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World Commission on Protected Areas (WCPA)

# Financing Protected Areas Guidelines for Protected Area Managers

Financing Protected Areas Task Force of the World  
Commission on Protected Areas (WCPA) of IUCN,  
in collaboration with the Economics Unit of IUCN

Adrian Phillips, Series Editor



Best Practice Protected Area Guidelines Series No. 5

These Guidelines are one of the Best Practice Protected Area Guidelines series. The Series Editor is Prof. Adrian Phillips.

Other publications in the series are as follows:

*National System Planning for Protected Areas*. No. 1. Adrian G. Davey, 1998, x + 71pp.

*Economic Values of Protected Areas: Guidelines for Protected Area Managers*. No. 2. Task Force on Economic Benefits of Protected Areas for the World Commission on Protected Areas (WCPA) IUCN in collaboration with the Economics Service Unit of IUCN, 1998, xii + 52pp.

*Guidelines for Marine Protected Areas*. No. 3. Graeme Kelleher, 1999, xxiv + 107pp.

*Indigenous and Traditional Peoples and Protected Areas: Principles, Guidelines and Case Studies*. No. 4. Javier Beltrán, 2000, xi + 133pp.

*Evaluating Effectiveness: A Framework for Assessing the Management of Protected Areas*. No. 6. Marc Hockings, Sue Stolton and Nigel Dudley, 2000, x + 121pp.

# **Financing Protected Areas**

**Guidelines for Protected Area Managers**

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Founded in 1948, The World Conservation Union brings together States, government agencies and a diverse range of non-governmental organizations in a unique world partnership: over 900 members in all, spread across some 138 countries.

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Series Editor: Adrian Phillips

**World Commission on Protected Areas (WCPA)**

**Best Practice Protected Area Guidelines Series No. 5**

**IUCN – The World Conservation Union  
2000**

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# Foreword

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Despite their universal appeal for recreation, tourism, conservation and ecosystem services, few if any natural protected areas in the world enjoy a fully funded status. This imposes limits both on the conservation programmes which can be undertaken and the services which can be offered to visitors. With more resources more can always be done.

The aim of these Guidelines is to provide protected area managers with information about financing their protected areas and where to look for finance beyond existing sources. Access to funds is becoming increasingly important for effective management, so these Guidelines should be of growing value.

This publication is intended to be a living document through the associated website at [economics.iucn.org](http://economics.iucn.org). Protected area financing is now core business for protected area managers, and the body of knowledge is rapidly expanding. As protected area managers come to grips with the challenge of financing their protected areas, case studies and written material will be developed which add to the collective body of knowledge. Whether positive or negative, such experience is an important learning tool and should be made available for others. Accordingly these Guidelines will be updated as new material becomes available; and updates and new case studies will be made available at the website.

In recognition of the dynamic nature of protected area financing, much of the more detailed material on sources of financing within each region has not been included in these Guidelines, but is also available on the website [economics.iucn.org](http://economics.iucn.org) (as is the text of the entire publication, which is also on the WCPA website [wcpa.nos.noaa.gov](http://wcpa.nos.noaa.gov)). This includes a short summary of donor organisations, a link to their Internet sites and contact details, and already covers 90 pages. Many sources of funding exist in each part of the world: with a little effort, it is possible to use the website to help meet local needs.

The IUCN World Commission on Protected Areas (WCPA) will be pleased to receive case studies, comments and new material for inclusion in further editions of these Guidelines and for the website. Furthermore, financing protected areas and economic benefits of protected areas, will be the subject of workshop discussions at the World Parks Congress in Durban, South Africa (scheduled for September 2002). As Task Force Convenor, I would be delighted if a second edition of this work were to be available to launch and discuss at the Congress.

*Lee Thomas  
Convenor, IUCN WCPA Task Force  
on Financing of Protected Areas*

# Acknowledgements

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This guide is a publication of IUCN – The World Conservation Union. It has been prepared jointly by the Financing Protected Areas Task Force, a part of the World Commission on Protected Areas (WCPA), and the IUCN Economics Unit.

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A number of other staff have also contributed to the document and the related web site: Ruth Norris, Lee Pagni, Allison Schindelka, David Stone and Sebastian Winkler. But while the document thus incorporates comments from several people associated with IUCN, the views expressed in it do not necessarily reflect those of the Union. Although IUCN assumes no responsibility for the content of the case studies, any queries can be directed to [economics@iucn.org](mailto:economics@iucn.org).

The Financing Protected Areas Task Force wishes to acknowledge the generous support of the IUCN Economics Unit, the Swiss Agency for Development Co-operation, the MacArthur Foundation and Environment Australia which have assisted in funding the publication of these Guidelines. This funding has contributed to a significantly increased print run, an internet version and wider distribution of these Guidelines than would otherwise have been possible.

Finally, the Task Force and Economics Unit would like to thank Randy Curtis of The Nature Conservancy (TNC) for his exceptional work on financing protected areas as depicted in the publication *Funding Protected Area Conservation in the Wider Caribbean: A Guide for Managers and Conservation Organisations*, produced by UNEP and TNC (1999).

# **Part A**

## **Developing a financial strategy**



# 1. Protected areas and finance

---

This document is intended as a practical guide to assist protected area managers in identifying and securing appropriate and sustainable finance. It is based on inputs from a range of sources, including IUCN's Economics Unit, Programme on Protected Areas and WCPA. It also draws on the publication *Funding Protected Area Conservation in the wider Caribbean: A Guide for Managers and Conservation Organisations* (UNEP, 1999), prepared with the assistance of TNC, and other publications.

The guidelines explore financing options for protected areas and provide advice and information on sustainable financing. Part A starts by demonstrating the need for both public and private financing to ensure the continued provision of private and public goods and services from protected areas. It then develops a step-by-step process which protected area managers can use to create business and financial plans tailored to the needs and strengths of their protected area. Part B discusses the mechanisms for generating revenue flows from both public and private sources and gives an overview of potential grant-based sources of financing. A short selection of innovative case studies is given in Part C.

## 1.1 What are protected areas and why are they important?

Protected areas are recognised by IUCN (1994) as areas:

*“of land and/or sea especially dedicated to the protection and maintenance of biological diversity, and of natural and associated cultural resources, and managed through legal or other effective means”.*

Thus protected areas represent special places in the world which are managed for conservation purposes. The current global system comprises some 30,000 sites, covering 13.2 million square kilometres (more than the combined area of China and India). Each of these sites contains a unique combination of biological, ecological and cultural features. Together they play a key role in conserving natural ecosystems and, when managed effectively, contribute substantially to biodiversity conservation.

While protected areas in the past have tended to be considered as separate entities, good practice now recommends that they be planned and managed **as a system** (Davey, 1998), and indeed this is specifically required under Article 8 of the Convention on Biological Diversity (CBD). It should be noted, therefore, that much of the discussion in this publication is as relevant to the level of a protected area system as to individual protected areas.

Protected areas are, of course, important because of the critical role they play in biodiversity conservation. This role is recognised by most countries including the 177 Parties to the CBD. As noted, Article 8 obliges Parties to establish a system of protected areas to conserve biodiversity, but also to develop guidelines for the management of such areas and promote appropriate development adjacent to protected areas. Commitments such as these assist in the conservation of global biodiversity by making

clearer the responsibilities of governments for protected area systems. Article 8m of the CBD calls for cooperation among Parties in providing financial support for protected area systems. Hence there is both a global mandate for protected areas and a specific responsibility for ensuring that these areas are properly financed. But new obligations outlined in such global agreements strain already tight protected area budgets.

As well as biodiversity conservation, protected areas are important for other significant reasons. They ensure the continued flow of ecosystem services, such as the provision of clean water and the protection of soil resources. They provide significant economic benefits to surrounding communities and contribute to spiritual, mental and physical well being. Protected areas also help fulfil an ethical responsibility to respect nature and provide opportunities to learn about nature and the environment. Each of these values of protected areas is important and should be taken into account in developing a financial plan.

## **1.2 What is financial planning and why is it important for protected areas?**

A financial plan is a tool which helps to determine the protected area's funding requirements (including the amount and timing of that funding) and to match income sources with those needs. Financial planning differs from financial budgeting in that it not only identifies how much money is needed for different types of activities, but also locates the most appropriate funding sources for short, medium, and long-term needs.

Different sources of funding have different characteristics. Some are more reliable than others, some sources are easier to raise than others, and some can be used freely according to management priorities while others come with strings attached. Some funding mechanisms take a long time and a lot of effort to establish; they therefore do not provide a short-term return, but over the longer term they offer the possibility of steady, reliable financing to meet recurrent costs. Some sources of funding have short-term time horizons (such as a bank overdraft) and others have longer-term horizons (such as a mortgage). A good financial plan identifies these characteristics, and builds a revenue stream which matches both the short and long-term requirements of the protected area, or protected area system.

Ensuring effective management and securing sufficient financial resources are vital if protected areas are to continue to provide benefits and fulfil their role in biodiversity conservation. However, financial resources are often a constraining factor in the effective management of protected areas, falling well short of needs. Protected areas have to compete with pressing demands from other sectors, such as education, defence and health. For various reasons, these other demands often prove more effective than protected areas at capturing government revenue. The result is that the proportion of public funding going into investment in protected areas is in decline in many countries. For example, following the economic crisis in South East Asia, budget cuts resulted in significant reductions in funding for the environment – e.g. in the Philippines, the Department of Environment's budget was cut by 25% in 1999 (World Bank, 1999).

Traditionally, protected areas have been managed by government agencies and have thus tended to rely almost exclusively on government coffers. In some places, however, these arrangements are changing. New models are emerging, such as protected area parastatals in Africa, private protected areas in Southern Africa and elsewhere, NGO-



managed protected areas especially in Latin America, and the growing band of volunteers assisting with protected areas management in Australia. Such new institutional arrangements may provide greater flexibility and be more innovative in securing financial resources from public and private sources.

### 1.3 Guiding principles

These guidelines build on lessons from all types of protected areas, developed under a variety of management structures. They are intended to highlight the range of financial options available and encourage protected area managers to explore ways of diversifying their portfolios of investors so that they consider capturing resources from all possible sources.

The guidelines are based upon a number of principles:

- That business plans should be developed within the overall context of the protected area management plans and legal frameworks, thus ensuring that generating revenue remains a means towards the end of more effective biodiversity conservation and does not become an end in itself;
- That a business approach should be adopted towards financing protected areas, which entails defining relevant consumers and identifying ways of capturing a fair return from them; and
- That both public and private revenue streams are important, with public revenue streams linked to public goods and private revenues to private goods.

Within this context, this document introduces the concept of a business approach to protected areas. This leads logically to a discussion on the development and financing of business plans for protected areas.



## 2. A business approach to protected areas

In this section, we use – quite deliberately – the language of business, talking of “product”, “customer” and “marketing”. The idea here is to encourage protected area managers to see their job, in part, as running a business. But it is essential that in so doing they do not lose sight of the basic values represented by protected areas. **The business approach is a means to an end: a better, more sustainable protected area.**

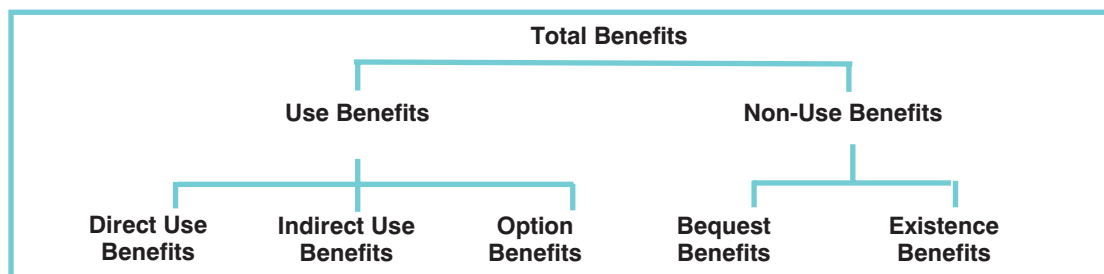
Achieving sustainable financing of protected areas requires protected area managers to identify financial sources and opportunities and to match these with the financial requirements of the protected area or protected area system. To spur such thinking, this section uses economic valuation tools to give protected area managers a structured approach to identifying existing and potential “customers”.

The business approach adopted in these guidelines starts by outlining the array of benefits which protected areas provide to individuals and society as a whole (Section 2.1). These benefits are then linked to customer groups, with a discussion on the nature of goods and services flowing from the protected area and the implications of these for the financial plan (Section 2.2). Finally, there is a discussion of how protected area managers can recover costs from customers for the benefits derived from the protected area. (Sections 2.3 and 2.4).

### 2.1 Benefits from protected areas<sup>1</sup>

Viewed from the perspective of a financial planner, a protected area can be seen as a business operation. An analogy might be a department store. A department store offers its customers a number of goods and services such as clothes, shoes, cosmetics, toys, meals and entertainment. The “goods” from a protected area include recreational opportunities, basic food items and genetic materials, while the “services” are such things as biodiversity conservation, crop pollination, water purification and game

**Figure 1 Protected area benefits**



<sup>1</sup> For more advice on economic valuation see – Task Force on Economic Benefits of Protected areas of the World Commission on Protected Areas of IUCN in collaboration with the Economics Service Unit, 1998: *Economic Values of Protected Areas*.

viewing. Such goods and services provide people with a stream of benefits from the existence of the protected area. These benefits can be divided into “use” and “non-use” benefits which in turn can be sub-divided into direct, indirect, option, bequest and existence benefits. Figure 1 represents this in diagrammatic form.

The various goods and services of a protected area fall into one or more of these categories. For instance, fishing is of direct use to a person who actually visits the protected area and fishes its streams and lakes. Fishing may also be an option benefit for a person who may one day wish to visit the protected area to fish, but has not yet done so, or a bequest benefit for a person who would like future generations to have the chance to fish the stream or lake. Table 1 demonstrates the types of benefits generated by a number of protected area goods and services.

**Table 1 Indicative benefits of protected areas**

Use			Non-use	
Direct use	Indirect use	Option	Bequest	Existence
Recreation	Ecosystem services	Future information	Use and non-use values for legacy	Biodiversity
Sustainable harvesting	Climate stabilisation	Future uses (indirect & direct)		Ritual or spiritual values
Wildlife harvesting	Flood control			Culture, heritage
Fuelwood	Groundwater recharge			Community values
Grazing	Carbon sequestering			Landscape
Agriculture	Habitat			
Gene harvesting	Nutrient retention			
Education	Natural disaster prevention			
Research	Watershed protection			
	Natural services			

## 2.2 Protected area customers

Each of the benefits demonstrated in Table 1 can be associated with a customer base or beneficiary group, such as locals, tourists, downstream beneficiaries and global customers. Different types of protected areas may cater to different sets of beneficiaries, depending on the types of goods and services offered by the protected area. The array of benefits flowing from a protected area will largely be determined by the ecological character of the area but are also affected by how accessible it is to stakeholders and customer bases, and by the institutional structure and policy environment of the protected area. For instance, a marine protected area in the vicinity of a cruise ship route will be more likely to provide direct recreational use benefits than an isolated marine protected area. It is the task of the manager to identify the relevant beneficiaries and to build these stakeholders into the financial plan for the protected area in a way which is compatible with the conservation objectives of the area as well as with the other customers and with the overall context and features of the area.

When assessing customer compatibility with conservation objectives, it is useful to use IUCN's six management categories of protected areas (Box 1) which are based on the main objectives of protected area management, ranging from biodiversity conservation to scientific research and maintaining cultural attributes. Each of the six categories of protected areas can, broadly speaking, be associated with primary, secondary and potential management objectives. These relationships are illustrated diagrammatically

### **Box 1 Six management categories of protected areas**

#### **Category I**

**Ia:** An area of land and/or sea possessing some outstanding or representative ecosystems, geological or physiological features and/or species available primarily for research and/or environmental monitoring.

**Ib:** A wilderness area is a large area of unmodified or slightly modified land and/or sea retaining its natural character and influence without permanent or significant habitation which is protected and managed so as to preserve its natural condition. (Strict Nature Reserve/Wilderness Area)

#### **Category II**

A natural area of land and/or sea designated to (a) protect the ecological integrity of one or more ecosystems for present and future generations; (b) exclude exploitation or occupation inimical to the purposes of the area; and (c) provide foundation for spiritual, scientific, educational, recreational, and visitor opportunities all of which must be environmentally and culturally compatible. (National Park)

#### **Category III**

An area containing one or more specific natural or natural/cultural feature which is of outstanding or unique value because of its inherent rarity, representative or aesthetic qualities or cultural significance. (Natural Monument)

#### **Category IV**

An area of land and/or sea subject to active intervention for management purposes so as to ensure the maintenance of habitats and/or to meet the requirements of specific species. (Habitat/Species Management Area)

#### **Category V**

An area with coast and sea, as appropriate, where the interaction of people and nature over time has produced an area with significant aesthetic, ecological and/or cultural value and often with high biological diversity. Safeguarding the integrity of this traditional interaction is vital to the protection, maintenance and evolution of such an area. (Protected Landscape/Seascape)

#### **Category VI**

An area containing predominantly unmodified natural systems managed to ensure long term protection and maintenance of biological diversity while providing at the same time a sustainable flow of natural products and services to meet community needs. (Managed Resource Protected Area)

*Source:* IUCN, 1994

in Table 2. The objectives in turn relate to the uses and corresponding benefits of various customer groups. For instance, scientific research is a direct use of protected area resources; the corresponding customer group includes academics and private sector research teams. Thus, the categories provide some indication of which uses are compatible with the management objectives of the protected area.

**Table 2 Matrix of management objectives and IUCN protected area management categories**

Management objectives	IUCN protected area management category						
	Ia	Ib	II	III	IV	V	VI
Scientific research	1	3	2	2	2	2	3
Wilderness protection	2	1	2	3	3	–	2
Preservation of species and genetic diversity	1	2	1	1	1	2	1
Maintenance of environmental services	2	1	1	–	1	2	1
Protection of specific natural and cultural features	–	–	2	1	3	1	3
Tourism and recreation	–	2	1	1	3	1	3
Education	–	2	2	2	3		
Sustainable use of resources from natural ecosystems	–	3	3	–	2	2	1
Maintenance of cultural and traditional attributes	–	–	–	–	–	1	2
<b>Key:</b> 1 Primary objective   2 Secondary objective   3 Potentially applicable objective   – Not applicable <i>Source:</i> IUCN, 1994							

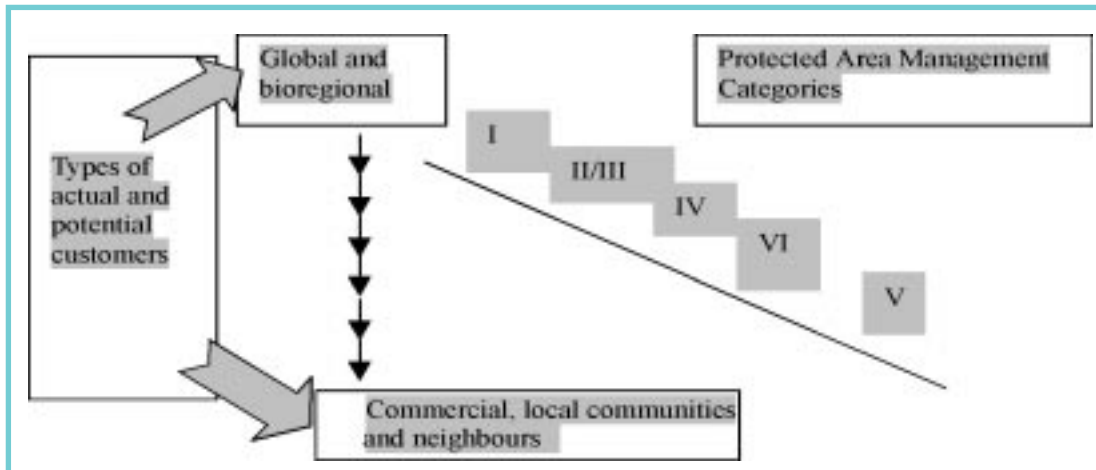
Protected areas from each category are likely to produce benefits for a range of customers but the benefits will vary between different categories. In general, however, local benefits are greatest in the categories with higher numbers (see Figure 2) – but note that Category VI sits above Category V since the range of stakeholders is likely to be greatest in Category V areas. Nonetheless, the customer base for each individual protected area is very variable and highly contextual.

Compatibility among customers is as important to the success of a financial plan as it is to the effective management of the protected area. Incompatible customer groups can lead to conflict and loss of potential support and investment. For instance, a bird watcher may not wish to mix company with a trophy hunter and may indeed be prevented by the presence of hunters from undertaking his or her activities. In such cases a protected area manager must either choose between customer groups or identify ways to ensure that the two customers do not cross paths.

In drawing up the financial plan, and considering the financial options, the protected area manager should also take account of the following:

- the size of the protected area;
- zoning regulations within the protected area;

**Figure 2 Relationship of types of customers to IUCN Protected Area Management Categories**



Source: Adapted from Bridgewater *et al.*, 1996

- management responsibility including legal mandates;
- ownership of land and associated resources and features;
- regional variations;
- multiple classifications;
- external zoning regulations including buffer zones; and
- international designations (e.g World Heritage and Ramsar).

These factors influence how the protected area can and should be managed, the various uses and customers which a protected area manager could develop for financing the protected area, and the opportunities for channelling finances back into the protected area. For instance, a protected area which has a densely populated buffer zone may be able to capture more financial resources from the local community than one situated in a sparsely populated, remote area. Or again, a Category V protected landscape will often include within it a range of tourism and land use activities which can be financial partners in the management of the area. The use of multiple classifications for a protected area may enable a manager to capture revenues from a zoned set of activities while minimising their impact on more sensitive parts of the protected area.

Related to these factors is the importance of the social and cultural context of the protected area. Social norms may play a significant role in determining which activities or uses are appropriate and which are not. For instance, hunting in the Australian context of protected areas is generally not acceptable, but it is a revenue generator for some protected areas in Africa. Likewise, gate fees for local users may be socially inappropriate in the context of some countries, but may provide a major source of income in others. For example, relative to incomes, gate fees for protected areas are much higher in East Africa than they are in North America.

To summarise, the purpose of developing a customer base for the protected area is to provide sustainable income flows which can underpin the long-term viability of the protected area. Having customers is not an end in itself. Therefore, it is necessary to

ensure that the customer base is appropriate for the protected area. This can be done by ensuring uses are:

- Compatible with the objectives of the protected area;
- Compatible with other users of the protected area; and
- Compatible with the social, cultural, legal, institutional and geographic context of the protected area.

### 2.3 Getting customers to pay

Having identified the potential uses of the protected area, the relevant customers and how appropriate these uses and customers are, the next step is to identify ways of ensuring that the customers pay for the services and goods they derive from the protected area. Keeping in mind that protected areas supply a range of goods and services, these guidelines encourage protected area managers to explore all public and private options for finance. Protected area managers need to “service” both their public customers and their private customers, and receive a fair return from both through appropriate financial mechanisms.

When considering the array of uses and beneficiaries of a protected area, it is useful to determine the nature of these in terms of whether they are public or private in nature, or indeed are a hybrid of public and private. A “public good” is any good or service whose provision is non-excludable and non-divisible, meaning that once it is provided it is available to the general public. A “private good”, on the other hand, *is* excludable *and* divisible, meaning that once it is provided to someone, it is only available to that individual. Examples of public goods generated by protected areas are watershed services, carbon sequestration and critical habitat protection. Examples of private goods are trophy hunting, fishing, camping and non-timber forest products. Once an animal is hunted, a fish is caught, a camping permit allocated, or a non-timber forest product harvested, no one else can use them.

Certain private goods, such as controlled entry to protected areas, may be excludable but not divisible. These are called “toll goods” because they are similar to roads which charge tolls to users.

A fourth possibility is “common pool goods” which are divisible but not excludable, meaning that once they are used, no one else can use them, but access to them is open to anyone. An example of a common pool good could be mushrooms from a forest. Access to the mushrooms is open to anyone walking through the forest, but once they are harvested by an individual, they are not available for others. Table 3 shows how the various categories of goods relate to one another.

**Table 3 The nature of goods and services**

	Non-divisible	Divisible
Non-excludable	Public	Common pool
Excludable	Toll goods	Private



Understanding the nature of goods and services provided by protected areas will guide protected area managers in determining how they can be managed to generate revenues. The public good aspects of a protected area usually require grant funding, whether in the form of government allocations, overseas development assistance or foundation support. The private aspects of protected areas, on the other hand, are more easily commercialised and therefore funded by private sources of finance, such as tourism charges, hunting fees and licensing arrangements. Toll goods are also accessible to private financing through mechanisms such as gate fees and licences. Combined public and private financing may be needed for common pool goods. For instance, in the example of the mushrooms above, forest managers could try to access private financing by charging a mushroom hunting fee but may supplement this with public funding from, for instance, mushroom hunting clubs for the maintenance of the area.

As protected areas provide all types of goods and services, from public to private, it is clear that the protected area manager should look to secure revenue sources from a mix of public and private sources. In so doing, the financial plan will also generate an incentive to conserve both the public and private features of the protected area.

Protected areas around the world have historically been managed primarily for their public goods aspects. The result is that all too often the survival of protected area systems depends on sometimes volatile public sector funding and philanthropic grants. It is, of course, very important for governments and philanthropic bodies to continue to fund protected areas as a societal payment for the public benefits they provide, but declining grant finance for protected areas suggests that public funding alone may not be sufficient to assure their effective management in future. To rely on public funds alone may put the long-term viability of the protected area at risk. In short, protected area managers need to broaden their customer base and look to widening access to funding sources.

## **2.4 Managing customer groups**

This section groups the array of protected area customers into four categories:

- neighbours and residents;
- commercial customers (including visitors);
- bio-regional customers; and
- global customers.

It also examines opportunities for capturing revenues from the various goods and services these groups derive from the protected area.

Few single protected areas can provide goods and services to all these groups. But it is important for the protected area manager, first to examine the potential customer groups, and then to identify a relevant set which can be effectively mobilised to ensure sustainable funding for the protected area.

### **2.4.1 Neighbours and residents as customers**

A protected area has a host of “neighbours” or “residents” who may value the protected area both for its direct and indirect benefits. These neighbours include both local

communities and local businesses. (Of course, as described below, some neighbours may place a negative value on the protected area!)

Local communities potentially derive a number of benefits from protected areas. Where they are allowed to harvest products from the protected area, they can benefit from these either through direct consumption or through the sale of these goods. Products that local communities may harvest from protected areas include meat, fish, plants, fuelwood, building poles, thatch, products of cultural or religious significance, and medicines. In cases where local communities use such goods and the activity is legal, the protected area may be able to charge for harvesting rights. An innovative way of raising funds for conservation from consumptive and non-consumptive use of wildlife is shown in Box 2.

Additionally, neighbours and residents may value the protected area for recreational uses, as pasture land, for transport linkages or for freshwater – this is especially the case with lived-in landscapes, such as Category V protected areas. In such cases, it may be appropriate to charge the communities concerned for access rights.

Where the property market around a protected area is significantly developed, neighbouring property prices may rise with the establishment and successful management of the protected area. For example, the establishment of the Las Baulas Marine National Park in Costa Rica has resulted in a significant rise in property prices in neighbouring Playa Grande. These residents, when they choose to sell their property, will derive some very real benefits from the increased value. Similarly, in some Category V areas, landscape protection provides a boost to property values within the protected area. The protected area may be able to capture some of this value in the form of a regional or boundary area property tax.

Local residents may also benefit from employment opportunities related to the protected area. These can be in the form of direct employment from the protected area as rangers, instructors, managers, gate keepers or book keepers. Or they may benefit from jobs in businesses dependent on the protected area, such as hotels, restaurants, gift shops,

### **Box 2 Zimbabwe's CAMPFIRE Programme**

Zimbabwe has established an innovative approach to ensuring local communities derive benefits from conservation. CAMPFIRE (Communal Areas Management Programme for Indigenous Resources) started in 1989 when two districts were granted authority to manage and market their wildlife resources.

The objective of CAMPFIRE is to ensure long-term development, management and sustainable use of natural resources in communal areas. CAMPFIRE has grown into an economically valuable enterprise. Trophy hunting represents 90% of the income with the remainder coming from photographic tourism, hide and ivory sales and other activities.

Unfortunately, CAMPFIRE is estimated in places to contribute only 2–4% of rural household incomes and where incomes from the programme have been higher, there have been problems of immigration and over utilisation. Further difficulties arise from the political and economic instability of the country.

*Source: Parks for Biodiversity (WCPA, 1999)*

craft stores or research organisations. In some countries, government support may be available to farmers who manage the land in a way which is compatible with the protected area. It is unlikely that the protected area manager could capture these benefits directly through charges, though they may be able to share in the revenues of business operations near or within a protected area. Also, support can be raised from volunteers and supporters through ‘friends of the park’ schemes, donation drives and charity events, which provide ways for neighbours and residents to support the protected area.

Local businesses, such as hotels, restaurants, gift shops and craft stores, benefit from sales resulting from their geographic and commercial relationship to protected areas. This is particularly the case for protected areas managed for tourism opportunities. These businesses may be interested in investing in the protected area to improve the natural base of their operations. There are a number of mechanisms for capturing such potential investment. A protected area manager may allow certain tourism businesses to operate within the protected area, and could charge these for the privilege; some arrange a voluntary donation from tourists – so-called “visitor pay-back schemes”.

The protected area may capture even more revenue from operators if they open the opportunity up to bids from a number of companies, thereby using competition to drive up the prices of concessions. These issues are difficult to address, as is demonstrated in the case of the US National Parks System (Box 3).

Another option available to protected area managers is to develop associated products to be sold in local businesses or in an on-site store. A portion of the profits from such sales could then be returned to the protected area. These product lines can be associated with the characteristics and natural products of the protected area – such as honey and other traditional foods, traditional medicines, native seed packets, herbal foods or local crafts. They could also be educational materials such as nature guides, picture books or videos. They might be a range of nature-based products such as bird houses and feeders, or garden supplies.

**Box 3 Some concerns with concessionaire fees**

In a 1998 report on the United States National Park System, the National Parks Conservation Association (NPCA) pointed out that concessionaire fees in the system were too low. Citing several examples, the NPCA identified more than US\$49 billion in subsidies which are wasteful or harm national parks. The NPCA argued that in 1995 concessionaires took in US \$662, while paying only US\$15 million in fees. The NPCA also noted that concessionaires in national parks paid an average of only 2.2 percent of their gross revenues, while businesses operating in state parks are charged 10–12 percent.

In an effort to resolve some of the problems, the report calls for the US National Park Service to be given the authority to collect and retain fees from commercial film makers. The report also criticises a 30-year-old law that favours concession companies working in national parks.

This illustrates the difficulty of effectively managing concession agreements, especially when these are arrived at within the larger legal and institutional contexts in which protected area interests are secondary.

*Source:* Environmental News Network (<http://www.enn.com>)

The protected area could establish a fund which local businesses could contribute to in exchange for recognition of their support. Such a fund would be a good way of capturing revenues from businesses not directly linked to the protected area, but still interested in contributing to it. Another option is for businesses to sponsor specific developments or events in the protected area: for instance, a building company may be willing to contribute materials, time or funds to a new visitor centre, bridge or footpath, or a photography studio may be ready to fund an exhibition of nature photography or donate photos of the protected area for auction.

### 2.4.2 Commercial customers

Commercial customers of a protected area are those customers who derive direct use benefits from the area. Examples include tour operators, bio-prospectors and commercial filming companies. Innovation is often required to capture the values which these types of customers derive from the protected area. Gate fees and user fees are two of the more traditional means of capturing such values, but donation boxes, equipment rental and specialised tours are among many of the other appropriate ways in which visitor-generated funds can be captured.

Initially, a protected area manager may need to invest time and resources in identifying and developing markets for the protected area. This may require market surveys similar to those conducted for tourist destinations. Whatever means are used to identify the market for the protected area, the process needs to be based on a clear and stated understanding of the goal and objectives of the protected area. Without first identifying these, the manager risks developing a customer base which is incompatible with the protected area and thus undermining the very resource he or she is trying to conserve. Furthermore, having a clear idea of the goals and objectives of the area will assist in focusing the surveys. For instance, if the objectives of the protected area include public education, a market survey could look into schools or universities as well as the market for more informal educational experiences such as guided tours or specially designed courses. Some tips on marketing are provided in Box 4.

#### **Box 4 Off to market – adding value to protected areas**

WCPA has identified the following key issues related to marketing protected areas :

1. Marketing is essential for protected areas. Every area should have a management plan, and, where appropriate, a marketing strategy.
2. Protected areas should be regarded as areas of enterprise with two marketing aims: first to market core values; then to adopt an adaptive commercial approach which responds to market demands.
3. Local populations would value protected areas more if they recognised their economic value. There is a need to explain what the protected area can do for them.
4. Tourism is often understood as the most obvious target for marketing strategies but other opportunities should be taken into consideration. A wider geographical area should also be considered when creating marketing strategies.

Cont...

**Box 4 Off to market – adding value to protected areas (cont.)**

5. Marketing is not just about products. There are opportunities to sell ideas and values, and a chance to change attitudes.
6. Protected area managers must listen to the customers when developing marketing strategies and recognise where they are starting from. Lecturing people on environmental responsibilities is unlikely to be the basis of a successful strategy. Rather a dialogue should be established between the managers and the customers so as to identify the positive opportunities and products that protected areas can offer.
7. Marketing strategies should have measurable objectives. Evaluation of objectives should be included as part of the strategy. Findings should be networked to encourage good practice.
8. The internet is important. It is an increasingly effective tool for marketing protected areas and should be part of any marketing mix. The WCPA and other IUCN websites could be developed to provide opportunities for developing and sharing strategies.

*Source:* WCPA Marketing Meeting 19–21 Nov 99 Trento, Italy.

Once the range of markets for potential commercial consumers is identified, the next step is to choose the most appropriate products to develop. This entails understanding the niche of the protected area and defining its competitive edge. The protected area manager needs at this stage to consider compatibility of various uses, both between the various commercial customer groups and between commercial customers and other customer groups. Further considerations when determining which markets to pursue may include the particular strengths or limitations of the staff, the interests of the local community, and the possible secondary benefits flowing to that community.

Developing and marketing products may also involve something of a campaign to raise interest in, and awareness of, the protected area. This could be done by using traditional communication tools, such as leaflets and brochures, or through newer, electronic means such as the Internet and interactive CD ROMs. In specialised cases, where the market is at the high-end and is exclusive, it may be more appropriate to invest in personal communications with key individuals. For instance, should a protected area manager wish to establish a service for the film industry, or develop a niche market of protected area products, he or she will need sophisticated marketing. Such an approach is demonstrated in the case of Brazil nuts in Box 5.

A note of caution, however, is needed. Commercial markets are subject to shifts due to events beyond the control of the manager. Relatively small changes in taste or fashion or more fundamental changes in circumstances (for instance, the decline of the Asian economies or war in the Balkans) could lead to significant impacts on the protected area's customer base. As far as possible, this vulnerability should be acknowledged and planned for by diversifying the customer base so as to include a range of customers.

### **2.4.3 Bio-regional customers**

The "bio-regional customer base" of a protected area can include downstream beneficiaries of watersheds and other ecosystem services, those benefiting from flood control

**Box 5 Cause-related marketing – forest products financing forests**

In 1998, Conservation International and Candela-Peru, a Peruvian trade organisation, teamed up with Subway Sandwich Shops, a popular North American food-chain, to introduce a cookie that benefits rain forest communities.

Subway Sandwich Shops began selling a chocolate chip cookie made with Brazil nuts from a threatened forest region in Peru. The money from the Brazil nuts goes back to forest communities, offering a return on the investment of protecting the ecologically important trees.

In a similar vein, Community Products, Inc., a company founded by the makers of Ben and Jerry's ice cream, sells a butter crunch candy made from nuts imported from rain forests. At the same time the company is buying nuts which support forest conservation, it is returning 60% of its profits to environmental and peace organisations.

These two examples illustrate the unique and profitable enterprise of cause-related marketing. The distribution companies and customers get a social benefit from buying these products while the financial returns are used as a valuable tool for rain forest protection.

Sources: Conservation International (<http://www.conservation.org>) and World Resources Institute (<http://www.wri.org>)

or storm protection, and beneficiaries of nutrient retention or micro-climate benefits. The indirect nature of such goods and services often requires innovative ways of identifying and capturing revenues. The first step, of course, is to identify the customers and the benefits they derive. This requires an initial identification of the indirect goods and services of the protected area. Some bioregional customers are trans-national, making it harder to assess their received benefits and to capture revenues related to these benefits.

High transaction costs often make it difficult to capture such indirect benefits through market mechanisms. An alternative is to capture increased public funding by demonstrating these benefits in monetary terms to potential donors. This may involve lobbying government agencies and, in some cases, overseas development agencies, or multilateral donors to acknowledge the values of protected areas through increased support.

Capturing the bioregional values that people hold for a protected area can pose some interesting challenges. Indirect uses, such as watershed services and storm protection, are often non-excludable goods – meaning that they are, by and large, public goods. That is not to say that their values cannot be captured through market mechanisms. It may, however, take some innovative thinking and restructuring of regional governmental cooperation. The now classic example of the Catskills Mountains watershed and New York City provides an interesting example where residents of the Catskills Mountains are paid by New York City residents for the water purification services of their ecosystem. The Costa Rican example in Box 6, and the case study from that country in Part C, also provide demonstrations of payments for ecosystem services.

**Box 6 Taxes – watershed protection services in Costa Rica**

In 1998 Inversiones La Manguera Sociedad Anonima (INMAN), a Costa Rican hydro-electric company, signed a contract with the Monteverde Conservation League (MCL) to pay for ecological services provided by the protected area managed by MCL.

The Bosque Eterno de los Niños (Children’s Eternal Rain Forest) is a 22,000ha private reserve managed by MCL. Approximately 3,000 ha of the protected forest is part of a watershed that is used by INMAN for generating electric power. Recognising the benefits they receive from protection of this watershed, INMAN entered into an agreement with MCL to pay for the protection of the ecological services provided by Bosque Eterno de los Niños.

The contract recognises services such as “stabilization of land, soil protection, humidity and nutrient retention, water protection, protection of species biodiversity” and more. INMAN pays MCL \$10 per hectare (a negotiated price) x (a factor that accounts for the amount of energy generated and sold by the hydro-electric plant) x 3,000 (for the hectares in the watershed). The money from this tax is used directly to pay for reserve protection programmes. Although this is an excellent example of a private organisation recognising and paying for environmental services, the process in developing a binding legal agreement took much effort on the part of both parties.

*Source:* Janzen, Daniel. “Gardenification of tropical conserved wildlands: multitasking, multicropping, and multiusers.” *Proceedings of the National Academy of Sciences of the United States of America* **96(11)**:5987–5994

**2.4.4 Global customers**

The interdependence of natural systems means that both present and future generations stand to gain from conservation efforts. In this context, it is the global customer who receives these intangible benefits, often without having to provide due compensation. It may help to view global customers in their different institutional groupings such as intergovernmental organisations, donors or nature advocacy organisations. A protected area financial plan should identify the values these global customers hold as well as the benefits provided to them.

Natural areas, and their related biophysical components, are vital to our survival. They are truly a global resource. This has been recognised by the majority of countries as exemplified by six global conventions, all of which deal with some aspect of biodiversity conservation. Protected areas play a vital role in the Convention on Biological Diversity (CBD), the Convention on Migratory Species (CMS), the Convention on the International Trade in Endangered Species (CITES), the World Heritage Convention (WHC), the Ramsar Convention on Wetlands and the Framework Convention on Climate Change (FCCC). Two of these agreements – the World Heritage and the Ramsar Conventions – create a specific requirement to protect certain areas that meet international criteria, and all of them encourage the establishment and maintenance of protected areas.

**The Convention on Biological Diversity (CBD)**

The CBD identifies protected areas as an integral part of efforts to conserve and use biological resources sustainably and in particular to conserve these resources *in situ*.

Specifically, Article 8 calls for each Contracting Party to *establish a system of protected areas or areas where special measures need to be taken to conserve biodiversity*. The CBD has a fully developed funding mechanism, the Global Environment Facility (GEF). This supports initiatives relating to the implementation and can be said to compensate national efforts to meet the objectives of the CBD for the benefit of the global customer. (For more information on the CBD, visit [www.biodiv.org](http://www.biodiv.org)).

### ***The Convention on Migratory Species (CMS)***

The signatories of CMS recognise that species do not respond to the existence of political borders and that intergovernmental efforts are necessary to conserve certain species whose life-histories make them vulnerable to exploitation in more than one nation. This convention, which is implemented through regional agreements between Range States, provides protection for endangered species throughout their range by protecting both the species and their habitats. Protected areas play a vital role in conserving habitat for migratory species. The convention also administers financial support to agreements between nations for the protection of migratory species.

### ***The World Heritage Convention***

This convention provides special designation for natural and cultural sites “considered to be of outstanding universal value to humanity”. The World Heritage Convention has a funding mechanism to assist in preparing management plans or training for protected area managers of World Heritage sites (more information about this fund is available in the directory on the Internet at <http://economics.iucn.org>). Also, by affirming the international importance of these sites, the convention enhances the prospect of international funding, e.g. from intergovernmental donors (including the GEF), bilateral donors, the United Nations Fund (which has decided to focus some of its support on World Heritage sites) and philanthropic sources. It also increases the prospects of funding from commercial sources, and notably from tourism.

### ***The Convention on the International Trade in Endangered Species (CITES)***

This convention seeks to regulate international trade in wild fauna and flora. Because protected areas are an integral component of endangered species protection and recovery, CITES can be of assistance in promoting protected areas to government and non-government agencies.

### ***The Ramsar Convention on Wetlands (Ramsar)***

The Ramsar Convention seeks to protect wetlands through general global programmes and use of a designation process. As with World Heritage designation, Ramsar adds value to particular sites. Also, the Ramsar Secretariat provides a framework for wetland protection that includes both scientific and management guidance, as well as some funding mechanisms, such as the Ramsar Award and the Ramsar Small Grants Fund.

### ***The Framework Convention on Climate Change***

The Framework Convention on Climate Change came about as the international response to the problems arising from potential changes in the global climate. Although it does not directly address biodiversity, an important aspect of this convention is the



concept of “joint implementation” which enables countries to invest in activities which will mitigate the effects of rising levels of greenhouse gases, such as forest regeneration and conservation. It could thus become a means for promoting forest conservation and management, and the so-called Clean Development Mechanism (CDM) under the convention has the potential to provide a useful source of financing for protected areas. Already there are some carbon offset deals, see Box 7.

**Box 7 Carbon offset projects – paying for forests in Costa Rica**

Article 12 of the Kyoto Protocol establishes a Clean Development Mechanism for the offset of carbon pollution from industrialised nations. The CAM aims to subsidise the protection of tropical forests, which act as carbon sinks for carbon dioxide (CO<sub>2</sub>) emissions.

One of the first countries to take advantage of this mechanism was Costa Rica. In 1998, its government started selling US\$300 million worth of “carbon bonds”, called Certified Tradable Offsets (CTOs). The bonds are sold to industrialised nations and the money is then given to protected areas and private landowners as an economic incentive to protect rain forest. In Costa Rica, the money from the bonds will be used to help pay for the management of 20 national parks and 80 other protected sites.

So far \$4 million USD bonds have been sold, providing a US\$10–\$40 per hectare/per year subsidy. Although the CTOs are not an answer to deforestation and carbon emissions, they financially recognise one important ecological aspect of protecting forests.

*Source: Christian Science Monitor, May 27, 1998*

There are a number of additional international and regional agreements that are relevant to protected areas, such as the UNESCO Man and Biosphere Reserves of which there are currently 368 sites in 91 countries.

**2.4.5 Identifying and understanding customers**

A financial plan requires the protected area manager to know who the customers of his or her protected area are, and how their interests might be captured so as to provide financial support to the area. The framework provided seeks to divide customers into discernible groups based on the types of benefits they receive from a protected area. Every protected area will provide some benefits to such customer groups: the size of such benefits to each group will be determined by the management objectives of the protected area. To capture the financial resources from these customers, the financial plan needs to consider: (a) the goods and services which a protected area provides (based on management objectives), (b) the customer base, and (c) a system for capturing benefits (see Box 8). The concept of the financial plan is developed in section 3.7.

**Box 8 Some key questions for thinking about the business of protected areas**

- What are the current sources of funding? Can these be relied on indefinitely? What can be done to increase, extend, or strengthen each one of them?
- Who are the protected area's constituents? Sightseers? Hikers? Campers? Boaters? Fishermen? Tourism service operators (shops, hotels, restaurants, guides) in the area? What do they currently contribute to the costs of managing the area? Could they do more?
- What services are currently provided, such as parking, trails and campsites? Picnic areas? Boat launching, anchorage, or mooring? Do the users pay for these services? Are the fees what they should be? Would the users pay more?
- What new services might be provided? What is the likelihood of their profitability?
- What organisations are interested in the conservation of this area? Can the manager form a partnership with them to launch and share the costs of a fundraising campaign? Can the manager get campaign services *pro bono* from local companies (radio/TV, newspaper, advertising agency, celebrity appearances, site/food/music for a special event, etc.)?
- What donors, on a global or regional scale, have supported activities similar to what is included in the conservation plan here? Have they been made aware of the area and plans, to sound out their interest?
- Has the government considered special taxes or levies? What are the pros and cons of such programmes in the area/country? Can a case be made for establishing such a programme, and can the necessary coalition be built to support it? Are there one or two key leaders who might be instrumental in establishing a "conservation sales tax" or some other type of surcharge or levy? Who could enlist them in the campaign?

Source: UNEP 1999

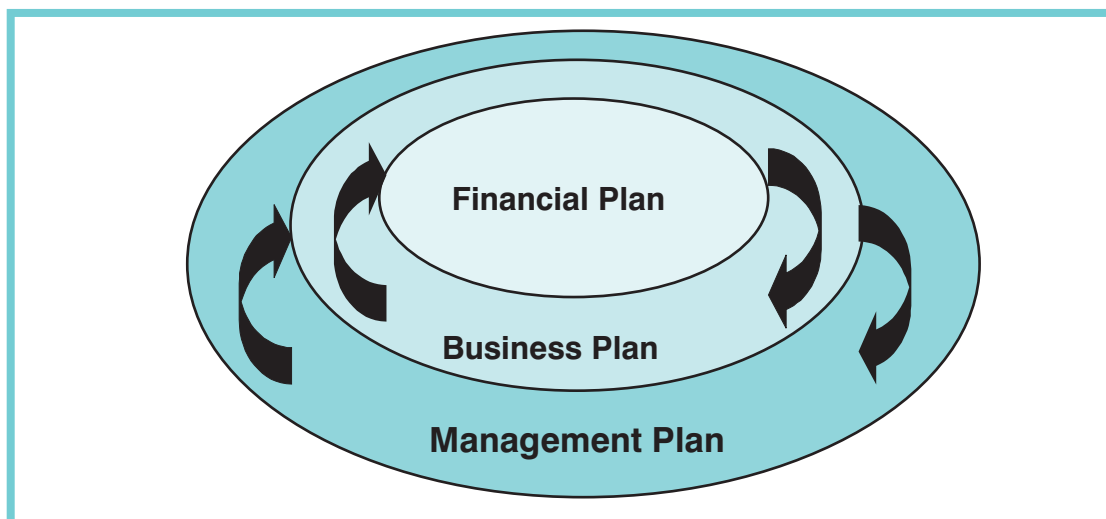
### 3. Developing and financing a business

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A financial plan is a component of an overall business plan, which in turn is one element of a management plan for the protected area. This layering of plans and strategies is depicted by three concentric circles in Figure 3. At first sight, this may seem likely to lead to ‘death by planning’ but, on closer examination, it is clear that each of these planning circles is critically important to the success of the protected area. The protected area *management plan* provides the essential policy framework for the business and financial plans, by clarifying the management objectives of the protected area, the relevant users, the financial needs of the protected area and the resources available to the protected area. This information feeds into the *business plan* for the protected area, which examines in more detail the customer base, goods and services, marketing strategy and implementation strategy for the protected area. This information in turn contributes to the *financial plan* for the protected area, which further details key assumptions and provides a break-even analysis (which identifies when the business is expected to turn in its first profit) and profit and loss projections. As Figure 3 also shows, the information flows should, of course, be two-way. Profit and loss projections and other information in the financial plan feed back into both the business and management plans, while information from the business plan feeds back into the management plan.

This guide develops the concept of customer bases for protected areas to encourage protected area managers to think innovatively about sources of revenue for their protected area. The business plan needs to be developed around this customer base. A clearly thought-out business plan provides a structured approach to building a customer base and achieving a sustainable income flow for the protected area.

**Figure 3 A planning hierarchy for protected areas**



There are a number of ways to prepare and structure a business plan. Schools around the world train people in the preparation of business plans and debate the merits of one approach over another. Experts have devoted their lives and careers to the study and design of such plans. It would be presumptuous to assume a position of authority on these debates and it is beyond the remit of this publication to explore the variations in any detail. However, the key elements of a typical business plan are briefly set out in this Section and their relevance to protected area management explored.

Essentially, a business plan contains the following sections:

1. executive summary
2. company summary
3. goods and services
4. market analysis summary
5. strategy and implementation summary
6. management summary
7. financial plan

Business plans range in size and length, but a general principle is to keep the information as succinct as possible.

### **3.1 Executive summary**

The executive summary outlines the mission and objectives of the business.

In the case of the protected area, these will correspond with the mission and objectives of the protected area as stated in the management plan. As the objectives of the business plan often relate more directly to business activities, the protected area manager should develop a series of ‘business sub-objectives’ which are, of course, fully compatible with the protected area mission and objectives but which relate more directly to generating revenue. For instance, a business sub-objective for a protected area may be *to achieve net profits of \$30,000 in year two, which will then be reinvested in the protected area*. A protected area with explicit objectives to benefit local communities may have the business sub-objective *to achieve net profits of \$30,000, half of which should be shared with local communities and the other half reinvested in the protected area*.

### **3.2 Company summary**

The company summary provides an overview of the business including location and facilities, ownership structures, and start-up plans (costs, timelines, financing, etc).

It is particularly important to address issues of “ownership structure” in protected area business plans as it will have a direct bearing on the management structures, on the reinvestment of revenues, and on the agility and flexibility of decision-making processes. For instance, a protected area which is owned and managed as a government entity may be obliged to return all revenue to the central government. Protected areas operated by parastatals are less directly under government control, but are still subject to certain regulations that will influence their ability to generate revenue from private

sources. Privately owned or managed protected areas may have more flexibility in terms of generating revenue from private sources but will have to develop a strategy to secure resources from public sources of funding. The implications of ownership structures should be clearly stated in the company summary, along with plans to take advantage of that structure.

### **3.3 Products (goods and services)**

The products (goods and services) section of the business plan identifies and describes the array of goods and services which will be developed, outlines the business's comparative advantage in providing these, describes the sales approach and explores future developments.

In the context of a protected area, such information builds on the guidance in Section 2 but adds external factors such as competition, requiring that thought be given to the comparative advantage of the protected area. For instance, a protected area dealing in carbon sequestration will be competing with protected areas around the world. But a protected area looking to derive revenue from the local use of non-timber forest products will be competing with producers of similar products sold in the local market. Thus a protected area's comparative advantage may be a function of anything from national policy towards international agreements to proximity to local markets.

### **3.4 Market analysis and strategy summary**

The market analysis and strategy summary is based on a more detailed study which examines the market segmentation, needs, trends and growth, and builds on them to develop a target market strategy which outlines which customers will be targeted and why. The market summary also includes an industry analysis which examines in more detail who is participating in the industry, what the trends are, what is driving these trends and who the main competitors are.

The marketing analysis and strategy for a good or service produced by the protected area must be compatible with the overall mission and objectives of the protected area. At this stage the protected area manager should pay particular attention to whether the target market is appropriate for the protected area and, if not, whether the plan to develop a particular product line should continue. (More information on marketing protected areas is given in Section 2 above).

### **3.5 Strategy and implementation summary**

The strategy and implementation summary builds from this information to develop a coherent and concise strategy which is supported by a value statement. This section also outlines a marketing strategy which explains how the business will position and promote itself, and price and distribute its goods and services; includes a sales strategy with sales forecasts and incentive programmes; and includes a section on strategic alliances.

The idea of identifying strategic alliances may be particularly relevant for protected areas, as alliances can help to fill gaps in knowledge or capacity. For instance, a protected area with significant tourism potential, but without much knowledge of running visitor facilities, may wish to develop partnerships with private sector companies. On the other hand, a protected area wishing to create revenues from global

biodiversity services through a debt-for-nature swap will need to build alliances with government and private sector agencies, and with non-governmental organisations.

### 3.6 Management summary

The management summary outlines in detail the organisational structure, management team, personnel plan and decision-making structures. This is particularly important in clarifying responsibilities and providing the right incentives for success.

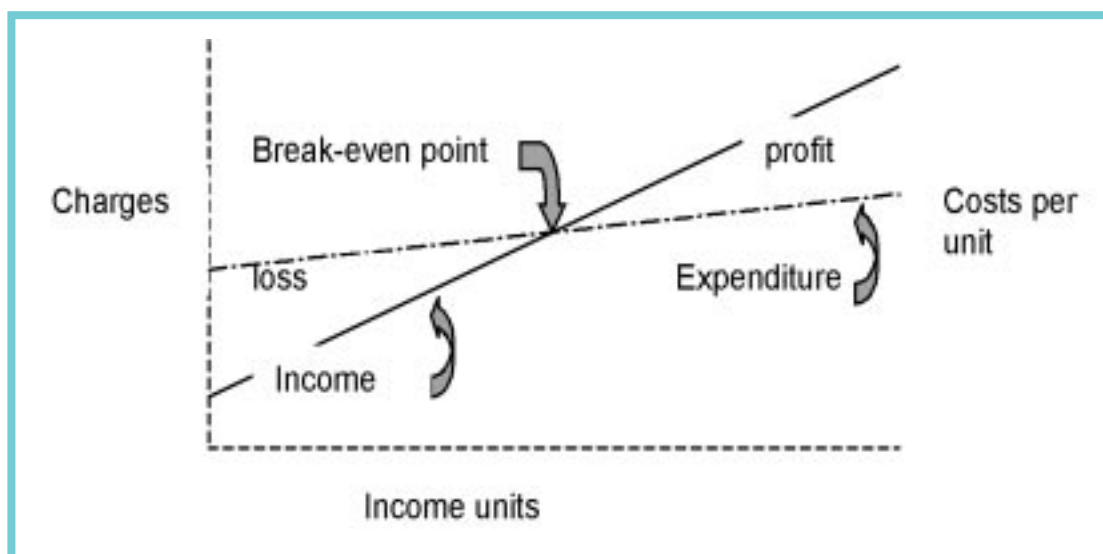
For a protected area, this section is critically important by assigning responsibilities among the protected area staff for leading the drive to greater financial self-sufficiency.

### 3.7 Financial plan

The final component of the business plan is the financial plan. This sets out important assumptions which underlie the forecasts. It also outlines key financial indicators which can be used to determine whether or not the business is on track with expectations – and if not, where the problems may be. Other elements of the financial plan include a break-even analysis, projected profits and losses, projected cash flow, projected balance sheet and business ratios (see Figure 4).

This information is critical in determining whether the business plan will meet the needs of the protected area and, if not, what may be done about it. For instance, the information from the projected cash flows should be compared with the overall needs of the protected area. If the revenue generating activities require significant amounts of cash at times when the protected area itself does not have sufficient cash, this would highlight a conflict area and need to be addressed before continuing with the execution of the plan.

**Figure 4 Profit, loss and break-even point**



Source: Inamdar and de Merode, 1999

## 4. Summary

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Part A of these guidelines has covered a lot of ground which may be difficult and new to some protected area managers. This summary reviews the lessons covered in this guide and suggests how managers can get started in securing more sustainable financing for their protected areas.

The first step is to recognise that protected areas exist for a number of reasons which are embedded in a culture and tradition which respects and seeks to preserve nature and our natural surroundings. This ethic is reflected in the management strategies of protected areas and should be respected in every action which is taken to secure sustainable financing. Financial sustainability means nothing if the core aspects of the protected area are not maintained. On the other hand, the core aspects of the protected area cannot be maintained in the absence of sufficient financing. Thus, the business and financial plans are embedded in the management plan, but the management plan relies on a successful business and financial plan.

The protected area manager needs to recognise and clearly state the core mission and objectives of the protected area and the main financial needs for maintaining the area. He or she can then identify the range of potential customers who are willing to pay for the goods and services they derive from the protected area. These customers may either directly or indirectly use the protected area; they range from neighbouring communities to global stakeholders. When these customer groups have been identified, the protected area manager needs to consider how their needs should be addressed and how they can contribute financially to maintaining the protected area.

The protected area manager should then draw this information together into a business plan, which includes additional elements such as a market analysis and strategy, and a detailed financial plan. The financial plan sets out how much the protected area expects to make from the products it sells, a realistic timeline for achieving profits, the risks involved in pursuing a particular product line, and how the cash flow from the sales of goods and services will match the cash needs of the protected area management plan.

# **Part B**

## **Information on financing**





# 1. Introduction

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Part B of the guidelines provides a short overview of information relevant to financing protected areas, including financial mechanisms, sources of finance and case studies. The information should not be taken as a comprehensive compilation of material on these topics, but indicates the range of available information. However, a continuously updated compilation of materials is available on the Internet at [economics.iucn.org](http://economics.iucn.org). This website provides documents and links on financing protected areas. All materials are available as a combination of HTML pages and PDF documents.

The [economics.iucn.org](http://economics.iucn.org) site consists of four core sections:

- **guidelines** on financing protected areas (this document);
- a **directory** of sources of finance for protected areas;
- **case studies** which demonstrate protected area financing; and
- an explanation of the **mechanisms** available for financing protected areas.

The **guidelines** section of the site provides up-to-date thinking on protected area financing in a simple, accessible format, largely based on the information contained in this document. The **directory** of sources of financing contains short summaries of grant-making organisations (including multilateral development banks, bilateral agencies, foundations and NGOs), which describe the goals and objectives of each organisation, its interest in biodiversity and protected areas, examples of the type of grants it makes, and links to websites where protected area managers can get the most up-to-date information about the institution. The **case studies** section contains a growing set of examples of protected area financing, demonstrating how the information contained in the guidelines is put into practice, the barriers protected areas face on the ground and the ways protected area managers have overcome these barriers. The **mechanisms** section of the site describes means available to protected area managers for securing financial resources. All parts of the website are dynamic and will grow as examples and experiences are collected from around the world. Submissions of experiences are welcome and should be sent to [economics@iucn.org](mailto:economics@iucn.org).

Protected areas can seek finance from many sources. In describing the principal sources below, a distinction is drawn between (i) international sources of funding; (ii) those that can be developed at the national level; and (iii) those that can be developed at the site level. In practice this distinction is a little artificial and the description involves some duplication (for example some foundations have an international scope and others are more national or local in their outlook).



## 2. International sources of funding for protected areas

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### 2.1 Multilateral banks etc.

Biodiversity conservation is increasingly benefiting from assistance from multilateral development banks, such as the World Bank, the Asian Development Bank and the African Development Bank. While protected areas, as core elements of a country's biodiversity conservation strategy, may be targeted for assistance, most multilateral development banks have poverty alleviation as their prime mission. Thus, in approaching such an organisation for protected area finance, it may be necessary to demonstrate the benefits of biodiversity conservation to impoverished communities. Such development banks are interested in financing projects and activities in developing countries, and unlikely to finance developed country protected areas. A source of finance which is distributed by the World Bank, UNEP and UNDP is the Global Environmental Facility (GEF) which is described in more detail below.

In general, multilateral bank funding is available only to governments or to private-sector projects expressly approved by governments. Typically, a development bank grant or loan for the establishment and maintenance of protected areas would be part of the support given for the implementation of a national conservation plan. Sometimes conservation funding might also be attached to infrastructure development – for example, as mitigation of the environmental effects of roads, railways or dams.

Projects submitted to development agencies, especially multilateral banks, must usually have the backing of the appropriate government agencies, and be submitted by or with those agencies. There are exceptions, as in the case of the Inter-American Development Bank's small projects, which finance NGOs directly. But generally, obtaining an official priority for the project is essential.

These requirements for official approval may be rather less onerous where the banks, such as the International Finance Corporation (IFC), provide loans and equity to private enterprises in developing countries. The IFC targets enterprises which are both commercially viable and environmentally and socially sustainable. The IFC can thus provide a useful source of finance for privately-run protected sites and for business activities enhancing the status of these sites. In practice, the IFC has developed a biodiversity capital fund for Latin America known as Terra Capital, and is working with IUCN to develop a similar fund and a related biodiversity business project facility for Africa.

Some banks give special support to small and medium enterprises (SMEs) by providing capital funds. An example is the joint IFC/GEF Small and Medium Enterprise Fund. This fund seeks intermediaries who, in turn, reinvest capital into small and medium enterprises (SMEs) whose activities support the objectives of multilateral agreements on biodiversity and climate change. IUCN is currently working with the IFC and the UNESCO World Heritage Centre to become an intermediary for SME investments associated with World Heritage sites.

## **2.2 Global Environment Facility (GEF)**

The GEF was established to forge international cooperation and finance actions to address four critical threats to the global environment: biodiversity loss (where it acts as the funding arm of the CBD), climate change, degradation of international waters, and ozone depletion. Related work to stem the pervasive problem of land degradation is also eligible for GEF funding.

Launched in 1991 as an experimental facility, the GEF was restructured after the Earth Summit in Rio de Janeiro to serve the environmental interests of people in all parts of the world. The facility that emerged after restructuring was more strategic, effective, transparent and participatory. However, the GEF, which brings together 166 member governments, leading development institutions, the scientific community, and a wide spectrum of private sector and non-governmental organisations, can succeed in its global environmental mission only as part of a world-wide movement toward sustainable development. In 1994, 34 nations pledged \$2 billion in support of the GEF's mission; in 1998, 36 nations pledged \$2.75 billion to protect the global environment and promote sustainable development.

## **2.3 Bilateral development co-operation agencies etc.**

Like multilateral development banks, bilateral agencies – such as CIDA (Canada), DANIDA (Denmark), JICA (Japan), NORAD (Norway), SIDA (Sweden), SDC (Swiss), USAID (United States) and the development assistance programme of the European Union – often have poverty alleviation missions with biodiversity as a component of their work programmes. Many of these organisations are obligated, through their government's ratification of the CBD, to invest in biodiversity conservation (except the United States, which, at the time of publication of this document, has not ratified the CBD). However, most of these have a 'Target' group of developing countries upon which they concentrate assistance. Moreover, as development assistance agencies, they do not normally support projects in developed countries. They may however be ready to help protected areas in their own country or region to undertake co-operative programmes (e.g. staff exchanges and other forms of capacity building) with protected areas in developing countries. For example the European Commission recently funded a major such programme between parks in Europe and those in Latin America and Asia.

Many of the requirements for host government participation that apply to multilateral banks also apply to development co-operation programmes. Similarly the comments above about the relationship between protected area projects and larger development programmes also apply in this sector of funding.

## **2.4 Foundations with an international remit (see also section 3.3)**

Foundations are created by wealthy individuals, groups or corporations who wish a portion of their wealth to be given to causes which they support. There are a number of such foundations committed to the environment, conservation or other causes related to protected areas which work at the international level. The largest concentration of these is to be found in the USA, but they exist elsewhere in the developed world, (few if any developing country foundations will have international aims). Most international foundations have specific interests, or have chosen a geographical focus, which are outlined in their grant application guidelines; many also specify the type of institutions or

organisations they are willing to support. The requirements and interests of foundations vary greatly, but there is often a preferred method of first contact (letter, phone call, application) and process of proceeding through the grant-making process. It is particularly important when applying for foundation funds that the protected area manager should outline clearly how the project or activity relates to the interests of the foundation. For this reason it is essential to locate a foundation whose interests are closely suited to those of the protected area. Many foundations are unwilling to provide general funds for routine operations. In a number of countries, there are publications or web sites which list foundations, identify their areas of special interest and provide contact details. While less restricted in the regions in which they can work than the first two categories of international finance, most foundations with an international remit will focus their support on developing countries.

## **2.5 International non-governmental organisations with an international remit**

A number of non-governmental organisations (NGOs) such as WWF, Conservation International, and The Nature Conservancy have significant funds to leverage for conservation activities and work at the international level. These organisations usually have their own goals, objectives and activities as well as members and partners with whom they collaborate. It is, however, often possible for protected areas to work with these NGOs to develop and implement programmes which meet both the needs of the protected areas and the NGO. Such collaboration may involve close involvement of the NGO in protected area activities, but may also mean significant investments in conservation. Again, like the foundations, these organisations are usually able to work both in developed and developing countries, though many are becoming increasingly interested and active in developing countries because of the major concentrations of biodiversity which some of them contain. Protected area managers should pay close attention to the mission, goals and objectives of the international NGO to ensure that their interests are compatible with those of the protected area.

## **2.6 Alternative financial mechanisms**

This section summarises a number of innovative approaches to the international funding of protected areas that are under development, or could be developed. The idea of establishing global mechanisms for collecting and distributing financial resources for the conservation of important natural and cultural sites is not new. But few of these mechanisms are yet accompanied by effective and efficient distribution channels, and some are only at the initial idea stage.

### **2.6.1 Carbon offsets**

Carbon offset projects could be developed from the Kyoto Protocol of the UN Framework Convention on Climate Change. They focus on the reduction of the concentration of “greenhouse gases” in the atmosphere. Forests lock up carbon in their biomass, and could be conserved for climate change reasons. Thus some natural sites might be able to tap into new financial flows emerging from the Kyoto Protocol. (See also Box 7, above).

### 2.6.2 Global levies

Global levies to support cultural or nature conservation have been proposed from time to time: for example, a levy on international air travel could fund protected cultural and natural sites, since they are often reached by air travel. The levy could enable beneficiaries of protected sites to support the cultural and natural values they hold for the sites. The levy could be either mandatory – a tax – or voluntary, but in either case, it could use the airline ticketing system to raise significant revenues from a relatively small levy. Other options include global levies on international tourism packages, international financial transfers (the famous Tobin tax – see Box 9), credit card transactions, or overseas mail. Of course, the distribution mechanisms involved in such global taxes are complex and controversial, and raise questions such as where and for what purpose the funds are allocated and who makes the decisions on their distribution.

#### Box 9

A Tobin tax is an excise tax on cross-border currency transactions. The tax can be enacted by national legislatures, followed by multilateral cooperation for effective enforcement. The revenue would then be earmarked for global priorities such as basic environmental or human needs.

The name originates from the Nobel-laureate economist James Tobin who first conceived the idea.

### 2.6.3 Innovative ways to use the Internet

The Internet has potential for developing some innovative mechanisms for international fundraising efforts. One such example is The Hunger Site ([www.thehungersite.com](http://www.thehungersite.com)) which has the goal of helping to alleviate hunger around the world. The site enables people to learn about hunger and, by registering with the site, the users cause a site sponsor or advertiser to contribute food to the United Nations Food Programme. The mechanism is successful because site sponsors are interested both in the advertising and in the public relations benefits of the site. A similar mechanism could be used for cultural or natural sites by targeting tourism, education or outdoor equipment companies as potential advertisers.

### 2.6.4 Global environmental and cultural funds

Global environmental and cultural funds are mechanisms for distributing funding to worthy causes. Such funds raise revenues from any of the above mentioned mechanisms and are then responsible for channelling those funds to environmental or cultural sites in a way which is equitable, reflects global priorities, and is administratively efficient.

## 3. National-level mechanisms

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This section lists and gives a brief description of mechanisms which can be used at the national level to finance protected sites.

### 3.1 Taxes, levies, surcharges and tax incentives

The power of governments to tax can be used in a variety of ways to raise funds for conservation. For example, Belize charges a tourist tax of about US\$4 for each passenger arriving in the country by plane or cruise ship; the proceeds go to a national conservation trust that supports protected areas and other conservation activities. Other countries impose a tourism tax on the price of hotel rooms, some of which is earmarked for conservation. Taxes can be applied to the sale of just about anything – recreational equipment, forestry concessions, licences for fishing, hunting, or filming and electricity and water bills. Similarly, tax incentives can be used to encourage activities, such as land donations and easements, (see Part A, section 2.3) which may reduce the calls made on the protected area budget.

There are a number of advantages in using the tax structure in these various ways to generate income flows for conservation:

- Financial resources are generated nationally, reliably and sustainably.
- The burden of payment can be targeted towards users of the protected areas (e.g. hotel guests, tourists or recreationalists).
- Finances generated can be used to suit protected site management needs, since accountability is to the public at large and not to a specific donor.
- Finances generated in this manner can often be used as a national “matching” component of funding from international donors.
- There is usually no need to set up a new collection system.

The primary disadvantages of these systems are: the difficulty of winning political support for new taxes; and the challenge of keeping the proceeds earmarked for conservation (on principle, national Treasuries will often resist such “hypothecation” of tax revenues for specific purposes). Also the up-front costs of lobbying for and building such systems should be weighed against their potential benefits.

### 3.2 Tax deduction schemes

Many countries allow tax deductions for contributions to natural or cultural sites or funds. Such systems have been particularly successful in countries where income tax systems are effective at collecting from employees and where there is something of an ethic of giving. Additional issues which may prove important to the success of such a scheme are a real belief on the part of the giver that his/her funds will actually go to the



espoused cause and a simple system of giving and/or reporting gifts. Clear guidance about the conditions governing such arrangements, such as the prevailing exemption limits, is important. An example is given in Box 10.

**Box 10 An example of a tax deduction scheme in Hungary**

The Hungarian Government has initiated a scheme which allows Hungarians to contribute 1% of their taxes to a charitable fund and an additional 1% to a religious organisation. Individuals simply collect a form from the local tax office, fill in a section of the form with the bank account number of the foundation of their choice and turn it in with their normal forms. The government then makes the payment to the foundation concerned.

Under this scheme, the Kiskunsag National Park Foundation invests funds in the protected area by sponsoring research projects, staff travel to international events and nature conservation activities. A modest start has been made by raising 160,000 forint in 1998 (about 900 USD). There is, of course, much competition for these funds from other charitable organisations, but the foundation plans an information campaign to take advantage of the opportunities and encourage people in the area, and throughout the country, to contribute to the National Park.

**3.3 Grants from private foundations (see also section 2.4)**

Philanthropic foundations also provide significant amounts of financing for conservation activities in countries around the world. Whilst the wealthiest of these are in the USA, they exist also in other parts of the developed world and now increasingly in some developing countries too (important examples include Brazil, India and Indonesia). Foundations usually have specific missions, areas of focus, or geographical interests that guide their choice of projects and the activities which they fund. Thus, it is important to have an understanding of what the foundation is about and what their specific interests are so that a proposal can be tailored to the organisation. At times this may simply mean ensuring that the language of the proposal reflects that of the mission, goals and objectives of the foundation; sometimes though, it may mean rethinking the planned activities and projects entirely. Generally speaking, though, it is best to identify foundations which have missions, goals and objectives closely aligned with those of the protected area.

Furthermore, foundations are, in general, most interested in activity- or project-based financing, and are not usually a useful source of income for recurrent or core costs. They are also often interested in seeing the projects or activities that they support become self-supporting or financing. Thus, they may be a source of revenue for start-up costs or one-off projects, such as infrastructure development.

The nature of foundations also tends towards community involvement, indeed foundation staff may provide a useful resource in developing public consultation and involvement projects. The projects or activities which a foundation supports reflect not only on the protected site but also on the foundation, so they often have a keen interest in helping to develop the project and remaining involved throughout its lifetime. While projects or activities which build on the strength or interest of the foundations are likely therefore to benefit from access to 'free' resource of advice and support, there may also

be added management costs. Again it is important to identify a foundation whose mission, goals and objectives are compatible with those of the protected area.

For further information about foundations, corporations and other institutional donors based in the USA in particular, the reader is referred to the Foundation Center. This sells directories and guidebooks, including the *Foundation Directory*, *Foundation Grants Index*, and directories of international and environmental grant-makers. It also offers reference library services and gives short courses on donor research and proposal writing, among other subjects. Their Web site ([www.foundationcenter.org](http://www.foundationcenter.org)) includes digests from philanthropy-oriented publications on trends in philanthropic giving.

### 3.4 National environmental funds

Since 1990, national environmental funds have been established in more than 30 countries, with combined assets of more than US\$500,000,000. They have proved to be an effective mechanism for long-term financing of conservation activities, which often require many years of sustained funding to achieve their objectives. This contrasts with the typical two to five year funding of most conservation projects, which is vulnerable to unpredictable fluctuations in government and donor agency budgets and priorities.

Biodiversity conservation funds can be used to finance many things: research, data collection, monitoring, short-term or long-term training, environmental education, public awareness, integrated conservation and development. Some conservation funds have been established exclusively to finance activities in a particular protected area, like the Bwindi and Mgahinga Trust Fund in Uganda; while others have been established for a country's entire protected area system, as in Belize. Some funds can be used to finance conservation activities only by local NGOs (as in the case of the Foundation for the Philippine Environment). Others can be used to finance a range of activities that is broader than (but includes) biodiversity conservation, such as pollution mitigation, or development of new environmental technologies and businesses (as in the case of Colombia's ECOFONDO and the Polish ECOFUND). Some biodiversity conservation funds are established only for a specific region of a country (such as the Russian Far East Biodiversity Fund), while others are multinational (such as the Eastern Carpathians Biodiversity Foundation, involving Slovakia, Poland and Ukraine). The scope of a fund's activities can be as wide or as narrow as the founders wish to specify in the legal charter.

Most conservation funds have been set up as "endowments," meaning that only the interest or investment income is spent each year, while the original capital always remains fully invested. For example, the Bhutan trust fund has an endowment of more than US \$27 million contributed by international donors, including the GEF, WWF, the Governments of Norway, Denmark, Switzerland and the Netherlands. This is invested in a portfolio of US and European government bonds, and stocks of large international corporations, earning 17% in 1999. This \$4 million annual income is used to finance a variety of projects for research, training, environmental education, and sustainable resource management by local communities.

Some biodiversity conservation funds have been created by grants from international donors plus a host country government counterpart contribution. For example, the Mexican Government contributed \$10 million to the Mexican Conservation Fund; the balance was contributed by USAID and the GEF. Other conservation funds have been

established using the proceeds of debt-for-nature swaps (see following section), such as the \$30 million Foundation for the Philippine Environment. Some are linked to bilateral debt forgiveness, as in Madagascar, where the US Government agreed to cancel \$50 million of official bilateral debt on condition that the Madagascar Government allocated an amount in local currency equal to 25% of the debt that was cancelled, for the purpose of establishing an endowment fund for biodiversity conservation.

In contrast to endowment-type funds, some environmental funds are “sinking funds,” whose capital is invested to generate income but is also gradually used up over a fixed period. Brazil’s FUNBIO fund, which is intended to be completely used up in 15 years, is an example. Another alternative to an endowment is a “revolving fund” that continually receives new revenues from environmental taxes or user fees; for example, Belize’s “Protected Areas Trust Fund” (PACT) is funded by a “Conservation Fee” of about US\$4 paid by all foreign tourists visiting Belize.

Biodiversity conservation funds sometimes take the legal form of a trust fund (in “common law” countries), and sometimes that of a foundation or incorporated association (in civil law countries). However, they always have a board of directors combining representatives from government agencies, local NGOs, international donors, and sometimes also representatives from local business groups, scientific experts and international conservation organisations. A fund’s Board of Directors is limited in its choice of what projects and activities to fund by the terms of the charter or other legal document establishing the trust fund or foundation. This provides assurance to donors that the money which they contribute to a trust fund will be used only for the prescribed purposes.

Biodiversity funds provide a number of benefits that make them attractive to national governments, NGO’s and international donors:

- **Long-Term Financing:** Biodiversity funds can provide the long-term stable financing that is necessary for the effective implementation of conservation programmes, making them less vulnerable to changes in political or economic circumstances.
- **Small Grants Capacity/Decentralisation:** Biodiversity funds are a way for donors to disburse small grants to many different national and local government agencies and non-governmental organisations.
- **Diversity and Coordination of Funding Sources:** Biodiversity funds can be used to co-ordinate diverse donor-funded environmental programmes, and to implement national environmental strategies.
- **Flexibility:** Biodiversity funds can be used to provide support for a wide range of projects, responding to emerging needs and new priorities as they arise.
- **Broad Participation/Democracy:** Biodiversity funds can encourage the participation of a wide range of interested groups, government agencies, non-governmental and business sectors, and relevant local groups. By including these groups on the fund’s board of directors, technical review committees, etc. this provides the necessary checks and balances, and ensures more openness and accountability, than if donors simply channelled funds to an existing government agency.

### 3.5 Debt swaps

Debt swaps are a means of both alleviating the debt burden of developing countries and of investing in natural or cultural protected sites. Debt swaps are carried out when a country has a debt that it cannot finance and the creditor starts to trade the debt at a lower price. The purchaser (usually an NGO or trust fund manager) buys the debt from the creditor and then approaches the government requesting redemption either at face value or at some negotiated higher value. The mechanism works because the country is able to redeem the debt from the NGO or trust fund manager in local currency. In a debt swap the country benefits by cancellation of hard currency debt and protected sites benefit by acquisition of local currency resources equal to a multiple of the hard currency amount that was spent. Debt swaps have leveraged nearly a billion dollars for nature conservation since 1987 when the first debt-for-nature swap took place.

### 3.6 National and provincial lotteries

Lotteries are a means of gambling whereby individuals purchase tickets etc., which are then drawn for a prize (usually a portion of the earnings from the sale of tickets). National lotteries can raise billions of dollars for charitable causes. For instance, the UK lottery earned £5.5 billion (US\$ 8.25 billion) and distributed £1.7 billion (US\$ 2.1 billion) to a wide range of such causes in 1998. Roughly speaking, 28% of the UK lottery goes to charitable causes, 13% to tax, 5% to retailers selling the tickets, 3% to operating costs, 1% to profits and 50% to winners. (See Box 11).

#### **Box 11 Using a lottery to help fund protected areas**

Since its launch in 1994, the UK National Lottery has generated large sums of money for “good causes”. One of these is “heritage”, which includes conservation of nature and landscapes and their enjoyment and understanding by the public. Over £150 million has gone to projects of this kind in the first four years.

The funds are made available to bodies in the public and voluntary sectors, and paid on the basis of approved projects submitted to, and evaluated by Lottery Distributing Bodies (in effect, one of these, the Heritage Lottery Fund, has been responsible for most of the projects funded in this way). Funds have been used to acquire land for conservation (e.g. to create nature reserves), to improve their management, to improve public access and enhance public understanding, and to encourage and train volunteers to work on conservation schemes. An estimated 52,000ha of land of high conservation value have benefited from such projects.

Projects supported in this way include some which are specifically directed at helping the UK meet its CBD obligations (e.g. by improving the management of species-rich heathland, or creating new wetlands for endangered species of mammals and birds). Many of the sites so assisted will be Category IV nature reserves. Other projects have been directed to helping UK national parks (Category V areas) in landscape protection. A recent study of the impact of the lottery on countryside conservation concluded that it had had ‘a very significant and positive, if uneven, impact’. Without doubt, it has brought very much more money into conservation than would otherwise have been the case.

### **3.7 Public-good service payments**

Payments and transfers for public goods and services provided by protected sites and areas are increasingly common. One of the most successful examples of such a payment is the transfer of funds from the City of New York to communities in the Catskill Mountains for the costs of maintaining the freshwater ecosystem services of the forested areas in the watershed. This mechanism is useful because it is flexible and because it exploits the fact that protected areas provide an array of public goods and services. On the other hand, the beneficiaries of such services are often spread across significant populations; and large numbers of individuals are sometimes responsible for the maintenance of the sites providing the services. So it may be difficult to channel funding from one group to another. While this mechanism relies on some kind of valuation for the goods and services provided, and there is much scope for argument as to the precise values which should be used, it has great potential for wider application.

### **3.8 Workplace donation schemes**

Workplace donation schemes provide an efficient and effective way for individual employees to donate to charitable causes through their employer. The schemes work by enabling employees to designate a deduction from their pre-tax salary which is channelled through the employer to a clearing house charity, which disburses the funds to member charities. Through a simple survey sheet, the employee can either designate which member charities she or he would like the money to support or can allow their employer to designate the recipient charity. Examples are the United Way and Earth Share – the latter also manages workplace giving campaigns for national environmental charities, which encourage employees to pledge a small amount of each paycheque to help address environmental problems. Employees may elect to contribute to all member agencies through a gift to Earth Share, or specifically to one of them.

Such workplace donation schemes have the benefit of being able to tap into significant sums of money, providing employees with something of a tax break (because the money is deducted from pre-tax salaries), but of course they are only available in countries with tax laws that permit such systems.

## 4. Site-level mechanisms

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There are many opportunities for raising money at the local or site level. The attraction of raising money at this level is that people are often more motivated towards paying or giving because they can feel a tangible connection to the area or site. However, if fundraising relies exclusively on this approach, it will be of little help in poorer countries or in areas which are rarely visited. There is a danger therefore of a two-tiered system, in which the wealthy sites get wealthier and those that struggle financially continue to have financial difficulties. A solution would be to create a mechanism for redistributing the site-level revenues among a number of different sites.

Such redistribution arrangements aside, this section lists and briefly describes some of the principal mechanisms which can be used at the local or site level to finance protected areas.

### 4.1 User fees

The term “user fees” covers a broad spectrum of possibilities such as:

- entry fees;
- admissions fees for special attractions;
- fees for parking, camping and picnicking facilities;
- fees charged to concessionaires who profit from operating lodging, food and beverage, guiding, boats for diving or fishing (these include fees that may be charged for licensing the operation, and/or per-person fees they collect); and
- fees for yachting or cruise-ship visit permits.

User fees have been particularly effective in several countries. The potential earnings from user fees vary with level of visitation and use, but the right combination of fees and levies can often provide as much as half the operating costs of any given area. Some parks in North America, Africa and South America provide revenues sufficient to support their own operations and subsidise less visited sites in their national systems.

User fees can be collected and generated either by the protected area and its own staff or by concessionaires who pay for the right to provide facilities to visitors. The benefit of collecting user fees directly is that the revenue is more likely to go to protecting the site. But of course collecting fees involves costs, and specialist expertise is needed to provide many of services for which fees are paid. These are often more efficiently and effectively run by a business which is driven by profit motives.

Leases can also be used to generate revenue. A lease allows an individual or group to use the land or sea for an agreed-upon fee and a time-limited period. Some protected areas have been leased for mineral exploration, oil development, forestry activities, grazing and agricultural uses. But extreme care must be taken to ensure that income

generation of this kind is compatible with the core conservation objectives. Other less potentially damaging uses that may be leased are the gathering of fallen trees, ornamental plants, seeds and fruits.

Some protected areas obtain revenues by charging “publicity fees” to corporations, using the protected site as a location or backdrop for advertising, films, posters and other uses. Some charge fees for the installation and use of such facilities as transmission towers, marine platforms or research stations (though here again it is essential that protected area values are not put at risk by such arrangements). Many protected areas earn income by selling products in book and gift shops, or providing services for which the user pays – guided hikes, float trips, lectures, museums and exhibitions, films and entertainment, rental of equipment, maps, guides, etc. Sales of locally-made crafts can also be an excellent way of bringing financial benefit to local communities living in or near protected areas: even if the direct financial returns from these sales to the protected areas are small, the support of local people will be an obvious advantage.

## **4.2 Cause-related marketing**

Cause-related marketing is the sale of items (primarily intangibles) whose main value lies in the purchaser’s knowledge of having helped conservation. There is no shortage of ideas for marketing schemes to generate funds for protected areas. The key to success lies in selecting a combination of funding sources which provides return on investment and continuing diversity of funding sources.

Examples of cause-related marketing include special events, sales, adoption schemes and collection schemes. Special events can include anything from dinner auctions to members-only excursions. In general, protected areas can make a great deal of money from special events if you can meet three conditions. First, they must be able to recruit volunteers to do most of the work rather than relying on paid staff. Second, they must be able to get goods and services donated rather than paying for them (the film, the hall, the food, the drinks, the performers, the waiters, etc.). Finally, the event needs to have social appeal, to be “the thing to do”. If the protected area manager does not have power to create this aura unaided, he or she should consider joining forces with an existing event.

## **4.3 Adoption programmes**

Adoption programmes have also been used world-wide to generate revenue for specific sites, species or projects. For example, The Nature Conservancy partners in Guatemala, Panama, Costa Rica and other countries have raised money for park protection and park endowment funds by selling “deeds” to an acre or hectare of a protected area. For about \$35 to \$120 US, the donor receives a certificate acknowledging his/her “adoption” of the acre and its wildlife. The certificates have been popular as gifts for Christmas and special events, and classes of schoolchildren have got together to raise enough nickels and dimes to buy an acre or two. This programme can work well for organisations and protected areas that already have an established audience to market to (members, gift-shop customers, retail or catalogue merchants who will display and sell certificates, etc.). It is also helpful to have a group of volunteers, since the work involved is time-consuming (producing certificates, mailing them, thank-you letters and answering correspondence). Best results occur when there is the capacity to identify purchasers who are also potential major givers to the park or organisation, and to follow up with personal thanks and cultivation for additional giving.

#### 4.4 Corporate donations

Many corporations are becoming interested in assisting conservation activities. This is, to some extent, driven by a desire to develop a greener image but is also just as often driven by a true sense of environmental responsibility. The most sympathetic companies are likely to be those that need to bolster their image (e.g. resource companies) or those with a direct stake in the success of the conservation area or programme (cruise lines, hotels, the food and beverage industry, travel industries, photography).

Securing corporate donations often requires an investment of time in meetings and presentations and an effort to cultivate mutual understanding. Also the complex decision-making processes which are common among many corporations mean that it can take a long time to get a donation approved.

#### 4.5 Individual donations

Generally, individuals are probably the easiest to raise money from in the sense that there are no proposals, deadlines or guidelines. Individuals are also the most flexible, and most likely to give donations that can be used according to the protected area manager's own priorities. The challenge is to identify individuals who are likely to be willing to give and then asking them to make a contribution. The "ask" is an art and an act of courage, but it is a rare donor who gives without being asked.

The more personal the request, the more likely the gift. Basically there are three steps to successful solicitation of individual donors. *Inform* and *educate* them about the conservation programme, and what needs to be done; *inspire* them, helping them to develop a personal vision of how their contributions will make a difference; and *ask* them to help make that difference.

Obviously wealthy people generally have more disposable income and are therefore more able to donate to charitable causes such as a protected area. However requests should be tailored to various income groups. Sometimes wealthy individuals may be ready to donate gifts in kind or be willing to volunteer their services. One of the great benefits of private donations, whether in the form of money or gifts in kind, is that they create a **relationship** between the donor and the protected area. Thus, neighbours and visitors can become 'friends' of the protected area and their support can be mobilised again in future.

#### 4.6 Planned giving

Planned giving – that is, charitable donations made through a person's will or estate, or by other mechanisms such as insurance and annuities – is one of the fastest growing and most lucrative aspects of charitable giving in developed countries today. There are many options available to individual donors. These include:

- designating a gift to a protected area or conservation organisation in a will;
- naming a conservation organisation as the beneficiary of a life insurance policy;
- donating properties or securities with or without provisions for the donor's "life estate" (the right to continue living in, or using the property throughout his/her lifetime) or lifetime income from the securities;



- establishment of charitable trusts; and
- purchase of annuities.

Most protected area system managers and conservation organisations will have less sophisticated knowledge of these options than the potential donors themselves. However, if individual donors could be approached for contributions, it is important to have an understanding of the inheritance and tax laws that might affect potential local and international donors. It may be possible to secure the services of a financial advisor on a volunteer basis who can provide information on available options.

#### **4.7 Site memberships and “friends” schemes**

In contrast to the “pay-per-visit” concept of user fees, membership programmes provide a vehicle for voluntary support by a constituency that may or may not actually visit the protected areas.

A “Friends of the Park” programme, or collaboration with existing NGOs, provides an excellent opportunity to channel individual contributions directly to protected area management. Staff can collect donations on site, or capture visitor information (names and addresses) for later fund-raising contacts. Some protected areas make this information available to NGOs for co-operative fund-raising efforts. There are particular opportunities open to developing countries here, as many potential “friends” will have made a long-haul flight to the country concerned and incurred considerable expenses already, so the cost of a friends’ membership fee may be marginal. For them, becoming a “friend” may be a satisfying way of making a long-term commitment of support to the protected area they have visited in a poorer country to that from which they come. But like any potential friend, such visitors will need to be assured that the scheme is well run and that the proceeds go where they are needed.

The very fact that people are willing to become members of a conservation NGO or a park-supporting group is a source of prestige and influence, both in the political process and in convincing potential donors to invest. Membership dues can also be a significant source of income, particularly welcome as it normally comes with few strings. Members can make other contributions as well: volunteer work, word-of-mouth publicity, providing information, buying products and tickets to benefit events, and identifying potential donors.

# **Part C**

## **Case studies**



# Case studies

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## 1. A national system of raising money for conservation in New Zealand

The Department of Conservation (DOC) is the sole conservation management agency in New Zealand, and carries out all conservation management functions for all national parks, reserves and conservation areas in the country, as well as marine conservation issues and ‘off-estate’ advocacy for conservation. By law, DOC cannot set fees for entry to any area of public conservation land in New Zealand. However, fees and charges may be set for the provision of facilities and services, and for the issue of concessions, permits and other consents. DOC raises around \$23.6m per annum from fees, charges and other forms of ‘external’ revenue. This represents approximately 15% of the total budget of the Department.

### 1.1 Retention of revenue

The Department ‘retains’ all the revenue that it raises from ‘external’ sources, i.e. sources other than central government. Thus all existing and additional monies earned are available for expenditure on conservation management. This is a major incentive to the Department to maximise revenue generating activities and the recovery of costs.

### 1.2 Concession fees

DOC issues ‘concession’ contracts to individuals and businesses to conduct commercial activities such as tourism, agriculture, horticulture, telecommunications and commercial filming on public conservation land. There are approximately 4,000 concessions currently in place in New Zealand. The concessionaire is normally required to pay DOC a concession fee in recognition of the private goods that accrue to the concessionaire, since these arise from the rights extended under the concession by the Department on behalf of the taxpayers of New Zealand.

By legislation, all concession fees may be set at a market value, having regard to special circumstances etc. A market value is considered to be the price a willing buyer will pay a willing seller for a concession opportunity. In practice, almost all concession fees are set through one of the following general types of mechanism (in descending order of usage):

- By comparison to fees set for similar concession activities in similar circumstances, both inside and outside DOC, and direct negotiation with the applicant;
- By specific valuation of the opportunity, and direct negotiation with the applicant;
- By tendering the opportunity on the open market.

The market is largely self-regulating. The relative supply and demand for, and economic returns from, different opportunities will tend to drive the price which buyers

(applicants for concessions) are willing to pay for each type of concession. Exclusive concession opportunities tend to attract higher fees than non-exclusive opportunities. Industries where there are high capital investment costs tend to return a lower concession fee relative to income than low-investment businesses do.

It is DOC's approach to have, where possible, the concession fee formulae directly linked to the income of the concessionaire. In this way the concession fee represents a sharing of the income from the business, based on the notion that each party should receive an income in proportion to the investment it has made to the business. DOC 'invests' the land on behalf of the taxpayer: the concessionaire invests capital and business expertise. Normally this outcome is achieved through formulae such as a percentage of Gross Income, or a **per capita** fee in the case of tour operators.

Examples of market fee levels for commonly-issued types of non-exclusive concessions include (all exclusive of Government Sales Tax – GST):

- Guided tours = 7.5% of Gross Income (often set at \$3 + GST per person per half day, and \$6 + GST per person per full day),
- Helicopter landing rights = 5% Gross Income,
- Hotels, ski areas etc (lease of bare land only) = 3-5% Gross Income.

In reality, the Department is just another player in the market in most areas of the private sector, and acts in the same way as any other landowner. In this way public conservation land is not seen as a cheap option for business developers and operators. The key to achieving a fair return in this area is to ensure that the conservation agency acts in a totally professional and business-like manner, is wholly consistent in its activities, and clearly explains the rationale behind positions that are taken with concessionaires. DOC has worked with national concessionaire representative bodies, as well as major players in the various industries, to ensure that they all clearly understand its position.

### **1.3 Facility and service fees and charges: huts and camps**

The Department maintains and operates a network of around 1,100 back-country huts and 250 campsites throughout the country. These include nine tracks in a 'Great Walk' brand, with such international tourism icons as the Milford Track and the Routeburn Track as well as the Abel Tasman, Kepler and Heaphy tracks. The other huts are divided into various categories depending on the level and quality of facilities at each. Camps are likewise categorised by levels of service.

By law, the Department is not permitted to charge for the use of the track system, but can charge for the use of any hut or camp facility provided. There is a national system of fees for these facilities, and generally charges are levied by category.

The hut and camp fee system was introduced in New Zealand in the later 1980s and early 1990s. Before that most huts and camps were free. It is fair to say that there was some initial resistance, but – by working with the national representative bodies (e.g. tramping clubs) – DOC got broad acceptance of the fees within a couple of years.

At the 'top' end of the hut market are the Routeburn and Milford tracks, with fees of \$35 per person per night (ppn). Most of the other 'Great Walks' are charged at around the \$15 per person per night mark. There is an extensive network of other huts where fees are

either \$10 ppn or \$5 ppn, depending on the services provided. There are also about 300 small remote huts that are free. Campsite charges range from \$7 ppn for the fully developed camps (showers, cooking facilities etc. provided) down to \$3 ppn for very basic camps.

For the Great Walk system of tracks, the fees are set in such a way as to ensure that the system as a whole recovers all the costs of provision of hut facilities from users. So there is no taxpayer subsidy towards the provision of Great Walk huts. For the other categories of huts and camps, there are varying levels of subsidy from the taxpayer to the users (i.e. the difference between the price charged for a facility, and the cost of providing that facility).

Currently DOC is completing a review of the hut and camp fee system, which will identify the value of the assets in the hut system, so that a true picture of the various subsidies can be calculated, and policy decisions made about the appropriateness of subsidy levels to various types of users.

#### **1.4 Recovery of costs**

DOC's legislation, and policies, have a requirement that, where costs are incurred by the Department in helping to create a private good, these will be recovered from the recipient of the good. So, in practical terms, applicants for consents, concessions, approvals, permits etc of any kind, will be subject of full or partial recovery of the costs incurred by the Department. The level of recovery depends on the level of private good involved. (*Contribution from Harry Maher, Manager National Revenue, Business Management Division, Department of Conservation New Zealand*).

## **2. Contribution of ecotourism activities within the KwaZulu-Natal Nature Conservation Service**

The KwaZulu-Natal Nature Conservation Service (NCS) is responsible for the management of protected areas in the province of KwaZulu-Natal, Republic of South Africa. It is also responsible for biodiversity conservation throughout the remaining land area of the province, as well as its entire coastline. Whilst 49% of its funding is provided by the State, the balance is generated in a number of ways, including ecotourism activities.

Virtually all protected areas within the area are open to the public on payment of nominal entry fees (around R9 per person per day). 45 protected areas offer overnight accommodation (varying from wilderness camping and caves, to formal campsites, huts, chalets and lodges). In all, the NCS offers 2,485 beds and formal campsites which can accommodate around 8,766 persons per night.

In 1999 the turnover from ecotourism activities, including accommodation, food and beverage, resale trading, trails, rides and tours, concessions and hire and rental, was R76.5m. This represented 29% of the total income. After deducting all direct expenditure associated with ecotourism operations, these activities contributed R21.3m to the overall budget.

In total, these activities, which are managed as profit centres (although currently they do not all make profits), employ 824 staff, primarily drawn from local, largely disadvantaged, rural black communities. They inject R33.4m into those economies at an average annual salary of R40,588.00 (see Table 4).

The following examples illustrate the nature and variety of these profit-oriented, ecotourism activities which as undertaken by the NCS are almost exclusively resource-based, rather than facilities-based. In recent times the NCS has recognised the need for a little latitude and has incorporated air conditioned restaurants, bars and swimming pools into the design of its major tourist camps.

### **2.1 Hilltop Camp (Hluhluwe-Umfolozi Park)**

This project involved the major redevelopment of a former camp, of rondavels with shared cooking and ablution facilities. It is now a modern, 3 to 4 star facility accommodating 75,240 visitors per annum in a variety of detached and semi detached units, mostly with en-suite ablutions. The project completed in 1993 at a cost of R18m.

Funding for the development was borrowed by the parastatal agency in its own right from the state-owned Industrial Development Corporation. In addition to the accommodation described above, the facility also includes a gracious reception/administration facility with a well-stocked curio/essentials store, a bar and a restaurant – all commanding magnificent views of the reserve. There is also a small conference facility and a swimming pool has recently been added.

The camp has proved to be extremely popular and runs at very high occupancies (91%). It is a much-used stopover for most of the major local and overseas tour operators. Its location near the N3, on the route between the Kruger National Park and Durban, is of major importance. It employs 93 people, at an average annual salary of R40,235.00 and is currently producing an annual turnover of R17.4m with a profit of R8.5m.

A recent assessment of the investment shows that the investment is delivering an internal rate of return of 15% and has a discounted payback period of 7 years. The camp is already comfortably servicing the interest on the loan and capital repayments (see also Table 4).

### **2.2 Ntshondwe Restaurant Partnership (Ithala Game Reserve)**

The Ntshondwe camp in Ithala Game Reserve was also built using borrowed funds but has not had the spectacular success of Hilltop camp. It still runs at below-optimum occupancy levels at around 44%. This is largely due to its relative inaccessibility and distance from main through routes. It is a relatively new and unknown reserve, but is very popular with those who have visited it.

Ntshondwe was the first facility built by the NCS to include a bar and restaurant. As NCS had had no experience of such food and beverage operations, it entered into a management contract with a large “industrial” catering company. The restaurant was operated on the NCS account, using NCS staff. Because of a number of problems, including the relatively low throughput, the full-service, *à la carte* nature of the restaurant and the relatively high wage structure (75%) resulting from NCS application of public service wages and conditions of service, the operation was unprofitable and satisfied neither party. The NCS was not willing to increase the management fee unless it became profitable and the managers were unwilling to put more resources into the operation unless the fee was increased. In the last year of operation under the management contract, (i.e. 1997/98) the net cost to the NCS was around R400,000.

At the beginning of the 1998/99 financial year the parties agreed on a joint venture (partnership) model, in terms of which:

- the staff were to be employed by the catering company, on terms and conditions applicable to that industry (which includes generous performance incentives);
- the partnership entered into a lease agreement with NCS for the premises and accommodation required;
- the NCS received a 1% admin fee and was to be reimbursed for any supplies or services provided;
- the catering firm received a 6% management fee in respect of its responsibility to manage the operation, undertake all purchasing and do the accounting;
- the partnership streamlined the operation and reduced staffing levels.

The net result of the above has been a complete turn-around of the operation, such that, in the first year under the new arrangements, the NCS loss of R400,000 has become a net income of around R250,000.

As a result of this success, the NCS intends to implement similar partnerships wherever it develops such facilities in future.

### 2.3 Santa Lucia cruise boat (Greater St. Lucia Wetland Park)

The Santa Lucia is a double-decker, shallow-craft catamaran with a capacity of 80 persons which offers 90 minute cruises, three times daily on the St. Lucia estuary. This gives visitors the opportunity of exploring the natural wonders of this unique estuary, which forms part of South Africa's first proclaimed World Heritage Site.

**Table 4 Summary of financial and statistical information**

	NCS overall	Hilltop Camp	Ntshondwe F and B	Santa Lucia
Protected areas with overnight facilities	45	–	–	–
No of visitors		75,240 visitors	20,160 visitors	
No. of beds/capacity	2,485			–
No. of campsites	1,461	–	–	–
Occupancy/usage %	45%	91%	44%	–
Annual Turnover (Rm)				
– Accommodation *	49,4	12,5	4,1	–
– Trails, rides and tours	5,7	1,5	–	1,3
– Resale Trading	19,6	3,4	–	–
– Concessions	1,2	–	–	–
– Hire and rental	0,7	–	–	–
% of total income	29%	–	–	–
Contribution to total costs %	21,3	8,5	1,3	1,0
No. of jobs created	824	93	42	4
Average salary per employee	40,588	40,235	42,248	47,298
(* Includes F and B)				



The boat was constructed for the NCS at a cost of R0.6m in 1993 and has operated almost daily (except for bad weather and maintenance) ever since. The payback period was brisk (9 months) and serious consideration was given to commissioning a twin sister. However it was decided to allow local entrepreneurs an opportunity and a number of concessions were awarded to private operators on a tender basis.

To capitalise on the popularity of these launch tours, the NCS has constructed a craft-market at the launch point in which women from the local community are able to market their wares. As a result of this success in the highly popular Hluhluwe-Umfolozo Park, the NCS has recently launched a similar boat on the Hluhluwe Dam. Members of the local community have been recruited and trained to serve as guides for this operation. (*Contribution from Alan Martin, KwaZulu-Natal Nature Conservation Service*).

### **3. Compensation for environmental services from mountain forests in Costa Rica**

One of the most important innovations of Costa Rica's 1996 Forestry Law was the decision to compensate forest owners for the environmental services their forests provide to society. This system, the *Payment for Environmental Services*, is supported by a tax on fossil fuels. In recognition of the fact that urban authorities, hydroelectric corporations, and irrigation projects usually use the hydrologic resource of mountain watersheds without acknowledging this service, new proposals have been put forward for financing the system, such as including the cost of watershed management in the cost of hydroelectricity and drinking water supply. Several studies have shown that Costa Ricans are willing to pay for these costs in order to maintain the ecological functions and environmental services derived from forest ecosystems, particularly mountain forests.

#### **3.1 An effective way to compensate private forest owners**

The main assumption underlying payment for environmental services is that forests would be better maintained and protected if forest owners were compensated for the services that their forests provide. Forests cover about 40% of Costa Rica's territory, 60% of these are private forests. In the past, one problem implementing sustainable practices was that, although these have benefits to society, forest owners received very few of these benefits. In this respect, payment for environmental services is an effective way to capture these benefits and transfer them to forest owners. Moreover, Costa Rica cannot afford to establish and manage more national parks and protected areas in order to guarantee the specific environmental services of mountain forests.

#### **3.2 How the compensation system works**

The compensation system is managed by the National Fund of Forest Planning of Costa Rica, which is in charge of collecting resources and paying the beneficiaries for the environmental services. Funds come mainly from two sources: a selective tax on consumption of fuels and other hydrocarbons, and international payments for environmental services of global value.

The National Fund has been able to negotiate payment for watershed services with several hydroelectric corporations. The first was *Campaña Energía Global*, which owns two hydroelectric projects in the Central Volcanic Range of Costa Rica. This

company acknowledges the payment of watershed services to forest owners in two watersheds. On average, the company pays US\$10/ha/year and the funds are disbursed by the National Fund, along with the Foundation for the Development of the Central Volcanic Range. Another company to join this initiative was *Campaña Nacional de Fuerza y Luz*, which agreed to pay up to US\$40/ha/year in a hydroelectric project in the Aranjuez river watershed in the Tilarán Range. Studies show that the value of this watershed service varies from US\$5/ha/year to US\$70/ha/year. The sums fixed for the payment for watershed payments in Costa Rica have resulted from negotiations between the National Fund and the corporations; they are a balance between the willingness to pay, and the importance of the forest for the protection of the hydrological resource.

### 3.3 The establishment of a world ecomarket

Encouraged by this positive experience, the National Fund and the Government of Costa Rica have been negotiating the establishment of the world's first ecomarkets with the support of the World Bank and other major donors. The aim is to promote the development of markets for environmental services from private forests. This would foster the protection of biodiversity in large areas of private forest located mainly in buffer zones of the protected areas of Costa Rica, in habitat corridors, and in hydrologically important watersheds.

### 3.4 Funds originating from Costa Rica

In 1997, US\$14 million was paid out for environmental services, which resulted in the reforestation of 6,500ha, the sustainable management of 10,000ha of natural forests, and the preservation of 79,000ha of private natural forests. Eighty percent of this funding originated nationally, the other twenty per cent was generated by the international sale of carbon fixation services under the "Clean Development Mechanism". (See Box 7).

### 3.5 Environmental services acknowledged by Costa Rica's 1996 Forestry Law:

- uptake of greenhouse gases from the atmosphere
- biodiversity protection
- watershed protection
- protection of natural scenic beauty

**Table 5 Amount paid for environmental services for each forestry land use type, December 1999**

Land use type	Total amount paid (US\$ per ha)	Annual payments as percentage of total for years 1–5				
		1	2	3	4	5
Reforestation (tree planting)	518	50	20	15	10	5
Management of natural forest	316	50	20	10	10	10
Forest conservation or natural revegetation of deforested areas	202	20	20	20	20	20

Compilation: José J. Campos

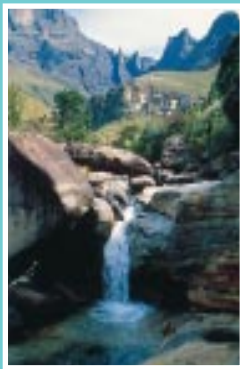
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