LETTER FROM THE PRESIDENT AND EXECUTIVE DIRECTOR

May 2018

This has been a year of growth and success! We established a regional office and we’ve made enormous progress developing PONT into a sustainable funding mechanism that benefits both nature and people in the Wider Prespa Area. We launched our Environmental Actors Programme, finalised our five year strategy (2018-2022) and made a first step towards launching a protected area grant programme.

PONT signed its first framework agreement with the responsible national ministry in Albania in May 2017. A similar agreement with the former Yugoslav Republic of Macedonia and the registration thereof is in its final stages. Initial discussions have also taken place in Greece. These are important steps in establishing our protected areas grant programme in the region. PONT aims to begin supporting five protected areas in 2018.

PONT’s five-year strategy was finalised in November. Elaborated in close cooperation with our three NGO partners— Macedonian Ecological Society (MES), Protection and Preservation of Natural Environment in Albania (PPNEA) and the Society for the Protection of Prespa (SPP), which together form the transboundary network of NGOs called, PrespaNet—the strategy identifies the main thematic areas for PONT grants. These are capacity development of grantees; improved protected area and forest management; sustainable use of natural resources; conservation of species; and conservation of landscape and habitats. All PONT grants will emphasise implementation of real measures as outlined in the grantees management plans and strategy documents.

Recognising that the PrespaNet alliance is essential to the sustainable management of the Prespa Lakes Basin, PONT launched its Environmental Actor Programme by providing initial grants to the three PrespaNet partners. In addition to conservation actions the grants focus on strengthening the capacity and cooperation of the three organisations.

With our Environmental Actors Programme up and running and growing collaboration with our grantees and stakeholders, we are confident that we can not only deliver significant conservation impact in the coming years, but also create vibrant and resilient conservation communities across our priority areas.

Lynda Mansson
President of the Supervisory Board

Mirjam de Koning
Executive Director
OUR MISSION

“provide long-term financing for the conservation and sustainable management of biological diversity, natural processes and ecosystem services in the wider Prespa area for the benefit of nature and people in the region.”
2017 YEAR IN REVIEW

PONT’s second year in operation in the region was marked by progress on many different fronts.

PONT’S FIVE-YEAR STRATEGY

Unlike standard “project-based” or “short-term” solutions, PONT’s funding is long-term and designed to ensure the sustainable management of the Prespa Ohrid region. Our model emphasizes long-term commitment, transparency, accountability and collaboration and these traits are reflected in our five year strategy.

To ensure PONT’s strategy and funding priorities are transparent and follow a participatory approach, we held workshops in Albania and former Yugoslav Republic of Macedonia where we presented PONT’s Mission, main funding priorities and grant programme timeline to a group of pre-selected grantees and main donors. The goal of the workshops was to ensure clear communication to all stakeholders and to identify key activities that will be funded by PONT.

Workshop participants identified the core operational activities and routines that were in line with protected area management plans and the Transboundary Strategic Framework for conservation in Prespa; selected activities were then incorporated into PONT’s five-year Strategic Framework.

PONT funding will focus on the following areas:
• improving protected area and forest management;
• sustainable use of natural resources;
• conservation of species;
• conservation of landscape and habitats;
• developing capacity of grantees.

The emphasis is on the implementation of operational measures and, if needed, applied research, studies and experimentation linked directly to implementation.
PONT KICKS OFF ITS ENVIRONMENTAL ACTORS GRANT PROGRAMME

The first phase of PONT’s five year strategy is the establishment of an Environmental Actors Grant Programme, where initial grants will focus on strengthening the capacity and cooperation between the official members of PrespaNet partners, namely the Macedonian Ecological Society (MES), Association for the Protection and Preservation of Natural Environment in Albania (PPNEA), and the Society for the Protection of Prespa (SPP) in Greece.

Grants to the PrespaNet NGOs support two main objectives:
1. priority conservation objectives of PONT (including transboundary activities) and
2. enhance organisational capacity and management effectiveness.

PONT aims to expand the Environmental Actors Programme to other environmental actors working in the region in the coming years.

In 2018 PONT’s main focus will be to start its next phase of grant giving and establish a Protected Area Grant Programme to support the protected area management bodies of the Wider Prespa Area. These grants will support the essential operating costs of the protected areas in line with the respective management plans.
Grants Awarded in 2017

**SOCIETY FOR PROTECTION OF PRESPA (SPP), Greece**

5 Year Grant:
The grant supports efforts to improve the “greening” of the local economy on the Greek side of Prespa, with an emphasis on transboundary projects, applied research, and monitoring and management of important habitat and species. The grant also provides core funding for SPP’s main conservation work and operational support for a dedicated team living and working in the Prespa region.

**PROTECTION AND PRESERVATION OF NATURAL ENVIRONMENT IN ALBANIA (PPNEA), Albania**

1 Year Grant:
The grant is aimed at strengthening PPNEA’s institutional capacities through enhancing its involvement in transboundary projects and projects specific to Prespa Albania. Grant activities focus on improving overall operations and research activities, including a summer school and a large carnivore conservation project aimed at monitoring amongst others the brown bear population in the region.

**MACEDONIAN ECOLOGICAL SOCIETY (MES), Former Yugoslav Republic of Macedonia**

1 Year Grant:
The grant supports wetlands restoration, habitat mapping and the development of a conservation plan, and the establishment of a network of community volunteers to assist in the protection and monitoring of wild plant species. The grant also provides funding for the transboundary large carnivore project that will provide data on the distribution and the population size of specific large mammals and the damage caused to livestock, and the development of guidelines for preventive measures in the identified conflict hotspot. The latter will be done in close cooperation with the PrespaNet partners in Albania and Greece. With the aim of increasing their conservation work in the Prespa region, MES will open a local office in Resen in June 2018.

Installing camera trap: transboundary large carnivore project

Camera trap foto of Brown Bear (Ursus arctos arctos), transboundary large carnivore project
Our Partners

Recognising that the PrespaNet alliance is essential to the sustainable management of the Prespa Lakes Basin; PONT is committed to strengthening and building upon the initiative. The PrespaNet partners have worked in the area for many years supporting the flow of information regarding ecological and sustainable development issues affecting the region.

**SOCIETY FOR PROTECTION OF PRESPA (SPP), Greece**

SPP has been working to conserve Prespa since 1991. In 2017 SPP saw several of its long-term efforts mature, most notably with the ratification of the 2010 Prespa Park Agreement (an agreement on the Protection and Sustainable Development of the Prespa Park Area) by the Greek Government. This success was the result of almost two decades of visionary and dogged determination on the part of SPP, and the members and partners who have provided years of support and encouragement.

**PROTECTION AND PRESERVATION OF NATURAL ENVIRONMENT IN ALBANIA (PPNEA), Albania**

Established in 1991 and known as Albania’s first environmental organization, PPNEA promotes nature and biodiversity conservation, environmental awareness, and a more sustainable livelihood across the country.

**MACEDONIAN ECOLOGICAL SOCIETY (MES), Former Yugoslav Republic of Macedonia**

MES is a national conservation organization created in 1972, which promotes good conservation practices across the country in order to assure sustainable use of resources, protection of its environment and the preservation of its rich biodiversity.
SOLID FUNDING BASE

With €28.2 million in funding from MAVA Foundation and the KfW Development Bank (KfW) – mandated by the German Federal Ministry of Economic Cooperation and Development (BMZ) – PONT is extremely grateful for the unwavering commitment of our founding donors to our Mission and future success.

With the funding split between permanent capital committed to our endowment; and a portion in the form of “sinking funds” (which must be spent by a certain date), these commitments provide us with a solid financial base for the coming years.

Earnings on the investment of KfW’s endowment contribution and sinking fund, and the entire principal of the sinking fund, are dedicated primarily to support PONT’s grant programme for protected areas and environmental actors, such as NGOs working in the portions of the Wider Prespa Area located in Albania and former Yugoslav Republic of Macedonia. A smaller portion may also be used to cover PONT operating expenses.

The MAVA sinking fund (including investment earnings thereon) is already actively used to support PONT’s grant programme in favour of the Greek NGO Society for the Protection of Prespa (SPP). The investment earnings on MAVA’s endowment can be used for any purpose that supports our mission.
GOVERNANCE

SUPERVISORY BOARD

Lynda Mansson, Director General of the MAVA Foundation

Demetres Karavellas, CEO of WWF Greece

Christoph Tiskens, Director for Southeast Europe and Turkey within the KfW Development Bank

David Morrison, leading PONT’s Investment Committee

Gabriel Schwaderer, Executive Director EuroNatur

The investment committee, which is a committee under the PONT Supervisory Board and led by one of the Supervisory Board members, takes the overall decisions about the investment portfolio. The investment committee is advised by an Investment Advisor. The Investment Advisor regularly verifies compliance with the joint PONT/CNF investment policy including a sustainability policy. Our annual accounts, which are summarized in this report, are audited annually by one of the big four auditing firms. PONT has an audit committee comprised of two board members, which meets separately once per year with PONT’s independent bookkeeper and tax advisor and its external auditors to discuss issues relating to financial reporting.

MANAGEMENT BOARD

Mirjam de Koning, Executive Director, started her work in the region in January 2017.

STAFF

Suela Mehmeti, Office Manager

Rrezearta Ago, Consultant for the development of PONT’s Grants Programme

Nature Trust Alliance: PONT is supported by a shared services office in Frankfurt am Main, which works in close collaboration with the Caucasus Nature Fund (CNF) and the Blue Action Fund.
ACKNOWLEDGEMENTS

A special thank you to Andreas Weitzel of KfW, who has taken up a new role within the bank, for all of his efforts. His successor, Frank Mörschel, is already actively involved in PONT’s operations.

Supervisory Board member, Michael Brombacher of the Frankfurt Zoological Society, gave crucial support in the start-up phase of PONT and was replaced in September 2017 by Gabriel Schwaderer, the Executive Director of EuroNatur.

Under the leadership of David Morrison the pro-bono contribution of our investment committee members (Al Breach, Johan Holgersson and Ronald Kent) remains invaluable. PONT would like to thank all of them for their contribution and the positive investment results.

PONT would also like to thank Rezeartag Aro, who supported PONT for one year as a consultant to facilitate the conflict assessment study and to assist in the development of the grants scheme.
The following discussion should be read in conjunction with the 2017 audited financial statements and supporting notes.

### Summary of Balance Sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>Equity &amp; Liabilities</th>
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<tbody>
<tr>
<td></td>
<td>€ 000s / December 31</td>
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</tbody>
</table>

#### Fixed Assets:
- Property Plant & Equipment (office furniture & equipment) 1 1

#### Financial Assets (Investment Securities)
- 18,778 12,201

#### Reserves of which:
- MAVA Sinking Fund 5,754 6,355
- KfW Sinking Fund 5,550 5,700
- Other Reserves 300 10

#### Current Assets and Prepaid/Deferred Items:
- Accounts receivable & other 43 44
- Cash & Cash Equivalents 8,656 12,825
- Prepaid Expenses & Deferred Charges

#### Total Assets 27,478 25,071

#### Total Equity & Liabilities 27,478 25,071

### Balance Sheet

Total assets as at December 31, 2017 amounted to €27.5 million, a €2.4 million increase compared to December 31, 2016.

This increase is reflected in PONT’s equity and is due to increases to the endowment capital of PONT. MAVA Foundation contributed an additional €3 million to the endowment capital of PONT, which together with the initial contribution to the endowment, totals €6 million by MAVA Foundation.

MAVA Foundation and BMZ both made sinking fund contributions to PONT’s reserves in 2016: the MAVA contribution was €6.6 million (of which €690,000 was expended in a grant in 2017) and KfW’s contribution was €6.0 million (of which €150,000 was withdrawn in 2017 to cover grants, consultants and operating expenses).

Miscellaneous provisions amounted to €63,570 and reflected outstanding invoices for consulting and other services in connection with investment advisory, custody fees, accounting, financial statements and audit.

The asset side of the balance sheet reflects a division between investment securities (€18.8 million) and cash (€8.7 million), as PONT’s capital continued to be gradually invested over the course of 2017.
Income Statement

Background
As background to the discussion of PONT’s income statement, it is important to keep in mind the different sources and uses of our funds.

- As discussed under the balance sheet above, PONT received separate “sinking funds” contributions in 2016 from MAVA and KfW that are reflected in reserves. The two separate contributions created a total fund of €12.6 million. Of this amount, a combined €751,000 was disbursed in 2017 as discussed. Both sinking funds must be spent for their respective purposes by 2030.
- In addition, PONT’s spending sources include current use income in the form of donations and the interest and dividend earnings and capital gains on our investments.

Net Income and Funds Carried Forward
In 2017, PONT’s ordinary income and expense items generated a net loss of €595,433. This is because the spending of the sinking funds is reflected as a “below the line” transfer from the reserve even though spent on programme grants and expenses. This transfer added €751,000 in revenue, so that 2017 funds available to transfer to free reserves and capital amounted to €155,567. After offsetting the carry forward from the prior year and adding funds to our reserves (as discussed in the next paragraph), €173,785 were carried forward to 2018.

PONT is still in its growth phase and seeks to use provisions of the German tax law that allow a foundation to add to its capital and reserves. In general, we plan to transfer capital gains and up to one third of our investment income and up to 10% of current use income to different reserves, allowing us to build our capital, protect it against inflation and generate larger investment income in the future and thereby support the sustainability of our work. In 2017 we were able to add €289,724 to our reserves in this way.

We plan and manage our expenditures in relation to the funding sources available to us. We strike a balance between developing our grant programme on a sustainable basis and at the same time adding the maximum permitted funding to capital and reserves, aiming for a small carry forward of available funds to the next year (or at least a zero balance). For as long as we have adequate sinking funds, we can draw on them to support our programme as it develops and achieve a zero balance or small surplus on our income statement.

Our challenge is to develop funding sources that allow us to continue spending at even higher levels, and for the long term, as the sinking funds are consumed.

Most of our expenditures are used for our core mission, namely grant and programme expenses, but a smaller portion goes to cover administrative, fundraising and communications costs. See Annex I for more detailed information.

For more details on PONT’s income statement, please refer to the Financial Report (Annex 1 of this document).
Financial Report Annex 1

<table>
<thead>
<tr>
<th>Net Revenue</th>
<th>20017</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td>Total Investment Income</td>
<td>529,321</td>
<td>81,263</td>
</tr>
<tr>
<td>Less Investment Expenses</td>
<td>(150,597)</td>
<td>(66,497)</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>378,725</td>
<td>14,766</td>
</tr>
<tr>
<td>Revenue from Donations &amp; Grants</td>
<td>7,948</td>
<td>160,000</td>
</tr>
<tr>
<td><strong>Net Revenue</strong></td>
<td><strong>386,673</strong></td>
<td><strong>174,766</strong></td>
</tr>
</tbody>
</table>

**Net Revenue**

PONT’s net revenue is composed of our Net Investment Income and our Revenue from Donations and Grants as shown in the following table. With the additional contributions to the endowment and the creation of the two sinking funds in 2016, we mandated our investment advisor and began a gradual process of investing our cash. By the end of the year, through the combination of the investment income (interest, dividends and capital gains) of €529,321, and the increase in the market value of our investments (which is not shown in the income statement), the net investment income contributed to an overall return on our invested assets of 5.7% driven by the increase in the market value of our investment portfolio.

Revenue from donations and grants in 2017 reflects the €7,948 current use donations from private people and WWF Greece to support our operating costs and grants. The amount from 2016 reflected a donation from MAVA foundation to cover operating costs. Any additional current use donations to PONT will also be reflected in this income statement item. It is expected that operating costs in the future will be covered by investment income and a declining contribution from the KfW sinking fund.

**Grant and Project Expenses**

The following table shows the development of PONT’s grant and programme expenses.

(1) Grants for programmatic purposes.
(2) Mission-related activity with programme stakeholders (governments, PAs and donors) e.g. developing programme and ensuing documentation; advising grantees on PA budgets and management; documenting programme result/impact.

PONT continued its grant programme with its grant to the Society for the Protection of Prespa (SPP). This grant covered SPP’s programme and operating costs for 2017. This grant will be a regular feature of our programme going forward, as the MAVA sinking fund is earmarked for this purpose.

In Albania and former Yugoslav Republic of Macedonia the first small planning grants to two PrespaNet partners, Protection and Preservation of Natural Environment in Albania (PPNEA) and Macedonian Ecological Society (MES), were granted using the KfW sinking fund. Two consultants working on the grants programme were also financed using the KfW sinking fund.

The number of grants will increase in 2018 as we begin to roll out a full grant programme in Albania and former Yugoslav Republic of Macedonia for both Environmental Actors and Protected Areas.

The Programme Development and Technical Services figure reflects principally a portion of the work done by Mirjam de Koning, travel costs related to our programme, and the costs of running our office in Tirana.

<table>
<thead>
<tr>
<th>Grant and Project Expenses</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grants to NGO’s[(1)]</strong></td>
<td>709,718</td>
<td>250,000</td>
</tr>
<tr>
<td>Consulting &amp; Other Projects[(2)]</td>
<td>16,592</td>
<td>18,250</td>
</tr>
<tr>
<td>Project Development, TA &amp; Monitoring Internal</td>
<td>49,579</td>
<td></td>
</tr>
<tr>
<td><strong>Total Program Grants &amp; Expenses</strong></td>
<td><strong>775,889</strong></td>
<td><strong>268,250</strong></td>
</tr>
</tbody>
</table>
Operating Expenses and Ratios

The development of PONT’s Operating Expenses and its operating expense ratio is shown in the table above. €59,782 of the administrative expense of €198,018 went to cover Nature Trust Alliance’s (NTA) costs, which consist primarily of the salaries of the NTA staff and office rent. The remainder of the administrative expense included mainly bookkeeping, financial statements and audit, trademark registration, notary fees, legal and tax consulting fees in Albania, PONT regional office staff salaries, insurance, recruitment costs and administrative and fundraising travel expenses. PONT will monitor its operating efficiency going forward in order to assess cost effectiveness of our programme delivery. In 2017 the Supervisory Board decided to measure this using the formulae of \( \frac{\text{administrative + fundraising expenses}}{\text{total expenses}} \). The result for 2017 is an operating to total expenses ratio of 21%. This is acceptable for our second year of operations and almost reaches our goal to reduce this percentage to below 20% as we become fully operational.