

KM 4 CTI Learning Notes

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ADB Regional Technical Assistance (RETA) 7307:

Regional Cooperation on Knowledge Management, Policy, and Institutional Support to the Coral Triangle Initiative



SF 101. Sustainable Finance for a Countrywide Protected Area

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The Case of the Palau Protected Area Network

The **Palau Protected Area Network (PAN)** started in 2000 with the identification of sites in each province that will be part of the future Palau PAN. The work was completed in 2003, and in the same year, the PAN was declared. From 2004 up to mid-2005, a group of professionals, together with government and local NGO representatives, started a back-of-envelope costing process to determine the total cost to sustainably finance (SF) the recurrent cost of conservation work in the PAN.

Systematic costing process

This was done by assessing the real cost of all organizations currently working and managing protected areas in Palau. Based on these real costs, a balance sheet for the PAN was developed. The total annual cost to finance the PAN was estimated at roughly US\$2.5 million dollars per year. As the current revenues from all sources to support conservation work in the PAN was estimated at US \$900,000, a shortfall of US\$1.5 million had to be covered every year.

A working group was formed to discuss potentially new revenue sources to finance the shortfall. The group was made up of representatives from the President's office, the Ministry of Finance, the Ministry of Planning, as well as international and local NGOs. The group agreed that the best option to finance the shortfall would be to collect 'green fees' from all visitors to Palau.

Green fees get government support

Since it was a new idea, the Government of Palau requested the World Bank for technical assistance for a willingness to pay study that will ask visitors how much they would be willing to pay to help protect the country's natural resources. The study results showed that visitors were willing to pay between US\$15-30. The Government was initially reluctant to charge green fees, fearing a decline in the number of tourists, but eventually agreed to call them departure fees to be paid by all visitors leaving Palau.

The sustainable financing plan was endorsed, and the legislative process was initiated to formalize the collection of green fees. A disbursement mechanism (the Independent Palau PAN Fund) was then created to receive and disburse the collected green fees to finance the

operation and maintenance of the Palau PAN. In 2006, the *PAN Act* was developed and sent for approval to the Palau legislative chambers for approval, and the piece of legislation was passed in mid-2008.

The Micronesia Challenge Initiative

At around the same time, a parallel process took place in the Micronesia region (Federated States of Micronesia, Republic of Marshall Islands, Guam, and the Commonwealth of the Northern Marianas), which was called the "Micronesia Challenge Initiative." Its goal was to effectively conserve at least 30 percent of the near-shore marine resources and 20 percent of the terrestrial resources across Micronesia by 2020. In 2006, all agreed to the Challenge, and a sustainable finance

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Palau PAN Sustainable Finance Balance Sheet

PAN total cost	Estimated from current work cost in PA	2,470,000
Current revenues		910,000
Shortfall	PAN costs minus existing revenue	-1,560,000
NEW REVENUES		
Tourism departure fee	Based on \$15 Green fees for 80,000 visitors p.a.	1,200,000
	Collection of green fees	(-100,000)
Gap		460,000
International assistance	A \$12m endowment from bilateral and multilateral grants/donations returning @ 5%p.a - MCT	600,000
Fund management		(-130,000)
Sub-total		590,000
TOTAL		10.000

Challenges in developing sustainable finance

Money is not necessarily the problem in sustainable financing; other problems in creating sustainable finance schemes exist and include the following:

- **Effective management and proven conservation track records are difficult to find.** Money flows when trust and trustworthy institutions/ organizations or protected areas provide for sustained, tangible, and outstanding results.
- **Each country will have different constraints**, such as corruption, mismanagement, embezzlement, conflict of interest, and lack or non-enforcement of regulations.
- **Benefits to key stakeholders are not equitably shared.** Often, there is too much bureaucracy and technical assistance that absorb the bulk of the available funds as opposed to providing on-the-ground work by locals.
- **Financial estimates are inaccurate.** Projects are often not grounded in real cost. There is addiction to budget

programming that is not necessarily linked to results, but mainly to processes.

- **Everyone wants to control the money/funds without having the credentials to do so.** There is often a power struggle on who gets to be in charge of the decision making body that will direct the funding to special interest. Many politicians forget about the independence of the financial system in their country to allow for its transparent and reliable operation.
- **Most of the decisions are made for the short term, the NOW.** This is true not only for government politicians who care about their re-election, but also to donors who want to show short-term results.
- **There is a lack of champions who advocate long-term needs.** Conservation efforts are long-term endeavors and, for many years, these have been converted into mainstream thought processes just to receive funding.
- **There is not enough political will for sustainability.** Political will is not



Political will is not created by good politicians who do the right things. It is grounded and generated by the people.

Image: Village leader from Tarobi locally managed marine area, Kimbe Bay, PNG. Credit: Mark Godfrey/TNC

created by good politicians who do the right things. It is grounded and generated by the people. Communities should give the marching orders to their politicians when it comes to protecting the environment for the communities' survival and for future generations.

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planning process was started in each jurisdiction.

The first phase of the Micronesia Challenge was adopted in 2006, which called on each country to develop its sustainable finance plan based on the Palau model. The countries were also tasked to identify new internal revenue sources as counterpart to a pledge by the international community to assist them in developing their first phase Micronesia Challenge Endowment of US\$18 million.

This amount was estimated to cover the funding gap from internal revenue sources. A matching 2-to-1 pledge of US\$6 million was committed by two international NGOs to start

the capitalization of the Micronesia Challenge Endowment. At a meeting in December 2006, the donors and the governments agreed to have the endowment managed by the regional Micronesia Conservation Trust. In October 2008, a first tranche of the pledged donation was given to the Palau portion of the Micronesia Challenge Endowment as well as the Palau contribution to the matching donation totaling US\$1.5 million.

Palau confident it will achieve targets based on its SF plan

In November 2009, the Palau government started collecting departure green fees of US \$15 from every visitor leaving the country. After just nine months of collection, a total of \$1.3 million had been collected. As of October 2010, US\$3.4 million has been disbursed to

the Palau portion of the first phase of the Micronesia Challenge endowment of US\$9 million. The US\$9 million target for Palau has to be reached by December 2011, which Palau is confident to achieve. The green fees collected covered more than half of the identified shortfall to sustainably finance the Palau PAN yearly. Since two-thirds of the total recurrent cost to sustainably finance the PAN is financed by Palau's provincial and national governments from internal revenue sources, the international community was willing to assist the country to fill the identified gap. This made Palau the first nation in the Pacific to have a fully sustainably financed Protected Areas Network.

Address your questions to:

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RETA 7307 supports ongoing CTI efforts via knowledge management in the preparation of a State of the Coral Triangle Report, sustainable financing, and environmental economics and payment of environmental services for the CTI.
http://www.primexinc.org/cti_km



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