Madagascar trust fund for sustainable protection of nature reserves
Dr. Ralf Kadel (KfW)/ Noémie Bürkl (BMZ)
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Fund overview:
For several years, the Government of Madagascar has been implementing an Environmental Action Program with support from the international community and conservation NGOs. In recent years, the program started to focus on the issue of sustainable financing of the activities carried out by the program, including the effective management of the protected area network by the National Park Service, ANGAP. Consequently, a Sustainable Financing Commission was set up in 2000 to design financing strategies. It has identified the creation of a trust fund as the centrepiece for long-term funding of protected areas and biodiversity conservation in the country. In 2001, the Minister of Environment appointed a Trust Fund Steering Committee to lead the process of the creation of the fund. The Steering Committee recommended that the Madagascar Foundation for Protected Areas and Biodiversity be established in Madagascar as a foundation under the Malagasy Foundation Law. The fund was finally created on 6 January 2005.

External trust fund donors in addition to the participation of the Government of Madagascar are: GEF, AFD/FFEM, WWF, C.I., World Bank (IDA), and KfW.

The initiative ought to contribute to securing sustainable cultivation of natural resources in Madagascar. Its aim is to participate in securing the finances of the Malagasy national park system (> 40 national parks) in a sustainable way through financial endowment of an environment fund. The interests yielded from the assets of the trust ought to be used to 1) cover selected measures for infrastructure and 2) to partly cover the running costs of the parks. Decisions are based on yearly work plans of each of the Malagasy parks, which will be submitted to the foundation via ANGAP.¹

The initiative is carried out by the Malagasy “Foundation for nature reserves and biodiversity”. The Malagasy national park system (represented by ANGAP) benefits directly from the initiative, being the primary grant receiver of the trust assets.

Until the end of 2008, the foundation assets ought to amount at about 33 million EUR (50 million EUR until 2015). The German contribution to the capital stock ought to be 5 million EUR. The international donor community and the Malagasy state have approved altogether about 42 million USD (1 EUR = 1.28 USD) up to now. As of May 2007 about 11 million USD had been disbursed. Fundraising is – if compared internationally – downright successful, a fact which can be attributed to the fundraising capacity of the involved NGOs and the high attractiveness of Madagascar as a centre of mega-biodiversity. Additionally, the national commitment to nature conservation of the Ravalomanana government supports the initiative.

As far as legal arrangements are concerned, one can say that the foundation was founded as based on Malagasy Foundation Law and is exempted from taxes. According to the law, a minimum of 1 million USD is required to register the foundation. This minimum contribution

¹ ANGAP: Agence National pour la Gestion des Aires Protégées (National agency for nature conservation)
was met through the debt swap funds provided by the Government of Madagascar under an agreement signed with the German government.

The financial management of the trust fund fall under the responsibility of a board of directors, which is comprised of members of civil society and of renowned nature conservation NGOs in Madagascar (WWF, Conservation International). International donors have an observer status (WB, GEF, KfW, and AFD). The board decides on the allocation of resources (limited to selected infrastructure measures and for coverage of part of the parks’ running costs) on the basis of yearly work plans submitted by the national parks (as mentioned above).

The first two years, administrative costs will be covered by USAID, WWF and the German financial cooperation in order not to overstretch the fund in its early period. After the fifth year at the latest, the administrative costs (e.g. fund management) will be at maximum 10% of the yearly net revenues.

The capital is split in a sinking fund component (consuming capital from a bilateral German-Malagasy debt swap) and an endowment fund component (capital stock remains; interest earnings cover part of current running costs of the parks and reinvestments). The capital management of the endowment fund component will be carried out off shore by an internationally renowned asset management firm (for fees), after a call for tenders. Principles of assets management: > 50% risk adverse, and in social and environment-friendly investments. The sinking capital will be invested in Madagascar and will be promptly disbursed to the parks after submission of the management plans.

Despite the binding, conservative investment strategy, defined in the statute of the foundation, the invested capital yielded a return of > 10% in 2006 (partly reinforced through currency profits).

Yearly, the allocation of resources is being examined by external financial auditors before the sessions of the board of directors.

**Results and impacts:**

The geographical coverage of the initiative is national. However, the system of disbursement to ANGAP and the monitoring of the implementation of the operations plans to submit on a yearly basis are being currently elaborated. The management of the foundation on the operational side will only be terminated at the end of 2007 at the earliest. Therefore, one cannot yet report on impacts and results.

**Success and Challenges:**

The common² planning, designing and adoption of a Malagasy (modern) Foundation Law and the raising of considerable funds can be underlined as early successes of the initiative.

Challenges are to create and maintain un-bureaucratic management structures for the foundation, whose activities support existing park structures. The aim is to keep

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² by Malagasy Government, donors, and Malagasy nature conservation NGOs
administrative costs of the foundation under 15% of the investment returns. The influence of civil society on the management of NPs ought to be strengthened with the foundation, especially in order to contribute to achieving the goal “poverty-reducing impact of nature conservation”.
CONTRIBUTION FINANCIERE SECURISEE PAR LA FONDATION (en millions USD)

<table>
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<tr>
<th>DONATEUR</th>
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Taux de change: 1 EUR = 1,28 USD

(*) Contrat de remise de dette et convention spéciale conclu entre la République Fédérale d'Allemagne et la République de Madagascar

ENDOWMENT FUND: 31,3 Millions de USD
SINKING FUND: 10,9 Millions de USD