



Environment Funds: Some Observations

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What kind of fund?

1. Sinking
2. Rotating
3. Endowment
4. Hybrid

Why an Environment Fund?

Given other sources of revenues, how significant are Environment Funds?

7% - 10% of annual Environment Budget in Madagascar

What do they cost?

To generate \$1 million / year in usable revenues you need a \$40 million Endowment Fund

\$40 million @ 5% = \$2 million / year

Allowing for inflation and management fees = \$1 million / year

Other sources of support for environment

- Government central budget
- Local government and other agency budgets
- Fees / charges / taxes / royalties from eg. mining, petroleum, transport, tourism, effluent discharge
- Fines and penalties for illegal activities
- Sales of environmental goods and services
- Corporate action or sponsorship
- Voluntary donations
- International donors

Is an environment fund feasible?

Legal framework that permits establishment of a fund

Appropriate government willingness to set up a fund outside direct government control

Credible and transparent legal and financial practices and institutions

Private sector, NGO and government representatives willing to work together on a supervisory board

Realistic sources of capital or revenue

What else do you need?

Clear and measurable goals and objectives

An ability to objectively measure progress

A governance structure with appropriate checks and balances, stakeholder engagement, conflict of interest provisions and succession procedures

A competent competitively and transparently selected asset management company

The ability to oversee the asset manager

A constructive relationship between the fund and its sources of revenue

Links between the fund and the national plan for the environment

Mainstreaming Implications

Who wants an Environment Fund?

Why do they want it?

What does it imply about the governance mechanism of which they are a part?

What are the likely governance consequences of establishing such a fund?