities which mitigate both local and global negative effects of wetland destruction.
35. Bilateral development assistance agencies may wish to put restrictions on the use of their funds. Understandably, most agencies will certainly give priority to their poverty alleviation agenda. This should also be a very important part of the Ramsar agenda and should be taken into consideration in the evaluation of the project proposals submitted to the Bureau. Accepting other kinds of restrictions for every potential donor would tremendously complicate the management of the Trust Fund and the reporting on the use



of its proceeds. If a donor wishes to give funds with conditionality attached to the donation, these funds should be put in the sinking fund window.

36. Another important element to take into account is the origin of public funding. In the past, most of the voluntary contributions to the SGF came from environment ministries or institutions. The public mandate of these institutions is to protect nature and not to promote development in developing countries. Therefore, it is not within their mandate to support development cooperation activities, which is the responsibility of the international development agencies or ministries.
37. It is therefore important that the Ramsar Trust Fund be presented as both an environment Trust Fund and a sustainable development cooperation financial mechanism.

### **Proposal to the Standing Committee**

38. The Bureau invites the Standing Committee to formally establish the “*Ramsar Trust Fund to Resource the Convention’s Small Grants Mechanisms for Wetland Conservation and Wise Use*”, if need be *ad referendum* of the Conference of the Parties at its meeting in November 2002. A decision of the Standing Committee to establish the Trust Fund will allow the gain of almost one year in the process to raise funds to capitalize the Fund.
39. The Bureau also invites the Standing Committee to consider and approve, with the amendments that may be introduced, the attached Provisional Rules for the Trust Fund.

Draft  
**Decision of the Standing Committee of the  
 Convention on Wetlands (Ramsar, Iran, 1971)  
 at its 26<sup>th</sup> Meeting held in Gland, Switzerland, on 3-7 December 2001**

**Establishment of the  
*Ramsar Trust Fund to Resource the Convention's Small Grants  
 Mechanisms for Wetland Conservation and Wise Use***

**Provisional Rules**

1. The Standing Committee of the Convention, pursuant to Resolution VI.6 of the Conference of the Parties, which “authorizes the Standing Committee to review the functioning of the [Small Grants] Fund, including the mechanisms for deciding on grant allocations, and to implement any changes in functioning which it considers necessary”; and Resolution VII.5, which “reiterates its conviction expressed in Resolutions 5.8 and VI.6 that the level of resources available to the Ramsar SGF should be increased to at least US\$ 1 million annually”, and “urges that a mechanism be developed for receiving commitments of contributions to the SGF”, decides to establish, ad referendum of the Conference of the Contracting Parties at its next meeting, to be held in Valencia, Spain, on 18-26 November 2002, the *Ramsar Trust Fund to Resource the Convention's Small Grants Mechanisms<sup>1</sup> for Wetland Conservation and Wise Use*, hereafter referred to as the Ramsar Trust Fund or RTF.
2. The RTF shall have two windows: a sinking fund window and an endowment fund window.
3. The sinking fund window will be used to administered funds donated to finance projects submitted by Contracting Parties in line with the Guidelines adopted by the Standing Committee for each triennium.
4. The endowment fund window shall receive funds for deposit in an interest-bearing account and/or for investment in some other way. The endowment fund window shall seek to constitute a capital of Euros 10 million.
5. As soon as the endowment fund window has reached the critical mass of Euros 4 million, the benefits produced by the endowed capital shall be reverted yearly to the sinking fund window for financing projects submitted by Contracting Parties.
6. The RTF shall be administered on behalf of the Standing Committee of the Convention by a Ramsar Trust Fund Board composed of nine members representing a broad range of skills in the field of finance, environment, development, administration, fundraising, and marketing. The RTF Board members shall include: representatives of three Contracting Parties to the Convention; one staff member of the Ramsar Bureau; three representatives

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<sup>1</sup> “Small Grants Mechanism” should be understood to refer to the existing Small Grants Fund (SGF), renamed to avoid the use of the word “Fund” in the title of the Trust Fund.

of the Ramsar International Organization Partners; two representatives of the donor community; and the Ramsar Secretary General as an *ex officio* member.

7. The members of the RTF shall be appointed by Chairperson of the Standing Committee in consultation with the Committee.
8. The RTF shall operate with no interference from other bodies but within the parameters established by these Rules. The RTF shall submit reports to the Standing Committee twice a year, covering all aspects of the operation of the Fund.
9. The Board shall take all the necessary steps to obtain contributions to the RTF for the endowment fund window and/or the sinking fund window, so as to reach the target established by the Conference of the Contracting Parties to the Convention, namely 1 million US dollars per year dedicated to finance small projects for wetland conservation and wise use in developing countries and countries with economies in transition.
10. The Secretary General of the Convention, in his/her capacity of an *ex officio* member of the RTF, shall have authority to sign all financial documents related to the RTF, in accordance with the existing financial rules and regulations of the Ramsar Bureau, and as mandated by the Board.
11. The members of the Board shall serve in their personal capacities, and for a period of 3 years. To assure a much needed continuity of the work of the Board, a mechanism by which there is a turnover of approximately half the appointed members shall be put in place, taking into consideration an equitable turnover between Ramsar regions.
12. No members shall serve more than twice on the Board.
13. The Board shall meet at least twice a year, either in person or through video or teleconference.
14. At its first meeting, the Board will elect its Chairperson and Vice-Chairperson and assign responsibilities to each Board member.
15. The Rules of procedure of the Conference of the Parties shall apply, *mutatis mutandi*, to the work of the Board.
16. The Board shall adopt a triennial work plan, which shall include a fundraising and marketing strategy.
17. The Board shall take a decision at the earliest possible time to open a Ramsar Trust Fund account in a bank located in one of the countries of the European Union.
18. The Board shall adopt a strategy for the investment of the funds in the endowment fund window and shall take decisions concerning the minimal critical mass of capital required before starting to disburse the proceeds of the endowment to the sinking fund window of the RTF.

19. The Board shall seek to ensure that the funds in the endowment fund window will not be invested in institutions that may finance activities with a negative impact on the environment and/or any other kind of unlawful or unethical activity.
20. Based on recommendations from the Ramsar Bureau and on the objective criteria set by the Operational Guidelines adopted by the Standing Committee, the Board will approve projects submitted by Contracting Parties twice a year.
21. The current Operational Guidelines for the Ramsar Small Grant Fund shall apply for the disbursement of funds. The Board shall submit to the Standing Committee revised guidelines for the disbursement of funds for consideration and approval at its first meeting after each meeting of the Conference of the Parties.