

SUSTAINABLE FINANCING

✍️ PROBLEMS:

--funds are scarce

but funding is necessary for success

--institutions are often weak

but strong institutions necessary to
attract donors

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SUSTAINABLE FINANCING

✍️ competition for funds is increasing

--past success ? expansion of PAs greater than
expansion of funding

--priorities have shifted:

poverty reduction

sustainable development

institution building

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RESULT FOR PA MANAGERS:

- reduced availability of funds
- more conditions being placed on use of funds

✍ GEF links future funds to:

- potential for success in meeting international goals
- past performance, based on institutional development that contributes to successful implementation

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IMPLICATIONS

- ✍ PA managers need to become more proactive in identifying, securing, and managing funds
 - lobbying and marketing efforts must increase
 - greater creativity needed in packaging proposals that mesh with other funding source priorities
 - linkages must be effectively demonstrated
 - greater research efforts required (costly in itself)

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SUSTAINABLE FINANCING

✍️ 2ND PROBLEM: *weak institutions*

To attract serious donors,

need ability to deliver an integrated set of protected area services in a professional, transparent, and accountable fashion at large scale

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SUSTAINABLE FINANCING

✍️ Andreas Merkl of Conservation and Community Investment Forum:

✍️ shortage of funding not caused by lack of money;
it is principally caused by lack of capacity in the field to accommodate such capital.

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SUSTAINABLE FINANCING

✍ Andreas Merkl of
Conservation and Community Investment
Forum:

✍ This capacity must be engineered by a professional, neutral, third-party management entity which assures funders the required accountability, control, flexibility and transparency.

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An initial priority

the ability to identify potential funding sources

So,

**FIRST REVIEW A LIST OF POTENTIAL FUNDING
SOURCES/ METHODS**

Then discuss some basics of creating a **BUSINESS PLAN**

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NOTE:

- Different PAs have different objectives.
- Effectiveness of potential funding methods will vary with the type of PA and its objectives.

Example: some coral reef sites have potential for generating significant revenues from tourism activities. Some sites, due to location or perhaps more stringent protection objectives, will not.

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Funding sources may be :

- external to PA
- internal to PA

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EXTERNAL SOURCES OF FUNDING

✍ public funds:

local government, foreign assistance, international NGOs

✍ private funds:

NGO'S, private donations, corporations

✍ debt for nature swaps

✍ environmental funds

for-profit investment companies, non-profit trust funds

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EXTERNAL SOURCES OF FUNDING PUBLIC FUNDS

--local/national government

--foreign assistance

(primary source of funds for SE Asia)

--multilateral agencies

--bilateral sources

--NGO funds

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PUBLIC FUNDS

✍ local/national government funding

- may provide regular flow of funds
- can be problematic
 - must secure a position within a budget then hold it
- PAs must compete with other worthy endeavors

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PUBLIC FUNDS

local/national government funding

Taxes/subsidies: fiscal tools to raise/re-distribute funds

- licenses and other fees may act as taxes

✍ useful in altering behavioral incentives

- lower taxes, supply subsidies to stimulate actions that support PAs
- raise taxes, remove subsidies on actions that harm PAs

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PUBLIC FUNDS
Foreign Assistance

FUNDING-SOURCE COMPOSITION IS CHANGING

- ✍ NGO and multilateral contributions
are becoming more prominent
- ✍ may lead to shifts in
goals/conditions/beneficiaries

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PUBLIC FUNDS
Foreign Assistance
MULTI-LATERAL AGENCIES

- European Union
- World Bank
- Asian Development Bank
- Inter-American Development Bank (WB)
- GEF
- UNEP
- FAO

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PUBLIC FUNDS
Foreign Assistance
MULTI-LATERAL AGENCIES

----refer to **Conservation Finance Guide**
for specific agency details

Example:

- 3.2 Asian Development Bank**
- 3.2.1 Policy or strategy
 - 3.2.2 Funding
 - 3.2.3 Institutions / organization
 - 3.2.4 Contact information

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PUBLIC FUNDS
Foreign Assistance
BILATERAL SOURCES

☞ a good source for:

- start-up funding
- areas requiring high community involvement

Germany, Netherlands, Japan, Norway, U. S. A.
were top five contributors 1998-2000.

----refer to **Conservation Finance Guide** for specific
agency details

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EXTERNAL SOURCES OF FUNDING

PRIVATE FUNDS

- can provide flexibility in fund use
- may not be stable sources
- may require substantial time/effort/expertise to obtain and manage
- may require trade-off of some local autonomy

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EXTERNAL SOURCES OF FUNDING

PRIVATE FUNDS

 **types:**

- Philanthropic foundations**
- NGOs**
- Corporate funding**
- Personal donations**

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PRIVATE FUNDS
Philanthropic foundations

✍ Typically set up by wealthy individuals

Examples:

- John D. and Catherine T. MacArthur Foundation**
- Ford Foundation**
- Rockefeller Foundation**
- United Nations Foundation**
- Gordon and Betty Moore Foundation**
- Richard and Rhonda Goldman Foundation**

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PRIVATE FUNDS
International NGOs

Examples:

- WWF: Ocean Rescue Program**
- Nature Conservancy: Marine Initiative**
in conjunction with:
- Conservation International**

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PRIVATE FUNDS International NGOs

Example:

--*Komodo National Park* in Indonesia

The Nature Conservancy, GEF, and other partners have contributed several million dollars over 15 years to plan/implement this park covering 180,000 hectares of land and sea

--over a 7 year period, TNC and GEF funding replaced by (primarily) tourist fees

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PRIVATE FUNDS Corporate funding

✍ operate at international, national and local levels

--special funds or programs

--business advertising or sponsorship

Examples:

--Shell Foundation

--TOTAL Foundation for Biodiversity and the Sea

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PRIVATE FUNDS

Personal donations:

a wide variety of possibilities:
cash or volunteerism

Examples:

- donation of funds to NGOs
- participation in special “cause-oriented” events
- adoption/sponsorship programs

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EXTERNAL SOURCES OF FUNDING

DEBT FOR NATURE TRADES

- ✍ limited applicability due to need for complex negotiation at national/international levels
 - typically, strict conditions imposed, not necessarily in regard to environmental concerns
 - projects need to be of large scale to become worthwhile

- agreements are typically at national level, so is difficult to target specific PAs

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EXTERNAL SOURCES OF FUNDING DEBT FOR NATURE TRADES

Philippines Debt-for-Nature Swaps

1988-1993: WWF negotiated four commercial debt-for-nature swaps generating \$27 million

✍ El Nido and Tubbataha have benefited from this

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EXTERNAL SOURCES OF FUNDING Philippines Debt-for-Nature Swaps

An example transaction in 1993:

- 1) WWF purchases \$19M debt for \$13M**
- 2) WWF transfers debt to Philippine Central Bank (debt is cancelled)**
- 3) CB pays \$17M in Pesos to Foundation for the Philippine Environment**
- 4) FPE creates endowment fund and disperses grants**

(Spergel and Moyer 2004)

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**EXTERNAL SOURCES OF FUNDING
Environmental Funds**

--typically have a profit motive

--typically high risk, low return

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**EXTERNAL SOURCES OF FUNDING
Environmental Funds**

Example:

**Chumbe Island Coral Park Ltd. in
Zanzibar/Tanzania**

--privately funded/managed reef

**Concept: Eco-tourism activities support
conservation and environmental education**

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EXTERNAL SOURCES OF FUNDING
Environmental Funds

Example:

Asian Conservation Company

✍ invests in marine biodiversity businesses:

--Ten Knots Group tourism operation in
El Nido-Taytay Managed Resource
Protected
Area

--Stellar Fisheries, Inc., sustainable
producer of pasteurized blue crabmeat

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EXTERNAL SOURCES OF FUNDING
Environmental Funds (sort of)

Andreas Merkl of the
Conservation and Community Investment
Forum

advocates:

A professionally managed, conservation-
focused, protected area management
company.

A non-profit entity with the scale, expertise,
independence, accountability and
transparency to coordinate protected area
investments of all types

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EXTERNAL SOURCES OF FUNDING

Environmental Funds (sort of)

Such a company would:

share many of the operating characteristics of a venture fund:

- its rigor in defining/measuring outcomes
- its flexibility
- its total transparency and accountability to funders/investors
- its neutrality in regards to the investments
- its ability to de-fund under-performing investments
- its ability to perform world-class due diligence

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EXTERNAL SOURCES OF FUNDING

Environmental Trust Funds

✍ distinct from “Environmental Funds”

--a medium- to long-term approach

Provide:

- Distinct governance structures**
- Credible and transparent operational procedures**
- Sound financial management practices**
- Flexibility for capacity building**

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EXTERNAL SOURCES OF FUNDING

Environmental **Trust** Funds

✍ distinct from “Environmental Funds”

--endowment funds

--sinking funds

--revolving funds

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EXTERNAL SOURCES OF FUNDING

Environmental **Trust** Funds

✍ endowment funds:

--Invest capital base in bonds, stocks, etc

--maintain/enhance capital base, spend only income

--properly managed, should be sustainable

--capital base can be built over time through solicitations, etc.

--good for securing coverage of recurring costs

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EXTERNAL SOURCES OF FUNDING

Environmental **Trust** Funds
endowment funds

Examples:

- Foundation for the Philippine Environment
- KEHATI in Indonesia
- Protected Areas Fund within the Mexican Nature Conservation Fund
- Meso-American Reef Fund ?

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EXTERNAL SOURCES OF FUNDING

Environmental **Trust** Funds

sinking funds:

- initial capital base earns income,
but spend both income and capital base over time
- lifetime depends on rate of depletion of capital base

☞ good for medium-term “bridging support”

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EXTERNAL SOURCES OF FUNDING

Environmental **Trust** Funds

☞ revolving funds:

--faster depletion of capital base, but designed to replace capital base with new cash infusions over time

--lifetime depends on ability to replenish funds

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EXTERNAL SOURCES OF FUNDING

Environmental **Trust** Funds

revolving funds:

Examples:

Belize Protected Areas Conservation Trust
(PACT)

Seychelles Island Foundation

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EXTERNAL SOURCES OF FUNDING

Environmental **Trust** Funds

Initial source of funds typically large external grant

Example:

Protected Areas Fund within the
Mexican Nature Conservation Fund

Initial success attracted further monies
Alternative funding sources developed

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EXTERNAL SOURCES OF FUNDING

Environmental **Trust** Funds

--fund replenishment often from internal sources

Examples:

Tubbataha Reefs, Philippines:

Foreign divers pay \$50 to conservation trust fund

Local divers pay \$25

Belize PACT :

Revenues derived from:

20% commission on cruise passenger fees

20% commission on recreational licenses

conservation fee of \$ 3.75 / visitor

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INTERNAL SOURCES OF FUNDING
Market-based Fees

- ✍ generate revenues:
 - for cost recovery
 - for excess revenues to finance extra activity
(on-site or off-site)
- ✍ control visitation
- ✍ re-align incentives to favor conservation and sustainable use

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INTERNAL SOURCES OF FUNDING
Market-based Fees

Common instruments

- tourism charges
- resource extraction/bioprospecting fees
- ecosystem service payments
- ✍ potential for each is site specific

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**Market-based Fees
Tourism charges**

✍ **direct entry or use charges**

✍ **indirect taxes on tourists**

--airport tax

--hotel tax

✍ **concession fees**

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**Tourism charges
direct entry or use charges**

--not always applicable

--sometimes prohibited by law

--subject to industry fluctuations

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Tourism charges
direct entry or use charges

local support is important

✍ incentives should encourage local support

--evidence of local benefits must be clear

✍ **local revenue sharing needed**

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Tourism charges
direct entry or use charges

✍ fees must balance:

--need for revenue (*relatively* low fee)

--need for protection (higher fee)

--equity considerations

--differential fee systems

Example: Bunaken National Marine Park

Foreign guests: Rp 150,000/year or Rp
50,000/day

(US\$17)

Indonesian guests: Rp 2500/trip (US\$0.25)

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**Tourism charges
indirect taxes on tourists**

--airport/other transportation tax

Example:

Republic of the Cook Islands:

20% of \$10 airport tax ↗ Environmental Protection Fund

--hotel/meal tax

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**Tourism charges
concession fees**

- legal agreement allows an organization to market goods/services related to PA in exchange for fees
- Providers of tourism amenities
- Agents engaged in sustainable harvesting

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**Market-based Fees
Resource Extraction Fees**

- royalties, concession fees
- permits, licenses
- revenue generation, access control,
incentive re-alignment

✍ potential for each is site-specific

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**Market-based Fees
Bio-prospecting Fees**

- fees for the right to collect biological
material to test for commercial use
 - up-front payments
 - royalties
 - profit-sharing

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Bio-prospecting Fees

- some successful cases, but losing its early appeal**
 - a great deal of uncertainty is involved**
 - discovering/developing successful products can be expensive**
 - smaller scale PAs may not qualify, as large areas typically needed**
 - negotiation can be complex**

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Market-based Fees Payment for Ecosystem Services

- revenue generation
 - receive payments from those who use/benefit
 - includes on-site and off-site beneficiaries
- incentive re-alignment
 - compensate those who can supply/protect
 - financial incentives to encourage sustainable use

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FUND GENERATION
considerations

- current sources? Reliability?**
- current and potential services:
likelihood of generating revenues?**
- current beneficiaries?
how can they help?**
- organizations with related interests?**
- similar programs in other locations?
types of donors?
lessons to learn?**

- how to build local support?**

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What to do with revenues

PA funds must:

- cover operating expenses**
- help offset opportunity costs**
- reward supportive behavior**
- be re-invested to generate new revenues**

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Business Plans

✍ **Part of a broader Management Plan**

✍ **Goal is to identify:**

--financial requirements of Management Plan

--potential revenue sources

--assess PA resources

**--plan to “market” resources to satisfy
financial goals**

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Business Plans

✍ Identify financial needs

--based on overall management plan

✍ identify/classify activities to be carried out
(by time and type)

✍ rank according to need

✍ assign costs to activities

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Financial Planning Worksheets

Process summary:

- ✍ **start with management plan and threats/activities matrices to determine specific program/sub-program activities**
- ✍ **prepare detail worksheets:
personnel, operating expenses, land costs**
- ✍ **consider funding mechanisms that may best cover costs**

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Financial Planning Worksheets Steps

AN ITERATIVE PROCESS

- ✍ use threats matrix to summarize/prioritize threats identified in management plan
- ✍ threats matrix also used to summarize potential actions to address threats

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Financial Planning Worksheets Steps

- ✍ use activities matrix to place management actions within appropriate “programs”

- ✍ notice that 3 general “programs” have been identified:
 - PROTECTION AND MANAGEMENT PROGRAM
 - COMPATIBLE USE PROGRAM
 - ADMINISTRATION PROGRAM

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Financial Planning Worksheets Steps

within each program are several sub-programs:

PROTECTION AND MANAGEMENT PROGRAM

Protection Subprogram

Conservation Land Subprogram

Natural Resource Management Subprogram

Research Subprogram

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Financial Planning Worksheets Steps

within each program are several sub-programs:

COMPATIBLE USE PROGRAM

Environmental Education Subprogram

Eco-Tourism Subprogram

Forest Resources Subprogram

Agricultural Uses Subprogram

Community Outreach Subprogram

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Financial Planning Worksheets Steps

within each program are several sub-programs:

ADMINISTRATION PROGRAM

Management & Finance Subprogram

Operations & Maintenance Subprogram

Training Subprogram

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Financial Planning Worksheets Steps

Detailing expenses

✍ Tabs D and E ✍ details by sub-program:

Personnel

Operating Expenses

Land Acquisition

OR

✍ Tab G gives Expense Details by Program

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Financial Planning Worksheets Steps

Enter detailed expenses into Expense Summary (Tab H)

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Financial Planning Worksheets Steps

Revenue Considerations

Where will the money come from?

--must identify/screen potential funding sources

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Financial Planning Worksheets Steps—Revenue Sourcing

ID/screen potential funding sources

1. screen for potential services to be “marketed”
2. link potential services to one or more potential funding mechanisms
3. screen funding mechanisms for viability
4. rank viable mechanisms
5. perform deeper assessment of viable mechanisms

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Financial Planning Worksheets
ID/screen potential funding sources

✍ **screening potential goods/services:**

✍ which have potential to be serviced by some financing mechanism?

consider (score) 3 criteria:

- relative supply
- relative demand
- identifiable “consumer base”

rank each good according to average score of the 3 criteria

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Financial Planning Worksheets
ID/screen potential funding sources

Ranking criteria

examples:

relative supply: snorkel/diving attractions
nursery functions

relative demand: tourism levels (current and projected)
fishery activity

identifiable consumer base?:

local, regional, or foreign visitors
large scale or municipal fisheries 70

Financial Planning Worksheets
ID/screen potential funding sources

2. link services to potential funding sources

--type of service/type of consumer may determine most appropriate funding source

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Financial Planning Worksheets
ID/screen potential funding sources

3. screen funding mechanisms for viability

--financial viability

--capacity/willingness to pay

--consider profitability of firms

--incomes of target consumers

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Financial Planning Worksheets

ID/screen potential funding sources

3. screen funding mechanisms for viability

--legal viability

--political

--social

✍ screen “consumers” on basis of compatibility:

--will activities conflict with goals of PA?

--distributional concerns:

--may wish to favor locals

to avoid resentment

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Financial Planning Worksheets

ID/screen potential funding sources

4. rank viable mechanisms

--correlate difficulty in implementation with degree of benefits

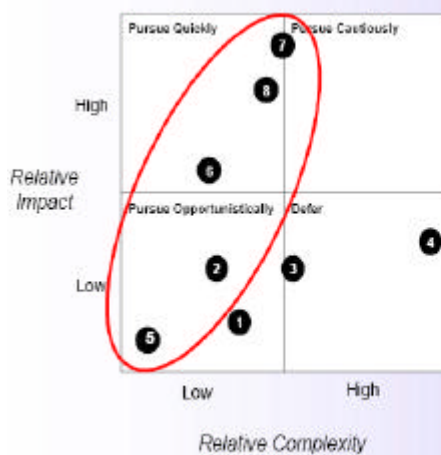
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Financial Planning Worksheets
ID/screen potential funding sources

example:
from Edwards:
Belize Business Plans
Laughing Bird Caye National Park

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Financial Planning Worksheets
ID/screen potential funding sources



Recommended Strategies

1. User Fees
2. Adopt An Acre
3. Voluntary add-ons to hotel and restaurant bills
4. Hotel Interpretation Programs
5. Collect spare currency
6. Friends of Friends of Nature
7. Merchandising / Gift Shops
8. Volunteers

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Business Plans

In summary:

business plan should identify

- (a) Current and long term financial needs
- (b) the benefits derived from the PA
- (c) economic value of those benefits
- (d) Beneficiaries of the PA

Decisions then made how to best allocate resources

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Special considerations

- ✍ diversity in funding
- ✍ Local participation
- ✍ networking

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diversity in funding

Why build diverse funding portfolios?

- No single source of financing sufficient
- Some mechanisms appropriate for certain costs but not others
- Buffer against unforeseen events
- Need *portfolio* of different mechanisms

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Example of diversity in funding

Bunaken National Park Indonesia:

	optimal	recent
Central govt support to park office:	\$100,000 (\$100,000)	\$100,000
• Decentralized entrance fee system:	\$200,000 (\$200,000)	\$120,000
• In-kind support from private sector:	\$30,000 (\$30,000)	\$30,000
• Diversified local govt budgetary support:	\$80,000 (\$80,000)	\$30,000
• International volunteers system:	\$40,000 (\$40,000)	\$30,000
• National and international grants:		\$120,000

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Local Participation

Why important?

Creation of PAs imposes a loss of production and consumption opportunities on local communities

Examples:

Congestion

Loss of fishing and other resource uses

damaging exploitation techniques

loss of access

alternative investments

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Local Participation

Examples of local participation/inclusion

--Hire locals as captains, dive guides, cooks, etc

--Support of local handicrafts/other PA-related products

--Support local education programs:

Scholarship programs for local youths

Donation of educational materials to schools

Transport local school groups to visitors center

--Sponsor beach/reef cleanups

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Examples of local participation/inclusion

- Free SCUBA certification for park rangers
- Diving/boat support for fish/coral monitoring programs, enforcement and reef rehabilitation work
- Support local infrastructure projects:
 - sanitation
 - roads
 - local clinics
- Local job training

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PA networking

- ✍ networks may be preferred to individual programs
- not all PAs can be self-supporting
 - tourism requires supporting infrastructure
 - some PA goals conflict with revenue generation

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