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Funding Options To Support Sustainable Development and Conservation in Pacific Island Countries

South Pacific Regional Environment Programme

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Foreword

The never-ending search for new and additional funds to support sustainable development and conservation is a major challenge facing the small Pacific island countries. While donor governments and lending institutions are cutting back on aid assistance to encourage self-reliance among developing countries, it is a daunting challenge for small island nations to find other options to support development and conservation initiatives.

The South Pacific Biodiversity Conservation Programme (SPBCP) has recognised that the sustainable use of natural resources in conservation areas is key to the long-term protection and wise management of these resources. To do this, however, appropriate mechanisms are needed to support sustainable development and conservation activities by the communities that own and use the resources in these areas.

Establishing Trust Funds is a potential solution, but there is unfortunately an evident lack of information and examples, especially in the Pacific region, to guide decisions and plans for establishing and operating these Funds. This report aims to provide information about the various forms of Trust Funds operating in and outside the Pacific region, to help determine how appropriate they are as viable options for the long-term support for sustainable development and conservation initiatives in Pacific island countries.

We are grateful to Mr Bing Lucas for putting this report together at such short notice. His considerable knowledge of resource development and conservation issues in the Pacific, as well as his immense and impressive international reputation in nature conservation, made him the obvious choice for this difficult task. This report provides SPREP with much useful information in guiding future campaigns in search of new resources, and in developing appropriate and practical mechanisms for supporting sustainable development and conservation in the region.

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Director
South Pacific Regional Environment Programme

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Note: Unless indicated otherwise, financial figures quoted in this report are in United States dollars.

Abbreviations and Acronyms

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
EAI	Enterprise for the Americas Initiative (US Government)
EU	European Union
GEF	Global Environment Facility
GET	Global Environment Trust Fund
FAO	Food and Agriculture Organization of the United Nations
GINEF	Global Initiative for National Environmental Funds (IUCN)
GTZ	German Agency for Technical Cooperation
IDB	Inter-American Development Bank
IUCN	The World Conservation Union
NEF	National Environmental Fund
NEMS	National Environmental Management Strategies
NGO	non-government organisation
NZ	New Zealand
NZODA	New Zealand Official Development Assistance
RETA	Regional Environmental Technical Assistance
SPBCP	South Pacific Biodiversity Conservation Programme
SPREP	South Pacific Regional Environment Programme
TNC	The Nature Conservancy
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organization
US	United States of America
USAID	United States Agency for International Development
WCED	World Commission on Environment and Development
WWF	World Wide Fund for Nature, World Wildlife Fund

1. The Funding Problem

1.1 Introduction

The ongoing funding of sustainable development and conservation projects, once the externally supported establishment phase is completed, is a cause of concern for the South Pacific Regional Environment Programme (SPREP). This Programme, based in Apia, Western Samoa, serves 26 member countries and has taken many initiatives for the establishment and effective management of conservation areas in support of sustainable management of resources. Among these initiatives has been the organising of successive South Pacific Conferences on Nature Conservation and Protected Areas in Apia, Western Samoa in 1985; in Port Vila, Vanuatu in 1989; and in Nuku'alofa, Tonga in 1993.

1.2 The South Pacific Biodiversity Conservation Programme

The South Pacific Biodiversity Conservation Programme (SPBCP) is funded by the Global Environment Facility (GEF) to provide financial and technical assistance for biodiversity and conservation activities in the Cook Islands, the Federated States of Micronesia (FSM), Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu and Western Samoa. Other member countries of SPREP may participate in SPBCP-supported activities although they will not be able to receive support from the GEF.

SPBCP is a five-year endeavour to establish and initially manage a series of large, diverse Conservation Areas, in which human activities will be guided to protect important ecological features, and to permit sustainable use of the areas' natural resources.

1.3 Conservation Areas

Each of the fourteen participating countries was invited to propose one "conservation area" for support under the Programme. Proposals were required to meet clearly enunciated Selection Criteria as follows, with all criteria in Category I to be met and at least one criterion from Category II:

Category I selection criteria (essential)

(a) The proposed area must contain nationally or regionally significant examples of one or more ecosystems of global conservation concern, such as tropical rainforest, mangroves, wetlands, lagoons and coral reefs, and must be large enough to maintain their viability.

(b) The project must be achievable and exhibit a high degree of commitment by landowners, residents, resource users and other potential partners in the conservation area project.

(c) The proposed area must be sufficiently large and complex to encompass a wide range of the interactions among people and natural resources prevailing in the country.

Category II selection criteria (at least one of these must be met)

(d) The proposed area should contain high levels of biological diversity and ecological complexity, represented by a number of major environments, diversity of ecosystems, and/or large numbers of genera and species of plants and animals;

(e) the proposed area may be important for the survival of endemic species, or of species that are rare or threatened nationally, regionally or globally; and/or

(f) the proposed area may be threatened by destruction, degradation or conversion.

Providing for the conservation of biodiversity while allowing for the utilisation of resources in a manner which is sustainable in the long term, conservation areas under the SPBCP fit broadly into Category V in the categories of protected areas identified globally by IUCN (The World Conservation Union).

The SPBCP Secretariat is part of SPREP and the 1993–94 Annual Report of SPREP says that ten submissions were received from nine countries and all but one of the proposals were approved for SPBCP support by the Programme's Technical and Management Advisory Group (TMAG) in February 1994. The countries concerned were Fiji, Federated States of Micronesia, Kiribati, Niue, Palau, Solomon Islands, Tuvalu, Vanuatu and Western Samoa. The report says that SPBCP staff, collaborating government officials, NGOs and representatives from the landowning communities are now working together to develop and implement the proposals. The report adds that "if all nine areas are successfully developed and managed under the SPBCP, it will be a momentous target, one not met by the region in the last fifteen years".

The SPBCP is scheduled to run to April 1998 or until the funding runs out. It is the question of what happens at that time that prompted SPBCP to seek advice on options for continuing funding of Conservation Areas after the programme has come to the end of its operating life.

While it is the SPBCP which has prompted the concern, the problem is clearly one which exists with protected areas in many situations in many countries which may not be able to sustain the input necessary to bring such areas to a point where they are financially self-sustaining or to support those areas where it is simply not possible to reach a point of financial sustainability.

1.4 Action Strategy for Nature Conservation in the South Pacific Region 1994–1998

The problem is recognised in the Action Strategy for Nature Conservation in the South Pacific Region 1994–1998 (SPREP 1994a) where Objective 2 is:

> To develop and advocate appropriate mechanisms for the sustained support of conservation and sustainable resource management activities at the local, national and regional levels.

Elaborating on this, the text says that "there is general recognition that achieving conservation and sustainable development goals will require substantial investments initially and in the long term". It points out that while most conservation activities in the region are supported by donor countries and organisations, donors are "hesitant to commit to the ongoing support needed to build and sustain effective conservation programmes on the ground".

The Strategy says that "funding agencies need to be encouraged to provide reliable support for long-term conservation goals". It also says that "at the same time, there is great interest in developing site-specific and national funding mechanisms that can eventually provide financial independence for at least some conservation and sustainable resource management projects and programmes".

The philosophy in this is stated as "a general consensus that the costs of conservation should be shared by all the communities that benefit from it: local, national and international. Each of these sources should contribute to the long-term support of conservation agencies and programmes in the Pacific. To accomplish this, new funding initiatives and other forms of support must be developed".

The Strategy identifies local and national key actions which include:

- establishing appropriate in-country and site-specific sources of new revenue dedicated to support conservation and sustainable resource management with possible sources of income from nature-based enterprises, resource rentals and/or royalties, user fees, environmental bonds and special taxes for visitors;
- developing trust funds that can help ensure the long-term viability of local and national conservation programmes.

The Strategy also identifies, among the Regional and International Key Actions, working with countries to secure support from multilateral and bilateral donors for establishing trust funds to ensure long-term security for conservation and sustainable resource management programmes.

This consultancy is a response to the need for continuity of funding.

2. Internally Generated Funding Options

2.1 Introduction

For conservation and sustainable development activities to function effectively in the long term, reliable sources of financing must be found. A central problem is that it is often easier to obtain funds for the establishment of protected areas than for their ongoing management. However, funding by appropriate methods for institution-building and ongoing management of existing areas should take precedence over specific project funding.

The Action Strategy for Nature Conservation in the South Pacific Region 1994–1998 (SPREP 1994a) said that "there is a general consensus that the costs of conservation should be shared by all the communities that benefit from it: local, national and international. Each of these sources should contribute to the long-term support of conservation agencies and programmes in the Pacific". The Strategy went on to propose the establishment of appropriate in-country and site-specific sources of new revenue dedicated to support conservation and sustainable resource management.

This section discusses local and national sources of funding and covers a variety of approaches used throughout the world to generate funds in-country for the ongoing management of protected/conservation areas.

2.2 Main sources of funds

2.2.1 Government subventions

Historically, direct government funding through annual appropriations has been the major source of funding for establishment and ongoing development and management of protected areas, especially on State-owned land, and where the emphasis is on nature protection. However, as marrying conservation and sustainable use of resources has gained greater currency and management aims to supplement the efforts of landowners/occupiers, government support has been provided through grants and subsidies for conservation/recreation measures on areas such as "protected landscapes" (IUCN Category V), which largely equate to the SPBCP "conservation areas".

The IVth World Congress on National Parks and Protected Areas in 1992 (IUCN 1994) reached a consensus that, as a general rule, governments should be expected to shoulder the major burden of protected area programmes. Congress Workshop 1.13 on funding mechanisms for protected areas took the view that national public funds for protected areas should be allocated from the national tax base, following the concept that the beneficiary pays, that is, the environmental goods and services provided by protected areas are national assets which should be included in national accounting systems. Furthermore, government agencies such as hydrologic services, public works, land reform and planning agencies, as well as universities and private investors (concessionaires), are important co-investors in protected areas.

Inclusion of protected areas management in the governmental budgeting process facilitates integration into national development planning, lessening the danger of marginalisation. Reliance on government support allows overtaxed managers to concentrate on management rather than fundraising.

However, in most countries, the competition for the tax dollar is so great that government funding for protected areas is almost always inadequate for effective management and must be supported from other sources. Concern has also been expressed in some regions of the world that heavy dependence on government support also fosters protected area management becoming politicised and vulnerable to changes in government emphasis. In the face of chronic budgetary shortfalls, protected area managers can find themselves vying with other bureaucrats for political support.

A major problem for protected areas is that their benefits are often difficult to quantify. Nevertheless, because of the central importance of systems of protected areas to the environmental social and economic wellbeing of a country, it is the generally accepted view that governments should play a key part in establishing and managing protected areas.

This is recognised in international conventions, under which governments accept obligations to maintain natural and cultural values within their sovereign territory. Examples are the World Heritage Convention, the Ramsar Convention relating to wetlands of international importance, and the Biodiversity Convention. Additionally, if a government seeks to attract funding to support its protected areas, it needs to satisfy prospective donors that it is doing all it can to provide basic funding from its own resources.

Clearly, while governments need to establish and

maintain budget lines for conservation management, there will generally be a need in the Pacific to supplement these by other sources of income.

2.2.2 User fees and commercial concessions

The Action Strategy for Nature Conservation in the South Pacific Region 1994–1998 (SPREP 1994a) identified as potential sources of income, user fees for recreational activities such as sport fishing, diving, nature-based tourism, and from nature-based enterprises such as handicrafts and food products.

In those protected areas which attract visitors and/or provide other services, most governments encourage the generation of income on site. In some cases, legislation and/or practice provides for this income to be retained either for site management or for pooling for management of the national system of protected areas.

In other cases, income goes straight into the national treasury, giving less incentive for the protected area management agency to generate revenue. It is hoped that, even in that situation, the fact that protected areas generate income is taken into account when it comes to allocation of government funding.

In some situations, some income from user fees is allocated for the support of local communities, especially where those communities have had their use of the area's natural resources constrained by the establishment of the protected area.

It is, of course, only realistic to expect to generate significant income from public use of a protected area if the area has sufficient interest or attraction to bring in visitors. Clearly, not all sites established primarily to conserve biodiversity rather than protect spectacular sights and species will attract visitors. Additionally, income from user fees requires information and collection mechanisms and there is a need to ensure that the cost of collection does not outweigh the amount collected.

However, there is a strong incentive for management to look carefully at mechanisms of applying the "user pays" principle to protected areas, especially where the income generated can be retained by the managing body and used for purposes such as general operating expenses — expenses often difficult to finance from other sources.

The 1992 World Parks Congress (IUCN 1994) concluded that the term "user fees" covers a broad spectrum of possibilities. Site-level options include entry fees collected as visitors arrive. Admission fees are charged for special attractions, such as museums or botanical displays, and fees can be charged where specific facilities or services are provided, such as parking, camping and picnicking facilities and guiding.

Protected area agencies sometimes carry out their own marketing operations, especially where they have suitable outlets such as visitor centres. Here they may stock publications relevant to the protected area and souvenir items which may range from craft items to T-shirts, caps etc. which carry the area's name and logo. If visitor numbers are sufficient, revenue from sales can be significant and sales items can also be useful promotional tools, especially in building a base of public support.

In some countries, particularly in parts of Africa, the managing bodies of parks themselves provide accommodation, food and lodging services. In most situations, however, these services are provided by the private sector and take the form of commercial concessions if they operate inside the protected area.

Commercial concessions are arrangements by which the private sector, through either local or outside operators, is authorised to provide services to visitors under licences or agreements subject to conditions which avoid adverse impact to the site and provide for payment of concession fees to the protected area management agency. Usually there are agreed procedures established for the offering of concessions by public competition with conditions to protect both the interests, health and safety of the public and the interests of the area.

Concessionaires may provide a range of services including lodging, food and beverage, guiding, boats for diving or fishing, fees for yachting services including moorings etc. They generally pay a licence fee for the right to operate in or from a protected area and pay additional sums which may be fees on a per person basis or may be payments as a percentage of gross income from the operation.

A useful mechanism for collection of entry fees is to make it a condition of appropriate concessions that the concession operator collect the fee on behalf of the management agency.

Care needs to be taken as when charges are levied on access and goods and services that had previously been free, resentment can result among local residents and users, reducing local support. Full community involvement in developing fee systems and a clear understanding of their purpose can reduce this risk.

It is easier to gain acceptance of fees if mechanisms are in place to ensure that the fees collected are used for management of the area and not returned to the national central treasury. In this respect, it was a recommendation of the 1992 World Parks Congress (IUCN 1994) that revenue generated from tourism in protected areas be reinvested in protection and management of the resource.

Chile's protected area system receives about 20 per cent of its annual budget from locally generated

user fees, tourism licences etc. and New Zealand would be in a somewhat similar situation. Much of the funding for parks in Ecuador comes from entry fees and tour operator licences charged by the much visited Galapagos National Park.

Although nature-based tourism or ecotourism is of growing importance worldwide, few protected areas can generate high levels of income. Most protected areas have limited tourism potential owing to lack of infrastructure, difficulty of access, political instability, ineffective marketing, or simply the absence of spectacular or readily visible natural features. The investments required to develop nature tourism and, subsequently, to generate income from user fees, depend on the place, type of experience offered, and tourists targeted. At most sites the development of basic infrastructure, facilities for visitors, interpretive programmes, and systems for collecting entrance fees to the parks have to be set up, and mechanisms to evaluate the environmental and socio-economic impacts of tourism established. Infrastructure outside of protected areas, such as transportation and communication links, is also important to make it possible for people to visit areas which may be remote and difficult of access.

Antoine Leclerc of Parks Canada, writing in *PARKS* magazine on user fees, reached these conclusions:

- Implementing a user fee system is a major project, and leadership must come from the agency's top management.
- The project must be handled openly, and internal communication must be favoured at all levels. Dialogue with all the stakeholders is a key factor for success.
- Because user fees constitute a delicate and controversial issue, both internally and externally, it must be managed very rigorously.
- The programme is much more likely to be accepted both by the staff and the potential clientele if the revenues from user fees are reinvested in whole or in part in the parks.
- Because the expenses connected directly and indirectly with the user fee programme will almost inevitably appear suspect or totally inappropriate in the eyes of many, it is essential that operations in this area be particularly efficient.
- There is no perfect user fee system; we have to choose the one which is the least imperfect.
- User fees represent a complex management challenge which must be approached rigorously and methodically, but also with humanity, since setting up a user fee programme requires substantial modifications, on the part of both the affected groups and those who serve them, of their very way of looking at the world.
- However, once in place and weathered, a sound user fee programme can rapidly become a tremendous asset for any conservation/parks agency, giving it autonomy and resources to achieve otherwise impossible goals.

Other writers have made the valid point that user fees are not appropriate for very small or little used areas, where the cost of collection can exceed the amount collected.

A majority of Pacific island protected areas would fall into this latter category, although there will be some areas accessible and attractive to visitors where there will be a case for entry fees. This is especially so where commercial concessions operate and fees can be collected by the operator and remitted to the management agency or, alternatively, concessions fees can be set to take an entry fee into account.

2.2.3 Individual donations and corporate sponsorship

Individual donations, whether specifically targeted, solicited through "Friends" type support organisations, or in the form of volunteer services, are increasingly used to supplement other sources of income. This type of support can be sought from those who see themselves as stakeholders, for example neighbouring landowners, regular visitors, and tourism businesses. Donations provide a way to lessen reliance on government support or external assistance. Potential private donors require intensive "cultivation", with support generally building slowly.

This approach has been most successful in those countries which possess significant wealthy populations or which cater to an upscale tourist market. Since promotion is critical, those countries with the more attractive or "interesting" protected areas or species also have a greater chance of success.

Corporate sponsorship is another approach which is being used successfully in a number of countries but is, of course, a highly competitive field as the protected area management agency seeking corporate sponsorship will be in competition with sports, cultural and other causes also seeking sponsorship.

At the request of SPREP, the New Zealand Department of Conservation tabled at the Seventh SPREP Meeting in Kiribati in October 1994 draft Sponsorship Guidelines for environment and conservation departments in member countries (SPREP 1994b).

The draft identified the guidelines below for sponsorship projects to ensure that conservation and environmental objectives are not compromised:

- Sponsorship should be targeted at projects other than those that would normally be undertaken by the management agency through Government funding (that is, not "core" work).
- Sponsorship projects should be of high priority.
- Projects should have clearly defined objectives

and implementation procedures to allow for monitoring and evaluation.

- All sponsorship contracts are unconditional, that is, the management agency will not compromise its conservation/environmental role.
- Sponsors whose operations have major negative impacts on the environment must produce evidence that they are implementing procedures to significantly reduce those impacts as a requisite of the sponsorship contract.
- Companies that contravene government policy will not be considered suitable sponsors.
- No tobacco or alcohol company will be accepted as a sponsor for projects or programmes targeted for children.
- There shall be no direct conflict between the activities of a sponsor and the conservation/environment mandate of the management agency.
- Negotiations will be treated as commercially sensitive information and will be regarded as confidential. Final sponsorship agreements, however, will be publicly available documents.
- All publicity related to a sponsorship must be approved by the management agency prior to its release.
- Funds for publicity should be additional to the amounts available for the sponsorship project.

Nepal's National Conservation Strategy, being implemented in cooperation with IUCN, has a component which identifies specific sites of heritage importance and invites sponsorship both in-country and externally.

This field of donations and sponsorship offers some scope to generate income in some countries of the Pacific but requires the management agencies seeking donations and sponsorship to have a clear policy in place and to undertake negotiations and control revenue in a professional manner to give confidence to donors and sponsors.

2.2.4 Special taxes

The Action Strategy for Nature Conservation in the South Pacific Region 1994–1998 (SPREP 1994a) identifies as possible sources of revenue for conservation and sustainable resource management "special taxes for visitors/tourists — e.g. addition to airport tax, hotel room tax, aviation fuel tax".

While taxes on a range of economic activities may be considered as sources of income to fund protected areas or, more generally, to finance environmental policies and practices, the most obvious source to be considered for protected area funding is tourism.

In this respect, the 1992 World Parks Congress (IUCN 1994) recommended that countries should consider imposing a tax on inbound tourists, the proceeds from which should go into a fund dedicated exclusively for conservation of biodiversity.

While this concept has been a goal of protected area management agencies for some time now, the cases where taxes in association with tourism are applied directly to protected area funding are few and far between. In fact, a study of recent literature reveals only one example, that of Colombia whose protected area system receives 35 per cent of its national budget from a tourism tax.

However, in the Pacific, the Cabinet of the Cook Islands supported such a fund solely for environmental activities. Generally, though, it appears that in most cases where there are taxes or levies associated with visitors, such as tourist taxes, bed taxes or airport taxes, they are either used as general revenue, for general tourism purposes or for airport development.

A tax on tourists remains a potentially very valid mechanism to use in the Pacific to fund conservation and sustainable development. It is relatively simple and inexpensive to collect through the mechanisms identified in the South Pacific Action Strategy (SPREP 1994a). It is clearly a matter for governments in the Pacific to consider and put into action as the cost to visitors would be small in relation to the cost of travel to the country concerned.

2.2.5 Resource rentals and/or royalties, environmental bonds

The Action Strategy for Nature Conservation in the South Pacific Region 1994–1998 (SPREP 1994a) identifies as possible sources of revenue to support conservation and sustainable resource management "resource rentals and/or royalties — e.g. commercial fishing, logging, mining" and "environmental bonds to ensure responsible resource use by development and resource extraction projects".

In the World Bank publication *Conserving Biological Diversity: A Strategy for Protected Areas in the Asia-Pacific Region* (1992), the authors say that "natural resource levies are already used to capture excess rents or profits from timber extraction and to channel them to other uses. In Indonesia, for example, the government has a surcharge of $4 per cubic meter of timber that is used to subsidise the development of timber plantations".

The World Bank report goes on to say that a surcharge of this type could also be used to finance biodiversity protection in part, or to compensate local governments for revenues foregone when forest resources are set aside for biodiversity and watershed protection. Through such levies and resource transfers, the Bank says that incentives for extraction and protection can be gradually brought into balance. For example, the levying of taxes on timber is seen as a means of reversing

forestry policies which place a low value on intact forests and sees forests as a means of gaining short-term economic gains rather than managing them sustainably for their long-term economic and ecological benefits.

The World Bank says that "Papua New Guinea has discussed an even broader natural resource levy in which all natural resource extraction would be taxed and a fund established to promote environmentally and socially sound natural resource management by local clans. Support for the development of such a fund and the design of mechanisms to make it work is under consideration by the GEF". A current project provides for the development of such a proposal.

At present there is no dedicated tax or levy for conservation in Papua New Guinea but there is significant mining and timber revenue which goes directly into the government's consolidated account. Most recent available annual figures show that the mining sector contributed $260 million and timber something in the order of $140 million. Export taxes for round logs are based on species and average about 32 per cent per cubic metre although some species such as kwila attract 46 per cent.

Timber levies can be a fruitful source of political debate as the Solomon Islands experience shows. Until July 1994, there was a flat rate of 35 per cent per cubic metre export duty which was then replaced by a two-tier arrangement of 35 per cent on fob prices up to $250 per cubic metre and 65 per cent above that amount. This led to criticism by the industry which pressed to have the rate reviewed downwards, arguing that the high levels would stop logging rather than reduce it to levels that were sustainable. In October 1994, a new rate of 50 per cent was set and a new levy of 7.5 per cent was established to be paid to the resource owners to achieve a more equitable return to them than that provided by royalty payments. With a change of political leadership in November 1994, the duty was revised downwards to a flat rate of 35 per cent. The levy was retained and placed in trust for the resource owners for activities such as reforestation.

The concept of the levy in trust for sustainable management now in place in Solomon Islands illustrates the possibilities that exist to use income from extractive industries to fund sustainable resource management either directly or through establishing a trust fund.

Two additional points need to be made on the question of resource levies.

The first is that, if taxes are to be levied on timber harvest or export, it is important to give adequate notice of intention to avoid economic disruption, to have a practical method of assessing and collecting the levy, and a clear understanding of how receipts from the levy are to be applied.

The second is that it is important for a country's environmental credibility, that if the country is seeking international funding in support of biodiversity conservation and sustainable development, either by way of project funding or establishing a trust endowment fund, donors are likely to judge the country's commitment by the extent to which it is prepared to allocate income from resource levies to conservation activities.

A system of performance bonding to ensure responsible development behaviour is important but the concept of a bond is essentially designed to provide for remedial work to be financed if the developer defaults in meeting the conditions of the authority given for the development. The concept can work to advantage in terms of natural resource sustainability if, for example, timber companies were required to pay reforestation bonds, refundable once the forest logged had regenerated satisfactorily and reached a specified age.

Forestry can play an important role in removing and storing carbon from the atmosphere, in national and international efforts to address global warming caused by the increased emissions of greenhouse gases. This role can provide new funding opportunities for forestry activities implemented jointly between developed and developing countries. Although still a relatively new initiative and implemented at a pilot scale so far, it has the potential to develop into a major source of funds, as well as a major marketable commodity.

2.2.6 Charges for environmental services from protected areas

Charges for the use of protected areas other than user fees are sometimes used as financing mechanisms. For instance, a water user's fee is levied in St Lucia in the Caribbean and the funds collected are remitted to the Division of Forestry for watershed protection.

Following the same principle, the World Bank has suggested that works such as dams which may have adverse environmental impacts could be tapped to provide a sustainable revenue stream for conservation, particularly of surrounding watersheds. The Bank considers that there is significant scope for such development/conservation linkages.

Another longer term potential source of income for protected areas is from the genetic resources they conserve. These include medicinal plants, varieties of crops and livestock, and their wild relatives that may be valuable because of the genes they contain. At present, the benefits from these resources go almost exclusively to private, often multinational companies, but they could be a valuable source of

financing for biodiversity conservation. This concept is an important part of the planned operation of the Biodiversity Convention.

The World Bank cites an existing example in its 1992 publication *Conserving Biological Diversity: A Strategy for Protected Areas in the Asia-Pacific Region*. The authors say that "Costa Rica has signed an agreement with a multinational pharmaceutical company under which a newly established Costa Rican institute, INBIO, will collect plant species and carry out preliminary screening for their potential pharmaceutical use. As a part of this contract, Costa Rica will receive a 5 per cent share of the revenues of any commercial product that might eventually result — a potentially enormous sum. The importance of deriving value from and adequately protecting genetic, as compared to biological, resources is still a relatively new area. It could, however, represent an innovative and valuable source of financing for biodiversity conservation".

2.2.7 Foundations and conservation NGOs

Funding support for in-country conservation from private foundations and local, national and regional conservation NGOs occurs in many developed countries but it is too early in the development of Pacific island countries to expect significant income from this source.

A framework for selection of appropriate funding mechanisms covering both in-country and international sources was developed by Tighe Geoghegan, a director of the Caribbean Natural Resources Institute (CANARI), and has been reproduced by both IUCN and the Inter-American Development Bank. Table 2.1 provides this as a useful summary of the previous and following sections of this report.

Table 2.1 Framework for selection of appropriate funding mechanisms

Mechanism	Conditions required	Constraints
Government subvention	Participation and lobbying in budgeting process. Encourages political interference.	Usually inadequate for full management.
International assistance agency	Government request. On-going relationship or cooperative agreement.	Generally not available to NGOs. Usually not flexible: requires preparation of and adherence to project document. Can require use of foreign consultants.
Foundation grants	Prospect research, initial inquiry, proposal submission, and follow-up.	Generally not available to governments. Usually not flexible: requires preparation of and adherence to project document. Limited field of interest of most foundations.
Donations and membership associations	Personnel and mechanisms for making requests and following-up.	Generally only available to NGOs.
User fees	Provision of 'valued' services. Personnel and system for collection. Legislation or regulation (sometimes).	System must be set up to assure that fees available to management agency; not returned to general fund.
Souvenir sales	Retail outlets. Funding to manufacture sale items.	Can only be expected to provide small percentage of total revenue required; useful in conjunction with other mechanisms.
Concessions	Sufficient market for services offered. Personnel and system for monitoring and collection. Infrastructure (usually).	Can be perceived as competition with existing businesses in area. Requires cost/benefit analysis prior to implementation. Can result in pressure to exceed carrying capacity.
Debt swaps	Discounted commercial debt for sale. Source of capitalisation. Agreement of government. Involvement of experienced advisors.	Not worthwhile if debt discount minimal.
Trust funds	Source of capitalisation. Professional involvement in investment and management. Governing Board and management body.	Implementation and management require NGO or private sector involvement. Capitalisation must be at least 10 times required annual income.
Nature tourism	Attractions appealing to ecotourism market. Relationship with tour companies. Personnel and other support resources. Mechanisms for capturing portion of revenue.	Little initial return; follow-up required. Need to break into market; industry now focusing on other regions. Can result in pressure to exceed carrying capacity.

3. Externally Generated Funding Options

3.1 Mobilising financial resources

The previous section summarises the options most commonly used in-country to increase financing for biodiversity conservation. However, as the South Pacific Action Strategy (SPREP 1994a) points out, there is a general consensus that the costs of conservation should be shared by all the communities that benefit from it and that includes the international community.

A workshop at the 1992 World Parks Congress noted the need both to improve the management of multiple use areas within and around protected areas and expand the network. The workshop noted that recognition of the need to provide for a sustainable living for local communities calls for a greater degree of management for many protected areas with resident communities. As a result, funding of "unmet needs" on an unprecedented scale is required both globally and regionally.

This has, of course, already been recognised by multilateral and bilateral agencies and the international NGO community and, for the Pacific, the SPBCP is one clear evidence of this.

This support from bilateral and multilateral assistance agencies and externally based NGOs has been critical to protected areas in the developing world over recent years. Because the support often includes capital improvement and technical assistance components, it has made detailed planning and establishment of infrastructure possible in several countries.

A major disadvantage is that international assistance is rarely long term and therefore cannot provide for ongoing management. It also tends to provide for large expenditures over a relatively short time frame. This can create problems for small local institutions in handling large influxes of funds and can raise expectations among local communities which cannot be sustained under continuing local management as many projects make no provision for sustaining the operation once the project ends.

In cases where technical advisers are not sensitive to the local environment, it can impose inappropriate continental and "developed world" biases and approaches. Additionally, a lack of coordination among the international agencies and the dependence on national priorities of recipient countries can inhibit a consistent approach within a region.

In this respect, the Pacific has an advantage over most regions of the world through the existence of SPREP as a coordinating body identifying conservation priorities in the regularly updated series of Action Strategies prepared since 1985. These provide an excellent framework for support from external funders. Additionally, the SPBCP provides a valuable mechanism for working with and through local communities in the establishment and management of "conservation areas" in a manner sensitive to the *Pacific Way*.

The existence of a well-developed Action Strategy is valuable. It is even more valuable when priority items in it have been costed in an endeavour to seek investment in its implementation. In this respect, it is helpful that the series of *National Environmental Management Strategies* (NEMS) prepared under SPREP for some member countries identifies and costs specific projects worthy of support.

3.2 The investment portfolio concept

The 1992 World Parks Congress Workshop 1.13 on funding mechanisms for protected areas concluded that successful procurement of funds by nation states calls for such action strategies being used as the basis for the preparation of investment portfolios which identify and cost priority and ongoing needs.

Specific recommendations included:

- The goal of an investment portfolio should be to set in motion a process that results in improved management of a nation's or region's highest priority protected areas.
- The definition of priorities should be achieved through a participatory process that involves the major protected area constituents, including institutions, communities, special interest groups, and concerned individuals, taking into account the cultural, economic and social context.
- The process should be built around the building of consensus on major issues, alternatives for action, priorities, and delivery mechanisms.
- Special care must be taken to design delivery mechanisms in which inputs from a variety of governmental, non-governmental, and private sources are harmonised for effective action.
- Central to the success of any protected area

investment portfolio is the development of programmes and mechanisms that assure the availability of trained personnel and the generation of adequate and stable revenue sources.

- Implementation of the process should be based on strengthening the management framework, through networking, monitoring and evaluation, institutional development, and funding mechanisms.

The investment portfolio approach could be a useful mechanism to consider for protected areas in the Pacific as, while there has been significant and valuable support from international sources, generally on a project basis, the need now is for ongoing support. It is here that new channels for international assistance (for example, trust funds and endowments) are important. These will be discussed in section 5 of this report.

First, it is desirable to summarise the more significant external sources of funding for protected areas, some of which are increasingly being used to establish trust funds in other regions of the world to provide long-term sources of finance.

3.3 The multilateral sector

3.3.1 An overview

The term "multilaterals" refers to the development banks (World Bank, Asian Development Bank etc.) and international agencies (for example, of the United Nations, European Union etc.) that support economic development by channelling resources from the developed world. These resources come as loans to central governments, grants, and support for private-sector activities.

In recent years, global support for conservation programmes from the multilaterals has increased significantly. When the development banks invest in rural development projects, they often find it beneficial to build in components to ensure the conservation of the biological resources upon which the projects depend in the long term. Major hydroelectric projects can often build in a significant component to establish a protected area in an upland watershed.

The major new thrust in multilateral collaboration to support protected areas and biodiversity conservation is the Global Environment Facility (GEF) managed by the World Bank in association with the United Nations Environment Programme (UNEP) and the United Nations Development Programme (UNDP).

Typically, a development bank grant or loan for establishment and maintenance of protected areas would come in the context of a major development project or support for implementation of a national conservation plan. This is because multilaterals generally operate on a large scale and cannot cope with numerous small requests for isolated needs such as participation in conferences, translations, publications or for ongoing operational costs. These should be planned for and made part of larger more comprehensive projects, with ongoing operational costs handled in appropriate cases through the provision of capital to establish trust funds with the income used to support operational costs.

Projects submitted to multilaterals usually must have the backing of the appropriate government agencies, and must generally be submitted by or with those agencies. There are exceptions such as the GEF-funded small grants scheme which is available to NGOs.

3.3.2 The World Bank

Most of the world's larger countries are members of the World Bank. Its primary mission is raising living standards in developing countries by channelling financial resources to them from developed countries.

Much of the funding available for protected areas from the World Bank is channelled through the Global Environment Facility (see section 3.3.3). However, almost 40 per cent of World Bank-financed projects claim that at least 10 per cent of their costs or benefits are in the environment sector. The Bank's Environment Department has a staff of 140 in the headquarters and four regional offices.

The Bank finances numbers of what it regards as "primarily environmental" projects. An example established in 1991 is Brazil's National Environmental Project. The borrower is the Federal Republic of Brazil and the executing agency is IBAMA (Brazilian Environmental Institute). The loan amount is $117 million, repayable in 15 years, with a five-year grace period, at the Bank's standard variable interest rate. It finances strengthening the central environment authority, including Brazil's national system of Conservation Units, and four state-level environmental protection agencies responsible for managing Conservation Units.

Over recent years, the World Bank has sought to increase NGO involvement in the operations it supports. Most projects with formal NGO involvement have been in rural development and most NGOs involved in these have been indigenous intermediary NGOs or grassroots groups.

3.3.3 Global Environment Facility (GEF)

The Global Environment Facility (GEF) was established in 1990 from a proposal by the German and French governments to create a multilateral environmental fund to assist developing countries with projects that protect the global environment. The GEF comprises a Trust Fund (GET), a Scientific and Technical Advisory Panel (STAP), and technical

assistance programmes. As mentioned earlier, the GEF is managed by the World Bank, UNDP and UNEP:

- UNDP is responsible for technical assistance and the small-grants programme (see section 3.3.4);
- UNEP provides scientific support to the STAP;
- The World Bank handles investment projects, administration of the GEF and the Trust Fund.

The GEF provides funding for projects in four areas:

(1) reducing greenhouse gases;

(2) conserving biological diversity;

(3) control of pollution in international waters; and

(4) measures to combat ozone depletion.

During the GEF's three-year pilot phase (1992–94), participating countries pledged some $1.2 billion to the GEF core fund and the various parallel and co-financing mechanisms. They have now agreed to move from the pilot phase to a more permanent funding mechanism.

The GEF is an umbrella made up of funds from three distinct sources:

(1) An $800 million "core fund" (also known as the Trust Fund or GET, for Global Environment Trust Fund) which provides grant funding to support projects.

(2) Another $300 million or so has been available through several associated co-financing arrangements as grants or highly concessionary loans.

(3) Finally, some $200 million was provided under the Montreal Protocol to help developing countries phase out ozone-destroying substances. UNEP administers these funds.

In March 1994, representatives of more than seventy countries reached an agreement to replenish the GEF. They agreed that the GEF will continue to deal with the four global environmental problems addressed during the pilot phase, with land degradation — primarily desertification and deforestation — also eligible insofar as it relates to one or more of the four focal areas.

A parallel negotiating process began in mid-1993 to replenish the GEF which by the first quarter of 1994 had committed about $750 million to more than one hundred projects throughout the world. Donors agreed to provide more than $2 billion to the GEF's core fund for commitments over three years. This sum, nearly three times larger than the core fund during the pilot phase, is contributed over and above resources channelled to regular official development assistance.

Individual projects may request up to $10 million for new "free-standing" projects; those associated with other, ongoing Bank projects can get up to $30 million.

All countries with a per capita annual income of less than $4000 and a UNDP programme in place are eligible for GEF funds.

To qualify for funding, a proposed project must benefit the global (as distinct from local) environment, and must fit in one of the four priority areas. The project must also be innovative and demonstrate the effectiveness of a particular technology or approach. Other criteria include the contribution a project makes to human development and the potential for evaluation and dissemination of results. Projects that are economically viable on the basis of local costs and benefits are not normally eligible for GEF funding.

Governments may apply for GEF funds directly to UNDP or the World Bank but, in most cases, they submit proposals through the UNDP Resident Representative, a World Bank field office, or UNEP.

All projects undergo screening and technical review. Those that clear this process go to the UNEP/UNDP/Bank Implementation Committee. The Committee then selects, from those passed on to it, a group of projects (a "tranche"), balancing investments in geographical regions and the four thematic areas. This group of projects is forwarded to the participating governments for review at their biannual meetings, and from there the projects return to their sponsoring agency for further preparation, appraisal, and final approval according to each agency's regular procedures.

One of the GEF's major objectives is to "leverage" global benefits from regular World Bank projects that might not otherwise take global environmental concerns into account. Thus, many of the GEF-funded projects have a direct relationship to existing World Bank-funded development projects.

While the pilot phase of the GEF came to an end in mid-1994, disbursement of pilot funds is likely to continue until 1998, as with the SPBCP.

3.3.4 GEF Small-Grants Programme

The GEF Small-Grants Programme supports innovative small-scale activities by community groups, NGOs and NGO networks in countries eligible for GEF support.

Grants of up to $250,000 may be made for projects in any eligible country with from $1000 to $5000 available to individual NGOs or community groups.

UNDP manages the small-grants programme which is seen as a supplementary opportunity for NGO involvement in GEF projects. Its primary objectives are to:

- identify and demonstrate potentially useful kinds of activities;
- illuminate strategies for involving people and communities so that activities will be sustained.

Criteria for selecting GEF projects also apply to the small-grants programme. Thus projects are eligible if they will protect biodiversity. Activities most likely to be funded include community-based participatory activities that address problems in the areas named above. Key contacts are the national coordinators for the programme and UNDP country offices.

3.3.5 United Nations Development Programme (UNDP)

UNDP is the world's largest grant development assistance organisation. It works with 150 governments and 35 international agencies to promote higher standards of living and faster economic growth for the developing world. It provides financial and technical support to more than 5000 projects, with the bulk of its assistance to countries whose GNP is less than US $500 per capita.

UNDP offers three kinds of support for conservation:

(1) programme support for large-scale pollution-control projects in middle-income countries;

(2) UNDP-supported projects to prevent or limit environmental damage caused by development projects;

(3) assistance to projects to help low-income countries improve use of natural resources.

The annual budget totals in excess of $500 million, with natural resources the largest single category of investment.

Individual projects average $1.5 million over the life-of-project, with 60 per cent of resources (cash and in-kind) supplied by the recipient, 40 per cent by UNDP. Assistance is determined according to five-year country programmes.

UNDP service is provided only in response to requests from a national government. Requests that are more regional than national are referred to the relevant UN Economic Commission.

In effect, UNDP will participate in any aspect of any form of activity within a very broad definition of development assistance.

Much of the responsibility for programme operations is delegated to Resident Representatives in 115 local offices in countries worldwide. About 3200 of UNDP's 4000 employees are stationed in field offices.

Key operating objectives include principles of self-determination, self-reliance, neutrality and respect for sovereignty and long-term commitment.

UNDP assistance may come in the form of grants, loans, loans at soft rates, and co-financing, as well as technical assistance and information. Resources are allocated to countries on the basis of need.

Asia and Pacific programmes focus on creation and improvement of infrastructure and data.

3.3.6 United Nations Environment Programme (UNEP)

UNEP was established in 1972, after the Stockholm Conference on the Human Environment. Its mission is monitoring the world's environment and plotting courses of development to maximise growth and sustain world resources. Its annual funding from the UN budget is about $5 million.

UNEP's activities fall into ten programme areas, three of which are relevant to protected areas:

(1) With UNESCO, it conducts the International Environmental Education Programme for promoting environmental education and training;

(2) It supports marine conservation through ten Regional Seas programmes, including the Southeast and South Pacific;

(3) It has programmes focused on soils, tropical forests, genetic resources, and wildlife and protected areas, and provides secretariats for the CITES and the Migratory Species conventions.

UNEP supports programmes worldwide, in both the public and private sector. It is a partner in the GEF (see section 3.3.3).

3.3.7 Food and Agriculture Organization of the United Nations (FAO)

FAO exists to raise the level of nutrition and living standards by improving food production and distribution. It is neither an aid agency nor an agricultural development bank. It carries out technical studies, disseminates information, and advises governments on policies and planning. It advises other multilateral agencies, including the World Bank and UNDP, on development aid in the agricultural sector, and implements projects funded by them.

Field Operations must be initiated by a request for assistance from the host country. A project plan is drawn up with FAO assistance and presented to a funding agency. The World Bank is the single most important financing institution for investment projects prepared by FAO.

3.3.8 United Nations Educational, Scientific, and Cultural Organization (UNESCO)

UNESCO fosters international cooperation in education, science and culture. All of its programmes place heavy emphasis on education, training, exchange of information and promotion of research and advancement of knowledge.

UNESCO is the home of the Man and the Biosphere Programme (MAB), a nationally based, international programme of research, training, demonstration projects and information dissemination. It features research by multidisciplinary teams on interactions between natural and social systems.

Biosphere Reserves are protected areas of representative terrestrial and coastal environments, recognised for their values and provision of knowledge in support of sustainable development. The MAB programme makes available some $600,000 each year.

UNESCO's World Heritage Centre is home to the secretariat of the World Heritage Convention. The Convention, adopted in 1972 and ratified by 142 States Parties, is designed to conserve cultural as well as natural sites of international significance. It establishes a World Heritage Fund, to which States Parties are required to contribute; the Fund provides some $1 million per year to States Parties for technical cooperation, emergency assistance, and training associated with protection and management of World Heritage Sites.

Once a site is inscribed, the relevant State Party may request technical assistance for preparation or revision of a management plan, strengthening protection, community participation, or infrastructure, or emergency assistance for dealing with sudden natural events or human-caused threats.

3.3.9 The regional development banks

The regional development banks — for Africa, Asia, the Caribbean and the Americas — provide loans to member developing nations for such activities as development of agriculture, fisheries, energy, industry, transportation, communications, health, education, economic stabilisation and development of markets. Most funding for conservation activities is in the form of loans tied to specific ongoing development projects.

The Asian Development Bank (ADB) was set up in 1966 to foster social and economic progress in the Asian and Pacific region, primarily by providing long-term funding and technical assistance for the implementation of projects in the developing countries of the region.

ADB has financed various types of activities, including agriculture, forestry, fisheries and water supply projects. It has responded favourably to recommendations that more attention be given to the environment and sustainable development, and projects are screened to assess their anticipated ecological effects. Some projects and programmes specifically target tropical forest management, biodiversity conservation and integrated economic and environmental planning.

The RETA (Regional Environmental Technical Assistance) Project No. 5403, developed to address environmental issues in a number of Pacific countries, is an example of ADB funding supported by IUCN and implemented through SPREP (SPREP 1992b).

3.3.10 European Union (EU)

The four main institutions of the EU are the Parliament, the Court of Justice, the European Council and the Commission of European Communities. The Commission is the executive body.

The Commission, with headquarters in Brussels, is made up of some 20 Directorates General. Although the complexity of the budgets of the various Directorates General makes it difficult to determine exactly how much of the Communities' expenditures overseas actually support the conservation of nature and natural resources, the amount is substantial.

DGVIII, the Directorate General for Development, manages the European Development Fund (EDF) which is the principal instrument for technical and financial cooperation between the EU and developing countries. This entails the implementation of the Lomé Convention, an agreement between the EU and 69 African, Caribbean and Pacific (ACP) states.

Lomé, named for the capital of Togo where it was negotiated, is a trade and aid agreement. Its main purpose is development in the ACP countries and its instruments include funding assistance. The main emphasis is on rural development, infrastructure, and self-sufficiency in food production. The environment has become the subject of a specific title in the Lomé IV agreement. The EU supports projects designed to protect the natural heritage and makes efforts to ensure that development is based on a sustainable balance of economic objectives and enhancement of natural and human resources.

Over recent years, the EU has been considering taking a strategic approach to support for protected areas in the South Pacific and negotiations are continuing.

3.4 Bilateral agencies

Australia and New Zealand are among the countries which cooperate in development programmes in the Pacific and both support SPREP and provide funding to Pacific countries for protected areas and biodiversity conservation.

3.4.1 Australian Agency for International Development (AusAID)

AusAID also supports NGOs actively promoting conservation of species and ecosystems. Australia encourages recipient countries to protect significant areas of representative ecosystems within conservation reserves. Australia also seeks to develop for local peoples income-earning opportunities from the sustainable use of renewable wood and non-wood forest resources.

3.4.2 New Zealand Official Development Assistance Programme (NZ-ODA)

NZ-ODA offers environmental assistance designed to respond to requests made by recipient countries on the basis of their own plans and priorities. It aims to cooperate with developing countries to strengthen their capacity to handle natural resource management and nature conservation. It does this by providing technical assistance to strengthen natural resource management agencies, funding conservation-oriented activities using in-country local expertise and local community participation, and by training and promoting the full participation of women. Examples of the projects supported include community-based ecotourism in Fiji, community projects in possible World Heritage sites in Solomon Islands, and technical support for the Division of Environment and Conservation in Western Samoa.

3.5 International conventions

As well as the World Heritage Convention, discussed in section 3.3.8 on UNESCO, other conservation conventions offer possible sources of support.

The Convention for the Conservation of Wetlands of International Importance (known as the Ramsar Convention) can also provide support for listed wetlands.

The Biodiversity Convention signed at UNCED may also provide a significant source of funding in the future.

3.6 Non-government organisations

Support from NGOs is generally more flexible and less politicised than that from international assistance agencies. However, support from foundations and NGOs often requires more fundraising effort, including well-researched proposals and careful follow-up. Although long-term funding is possible, routine management costs are generally not covered. For the most part, grants from private foundations are not available to government agencies, and require administration by an NGO.

3.6.1 International foundations

Among foundations, support for conservation in the Pacific has been forthcoming from the Chicago-based John D. and Catherine T. MacArthur Foundation which, interestingly, was one of two foundations which helped fund the First Global Forum on Environmental Funds held in 1994. The other was the C. S. Mott Foundation.

3.6.2 Pacific Development and Conservation Trust

A trust which has a Pacific focus is the Pacific Development and Conservation Trust established by the New Zealand Government in 1989 with capital which came from France in recognition of events surrounding the destruction of the vessel *Rainbow Warrior* in Auckland in 1986. The Trust's net income is available for groups in New Zealand and the South Pacific to promote:

- the enhancement and conservation of the physical environment, and the natural and historic resources and cultural heritage of the South Pacific; and
- the peaceful, economic, physical and social development of the South Pacific and of its peoples, providing such development is consistent with conservation principles.

The Pacific Trust operates on the basis of applications and allocates some NZD120,000 a year to projects generally on a one-off basis and in a range of NZD2000 to NZD6000. It has a keen interest in community-level projects with a strong conservation/sustainable management emphasis.

Numbers of international and national NGOs have played a positive role in support of conservation in the South Pacific and SPREP has been very open in involving them. Successive South Pacific Conferences on Nature Conservation and Protected Areas (most recently held in Tonga in 1993) have increasingly involved NGO participation, and the Action Strategy (SPREP 1994a) prepared as an output of that conference lists 13 local community and NGO reviewers. These include reviewers from five conservation NGOs from outside the Pacific islands — Greenpeace, WWF-International, Conservation International, The Royal Forest and Bird Protection Society of New Zealand, and the Maruia Society. Among other NGOs active in the region are the US-based but decentralised NGO, The Nature Conservancy.

3.6.3 World Wide Fund for Nature (WWF)

WWF, also known as World Wildlife Fund, is a body with a global role, with WWF-International based in Switzerland, and national organisations in Australia, New Zealand, the United States and the United Kingdom, among those sharing interest and involvement in the Pacific.

3.6.4 The World Conservation Union (IUCN)

The IUCN is also based in Switzerland, and is primarily a Union of members with networks of specialists and plays a facilitating/expert advisory role rather than providing funds.

3.6.5 Universities

Universities also play a valuable supporting role

but largely through research rather than in direct funding support.

3.7 Partnerships

In some parts of the world, there are successful protected area partnership programmes, some focusing on technical interchange between similar types of protected areas and others in a financial support role.

The best developed twinning programme is the European Natural Sites Twinning Programme operating since 1987 as an initiative of the Commission of European Communities providing funds for technical interchange between over 30 sites in some 12 countries in Europe.

A South Pacific example of partnership support stemmed from an agreement between the Honolulu Zoological Society and the National Trust of Fiji, under which the Honolulu Zoo supported the work of the National Trust of Fiji in conservation of the Yadua Taba Crested Iguana Sanctuary. This was the subject of a five-year agreement involving a contribution from the Zoological Society of $1500 a year to cover, among other things, payment for a sanctuary warden and funding for monitoring visits. Unfortunately, the arrangement lapsed around 1993 because the university-based initiator of the project in Hawaii became overcommitted and there was also a failure in reporting back to the donor. There is every indication that goodwill remains and there may well be a potential for a Honolulu Zoo-based wildlife foundation to be established focusing on Pacific species.

There may well be significant potential for partnerships between organisations such as zoos with specific sites. For example, with the Ujung Kulon National Park / World Heritage Site in Indonesia, the Minnesota Zoo has developed a partnership relationship by which the Zoo funds such facilities as guard posts. As a result of that connection, another partnership has developed with the Minnesota Conservation Officers organisation with the provision of law enforcement training and the supply of good quality used radios for field staff in the Indonesian park.

This suggests that there is a potential to develop similar partnerships and it may well be worthwhile for SPREP to have a capacity to identify, promote and manage similar partnerships between South Pacific protected areas and similar organisations to those mentioned.

4. Debt-for-Nature Swaps

In the World Bank publication *Conserving Biological Diversity: A Strategy for Protected Areas in the Asia-Pacific Region*, the authors say that "debt-for-nature swaps and endowments or trust funds represent innovative means for funding biodiversity conservation activities, though they are likely to be of limited applicability in Asia".

The report continues:

> A debt-for-nature swap is a financial mechanism that can leverage conservation funds for many highly indebted developing countries. A swap involves the purchase of developing country debt at a discount by conservation organisations, and its redemption in local currency and use for conservation activities. The first debt-for-nature swap took place in 1987 in Bolivia. Since then there have been sixteen swaps in eight countries, mostly in Latin America, totalling about $100 million.
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> . . .
>
> Due to relatively good financial management in most Asian countries and the absence of discounted debt, the only swap made in Asia to date has been in the Philippines. In this case, the World Wildlife Fund-US agreed to acquire $2 million in Philippine debt, with the proceeds to be credited to a local currency account managed by the Haribon Foundation, a Philippine conservation NGO. The funds are to be used for planning and managing two parks on the island of Palawan, for helping the government enforce laws on illegal trading and exploitation of wildlife, for carrying out plan surveys, and for helping finalise a plan for an integrated system of protected areas.
>
> . . .
>
> The World Bank cannot become directly involved in debt-for-nature swaps because legal limitations prevent it from eliminating Bank-owed debt in this way but it can provide complementary financial support to countries directly involved in such swaps.

Debt swaps are only possible for countries with discounted debt and there is not the same level of secondary debt in the Pacific as, for example, in Latin America.

In Paying for Parks (in draft), a publication prepared by IUCN, The Nature Conservancy and the Peace Corps, which developed from a 1992 World Parks Congress workshop, it is noted that:

> Debt-for-nature swaps are controversial, for various reasons. Some critics object to any service of national debt, claiming that it is illegitimate. Others are concerned about possible inflationary effects, although experience shows that this risk is generally grossly overestimated. Sovereignty remains an issue, although no debt-for-nature swap has ever resulted in foreign control or ownership over land areas in the debtor country, even if land purchase is part of the transaction. One concern that needs to be addressed in the contemplation of any debt swap is whether the swap will actually produce additional revenue for conservation, or merely redirect existing funds.

In spite of these concerns, debt-for-nature swaps are being negotiated in various parts of the world and are funding conservation, in some cases providing capital for environmental trust funds.

However, debt swaps are extremely complex undertakings and generally require technical assistance from an international conservation agency. The Nature Conservancy provided this assistance for debt-for-nature swaps in the Caribbean countries of Jamaica and the Dominican Republic and national institutions have now taken over management of the resulting trust funds set up as the outcome. Other NGOs with skills in debt conversions for conservation are WWF-US and Conservation International.

5. Trust Funds

5.1 An overview

Numbers of nations are establishing national funds to provide long-term, sustained funding for projects promoting conservation of biological diversity and sustainable use of natural resources. These funds can be set up as trusts or endowments which may incorporate revolving funds. Their capital comes from various sources: debt-for-nature swaps, government appropriations, bilateral assistance agencies, the GEF, various national-level taxes and fees, as well as bilateral and other donors. Essentially, the trust funds provide a means of providing long-term support for conservation management.

National funds, whether endowed or replenished from annual levies, provide a particularly good approach to financing recurrent costs such as administration, salaries and maintenance. With nationally based governing bodies, they can be an effective force for broad community participation in the design of approaches to conservation and development. In many countries, these funds also serve to bring together professionals and advocates from the various sectors — forestry, engineering, protected areas, watershed management — that should collaborate on national strategies for conservation, but often lack a forum to do so.

In May–June 1994, managers from 21 national-level environmental trust funds representing 20 countries met in Santa Cruz, Bolivia for the First Global Forum on Environmental Funds. The Executive Summary of the report on the Forum (The Nature Conservancy, IUCN & WWF-US 1994) summed up the perception of the participants and the limited experience of the relatively new development with a variety of approaches being taken.

The summary says that:

> These funds — national in scope and created by people and organisations committed to developing innovative, participatory, long-term approaches to conservation and sustainable development — are part of a movement to create local solutions to environmental challenges and to provide an alternative to short-term projects designed in distant capital cities.
>
> Most national environmental funds (NEFs) have been in operation for two years or less. Their managers came to Santa Cruz to meet with donors and colleagues from the non-governmental organisation (NGO) sector to share experiences from these first years, to examine lessons learned, and to begin a dialogue that will strengthen their collaboration worldwide.
>
> A principal feature of NEFs is their ability to provide a long-term source of financial support to organisations responsible for implementing conservation and sustainable development actions. Although the financial role of NEFs is of major importance, their role as catalysts in developing consensus approaches to problems and as convenors of disparate interest groups (i.e. government, NGOs, community groups, donor agencies, the private sector and so on) is often of equal or greater importance.

The Forum identified some fundamental challenges such as raising capital, managing it to yield maximum income and making the funds financially self-sustaining. Managers agreed on the value of minimising bureaucracy, managing grants programmes efficiently, and disbursing funds rapidly.

They had, however, few generally applicable prescriptions for how to do this. Several fund managers emphasised the importance of positive relations with government agencies and the NGO community. Others expressed the hope of improving relations with donors, who might then become more responsive to the funds' needs. There was almost unanimous agreement that funds should be open to and actively encourage participation from a wide range of stakeholders.

The Forum summary illustrates the diverse approaches to the fund concept in saying that:

> It was as if the inventors of a dozen different wheels had come together to see how each had approached problems and how others' designs might contribute to the refinement of one's own. Because each country's situation is unique, no "ideal" design will ever exist, but common issues do.

Common issues were the need to strengthen the NGO community and government agencies, the lack of a strong tradition in most countries of philanthropy on which to base fundraising programmes; and few of the countries having tax structures that encourage charitable donations. All of the funds needed ideas to strengthen their management systems, from fiduciary management and selection of projects to design of grants management and monitoring and evaluation systems. Most of the funds were struggling to define and implement capacity-building programmes. The participation of government agencies in governance of NEFs varies widely.

Despite the diversity of experiences, the fund managers and other Forum participants agreed on a general set of conclusions and principles regarding fund management which are designed to guide the development of funds.

The conclusions of the Forum were:

- NEFs offer creative, flexible, innovative and sustainable approaches to integrating environment and development.
- NEFs can have an important role in the implementation of local, regional and national environmental programmes and initiatives.
- The structure, administration and governance of a NEF must be participatory and flexible to meet programme needs.
- Management must be transparent and responsive.
- NEFs have a need for capacity building, both for their own work and in support of executing agencies.
- The donor base must be broadened, including local fundraising to complement external financing.
- Asset management must be socially and environmentally responsible and compatible with the goals of the NEF.

5.2 Definition

A business dictionary definition of a "trust" is "an arrangement by which a person (Trustee) has ownership and possession of specified property but any income derived from that property must go to a second person (the beneficiary) or must be used for specified purposes, called the 'objects' of the Trust".

It is the latter type of trust with income allocated to clearly defined objects which is the most common among conservation/environment trusts.

In practice what constitutes a national trust fund varies depending on the legal, political and social status of the particular country.

Generally, a trust fund entails money, stocks, bonds or other property held in a dedicated account for specified beneficiaries or purposes, as defined in the trust document or legal agreement establishing the fund. The fund is managed by a trustee (person or institution — frequently a Board of Trustees — holding title to the assets). The trustee has fiduciary responsibility to follow the terms of the trust. Frequently the trustees delegate a fiscal agent to oversee financial management of the assets.

Trusts are a common-law concept and may not exist in many legal systems. However, legally acceptable alternatives are likely to be available.

A trust may provide that only interest or investment income is spent while principal is conserved. It is also possible to set up a special dedicated fund so that the principal may be spent and periodically replenished from additional grants or fees. Many trust funds are structured to accept, manage and disburse funds from a variety of sources — thus achieving maximum leverage of funds from each individual source.

A benefit of placing assets in a trust or other type of dedicated fund is the potential to receive large donations and make small grants. Thus institutions normally unable to access large banks or donor agencies can still receive funds from these institutions by way of the trust. Trusts may be particularly useful for protected areas with very limited capacity to generate their own resources — for example, those set aside to protect particularly sensitive ecosystems, where visitor use is not encouraged. Special funds in these cases make it possible for the global beneficiaries to pay the greater share of costs.

World Bank authors say that the distinction between endowments and trust funds is that an endowment may be given as a grant without terms stipulating how it is to be used, whereas a trust fund has clear terms and is held for the beneficiary by a trustee who has a legal responsibility to adhere to those terms.

5.3 Benefits and disadvantages

World Bank publications say that trust funds and endowments have several advantages in funding biodiversity conservation activities. The major advantage is that they provide a guaranteed, long-term flow of financial resources for conservation. An assured flow of funds helps cover the costs of operating and managing protected areas on a long-term basis. With a guaranteed source of income, conservation agencies also could increase their operating capacity through training and increased staffing.

The Bank says that given the amount of capital needed and the relatively small annual flows, trust funds and endowments are likely to be most appropriate in poor countries with government commitment but low absorptive capacities and limited budgets. For example, a trust fund has been established in Bhutan with GEF resources of $10 million and is being used to leverage an equivalent contribution from other donors. The Royal Government of Bhutan (RGOB) will also contribute funds equivalent to 10 per cent of the trust fund's disbursements each year, over and above the RGOB's current level of funding for environmental programmes. The interest generated from the principal will be spent on developing human resources and institutional capacity to carry out and manage

conservation programmes, as well as to conduct surveys and develop an ecological information base in Bhutan.

The US Agency for International Development (USAID) has helped establish a trust fund in Sri Lanka to support and facilitate education, technical assistance, fundraising and innovative public-private approaches to sustaining wildlife in Sri Lanka. The $500,000 start-up funding provided by USAID will be used to leverage additional resources through profit-generating investments in conservation.

Paying for Parks (in draft), endorses the potential of trust funds to provide long-term, reliable funding for conservation programmes but identifies certain risks. Considerable care is required in assuring the physical security of the funds. A fund established to generate benefits in perpetuity would have to limit disbursements to income generated over and above the amount needed to maintain the capital value of the fund, that is, after allowing for inflation. In countries with exceptionally high inflation this may make the trust fund instrument limited in its application.

One particularly difficult problem involves the composition and responsibilities of governing bodies. On the one hand, it is usually desirable to have a nation's environmental leaders represented and their expertise available. On the other hand, these individuals represent groups likely to seek financing from the fund, and there is a potential for problems with conflict of interest. This is particularly true in smaller countries. Usually the problem is addressed by appointment of an outside review and selection committee comprising technical experts who analyse requests for funding and make recommendations for project approval.

Concern has also been expressed that the existence of conservation/environmental funds might imply that environmental problems can be dealt with as a separate sector whereas clearly, as the Brundtland Commission said, resolving environmental problems depends on a whole range of cross-sectoral factors, starting with political will (WCED 1987).

Another concern is that the existence of an environmental fund may tempt governments and government officials to reduce or eliminate budgets for government ministries or departments which address nature conservation and natural resource management.

It will be noted that the Bhutan Trust Fund is designed to avoid this situation as it was set up with core GEF funding on the basis that the Government of Bhutan would maintain its normal funding level for the environmental/conservation sector and also contribute 10 per cent of the capital of the fund.

In summary, when designed with care, the conservation trust fund concept has a series of attributes that makes it attractive for funding conservation management:

- *Stable Financing*: Trust funds have the potential to provide the long-term stable financing necessary to sustain conservation management.
- *Absorptive Capacity*: Trust funds provide an institutional mechanism to disburse finance at a rate within the capacities of beneficiary institutions to absorb effectively. They can therefore accommodate donor's needs to move large sums of money with minimal overhead costs, while respecting the needs of recipients for appropriate investment levels and financial stability.
- *Diversity of Funding Sources*: Trusts can be funded from a variety of sources, both national and international. Diversity encourages stability, growth, self-reliance and independence.
- *Participatory*: Trusts encourage participation by a wide range of interested parties (for example, government agencies, non-governmental and business sectors, and relevant interest groups) through representation on the boards of directors, technical review committees etc., thus providing necessary checks and balances.
- *Transparent*: Decision making in trusts can be transparent and subject to public review and critique.
- *Ethos Building*: Trusts can promote democratic values of participation, cooperation and accountability.
- *Supportive of National Environmental Management Frameworks*: Trust funds can put appropriate aspects of national (or regional) environmental management strategies on a stable financial footing and ensure that selected priorities represent a consensus of interested parties.
- *Improved Donor Coordination*: Trust funds may improve the effectiveness of external donor assistance by pooling financial support in a coherent and coordinated way and in line with national (or regional) priorities, rather than only addressing the priorities of donors.

5.4 Some examples

Trust funds for the environment and conservation have now been set up or are planned in many countries, including Poland, Benin, Republic of Congo, Ivory Coast, Namibia, Uganda and Zambia.

There has been a particular emphasis on the mechanism in Latin America and the Caribbean, with emphasis on core funding from debt-for-nature swaps and bilateral debt restructuring through the US Government's Enterprise for the Americas

Initiative (EAI). Countries from this region either with conservation trust funds or planning them include Colombia, Ecuador, Bolivia, Brazil, Peru, Panama, Guatemala, Costa Rica, Honduras, El Salvador, Belize, Mexico, Jamaica, the Dominican Republic and the Bahamas, the latter being operated primarily through Bahaman and offshore fundraising and operating through the Bahamas National Trust.

In the Asia-Pacific region, funds exist or are proposed in Nepal, Bhutan, the Philippines, Indonesia and Papua New Guinea. Some central European countries and former Soviet republics have set up multinational funds and there are plans for a regional fund for the Caribbean.

Funds vary greatly in scale and scope. The Polish Ecofund claims commitments of $300 million, but covers the whole environmental spectrum from tackling the country's huge pollution problems to biodiversity conservation.

Here are three examples of funds, in Jamaica, Bolivia and Peru, which focus on supporting protected areas.

5.4.1 Jamaica

The Jamaica National Park Trust Fund (JNPT) is a small endowed trust whose purpose is to support the operations of the Jamaica national park system. Initial endowment of the fund was $437,956 and by July 1993, the value of the fund was $720,000.

The Jamaican Conservation and Development Trust, a non-profit organisation, was founded in 1987. In 1990 the Trust became an implementing agency of the Protected Areas Resources Conservation Project (PARC). One facet of this project was the development of the Jamaica National Park Trust Fund to support operations of national parks. The fund was legally established in January 1991, and was capitalised in April 1992 with money from the first debt-for-nature swap in the English-speaking Caribbean. The design of the parks system coincided with the establishment of the fund. To date, two parks have been established, one at Montego Bay and the other in the Blue Mountains. The income from the fund has been used to pay salaries for staff at both parks.

It is the stated intention of the Natural Resources Conservation Authority (NRCA), the government agency in charge of the environment, that the JNPT should be the vehicle for all eligible funds to the park system whether public or private.

5.4.2 Bolivia

The Trust Fund for the National System of Protected Areas was established to finance the recurrent costs of the administration of the management units belonging to the National System of Protected Areas (SNAP), the central support programmes of the SNAP, and the National and Regional Directorates of Protected Areas. The GEF provided a project preparation advance of $40,000 to finance legal counsel to identify an appropriate legal structure for the fund to achieve its objectives and study tax and other legal issues. The government of Switzerland provided additional support. The initial size of the fund is $5 million and the growth objective is $35 million.

The fund will be managed as a sub-account of FONAMA, the National Environmental Fund of Bolivia which is one of the oldest and most fully developed of all overall National Environment Funds. To date, FONAMA has secured commitments of approximately $47 million (both actual transfers and legally binding obligations) and claims additional pledges of approximately $33 million which are being negotiated.

The Bolivian National Environmental Action Plan provides the priority setting framework for allocations from the protected areas fund, and FONAMA works with the national environmental secretariat to develop a list of priority actions.

5.4.3 Peru

Peru is a country of extremely high biodiversity with a struggling economy. The National Fund for State Protected Natural Areas (PROFONANPE) is intended to aid in protection of areas of high representative biodiversity until the economy improves to the point where the government can cover costs. In January 1993, Peru established a National Institute of Natural Resources (INRENA) to bring together all public sectors involved in the management and conservation of natural resources.

PROFONANPE's primary objective is to provide financial support for the conservation of Peru's biological diversity, focusing primarily on the implementation of a management plan for protected areas which is under development in the future. PROFONANPE may also provide support to conservation activities outside protected areas. The fund received tentative commitments from the Global Environment Facility of a sizeable endowment which will be held and managed offshore. It is unusual in that its managing board has equal representation from the Government of Peru and from the NGO community.

The PROFONANPE trust fund was created in December 1992 and began its activities in May 1993. It will eventually become established as a private, non-profit association in Peru with a General Assembly that will elect its members. Initial financial support to develop a plan for National Protected Areas and to start up four pilot projects came from the German Agency for Cooperation (GTZ). PROFONANPE is near agreement with the GEF to get $4 million for endowment and the Canadian International Development Agency has provided

equipped office facilities in Lima. Furthermore, the Germans have offered DM 30 million ($18 million) from their bilateral account of debt with Peru with a negotiable discount of 50 per cent, which is at this time being negotiated with the Peruvian government. PROFONANPE's coordinator is exploring other opportunities for increased funding.

Other examples are listed under the heading of GEF-funded trusts (see section 5.8).

5.4.4 National Environmental Funds

An overview of National Environmental Funds published by the IUCN Commission on National Parks and Protected Areas in the *PARKS* magazine of June 1994 is presented in Table 5.1. The article, from which this report draws, is by Mark Dillenbeck, Programme Officer at the US office of IUCN who coordinates IUCN's Global Initiative for National Environmental Funds (GINEF).

5.5 Individual project trust funds

There are a number of trust funds set up in support of specific protected areas. One is in support of the Bwindi and Mgahinga National Parks in Uganda and this is discussed in section 5.8 on GEF-funded trusts.

5.5.1 Saba Marine Park

The Saba Marine Park is in the Caribbean. Saba is an extremely small island in the Netherlands Antilles. Steep terrain, undeveloped infrastructure and few beaches have impeded tourism growth. In 1984, with a stagnating economy and net population loss, the government began promoting the island's high quality marine environment for dive tourism. In 1987, after extensive research, the Saba Marine Park was established, comprising the inshore waters surrounding the island.

Establishment of the park was funded by the Dutch and Saba island governments and Dutch conservation organisations. It was the intention of management, however, to make the park self-sufficient within five years. To do so, a three-pronged fundraising strategy was put in place, consisting of dive fees, donations and souvenir sales. To best implement the strategy and maximise management effectiveness, the running of the park was turned over to a conservation NGO, the Saba Conservation Foundation.

With the cooperation of local commercial operators, a $1 per dive fee system was developed. (The fee was later raised to $2 per dive.) Licensed operators collect the fees from their clients and pass them on to the park. Since the establishment of the park, Saba's dive industry has grown considerably, from 11,664 dives in 1988 to 19,607 in 1993 and the dive fees represent the largest source of revenue for the park.

A support group, the Friends of the Saba Conservation Foundation, was established to receive donations for the park. Through an arrangement with a US conservation organisation, donations from US citizens are tax deductible. Several thousand dollars are raised for park management this way each year. Local "Friends" also provide the park volunteer services, including assisting with fundraising and administration and functioning as support divers and research assistants.

Souvenir items were developed for sale, including guidebooks, logo pins, polo shirts, and posters. These also bring in significant funding, which should increase when a planned gift shop is established. The park is now investigating the possibility of corporate sponsorships, allowing businesses to use the park's logo and name for an annual fee.

The government subvention to the park ended in December 1992, and since then, the park has been fully self-sufficient. Employees include a manager and an assistant manager, who are well supported by volunteers. Saba Marine Park is now considered one of the very few "fully managed" marine parks in the Caribbean, with an active programme of patrolling, enforcement, public information and reef monitoring. A mooring system has been in place since 1987.

The park was able to meet its goal of self-sufficiency within five years because it incorporated a range of fundraising tools which reduce vulnerability to economic fluctuations and other external factors, and because it is well supported by its commercial users and the local community.

5.6 Managing funds

5.6.1 Mechanisms for management

The mechanisms used for management of funds vary widely and depend on the social and political structure of the country or region, the role and powers of existing agencies, the wishes of donors, and what is acceptable to the public and to the communities most affected.

Paying for Parks (in draft) identified some basic approaches.

The diverse interests of a variety of affected groups need to be represented and acted on if a trust fund is to be successful. A broad spectrum of interests should be represented on the governing body. To the extent feasible, these interests should be represented when the fund is designed and its goals and purposes established. Potential stakeholders include, at a minimum, donors, government agencies responsible for protected area management, and

Table 5.1 An overview of National Environmental Funds

Country and name of fund	Funds committed ($ millions)	Date of commitment	Assets transferred ($ millions)	Date of transfer	Purpose of funding	Source of funding	Number of grants awarded	Goverance
1. Bhutan								
Bhutan Trust for	10.0	1992	7.0	1992	endowment	GEF		Gov/local
Environmental	1.0	1992	1.0	1992	endowment	Dutch	15	NGO/WWF
Conservation	1.0	1991	1.0	1992	endowment	WWF		UNDP
	0.6	1992	0.6	1992	endowment	Norway		
Total:	**12.6**		**9.6**					
2. Guatemala								
Guatemala Trust for Environmental Conservation	0.8	1992	0.8	3/93	endowment	UK Foundation WWF, US banks	12	Gov/NGO NGO majority
3. Philippines								
Foundation for	25.4	1990	8.8	3/92	endowment	USAID dept swap	41	Gov/NGO
the Philippine		1991	0.2		endowment	Bank of Tokyo debt swap		NGO majority
Environment		1992	17.1	9/93	endowment	USAID debt swap		
Total:			**26.1**					
4. Bolivia								Gov/NGO
National Fund for	21.8	10/91	21.8	6/93	general	EAI	44	NGO majority
the Environment	4.5		4.5			GEF		Gov majority
(FONAMA)[1]	4.8		4.8			World Bank		Gov majority
	0.5		0.5			IDB		Gov majority
	6.4		1.4			USAID/PL-480		NGO majority
	0.8		0.8			DIFEN/USAID		Gov majority
	15.0		0.0			US Gov		Gov majority
	0.3		0.3			Gov of Japan		Gov majority
	6.7		3.5			Gov of Switzerland		Gov majority
	5.4		5.4			Gov of Canada		Gov majority
	3.0		0.0			Gov of Sweden		Gov majority
	2.5		0.0			Gov of Mexico		Gov majority
	4.0		0.5			Gov of Germany		Gov majority
	1.7		0.4			Gov of Netherlands		Gov majority
	0.9		0.9			TNC debt swap		Gov/NGO equal
	1.0		1.0			WWF debt swap		Gov/NGO equal
	1.0		1.0			GoB debt swap match		Gov/NGO equal
Total:	**80.3**		**46.8**					
5. Jamaica								
Jamaica Parks	0.6	1991	0.4	2/92	endowment	AID & PR		Gov/NGO
Trust Fund						Cons'vn Trust, TNC		NGO majority
	0.1		0.0			Eagle Commercial Bank		
Total:	**0.7**		**0.4**					
5A. Jamaica								
Environmental Foundation of Jamaica	22.0	10/91	2.0	6/93	endowment	EAI	3	Gov/NGO NGO majority
6. Dominican Republic	0.6	1/91	0.6	1991	general	PR Cons'vn Trust		Gov/NGO
Pronatura								NGO majority
7. Chile								
	18.7	6/91	3.4	6/93	general	EAI		Gov/NGO NGO majority
8. Colombia								
Ecofondo	46.0	12/92	4.2	6/93	general	EAI		Gov/NGO
	12.0	1993			general	Canada		NGO majority
	0.5		0.5		TA	AID/IUCN/TNC/ WWF		
Total:	**58.5**		**4.7**					

[1] FONAMA managers make the distinction between funds "raised" and funds "pledged". Funds raised indicate either funds actually received or a formal written commitment to transfer funds and are included here under the "Assets transferred" column. Funds pledged indicate an informal or verbal pledge and are included here under the "Funds committed" column. All figures given here are rounded.

(Table 5.1 continued)

Country and name of fund	Funds committed ($ millions)	Date of commitment	Assets transferred ($ millions)	Date of transfer	Purpose of funding	Source of funding	Number of grants awarded	Goverance
9. Uruguay	7.0	12/92	0.6	6/93	general	EAI		Gov/NGO NGO majority
10. El Salvador								
SEMA	41.2	12/92	12.8	6/93	general	EAI		Gov/NGO
	8.0	1993			general	Canada		NGO majority
Total:	**49.2**		**12.8**					
11. Argentina								
	3.1	1/93	0.1	6/93	general	EAI		Gov/NGO NGO majority
12. Panama								
Fundacion	0.8	1991	0.8	1991	TA	AID		Gov/NGO
Natura	8.0				endowment	AID		NGO majority
	2.0				endowment	TNC		
	15.0				endowment	US/Panama		
Total:	**25.8**		**0.8**					
13. Honduras								
Fundacion Vida	6.0	1992	0.0		general	Gov Bond - debt forgiveness, AID		Gov/NGO NGO majority
	1.0	1993						
Total:	**7.0**		**0.0**					
14. Indonesia								
	5.0		0.0		TA	AID		Gov/NGO
	15.0				endowment	AID		NGO majority
Total:	**20.0**		**0.0**					
15. Mexico								
Fondo Mexicano para	1.0	1994	1.0	1994	Gov of Mexico	US State Dept. AID, Bankers		Gov/NGO NGO majority
la Conservacion de la	0.2	1993	0.2		TA	Trust, MacArthur Found., WWF		
Naturaleza	20.0	1993	0.0		endowment	USAID		
Total (TA):	**21.2**		**1.2**					
16. Uganda								
	4.0	1993			endowment	GEF		Gov/NGO NGO majority
17. Peru								
PROFONANPE	1.5	1993	1.5		TA	GTZ		Gov/NGO
	4.0	1993	1.5		endowment	GEF		
Total:	**5.5**		**3.0**					
18. Madagascar								
	12.0	1992			endowment	AID		Gov/NGO
GRAND TOTAL:	**374.4**		**112.2**					

Abbreviations

EAI	Enterprise for the Americas Initiative	AID	US Agency for International Development
GEF	Global Environment Facility	TA	Technical Assistance
GTZ	German Agency for Technical Cooperation Ltd	WWF	World Wildlife Fund
IDB	Inter-American Development Bank	TNC	The Nature Conservancy

General Funds are available for implementation of projects or endowments.

Note:
Other National Environmental Foundations not yet established but in various stages of development include Belize, Papua New Guinea, Republic of Congo Namibia, Ethiopia and Laos. WWF is assisting all of these. There are also several NEFs in Eastern Europe not listed here.

relevant NGOs. Other potential collaborators include forestry, agriculture, finance, and planning ministries and organisations involved in rural development.

5.6.2 Governance

One particularly difficult problem involves the composition and responsibilities of governing bodies. On the one hand, it is usually desirable to have a nation's environmental agency leaders represented and their expertise available. On the other hand, these represent groups likely to seek finance from the fund, and there is a potential for conflict of interest. This is particularly true in small countries. Usually the problem is addressed by appointment of an outside review and selection committee comprising technical experts who analyse requests for funding and make recommendations for project approval.

Participants in the First Global Forum on Environmental Funds (1994) came to similar conclusions, agreeing in broad principle that:

- The structure, administration and governance of a NEF [National Environmental Fund] must be participatory and flexible to meet programme needs.
- Management must be transparent and responsive.
- Funds have a need to build a capacity to carry out their own work effectively and efficiently to support agencies they finance.
- Asset management must be socially and environmentally responsible and compatible with the goals of the fund.

The Global Forum concluded that the composition of the governing board is a key policy issue, with board members representing different sectors of society. Decisions about representation should be transparent and funds should be seen to be free of political influences. As a general principle, all stakeholders should have a role in the fund. NGOs, community organisations and government should be involved through roles on the board of directors or general assemblies or through flexible means such as consultations, advisory committees, or selection committees.

Forum participants agreed that funds should develop management systems which are transparent and participatory. Transparency implies a clear statement of governing principles and internal guidelines, and documentation of all actions taken. Participatory management implies involvement of stakeholders at all levels. They took the view that funds should invest time at the outset to develop a clear programme of action based on existing national environmental and sustainable development strategies as far as possible.

Especially where funds are established in countries where NGOs and community organisations lack experience and structure, capacity building should be a regular part of their programmes. This often will include holding public meetings in local communities to explain the fund, preparation of manuals to guide local NGOs on how to submit proposals, and providing technical assistance to local NGOs in programme preparation and implementation.

Complete and open records of actions and decisions should be maintained and there should be systems to monitor and evaluate the fund's effectiveness. Bureaucratic structures should be avoided, with outside expertise brought in as required.

5.6.3 Asset management

The Global Forum discussed asset management at some length and came to a number of conclusions. The asset management needs of the two types of funds — funds that are endowments and funds that merely channel funds from donors — differ substantially, but each type needs an investment strategy.

Endowment funds generally seek to preserve the value of their capital over time by shielding it from investment and currency risk, while at the same time generating interest income in excess of local inflation to maintain programme activities. Funds whose assets are all channelled into programme activities have shorter term investment horizons with an emphasis on liquidity, while at the same time seeking to earn some interest income to supplement the fund or finance operations.

For endowment funds, an investment strategy should be developed as part of the fund design process. Moreover, different investment strategies may have different tax consequences. Countries whose economies are unstable may choose to maintain funds overseas or keep their funds locally in hard currency accounts. A fund's governing board is ultimately responsible for deciding on its investment strategy.

Most endowment funds employ an investment manager, generally a reputable private financial institution, or in some cases a multilateral institution such as UNDP. The manager serves as an agent of a fund's board and implements the board's investment strategy with respect to asset allocation (portfolio mix of bonds, stocks and cash-equivalent accounts). An investment management agreement between the fund and the manager specifies the degree to which the manager has discretion over the selection of appropriate instruments within specified investment guidelines. The manager also serves as the fund's custodian and facilitates contributions, disbursements, reporting and auditing requirements.

The selection of an investment manager is an important policy decision. The board should consider

each candidate's experience and operating history, client mix, portfolio composition, quality of senior management and staff turnover, reporting systems, fee structure, and investment philosophies and strategies. It is important to match the prospective manager's skills and services with the fund's needs. The investment manager's performance must inspire confidence from future donors. The fund should inform investment managers of their desire to invest in stocks or bonds of environmentally responsible companies or governmental agencies.

Fund staff at the World Bank have developed a preliminary proposal for establishing a "global umbrella trust fund" to pool the management of fund assets from multiple countries. Fund managers participating in the Global Forum gave mixed reviews on the concept. It offers a potential for higher returns and higher security but also has disadvantages. Most funds would prefer to maintain their autonomy and the opportunity to learn from their own investment strategies. The Global Forum saw building local capacity to manage assets as a higher priority for many fund managers than turning over assets to a multilateral institution, even if higher returns were available.

However, because of limited in-country capacity and to obtain the benefit of wider experience, some GEF-supported trust funds are offshore funds. For example, the Trust Fund for Environmental Conservation in Bhutan has its investments managed by the UNDP Treasury Section.

Those funds whose governing board are entirely NGO work hard to develop close relationships with government, draw on their technical capability and seek to encourage government financial commitment to the fund.

Many funds have created special roles for stakeholders who may or may not be represented on governing boards. Some have established special accounts governed by councils or committees made up of representatives from a particular region or sector. Others have set up advisory committees, comprising particularly scientific, technical or financial experts, who advise on the soundness of proposed projects. Some funds grant non-voting representation on the board (or project selection committee) to donors, international NGOs or government agencies.

A few of the funds have representatives from the business sector on their boards (the Mexico Nature Conservation Fund is an example of one that does) but all agree that some participation from this sector is important and desirable. All would like to do a better job of raising funds from the private sector.

Just as boards are structured differently, they conduct business differently. Some meet monthly and take an active role in the management of the fund; others meet less frequently, even annually, to approve policy actions and a budget. Some require unanimous votes to approve projects, others require only a simple majority, and still others require a two-thirds or three-quarters majority.

Unanimity or large majorities are commonly required for fundamental decisions such as a change in bylaws or investing the principal of an endowment fund. Boards may be appointed or elected. In some cases, general assemblies composed of fund constituents elect members of the board of directors.

Although some governing structures may seem more advantageous than others, all have been designed keeping in mind local laws governing charities and trusts, including tax laws. The wishes of a major donor may also be reflected in the way a fund is structured. Table 5.2 presents a comparison of fund-governing structures.

5.6.4 Sharing the benefits

As can be noted from the previous section, the involvement of all stakeholders in funds — and, specifically, local communities — is seen as important. This is seen as desirable to ensure that communities affected by the activity concerned are involved in decision making and to ensure that there is an equitable distribution of benefits from the funds.

This involvement is, in any case, essential to the effectiveness of protected areas which are a blend of biodiversity conservation and sustainable management of natural resources for the benefit of local communities.

The World Bank, in reviewing biodiversity conservation in the Asia-Pacific Region (1992), said that the successful management of protected areas will depend ultimately on the cooperation and support of local people. It is not justifiable to ask communities within or adjacent to a conservation area to bear the costs of protection without providing adequate alternative means of livelihood.

However, despite discussion for at least a decade, there have been few initiatives to reconcile the needs of local people with conservation. Integrated conservation and development projects (ICDPs) are still experimental, and most have been small and highly dependent on external resources.

The same World Bank publication said that women are critical to biodiversity protection in developing countries. They often do most of the work of gathering medicines, firewood, and growing subsistence crops. Because women typically make economic use of a wider range of products than men, they have a greater interest in sustaining biological resources. Accordingly, the participation of women in planning and implementing activities that involve natural

Table 5.2 Comparison of fund-governing structures

Funds associated with a government agency	Funds with a governing board composed entirely of NGOs	Funds with a mixed government/NGO governing board
Advantages: • Can be a tool for implementing national environmental strategies and effecting policy changes. • Can provide a way to organize and coordinate official development assistance for the environmental sector. • Can provide support for underfunded governmental responsibilities, such as park guard salaries, protected area infrastructure, and so on. • Can be a recipient for earmarked taxes, fines, and permit fees. • May be better suited than NGO funds for pollution management and restoration of degraded resources because of the large financial and management resources required.	*Advantages:* • Likely to be responsive to local needs, based on popular participation. • Promotes values of democratization and local participation. • Able to integrate grassroots economic and social development with environmental programs. • Well suited for institution strengthening of local NGOs and providing support to local grassroots projects. • Independent of changes in government, thus offers institutional continuity. • Can serve as a vehicle for private donations (individual, corporate, and foundation).	*Advantages:* • Can serve to institutionalize cooperation between the public and private sectors, replacing previous patterns of confrontation. • Can combine most of the advantages offered by both of the other two types of funds, while avoiding many of their limitations. • Likely to result in projects that are sustainable in the long-run, by combining local initiative with government support.
Disadvantages: • Personnel, programs, and policies can be subject to sudden political changes. • Can be top-down in approach and insufficiently responsive to local needs. • NGO and local community suspicion of government. • Can be bureaucratic and restricted by civil service rules and government pay scales.	*Disadvantages:* • With a diverse group of NGOs, it can be difficult to reach consensus on programs, policies, and implementation. • Not being associated with government can mean that it is hard to influence national environmental strategies and policy reform. • Generally unable or uninterested in funding governmental responsibilities, such as park guard salaries, protected area infrastructure, and so on, which may be essential for biodiversity conservation. • Generally unable to serve as recipient for government-levied taxes, fines, and permit fees.	*Disadvantages:* • Citizens of the country may be confused about whether or not to regard the fund as an official government organization. • Likely to suffer from lack of focus than the other two types of funds, if purposes and project criteria are not clearly specified at the outset. • It the NGO side always has a clear majority, then the government may not take the fund as seriously or commit as many resources as it would to a government fund; if the government side always has a clear majority, the NGOs may be taken for granted and they may simply focus on getting near-term funding for their own projects.

Source: Barry Spergel, WWF-US

resources will be a necessary step in biodiversity conservation.

All GEF projects are required to collaborate closely with local communities and other stakeholders whenever possible.

To assist in this, the Bank has prepared Social Assessment Best Practice notes. These notes emphasise the need for identifying all stakeholders (government agencies, local communities, scientific institutions, NGOs, and the private sector) early in project preparation and for engaging in repeated consultation and information exchange throughout project design and implementation. Social assessment and participation are complementary activities that provide crucial socio-cultural information on potential areas of conflict and ways to resolve them.

GEF projects have incorporated stakeholder participation through different mechanisms and to varying degrees — from discussion of only a few project components to total delegation of responsibility for protected area management. Most of the experience thus far has come from work on design issues. These considerations need to underlie policies and practices with the establishment and operation of trust funds.

In practice, the most effective way of involving local people and ensuring equitable sharing of benefits would be through a range of mechanisms by structuring trust funds to serve local needs, for example, by incorporating revolving funds, alternative livelihood funds etc. as discussed in sections 5.8.3 and 5.8.4 in relation to the Philippines and Congo examples respectively.

5.6.5 Revolving funds and credit guarantees

Two mechanisms which could be helpful to local communities and enterprises are the use of part of a trust fund's income to operate revolving loans and credit guarantees.

A revolving fund or loan in a business context is credit negotiated for a specific period up to an agreed credit limit. During the period specified, funds can be drawn up to the agreed limit as can amounts that have been repaid during that time. At the end of the agreed time, the principal and any interest outstanding are repaid or a repayment schedule is negotiated for the outstanding principal and interest.

Revolving loans usually have a floating interest rate varying with the rate of interest ruling at the time. They are sometimes known as "rollover credits".

Conservation trust funds could be established with sufficient flexibility for sub-accounts to local people, for example, for enterprises such as sustainable resource use or ecotourism as long as the purposes were within the objects of the trust and the activities were compatible with the conservation goals.

A credit guarantee in a business context is usually given to enable a person or enterprise to obtain credit from a bank or other party where a "guarantor" agrees to be answerable for the debt if the borrower defaults. On default by the debtor, the creditor may take action against the guarantor without having taken legal action against the debtor. If the guarantor pays, the guarantor may then attempt to recover from the debtor. The liability of the guarantor may disappear if the contract between the debtor and the creditor is altered without notice to the guarantor and the guarantor's agreement. A guarantor usually charges a commitment fee.

As with revolving loans, a trust fund could be drawn in such a way as to allow its governing body to operate a credit guarantee scheme in circumstances similar to those referred to in relation to a revolving fund or loan.

5.7 Long-term effectiveness

Because of the relatively short time over which the concept of national or regional conservation/environment funds have evolved, it is not possible to point to examples of their long-term effectiveness.

However, the literature on financing protected areas, especially in developing countries, underlines that many developing countries find it difficult to make long-term investments in their natural capital assets. In consequence, most developing country governments involved are unwilling or unable to make the commitment necessary to establish and maintain representative systems of protected areas, including areas which are models of biodiversity conservation and sustainable development.

The trust fund concept offers a mechanism for developed countries directly and/or through the GEF to transfer blocks of money which can be invested as an endowment, with the income distributed on a long-term basis to support protected area management in the developing world.

Trust funds will not be the total answer and they have their own problems as outlined by the World Bank in section 5.8. Other sources of funding, including national government funding and on-site revenue generation, need to be accessed to the level feasible and appropriate. However, at this time, trust funds appear to offer the most practicable approach to shortfalls in protected area funding on a continuing basis, especially where the capital

required to provide an income adequate for the purpose required is realistically attainable.

5.8 The Global Environment Facility and trust funds

5.8.1 Overview

A World Bank publication for Fiscal 1994, *Making Development Sustainable: The World Bank Group and the Environment*, has this to say in giving a clear indication of the Bank's qualified support for trust funds:

> TRUST FUNDS. The establishment of biodiversity trust funds is another possible solution to the problems of insufficient and unreliable local funding. In addition to providing a stable and consistent stream of income to meet the recurrent costs of conservation areas, secondary benefits may include: the funding of smaller and more diverse types of activities than are possible with conventional investment lending; a better match between financial flows and absorptive capacity; promotion of long-term capacity building, broad participation, and local empowerment; and the provision of a flexible mechanism for the cofinancing of conservation.
>
> The GEF has pioneered the trust fund experiment under two quite different conditions, in the Bhutan Environmental Conservation Project and the tri-country Foundation for Eastern Carpathian Biodiversity Conservation. The GET contribution to the Bhutan trust fund was split into two tranches, totaling $10 million. In addition, $3 million in cofinancing was raised from the Netherlands, Norway, and the World Wildlife Fund (WWF-USA). Guidelines for submitting projects have been agreed to, and a review body has been established. For example, resources have been allocated to a community adjacent to the Royal Manas National Park for relieving pressure on wildlife by creating a buffer zone through community reforestation programs, crop production, and aquaculture. Initial returns on investment have not been fully successful, however, and a modest drawdown of the principal was needed to enlarge the conservation program.
>
> The Foundation for Eastern Carpathian Biodiversity Conservation, on the other hand, is an offshore fund involving three countries (Poland, the Slovak Republic, and Ukraine) and several donors, including the World Bank, the MacArthur Foundation, and the WWF-USA. An initial endowment of $600,000 and an additional 100,000 European currency units from the PHARE program of the European Union have been used to begin immediate biodiversity protection investments. Progress has been slow and complicated, only in part because of the number of participants. It would appear that the costs associated with establishing an offshore trust are significant in terms of long legal procedures and requirements that have delayed the trust's effectiveness.

The appeal of trust funds as a means of ensuring the availability of funds to cover recurrent costs has led to burgeoning demand for best-practice guidance from the GEF. In response, this year the Bank produced "Issues and Options in the Design of GEF-Supported Trust Funds for Biodiversity Conservation" [World Bank 1995]. The paper argues that experience thus far in GEF projects indicates that despite their appeal, trust funds are not a panacea and have several drawbacks. Trust funds that seek to meet recurrent costs from net income while maintaining the value of their assets in real terms require complex financial and administrative arrangements and, if the initial endowment is small, may generate only small income. Net income may display annual fluctuations as well, requiring considerable management skill for its stabilization. Where grant resources for biodiversity conservation are scarce and biodiversity losses rapid, locking up large amounts of capital that could otherwise be applied to urgent conservation needs may not be the most efficient way to achieve biodiversity conservation. Therefore, GEF experience indicates that trust funds should be chosen only after a review of all other, often simpler, means of securing recurrent cost financing have been examined and deemed nonfeasible or inappropriate.

Nevertheless, despite their financial limitations, trust funds provide an opportunity to build partnerships among local community beneficiaries, local and international NGOs, the private sector, and other stakeholders. Because financial resources are guaranteed in perpetuity and not merely for the life of a project, it is especially important to involve *all* actors and to secure their ownership of the fund's activities. For instance, for the Bwindi Forest Trust Fund of Uganda (approval expected in early fiscal 1995), the Wildlife Clubs of Uganda will represent local NGOs, CARE will represent international NGOs, and Mkerere University will be represented because of its research expertise in the area. The board will allocate 60 percent of the net income of the trust, or about $240,000 per year, to conservation-oriented community development activities proposed by local communities. Such activities would include agroforestry, traditional beekeeping, fruit growing, vine basketry, and operation of on-farm peri-forest timber lots.

5.8.2 Bhutan Trust Fund (BTF)

The prospectus for the Trust Fund for Environmental Conservation in Bhutan (1993) says that the Fund has been established to provide a guaranteed source of funding for long-term conservation initiatives in Bhutan. Many conservation activities require 10, 25 or 50 years of sustained effort to have an effect. For government departments to undertake long-range environmental planning, and for Bhutanese to train for careers in natural resource management, they must be sure that the necessary funding will be there year after year.

The BTF is designed to help preserve Bhutan's unique forest resources for the benefit of the people of Bhutan as well as for the benefit of millions of

people living in the floodplain downstream in India and Bangladesh.

The BTF is set up as a long-term endowment with the annual interest used to fund a variety of conservation programmes, including training foresters, ecologists, natural resource managers and other professions; surveys of Bhutan's forest resources and development of an ecological information base; review of the protected area system and development and implementation of management plans as well as institutional and capacity building for the relevant departments and funding projects integrating conservation and development.

The BTF legally began its operations in March 1992 when the aggregate contributions to the fund exceeded $9 million. The Trust Fund received $1 million from WWF, $7 million from the GEF and $1.5 million combined from the governments of the Netherlands and Norway. The GEF was to disburse its second tranche of $3 million to BTF after the initial mandates had been fulfilled. However, the BTF requires an endowment fund of at least $20 million to generate the interest income needed to finance an appreciable number of environmental initiatives. Efforts continue, therefore, to persuade prospective donor organisations (NGO and governmental) for further contributions.

The principal of the BTF is currently invested by the UNDP Treasury Section. A portion of the income generated each year is spent to fund project activities. Principal may be invaded only in exceptional cases and upon unanimous agreement of the Management Board, and at no time may the value of the principal be reduced to less than $8.5 million. The UNDP accepts donations in any fully convertible currency or any other currency which the UNDP determines can readily be used.

The BTF is governed by a five-member Management Board composed of three representatives from the government, one from WWF and one from the UNDP. In addition, the UNDP:

(i) formally participated in sponsoring the Trust Fund's establishment under UN auspices and helped obtain contributions from other donors;

(ii) manages the Trust Fund's investments as part of the regular administration of the UNDP's other trust funds; and

(iii) advises the Board on its operations.

WWF offers the BTF technical support and assistance on request.

The Board meets twice a year to decide policy issues, approve the list of projects to be funded, and carry out other responsibilities as specified in the BTF's legal document. Project management and administration are provided by the BTF Secretariat. Project execution is carried out by the government and non-governmental agencies in Bhutan as designated by the Trust Fund Management Board.

5.8.3 Fund for Conservation of Priority Protected Areas, The Philippines

An initiative in the Philippines under the heading of "Conservation of Priority Protected Areas" is of interest in illustrating innovative methods of local participation. The project was approved in May 1994 with a $2.9 million equivalent grant to the Republic of the Philippines. A parallel GET grant of $17.1 million equivalent was also made to Integrated Protected Areas Inc. (NIPA), the first GET grant to be made directly to an NGO. NIPA is a legally incorporated non-profit consortium formed to implement this project, composed of 12 national NGOs, including the most important national umbrella groups for community development and environment.

The project's goal of conserving biologically unique areas will be accomplished by:

- improving the national Department of Environment and Natural Resources (DENR) protected areas managerial capacity;
- incorporating NGOs and local communities into the project management structure;
- confirming the tenure of indigenous communities and developing forms of livelihood compatible with biodiversity conservation in and around the sites; and
- establishing a permanent funding mechanism for protected area management and development.

NIPA will assist the latter three project components, coordinating local "host" NGO activities, providing technical assistance, monitoring implementation, and serving as trustee and manager of a fund for alternative livelihood activities for communities in and around the ten selected sites. The project will support conservation activities such as technical assistance to the sites as well as socio/biological monitoring.

Local participation and NGO involvement have been key to the preparation process and are central to project implementation arrangements. International and local NGOs contributed to project design and selection of priority sites during preparation. Although a Government-appointed joint Government NGO Steering Committee will be responsible for coordinating project implementation, project activities will be carried out mostly by NIPA, NGOs and local communities.

During implementation a Protected Area Management Board (PAMB) will be established for each protected area covered by the project, and will include local communities, indigenous peoples, local NGOs and DENR. The PAMB will be responsible for formulating and approving the management

plan for its protected area, and for approving small-scale grants and/or loans to local community members for financially and environmentally sustainable economic activities.

The concept of what the World Bank called Alternative Livelihood Funds included in the Philippines initiative is described further in The World Bank/GEF report for Fiscal 1994 (World Bank 1994b).

The report says that an emerging method for building partnerships between the government and NGOs in GEF project design and implementation has been to support either alternative livelihood activities (as part of integrated conservation and development programmes) or direct conservation activities by local communities and NGOs. These two approaches feature in the Bank's GEF portfolio, with some variation in the local management arrangements project by project.

5.8.4 Congo

Alternative livelihood funds are included in GEF biodiversity conservation projects in Congo, Ghana, Lao PDR, the Philippines and Romania's Danube Delta. For example, the IUCN has been authorised by the government of Congo to administer alternative livelihood funds totalling $700,000 for The Nouabale-Ndoki, Conkouati, Dimonika and Lake Tele protected areas to encourage biologically sustainable economic activities by communities in the buffer zones around the protected areas. These include production of non-timber forest products and medicinal plants and developing limited ecotourism.

WWF-USA will help design a conservation trust fund, to be financed outside the project, and will train Congo nationals to manage it. Assistance will be provided to strengthen the administrative capacity and skills of local NGOs to expand beyond government implementation capacity for conservation actions.

5.8.5 Uganda

An example of a site-specific trust fund initiated by the GEF in support of biodiversity conservation in the Mgahina and Bwindi Impenetrable Forests National Parks, Uganda, was also negotiated in May 1994. The project creates a conservation trust fund to provide a mechanism for reliable, long-term funding for conservation activities. The trust fund is the first approved trust organised from the community level upward and, in the World Bank's view, represents a best-practice example of a sustainable local community-designed and managed biodiversity conservation effort.

The project trust fund will be capitalised initially with $4 million, to be provided by the GET. The capital will be invested internationally and only the annual income, net of administrative costs, will be used to fund project activities. It is expected that the invested capital will generate an initial five-year income stream of $1.41 million.

A Trust Management Board (TMB) will be responsible for deciding the appropriate use of the trust income, to be allocated under the following general guidelines:

- 60 per cent for community development projects which are proposed by established local community groups and which have a demonstrable positive impact on park biodiversity conservation (non-consumptive use of forests such as ecotourism, development of substitutes for vulnerable resources);
- 20 per cent for ecological and socio-economic research to provide data needed for improving park management and park/community interactions (surveys and monitoring of key indicator species and ecosystem quality and functions); and
- 20 per cent for park management activities (improved marking of park boundaries; expanded patrols).

The TMB will have nine voting members, including representatives of: Uganda National Parks, the Forest Department, a national conservation NGO, and an international NGO with an active conservation programme in the area, a research institution, the private sector, and the residents of the surrounding districts.

All community project proposals will be screened by a Local Community Steering Committee of major "shareholders", including the Wardens-in-Charge, the field staff of local NGOs, and local communities. The committee will approve projects up to $1000.

The Uganda trust project will serve as a model trust fund for biodiversity conservation designed to provide reliable, long-term funding, while developing cooperation among different stakeholders, including local communities, as full partners in project design, implementation and decision making.

As all proceeds of the GEF Bwindi grant will be invested directly in the trust, only interest earned from the trust (after project year 2) will be used to finance subprojects and recurrent costs. Financial projects are based on several assumptions: international inflation of 3 per cent; recurrent administrative costs of $200,000 per year to be met from income; a minimum of $100,000 to be disbursed for subgrants each year; an asset management fee of one per cent and no other fees or taxes paid.

Establishment costs of trust administration and the first few years' recurrent costs and subprojects will be financed by USAID.

5.9 Applicability to the Pacific

The mechanisms outlined for funding protected areas are of varied applicability to the Pacific because of the great variation between Pacific island countries. It is essentially a matter of looking at each country and each protected area in relation to the funding mechanisms listed.

Clearly, there would be a general expectation that governments would provide a basic institutional structure for protected areas as part of their natural resources/environmental management arm and, it is hoped, some field capacity for management of specific sites. Beyond that, the generation of in-country income would largely depend on the level of tourism and commercial activity related to protected areas.

As is the case now, a continuation of bilateral support should be expected, provided Pacific island governments are prepared to place protected areas in a sufficiently high position in their priorities to attract donor funding.

It is hoped that Pacific island governments and donors — whether multilateral, bilateral or NGO — will use the Action Strategy for Nature Conservation in the South Pacific Region 1994–1998 (SPREP 1994a) as a basis for seeking and giving support.

For those Pacific island countries with a sufficient income potential from resource taxes, a tax system on forest produce and/or tourism, for example, would be appropriate.

The case for ongoing World Bank/GEF support for biodiversity conservation and sustainable development in Pacific island countries is strong.

In the World Bank report, *Conserving Biological Diversity: A Strategy for Protected Areas in the Asia-Pacific Region* (1992), the authors make a strong case for support, illustrating the global significance of island ecosystems and the problems of managing resources for biodiversity in the region.

> The Asia-Pacific region is marked by great geographic and biological diversity ... it includes more than half of the world's coral reefs, as well as tens of thousands of islands ... The region encompasses the Oceanian realm and the Pacific Ocean ... These characteristics ... (including the large number of diverse and isolated islands ... account for tremendous species richness (the number of species in an area) and high levels of endemism (the occurrence of a species in a certain locality only).
>
> . . .
>
> In the Oceanian realm, there is a gradient of diminishing diversity from west to east. In the west, 75 percent of the 200 mammal species and 90 percent of the 11,000 plant species in Irian Jaya and Papua New Guinea are endemic.
>
> The smaller island nations to the east have fewer absolute numbers of species but have high levels of endemism, either per unit area or in proportion to their total numbers of species. The islands of highest conservation importance are: Viti Levu (Fiji); Rennell (the Solomon Islands); New Britain, Goodenough and Bougainville (Papua New Guinea); New Caledonia, and Lord Howe Island.
>
> The waters of the central and western Pacific and the Indian oceans together have the world's highest diversity of fish and shellfish, several times higher than that of the Eastern and Western Atlantic and the Eastern Pacific. Coral reefs, considered the marine equivalents of tropical rainforests because they support such diversity, are extensive, with eastern Indonesia (the Moluccas and Irian Jaya) accounting for the greatest biodiversity. The region's, and possibly the world's, most pristine reefs are found in the Central Pacific, particularly off the Solomon Islands and Vanuatu, while the marine resources of the Maldives and Papua New Guinea are also exceptional. Despite the importance of marine resources, marine conservation in the region, as in the rest of the world, is still in its infancy.
>
> Although serious disturbances have taken place on some islands, biological destruction has been less severe, on the whole, in the Oceanian realm. Nevertheless, lowland rainforests have been destroyed in Western Samoa and Tonga, and are threatened in Fiji, the Solomon Islands, and parts of Papua New Guinea. Moreover, the rate of species loss in the Pacific is among the highest in the world, exacerbated by the high proportion of endemics in the area and the small population sizes. Only on the island of New Guinea are there large expanses of relatively undisturbed habitat, including wetlands, which apparently face little immediate threat.
>
> Sand and coral mining and destructive fishing practices (particularly overfishing, dynamiting, and poisoning) are threats in Southeast Asia as well as in the Pacific island nations, although the reefs of the Indian Ocean and Western Pacific are more degraded than those of the Central Pacific.
>
> Protected area systems remain incomplete, particularly in the Pacific island nations ... six Pacific island nations have formally gazetted 1 percent or less of their total land area ... By and large, the government agencies responsible for protected area management in the Asia-Pacific region have extremely limited operational capabilities and political influence.
>
> In many South Pacific countries, the responsibility for protected areas is divided among two or more national agencies. This complicates efforts to develop and implement national conservation plans. The existing level of government expenditure is inadequate to assure the long-term survival of protected areas.
>
> . . .
>
> It is reasonable to estimate that at least a tenfold increase over existing levels of investment would be required to establish a protected area system

> sufficient for conserving biodiversity in the Asia-Pacific region. In general, the staff of most government conservation agencies in the Asia-Pacific region are inadequately trained, or are trained in production forestry or silviculture rather than conservation. This is true at all levels, from field staff to mid-level managers to top-level administrators, and presents a particular problem for countries beginning their protected area systems.

The World Bank report assesses Pacific island nations and Papua New Guinea (among others in Asia) in terms of the probability of improving conservation systems as "Fair probability (but slowly) because of institutional weakness, political or social constraints, or low absorptive capacity".

In terms of mobilising financial resources for biodiversity, the World Bank report says that owing to relatively good financial management in the region and the absence of discounted debt, the concept of debt-for-nature swaps is "likely to be of limited applicability".

The report continues:

> Given the scale of the resources needed to protect biodiversity in the (Asia-Pacific) region, endowments or trust funds cannot be expected to be major vehicles for conservation funding. But there are several countries in addition to Bhutan whose access to local resources and foreign exchange is so limited that these mechanisms could be considered, for example, Cambodia, Lao PDR, Sri Lanka, Viet Nam and selected South Pacific islands.

The "selected South Pacific islands" are not specified.

5.10 A Pacific Regional Endowment Trust Fund?

With this recognition of the possible appropriateness of endowment/trust funds in the Pacific and the existing GEF commitment to the South Pacific Biodiversity Conservation Programme, the endowment/trust fund concept seems a very appropriate mechanism to pursue.

The conservation area concept appears to fit ideally into GEF concepts because of the high level of community involvement. Conservation areas are in line with the World Bank's Social Assessment Best Practice Notes and are very appropriate for the Bank's concept of Alternative Livelihood Funds and mechanisms in the Uganda national parks fund. Other Pacific protected areas would also be appropriate for support.

There are few examples of regional trust funds as distinct from national or site-specific trust funds. However, IUCN-US is currently developing a proposal for GEF funding for the initial capitalisation of a Caribbean Trust Fund which would also seek commitments from other stakeholders, particularly the tourism industry.

This development is of particular interest because of the parallel with the Pacific of small island states. At present the insular Caribbean states contain a variety of permutations of national trusts. Some of these are true funding mechanisms, while others are more accurately operations-oriented NGOs with the same funding problems as government agencies. Only in special situations have national trusts come to resemble funding mechanisms in the Caribbean. These include the Bahamas National Trust, which has benefited from wealthy benefactors owning land there, and the Jamaican Conservation and Development Trust and Pronatura of the Dominican Republic, both of which were capitalised by proceeds made available as part of the debt relief package of the Enterprise for the Americas Initiative.

IUCN-US says that UNDP has shown considerable interest in the regional concept for the Insular Caribbean. There is a rich history of regional co-operation in the South Pacific and this is clearly a major asset which the Caribbean does not have to anywhere near the same extent. On the other hand, while tourism stands out as an income earner with at least the potential to contribute to a regional trust in the Caribbean, there are not comparable options for internally generated funds in the Pacific on an equitable basis, as Papua New Guinea, in particular, has a much greater capacity than others to generate resource income.

Consequently, the hope for a significant regional endowment trust fund for the insular Pacific would realistically rely on the provision of capital from the GEF which, it is hoped, would attract capital contributions from other major stakeholders in the region, particularly the bilaterals most involved (such as the US, Australia, New Zealand, the EU and, it is hoped, Japan) as well as major international NGOs.

While national trust funds could develop in the region, as is under investigation for Papua New Guinea, it would seem wise at this time to opt for an insular Pacific regional endowment trust fund. If this principle were accepted then the nature, scope and structure of it could be pursued through SPREP and the GEF partners. This could be done in the light of a detailed study into the operation of existing funds, of which the Philippines Fund for Conservation of Priority Protected Areas would appear to offer a useful basis, incorporating as it does the World Bank concept of Alternative Livelihood Funds.

It is clear that the planning and design phase is a vital one which needs careful thought as to the fund structure, governance, management and operation as well as the legal implications. This involves

applying a range of policy, financial and legal skills and, of course, an intimate knowledge of the region, to address the potential for a trust fund, its feasibility and its mechanisms.

The Pacific region calls for a fund that should be accessible to any protected areas regardless of how established, with priority given in eligibility to such principles as "locally owned", "locally managed" and "sustainability" rather than giving preference to those protected areas established under any particular programme.

The concept of a regional trust fund needs particular study because most existing funds are national in scope while some, as indicated, are site-specific.

If the regional concept is supported for the Pacific, it will be useful to study the evolution of the proposed Caribbean Trust Fund for Protected Areas which IUCN-US is coordinating. Here, the promoters are tentatively considering making a request for some $55,000 for project analysis and development as a GEF project development grant.

Note: As this report was being finalised, an important new publication came to hand dated April 1995. It is the World Bank Environment Department Paper No. 011 in their Biodiversity Series, entitled *Issues and Options in the Design of GEF-Supported Trust Funds for Biodiversity Conservation* (106 pages).

Produced by the Department's Global Environment Coordination Division, the report elaborates on the points covered in this report and copies should be obtained to facilitate further consideration of the trust fund concept. It is, as with all such papers, "circulated to encourage thought and discussion" and is not a formal publication of the Bank. Copies are obtainable from the World Bank's Environment Department, Global Environment Coordination Division, Room S-2145, Washington DC, 20433, USA.

6. Recommendations

It is recommended that:

1. SPBCP/SPREP review this report and use it as the basis for dissemination of funding information for appropriate action by member countries;
2. SPBCP/SPREP develop a database of practical examples of internally generated funding mechanisms and develop a capacity to act as a clearing house and communication mechanism for exchange of experience and ideas on in-country revenue generation mechanisms;
3. SPBCP/SPREP foster a Pacific protected area partnership programme and facilitate its operation;
4. SPBCP/SPREP initiate the preparation of an investment portfolio to identify one-off and long-term funding needs to implement the Action Strategy for Nature Conservation in the South Pacific Region 1994–1998 and countries be urged to use this as a basis for their own budgetary allocations and for seeking bilateral and other support to implement the Action Strategy;
5. SPBCP/SPREP, in conjunction with its member states and in consultation with the GEF and its bilateral partners and others, initiate an in-depth investigation into the possible establishment of a Pacific Regional Endowment Trust Fund for Pacific island countries;
6. SPBCP/SPREP seek initial GEF capital funding for initial establishment of the Fund and seek capital contributions to the Fund from other prospective donors including bilateral agencies, foundations and international NGOs;
7. the objects of the Fund include ongoing support for protected areas including conservation areas established under the SPBCP (in cases where continuing support is needed) with provision for biodiversity conservation and sustainable development initiatives in line with the World Bank's concept of Alternative Livelihood Funds;
8. the broad goals of the Fund include:
   - supporting integrated strategies for biodiversity conservation and sustainable development, and protected areas management;
   - supporting effective management of protected areas, especially those which are owned and managed by local people/communities. Areas which have the undivided support of the resident communities are likely to be sustainable over the long term and therefore deserve favourable consideration;
   - supporting enhanced managerial capacity through training, technical exchange, and regional cooperation;
   - encouraging multilateral cooperation by serving as a catalyst for partnerships across a broad spectrum of governments, NGOs, communities, industry and the private sector;
   - seeking and disseminating information about innovative funding mechanisms;
   - supporting local communities to conserve biological diversity while using resources sustainably where appropriate and compatible with conservation and protected area objectives;
9. the fund concept be researched on the basis of a three-dimensional approach promoting sustainable societies through:
   - Regional Grants — to support regional training programmes, inter-regional technical cooperation and exchange, and demonstration projects such as model environmentally sensitive tourism developments;
   - National Grants — to provide operational support for protected areas at the national level; and a
   - Local Revolving Loan Fund — to increase the access to capital for environmentally sensitive, sustainable, locally owned or community-owned business ventures. Support would be related to ventures linked to protected areas, either as direct users of the protected area's resources or as service providers to other users, such as park visitors.
10. the Trust be governed by an independent Board of Directors with constituents of the region represented, but with the specific details of membership organisation and management determined in conjunction with stakeholders, particularly those within the region;
11. the governance of the Trust be designed in such a way as to provide for the maximum possible delegation of relevant components of the Trust Fund to national and community levels.

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Annex 1 Terms of Reference

Generally, the Consultant will explore all funding options for the support of sustainable development and biodiversity conservation with special attention to those likely to find application in the countries of the South Pacific region.

In particular, the Consultant will:

(1) prepare a summary report of available funding options for the support of sustainable development and biodiversity conservation, where these funds have been established, how they are being managed, and their effectiveness as a means of assuring the long-term viability of conservation areas;

(2) identify funding options which are considered highly applicable to Pacific island situations;

(3) make recommendations as necessary regarding potential modifications to any of the listed options to further improve their chances of being successfully adopted in the region.

The Consultant will pay particular attention to funding options which are likely to ensure the fair and equitable distribution of benefits from sustainable development and biodiversity conservation programmes. The question of who wins and who loses once the benefits are realised in conservation area projects is a critical issue which should be addressed.

Depending on information available to the Consultant, two levels of funds should be looked at:

(i) Programme-wide Trust Fund
This could include options for the replenishment of current programme funds (for example SPBCP funds with new GEF resources) to sustain region-wide programmes such as SPBCP in SPREP.

(ii) Individual Project Trust Funds
These could be funds set up by country projects using, for example, GEF or other resources, and [be] managed by the projects themselves. Trust Accounts could be considered under these types of funds.

In the undertaking of this assignment, the Consultant will pay particular attention to the applicability of the following trust funds to Pacific island situations and conditions:

- environmental trust fund from levy of tax on timber exports;
- revolving loan funds;
- credit guarantee funds;
- internally generated trust and operational funds.

Examples of UNDP- or World Bank-supported trust funds will be important.

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