



PONT | PRESPA OHRID
NATURE TRUST

ANNUAL REPORT 18



LETTER FROM THE PRESIDENT AND EXECUTIVE DIRECTOR



Lynda Mansson,
President of PONT



Mirjam de Koning,
Executive Director of PONT

PONT programme

In 2018, PONT made substantial progress with its grant programme. In addition to the *Environmental Actors Programme*, the *Protected Areas Programme* is now also up and running. The geographical Focus Area of PONT is the Wider Prespa Area. This is a transboundary ecoregion including six protected areas. To ensure sustainable conservation and effective management of those protected areas, cooperation within and across borders is crucial. Cooperation and synergies between our two grant programmes form the core of the PONT strategy.

In May 2018, the PONT Supervisory Board attended the launch of the *PONT Protected Areas Programme* in Skopje. After the event, board members managed to meet all the pre-selected grantees of PONT in the Wider Prespa Area.

In early June, the framework agreement between the Ministry of Environment and Physical Planning and PONT was signed. This paved the way to establish grant agreements for the four protected areas located in the Macedonian part of the Wider Prespa Area.

Transboundary Biosphere Reserve Prespa Project

May also saw the start of the *Transboundary Biosphere Reserve Prespa Project - Albania* (Phase II), supported by KfW. PONT has established a close working relationship with the project team as activities in the *Albanian Prespa National Park* must go hand in hand. After an inception phase, the first planning grant to the *National Agency of Protected Areas* was awarded to support the development of a joint operational plan for 2019. This first milestone was celebrated in a 'Coming Together for Prespa' event held in September in Tirana.



5 year anniversary of PrespaNET



'Coming together for Prespa'-Meeting: Joint initiatives met in Tirana.



J. Makraduli, deputy minister at launch of PONT's *Protected Area Grant Programme* in Skopje, North Macedonia



M. de Koning receiving the Pathfinder Award from Dr. Y. Fouad, Minister of Environment of Egypt at COP14.



German Federal Ministry for Economic Cooperation and Development through KfW contributed another €5 million to PONT.



Transboundary workshop of the six Protected Areas in Ohrid

Pathfinder Award winner

In October 2018, we were thrilled when PONT was announced as the winner of the inaugural [Pathfinder Award](#). The high-level jury judged the PONT approach as highly innovative in applying a well-established financing instrument, i.e. trust funds, to support a transboundary conservation strategy through cooperation and grant-making in a space where formal institutions are lacking. Additional attention was given to PONT being part of a unique cooperation between three funds called the *Nature Trust Alliance*, to share operational services.

We were delighted to be honoured with this award. The awards ceremony took place in November during the 14th meeting of the Conference of the Parties to the *Convention on Biological Diversity* in Egypt. A local celebration, in the presence of all pre-selected grantees and the local media, took place in December in the premises of the *Galicica National Park* in Ohrid. The local celebration was a side event of a two-day transboundary workshop in which the protected area management bodies discussed their capacity building strategy for the coming three years.

Plans for 2019

In 2019 we will continue to build upon our grant programme and will launch our first call for proposals, addressing the identified gaps in our funding priorities for conservation and sustainable use of natural resources.

Thank you all for your contribution in making 2018 a year of multiple successes and growth for PONT. We are only as good as the support that we receive, and our 2018 success is testament to that. We look forward to fostering greater cooperation and synergies for the conservation of this very special region.

Lynda Mansson
President of the Supervisory Board

Mirjam de Koning
Executive Director

P.S. Please subscribe to our bi-annual newsletter via the [PONT website](#) and follow us via [Facebook](#) or [LinkedIn](#).

2018 YEAR IN REVIEW

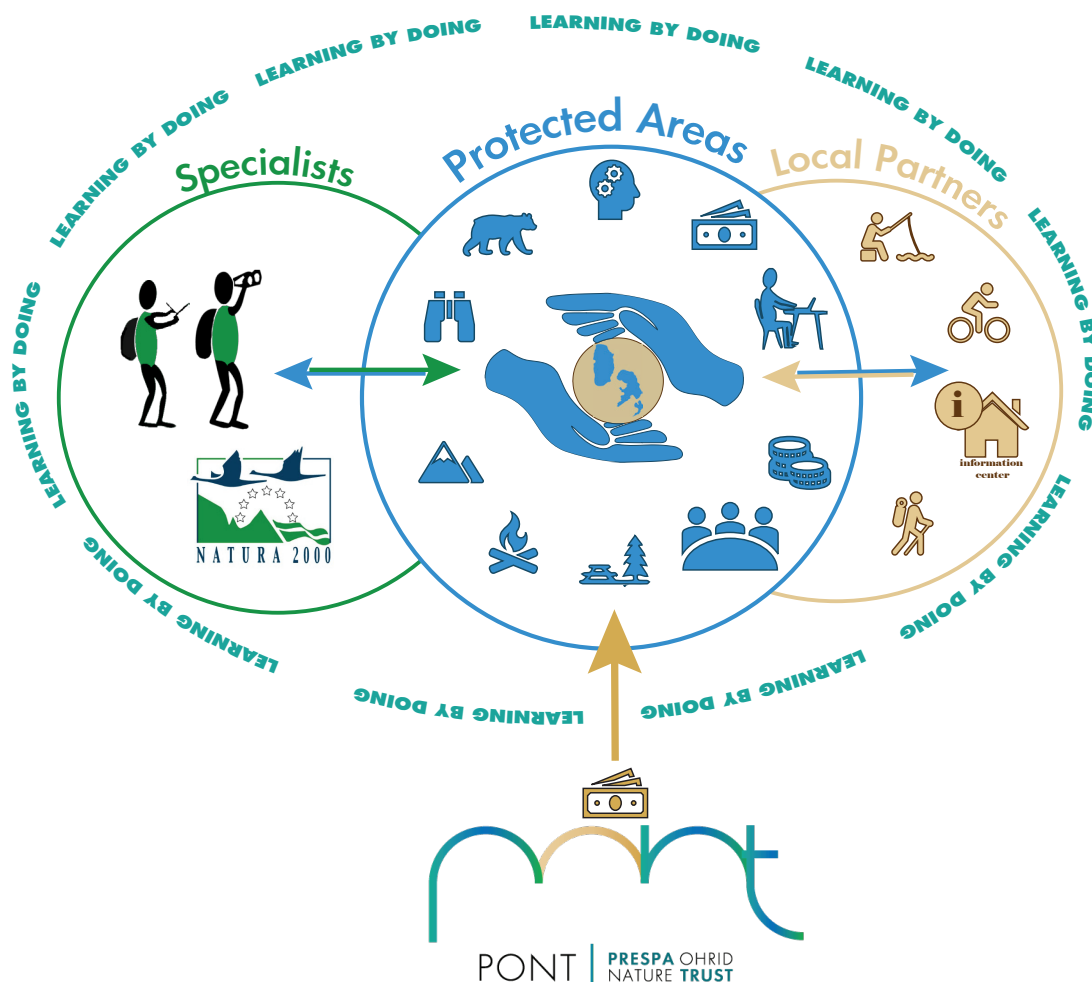
PONT's second full year in operation in the region was marked by progress on many different fronts. Unlike standard "project-based" or "short-term" solutions, PONT's funding is long-term and designed to ensure the sustainable management of the Prespa Ohrid region.

Our model emphasizes long-term commitment, transparency, accountability and collaboration, and these traits are reflected in our five-year strategy. The emphasis is on the implementation of operational measures and, if appropriate, applied research, studies and experimentation linked directly to implementation.

PONT'S PROTECTED AREA GRANT PROGRAMME

PONT enables protected areas in the Wider Prespa Area to develop and implement their management plans to conserve the environment through sustainable co-financing of operational costs. Protected area management in the region has already benefitted from short-term investments and studies for conservation supported by various donors. However, the implementation of plans with conservation and habitat management done by protected area staff remains limited. Now that there is some basic data available and expertise in management planning is growing, the issue of management plan implementation and monitoring is gaining prominence, and it is the right time to enter into a new phase.

PONT supports the development and use of standard operational planning and reporting systems for the implementation of proprietary protected area programmes. Standardised biodiversity monitoring systems must be developed in which data collection, data analysis and habitat management are implemented, with an efficient division of what can be done by the protected area staff themselves, local people and what to outsource to third parties. Enabling the protected area staff to increasingly use scientific data in managing the area must be included in the third-party contracts. The inclusion of adhering to minimum *Natura 2000* requirements becomes more important in the coming years.



GRANTS AWARDED TO PROTECTED AREAS

National Agency of Protected Areas (NAPA) for Prespa National Park, Albania

Planning grant for 6 months

The planning grant combines activities concerning both developing a detailed and realistic operational plan for 2019 and a full grant proposal to PONT for its implementation.



Public Institution Pelister NP (PIPNP) for Pelister National Park, North Macedonia

Planning grant for 18 months

With this planning grant a new Management Plan for Pelister National Park is developed. Pelister National Park was re-proclaimed as a National Park in 2007 and its territory was enlarged by about 6.000 hectares, mostly the catchment of Braychinska river (Prespa side). For the additional included territory an inventory of all species and habitats, birds, endemic and rare species is needed.



Resen Municipality for Lake Prespa Monument of Nature & Ezerani Nature Park, North Macedonia

12 months

The grant supports the implementation of priority activities derived from the management plan divided into four outputs. This is done in close cooperation between the Municipality of Resen, PONT and the EU Twinning project for the monitoring of target habitats and species, according to national legislation and EU birds and habitats directive (NATURA 2000).



Public Institution Galicica National Park (PIGNP) for Galicica National Park, North Macedonia

Planning grant for 6 months

Through the planning grant a full grant proposal to PONT was developed to implement the 2019 operational plan and to update the management plan. The planning grant enabled the park management to address some deficiencies in the previous planning process beforehand (e.g. requirements stemming from the *World Heritage Convention*), and also new aspects arising from the amendments of the Law on Nature Protection since 2010, in particular with respect to *Natura 2000*.



Public Institution Galicica National Park (PIGNP) for Galicica National Park, North Macedonia

12 months

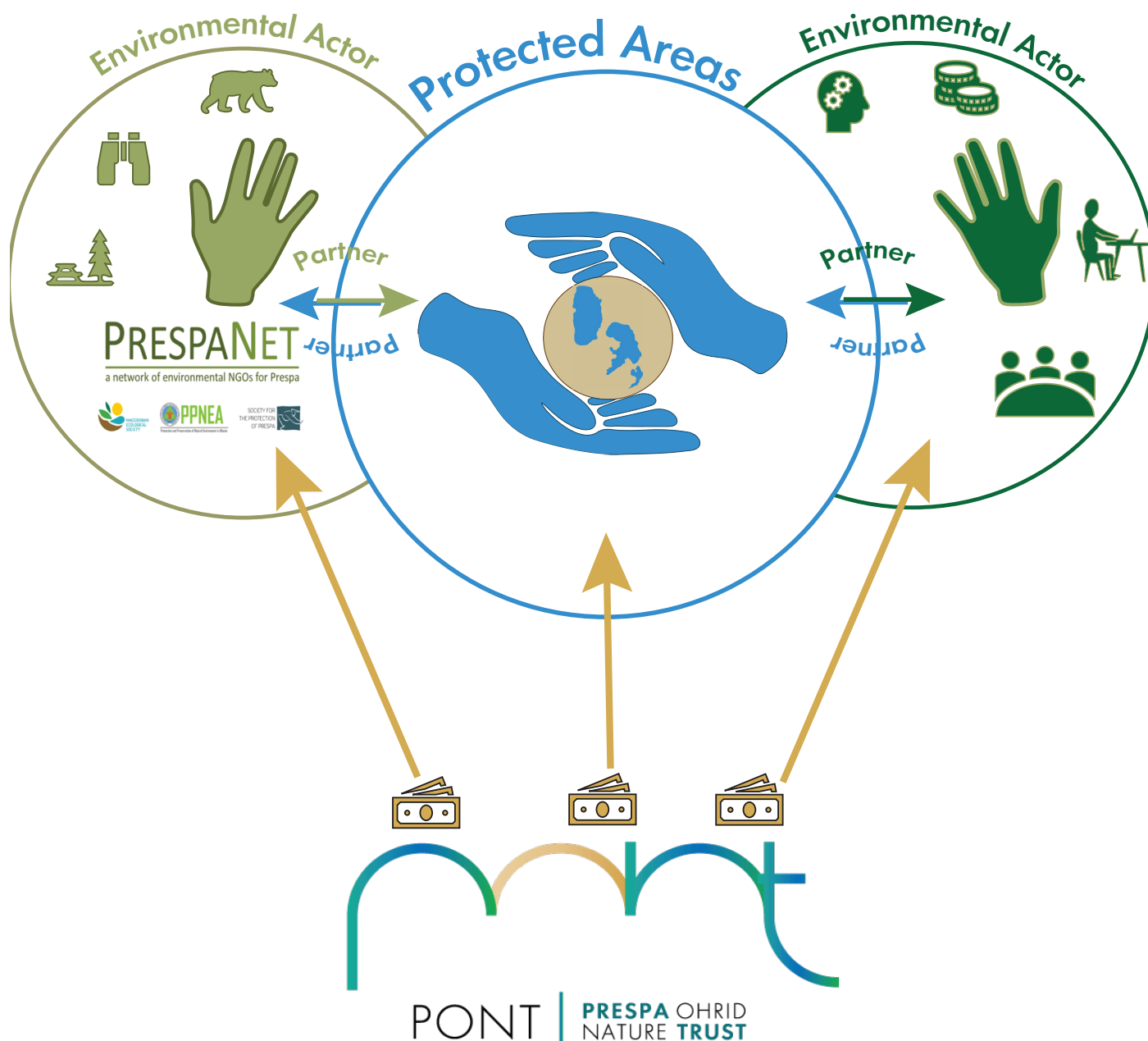
For 2019 a new operational planning format and process was adopted. Based on historical data, the 2019 operational plan estimates the costs for implementation of the 4 programmes of the current management plan to reflect the shift from operations related to firewood production to standard operations of a protected area: conservation and visitor management. PIGNP will provide the vast majority of the financial and human resources to be invested in the management planning process that is going to have a strong emphasis on policy development and stakeholder participation.



PONT'S ENVIRONMENTAL ACTORS GRANT PROGRAMME

Grants to environmental actors are for qualified NGOs and research institutes with a local presence in the Wider Prespa Area and with a strategy in developing society, improving communities, and promoting citizen participation in conservation. PONT funding priorities identified for environmental actors are mainly focussed on transboundary conservation activities and some important specialised conservation activities. In addition, the environmental actors with a focus on conservation in the Wider Prespa Area are supported with their operations and organisational development so as to make the organisations more robust and capable of sourcing third party funding.

In addition, PONT financial support to NGOs and research institutes is directed towards the implementation of activities identified in the management plans for the respective protected areas and where there is a lack of capacity within the protected area management bodies. Applied research, with the involvement of protected area staff, directly focussed on species or habitat management is also supported, but fundamental research is not.



GRANTS AWARDED TO ENVIRONMENTAL ACTORS

Society for Protection of Prespa (SPP), Greece

5 years (ongoing)

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

2 years

The grant is aimed at strengthening PPNEA’s organizational capacities through enhancing its involvement in transboundary projects and projects specific to Prespa Albania. Grant activities include mapping of wetland and forest riparian habitats using the *Natura 2000* habitat mapping protocols and conservation of large carnivores, including a component on monitoring of the brown bear population in the region. The opening of a local office is planned for mid-2019.



Macedonian Ecological Society (MES), North Macedonia

2 years

The grant supports wetlands restoration, monitoring of target species of water birds and the establishment of a network of community volunteers to assist in the protection and monitoring of wild plant species. Data on the distribution and the population size of specific large mammals and the damage caused to livestock are analysed to develop guidelines for preventive measures in the identified conflict hotspot. This is done in close cooperation with the PrespaNet partners in Albania and Greece.



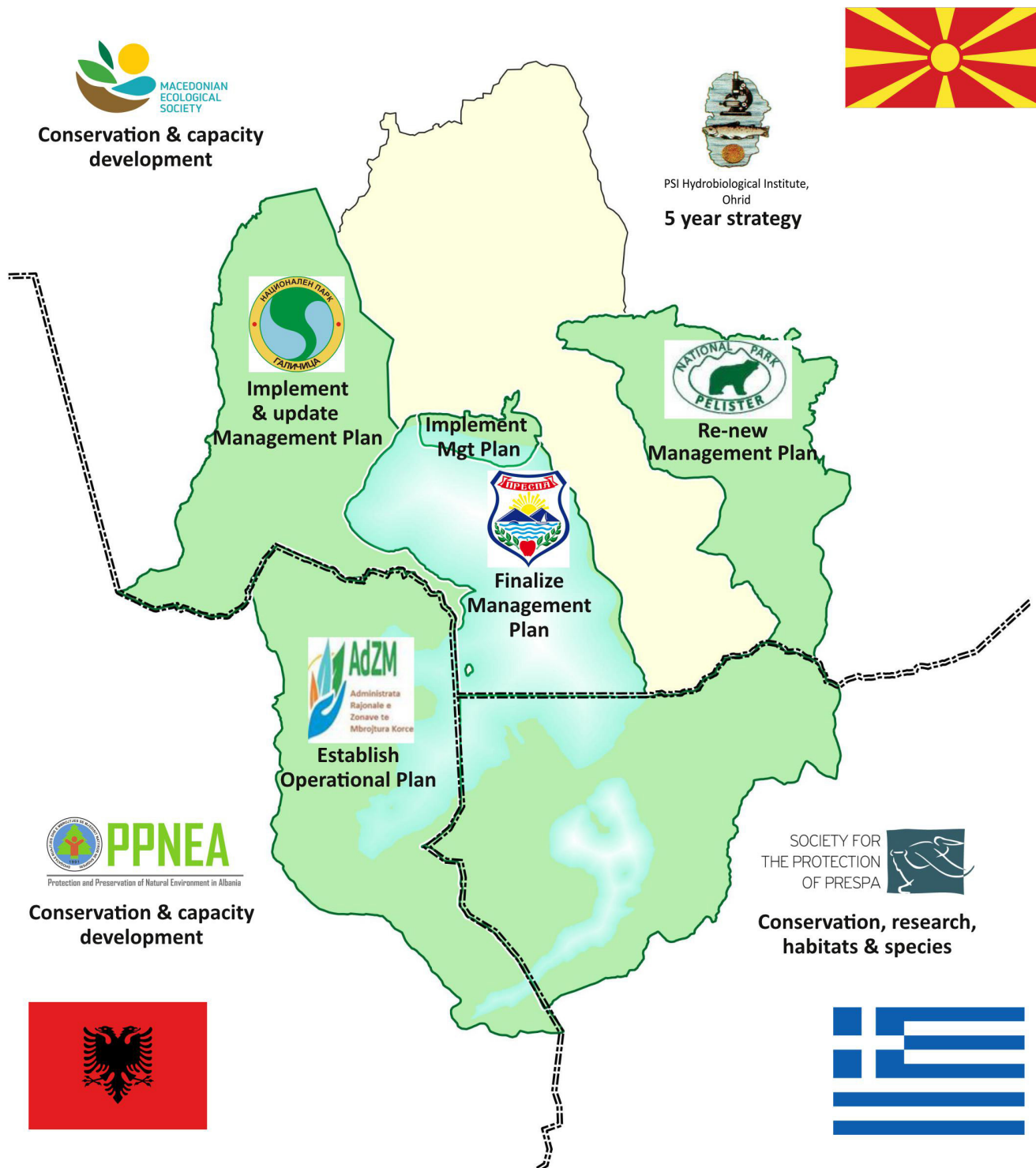
Public Scientific Institution Hydrobiological Institute Ohrid (HIO), North Macedonia

Planning grant (6 months)

Through this planning grant a five-year Strategic Plan is developed for the involvement of the HIO in the achievement of PONT’s mission through providing scientific evidence and technical advice concerning the priority conservation actions identified in the PONT Strategic Framework and the management plans for the protected areas in the Wider Prespa Area.



OUR GRANTEES



KEY MESSAGES

Cooperation and coordination critical

Now that both grant programmes are running, it has become obvious that both Protected Areas and Environmental Actors need to reach out to each other to improve coordination, and strengthen cooperation to make the best use of the funding available through PONT, but also to increase the effectiveness of their work in nature conservation. The 2018 grants, planning grants to both Protected Areas and Environmental Actors in particular, have been very helpful in improving the cooperation and coordination among the different local actors.

SUSTAINABLE DEVELOPMENT GOALS



AICHI BIODIVERSITY TARGETS



Awareness increased



Protected areas increased and improved



Ecosystems and essential services safeguarded



Financial resources from all sources increased

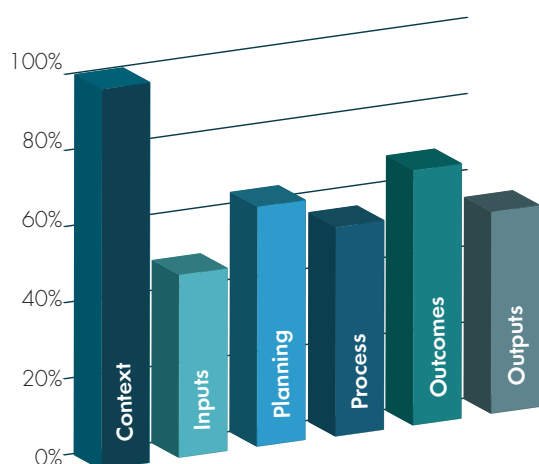
Self-assessment

Another important message is that through the implementation of PONT grants grantees were able to assess their current technical and organizational capacity, administrative and financial in particular, and identify the capacity building needs, as well as learn by doing.

CONSULTANTS

The consultancy by Jernej Stritih included five METT (Management Effectiveness Tracking Tool) workshops and a transboundary workshop to develop a three-year capacity building strategy, focusing on improving skills and competencies related to planning and managing operations in protected areas (to be implemented with co-financing from PONT). The overall goal of the strategy is: protected area administrations in the Wider Prespa Area have the capacity to achieve the protected area management goals, as stated in their Management Plans. The indicator of achieving the overall goal is the annual METT assessments for each of the protected areas. While the total METT score is indicative, the analysis at the level of Protected Area Management Effectiveness (PAME) provides more insight into capacity building needs.

METT average over all PAs



The weakest element in all protected areas assessed is Inputs. Within this element the weakest points seem to be the inadequate or sub-optimal level of staff numbers for critical management activities, in particular environmental education. At the same time, METT does not address several processes that are highly relevant for capacity analysis, such as administration, work programming and internal organization, and human resource management. Based on the input from the protected area administrations these processes are not only highly relevant to improving implementation of management objectives but also of high priority.

Based on the overall goal, and the capacity building needs assessment, the objectives of the strategy are:

- 1. Improve the financial administration with realistic overheads, planning, monitoring and reporting**
- 2. Secure adequate human resource management, including work planning and reporting**
- 3. Provide the staff with necessary training and skills related to Protected Area administration**
- 4. Provide the institutional framework and capacity for developing and implementing partnerships with Environmental Actors**

RESULTS

Protection and Preservation of Natural Environment in Albania (PPNEA), Albania

A successful **summer school** was organised on the Albanian side of Prespa, which resulted in renewed enthusiasm of young people to be active in this remote area of Albania. The local focal point hired with the financial contribution from PONT has been instrumental to coordinating this activity locally. The opening of the local office, planned for mid-2019, is expected to further increase the participation of local communities and stakeholders in nature conservation activities of PPNEA. The new accountant hired with the help of PONT funds has helped PPNEA upgrade and update its financial system, procedures and practices. The first **transboundary large carnivore monitoring** study in the Prespa basin was conducted through a coordinated action of the three partners of PrespaNet.

[Read more](#)



Wetland mapping, North Macedonia

Society for Protection of Prespa (SPP), Greece

PONT recently facilitated a **successful exchange** between the SPP, GIZ CSBL (*Conservation and Sustainable Use of Biodiversity at Lakes Prespa, Ohrid and Shkodra/Skadar – Phase III*) and the *Albanian Transboundary Biosphere Reserve Prespa Project – Phase II*. On 14 and 15 October, several sites were visited on the Greek side of Prespa with a focus on Small Prespa Lake, which straddles Albania and Greece. After general information between the various initiatives was shared, the discussions focused on lessons learned regarding water and wetland management, fisheries, transboundary management, and the establishment of a local action group. Scope for further cooperation and joint actions were discussed and agreed upon. [Read more](#) about the 2018 highlights of our grant with SPP.

Macedonian Ecological Society (MES), North Macedonia

The **local office** opened in July 2018 is fully functional and has shown increased cooperation and coordination at a local level. The MES accountant in Skopje has coached the local coordinator and working procedures have been established. Following the successful mapping of wetland habitats using *Natura 2000* protocols on the Macedonian side of the basin, the activity will be replicated on the Albanian side of Prespa in 2019. Experience gathered on the Macedonian and Greek side will enable transfer of knowledge from the other PrespaNet partners to PPNEA and the staff of *Prespa National Park* in Albania.

[Read more](#)

INSPIRING STORY

The 2019 budget for Galicica National Park will make history in conservation circles by demonstrating, for the first time, that management costs for the park can be covered in their entirety without relying on extractive uses of biodiversity – the first such budget in the country in 70 years of protected area management! This has already been taken up by the local and national media, and NGOs.

[Read more](#)

OUR PARTNERS

During the development of the 5-10 years PONT Strategic Framework, various consultation rounds took place, consolidating priorities, co-funding opportunities and legal mandates and/or mandates in line with the mission statement of various organisations with a proven track record of working in the Wider Prespa Area into account. This exercise resulted in the selection of so-called pre-selected environmental actors with whom we will initially test and implement our grant programme.

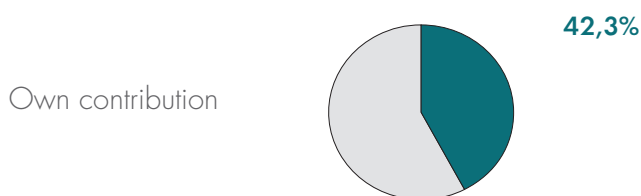
In this first phase PONT solicits grant applications with pre-selected environmental actors to address the funding priorities in the PONT Strategic Framework. Calls for proposals will be issued in the next phase to address themes that are not covered by either the protected area management authorities or pre-selected environmental actors. At this stage PONT doesn't take unsolicited grant applications or requests into account.

As PONT grants require co-financing of at least 50% for protected area grants and 25% for environmental actor grants, we rely on our cooperation partners. For our current grants we acknowledge and are grateful for the following sources of co-financing.



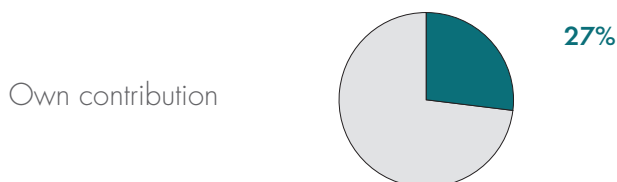
National Agency of Protected Areas (NAPA)

Other sources of co-financing:
 Second phase of the project "Transboundary Biosphere Reserve of Ohrid-Prespa Watershed, Support for the Prespa National Park in Albania", financed by KfW and implemented by GFA.



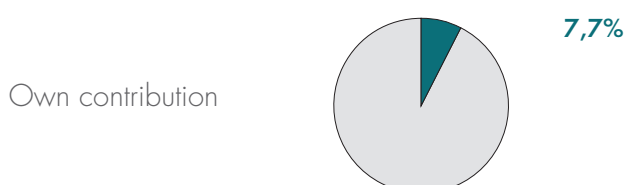
Public Institution Pelister NP (PIPNP)

Other sources of co-financing:
 EU grant, implemented by UNDP "Protecting Nature for a Sustainable Future – improving the management of protected areas" & EU Twinning project "Strengthening the capacities for effective implementation of the acquis in the field of nature protection"



Resen Municipality

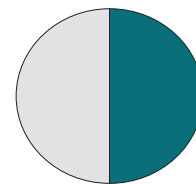
Other sources of co-financing:
 EU grant, implemented by UNDP & EU Twinning project



Public Institution Galicica National Park (PIGNP)

Other sources of co-financing:
EU grant, implemented by UNDP "Protecting Nature for a Sustainable Future – improving the management of protected areas"

Own contribution



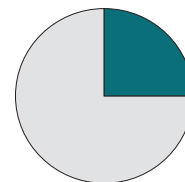
50%

Public Scientific Institution Hydrobiological Institute Ohrid (HIO)

Other sources of co-financing:

N/A

Own contribution



25%

Protection and Preservation of Nature Environment in Albania (PPNEA)

Other sources of co-financing:
Aage V. Jensen Charity Foundation

Own contribution

N/A

Macedonian Ecological Society (MES)

Other sources of co-financing:
Aage V. Jensen Charity Foundation

Own contribution

N/A



SOLID FUNDING BASE

With an additional endowment of €5 million from the German Government, the total capital input for PONT amounts to €33.2 million from MAVVA 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 its 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 North Macedonia. A smaller portion may also be used to cover PONT operating expenses.

The MAVVA 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 MAVVA’s endowment can be used for any purpose that supports our mission.



GOVERNANCE

Supervisory Board

Lynda Mansson, Director General of MAVA Foundation

Demetres Karavellas, CEO of WWF Greece

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

David Morrison, leading PONT's Investment Committee

Gabriel Schwaderer, Executive Director of EuroNatur

Management Board

Mirjam de Koning, Executive Director

Staff

Suela Mehmeti, Office Manager

Oliver Avramoski, Grants Coordinator

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.

The Investment Committee, which is a committee under the PONT Supervisory Board and led by one of the Supervisory Board members, makes the overall decisions regarding 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 global 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.

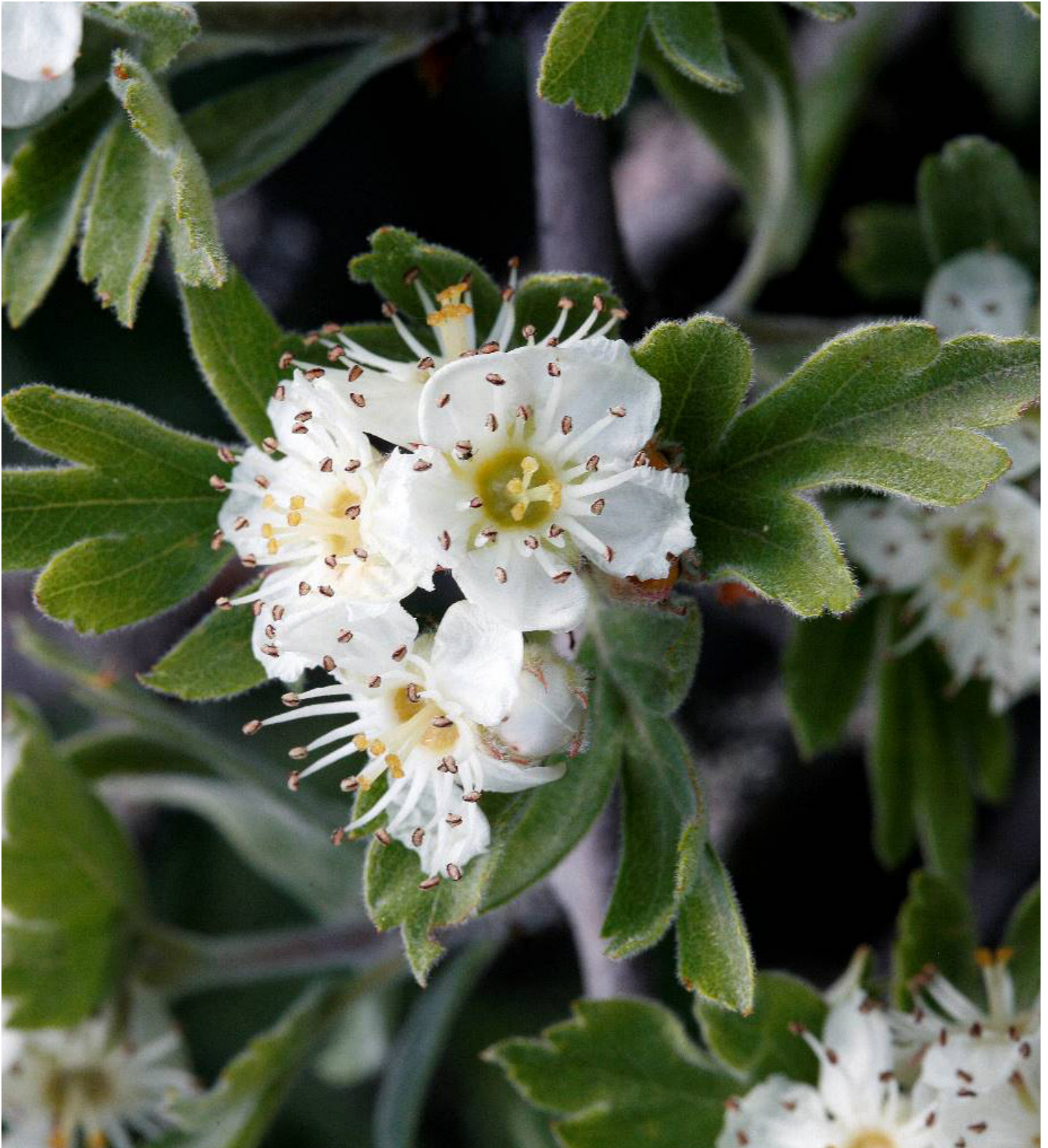


ACKNOWLEDGEMENTS

A special thank you to Nina Smith and Ronny Dobbelsteijn for providing us with pro bono support for our public relations, IT and communications.

Many thanks to Thomas Eisenbach and Frank Mörschel of the KfW for the successful facilitation of an additional endowment of €5 million from the German Government.

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. We would also like to thank all our cooperation partners for their co-financing contributions.



FINANCIALS

Total assets as at December 31 2018 amounted to €31.6 million. This marks a €4.1 million increase compared to December 31, 2017 reflected in PONT's equity, and caused by an increase on the endowment capital of PONT, with KfW/BMZ having contributed an additional €5 million in 2018. Together with the initial contributions to the endowment from KfW/BMZ and MAVA, the foundation capital now totals €20.6 million.

MAVA Foundation and KfW/BMZ made contributions to PONT's funding capacity reserve in 2016 totalling €12.6 million (of which €6.6 million from MAVA and €6 million from KfW/BMZ). The funding capacity reserve contributions were made as "sinking funds" to be spent over the period to 2030. After the utilization in 2018 of the MAVA and KfW sinking funds, utilized as discussed below, a balance of €10.5 million remained at the end of 2018 (€5.1 million in the MAVA sinking fund and €5.4 million in the KfW/BMZ sinking fund).

In line with the prior year, the miscellaneous provisions amounted to €65,837 reflecting 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 (€22.5 million), cash (€6.5 million) and miscellaneous assets reflecting principally an investment in progress (€2.5 million), as PONT's capital continued to be gradually invested over the course of 2018.

SUMMARY OF BALANCE SHEET					
€ 000s / December 31					
<i>Assets</i>			<i>Equity & Liabilities</i>		
	2018	2017		2018	2017
Fixed Assets:			Equity:		
Property Plant & Equipment (office furniture & equipment)	1	1	Foundation Capital	20,600	15,600
Financial Assets (Investment Securities)	22,518	18,778	Reserves:		
			Funding Capacity Reserve MAVA	5,114	5,754
			Funding Capacity Reserve KfW	5,360	5,550
			Saving Reserve	407	300
Current Assets and Prepaid/ Deferred Items:			Funds Carried Forwards	9	174
Accounts receivable & other	2,539	43	Provisions and Liabilities:		
Cash & Cash Equivalents	6,503	8,656	Miscellaneous Provisions	66	64
Prepaid Expenses & Deferred Charges			Trade accounts and other	6	37
Total Assets	31,561	27,478	Total Equity & Liabilities	31,561	27,478

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.

- PONT's "above the line" spending sources include current use income in the form of the interest and dividend earnings and capital gains on our investments, as well as a smaller amount of donations.
- As mentioned in the description of the balance sheet, PONT received separate "sinking funds" contributions in 2016 from MAVA and KfW that are reflected in reserves. Utilization of the sinking funds is reflected "below the line" in the income statement as a transfer from reserves. Given that today the sinking funds finance the bulk of the PONT programme expenditures, this means that PONT's income statement will continue to show a loss before reserves transfer until PONT's sinking funds are reduced and its income from investments and donations grows.

INCOME AND EXPENSES		
(amounts in Euro)		
NET REVENUE	2018	2017
Net Investment Income	307,282	378,725
Donations & Other Income	8,816	7,948
NET REVENUE	316,098	386,673
EXPENSES		
Programme & Programme support	1,005,217	775,889
Operating Expenses	198,486	206,217
TOTAL EXPENSES	1,203,702	982,106
NET INCOME (LOSS)	(887,604)	(595,433)
Transfer from Funding Capacity Reserve	830,313	751,000
Transfer to Saving Reserves	(107,680)	(289,724)
Funds Carried Forward from Prior Year	173,785	307,943
FUNDS CARRIED FORWARD BALANCE	8,814	173,785

Net Revenue

PONT's net revenue is composed of our Net Investment Income and our Revenue from Donations and Grants as shown in the table above.

The development of Net Investment Income is shown in the following table.

NET INVESTMENT INCOME		
(amounts in Euro)		
	2018	2017
Net Investment Income	617,878	529,321
Investment Expenses, Foreign Currency Loss & Withholding tax	310,597	150,597
NET INVESTMENT INCOME	307,282	378,725

Investment income from a combination of interest, dividends, fund distributions and capital gains of €617,878 was up 17% in 2018, as a higher percentage of our funds were invested over the course of the year. The combination of investment expenses, foreign currency loss and withholding tax increased 106% principally as a result of the strengthening dollar which resulted in increased foreign currency losses relating to hedges of a portion of our dollar exposure. As a result, net investment income of €307,282 in 2018 was off 19% compared to the prior year.

Donations and other income in 2018 reflects that current use donations, were up only slightly year on year to €8,816. Our 2018 donation is from WildArk and relates to the winning of the Pathfinder Award.

Expenses

Most of our expenditures are used for our core mission, namely grant and programme expenses, but a smaller portion goes to cover costs that directly support the programme and operating expenses.

PROGRAMME AND PROGRAMME SUPPORT EXPENSES		
(amounts in Euro)		
	2018	2017
PROGRAMME GRANTS & PROJECTS	907,207	726,310
Grants to NGO's	797,177	709,718
Grants to PAs	74,279	–
Consulting & Other Projetscs	35,751	16,592
DIRECT PROGRAMME SUPPORT	98,010	49,579
Programme Developement & Management Internal	98,010	49,579

Expenses for Programme Grants and projects reflect our grants for programmatic purposes and mission-related activities. Grants to NGOs include our continuing grant to the Greek NGO SPP (€690,000 in 2017 and €700,000 in 2018) as well as smaller grants to NGOs in North Macedonia and Albania. These latter increased in 2018 to €97,177 (12% of the total), from €19,718 in 2017.

In 2018 we began our programme of support to PAs in North Macedonia and Albania with our first grants to five protected areas in those countries. The increase in our consulting and other projects grants increased in 2018 as the grant/consulting programme has developed and we strengthened our support for transboundary coordination.

The Programme Development and management (internal) expense reflects staff salary allocations to the development and management of our programme as well as travel costs related to our programme, and the costs of running our office in Tirana. Expenses increased by 98% in 2018 as our dedicated staff expanded. In the future, we expect to report on external programme management expense as external monitoring of our programme begins.

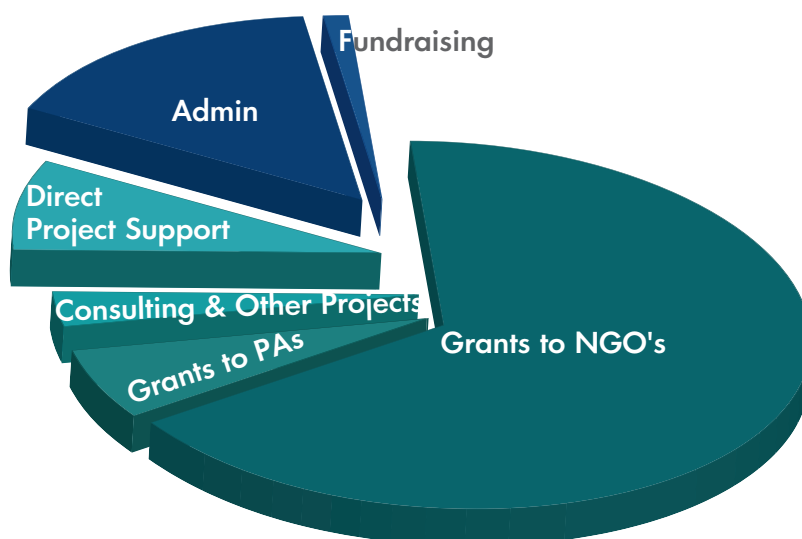
OPERATING EXPENSES		
(amounts in Euro)		
	2018	2017
Administrative	187,402	198.018
Fundraising	11,084	8,199
RATIOS	16,5%	21%

The Operating Expenses of PONT reflect our administrative and fundraising costs. The Administrative expenses consists mainly of bookkeeping, financial reporting and audit, legal and similar costs in Germany and Albania, including the cost of support of the Nature Trust Alliance's (NTA). In 2018, PONT managed to control administrative expenses well (-4,5%) despite the increase in our programme work.

Fundraising expenses include mainly the allocation of the salary of the executive director according to the time dedicated to fundraising activities as well as the fundraising travel expenses.

In order to evaluate our efficiency and to assess cost effectiveness of our programme delivery, in accordance with best practice for foundations, PONT monitors its operating expenses as percent of its total expenses. The result for 2018 is an operating to total expenses ratio of 16,5%. We are pleased that PONT has become fully operational in only its third year of operations, and that we have already managed to reach our goal to reduce this percentage to below 20%.

EXPENSES OVERVIEW



Net Income and Funds Carried Forward

In 2018, PONT's ordinary income and expense items generated a net loss of €887,604 before transfer from the reserves. This transfer added €830,313 in revenue, so that 2018 funds available to transfer to free reserves amounted to €107,680 (as discussed in the next paragraph). After offsetting the carry forward from the prior year, €8,814 remained to be carried forward to 2019.

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 up to one third of our investment income (including capital gains) 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.

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 current or even higher levels, and for the long term, as the sinking funds are consumed.

Investment Returns

PONT's income statement reflects investment income in the form of dividend and interest income and realized capital gain or loss but does not reflect the underlying increase or decrease in the value of its investment portfolio (unrealized capital gain or loss). PONT follows closely the total return on its investment portfolio (the combination of earned income and realized gain or loss and the unrealized gain or loss). In 2018, the net investment income combined with a decrease in the market value of our investments (which is not shown in the income statement) and resulted in an overall return on our invested assets of -3.9%. From the inception of our investment program in January 2017 to the end of 2018, we have managed an overall positive return on our invested assets of 1.5% (0.8% per annum).

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