

Overview of Sustainable Finance Mechanisms

Robert Weary
Director, Caribbean Finance, Caribbean
The Nature Conservancy

Conservation Trust Funds

Established in over 50 Developing Countries to support the long-term costs of protected areas and biodiversity conservation, including the following Caribbean countries:

Bahamas	Netherlands Antilles
Jamaica	Colombia
Belize	Panama
Guyana	Mexico
Suriname	

Can be based on different financial mechanisms:

- **Endowments:** capital from donors is invested in perpetuity, and each year only the investment income is spent (example: Suriname)
- **Sinking Funds:** capital is invested for a limited time period (5 to 20 years) and each year part of the capital is also spent (example: Jamaica, based on EAI/DFN swap)
- **Revolving funds:** a continuous stream of new revenues from earmarked fees & taxes (ex. Belize)
- **“Umbrella” funds:** combination of the above, with different **sub-accounts** (sometimes managed by separate committees) for different purposes, different donors, or different parks.

Financing Mechanisms

- **External flows**
 - Government & donor budgets
 - NGO grants & private and voluntary donations
 - Debt-Swaps & Conservation Trust Funds
- **Cost-sharing and benefit-sharing**
 - investment and enterprise funds
 - private or community management of PAs
- **Market based charges**
 - Resource-use fees
 - Tourism charges
 - Payments for ecosystem services

Purpose: Long-Term Funding of Biodiversity Conservation and PA Management Costs

- Not a replacement for regular government budget funding, but an **additional** funding source.
- **Legally independent** of government, managed by a majority non-government Board of Directors
- CTFs **do not manage PAs, but make grants** to organizations that manage PAs or that carry out projects to conserve biodiversity.
- Grants are based on an **open, transparent** process, according to stated criteria and goals.

PA management costs

CTFs have provided between 15% to 95% of the operating costs of national PA systems.

For example:

Mexico: 15%
Ecuador: 20%
Caucasus PA Fund : 50% (1:1 matching requirement)
Peru: 70%
Bolivia: 95%

In many cases, Governments continue to fund all PA staff salaries.

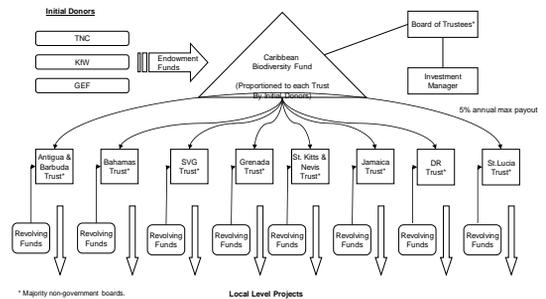
Administrative Structure & Costs

Most CTFs have an **Executive Director and a small staff** for the purpose of:

- Soliciting and reviewing grant proposals;
- Monitoring and evaluating grantees;
- Liaison with government agencies and NGOs;
- Liaison between Board and investment managers;
- Preparing quarterly & annual reports and financial statements;
- Fundraising and liaison with donors.

Donors require that a fund's **administrative costs not exceed 15%** of the CTF's annual budget.

Caribbean Biodiversity Fund



Estimated Payouts from CBF to national CTFs

- Antigua & Barbuda: \$135,000
- Bahamas: \$450,000
- Dominican Republic: \$450,000
- Grenada: \$135,000
- Jamaica: \$225,000
- St. Kitts & Nevis: \$135,000
- St. Lucia: \$135,000
- St. Vincent & Grenadines: \$135,000

Basic Principals

- **Additional Funds:**
 - The CBF would supplement, not replace, current government funding for protected areas
- **Matching Funds:**
 - Within 2 years, **each country will create new conservation finance mechanisms** such as tourism fees, environmental fees, and/or PES (TBD by the country) that generate at least a 1:1 match to its endowment proceeds
 - Of note, matching requirement could be waived for up to 2 years in the case of events out of its control (natural disasters, global financial crisis, etc)

Examples of Sustainable Finance Mechanisms: Caribbean

- Belize:
 - US\$3.75 per int'l visitor collected at airport
 - US\$2 per cruise ship passenger
- Bonaire Marine Park:
 - Annual fees to enter park: US\$25 divers, US\$10 swimmers, US\$840 businesses, US\$280 structure
- Trinidad & Tobago:
 - Green Fund, funded by portion of gross sales receipts (current value US\$400 million)

Recent Sustainable Financing Mechanisms Workshops

- Conducted for ANB, GRE, SKN, SLU, SVG
- Top 3 results:
 - PA fees collected from international visitors at airport (similar to Belize)
 - Water fees (collected from water users to fund watershed conservation)
 - Park fees (similar to Bonaire)

Bahamas Willingness to Pay Survey

- 1,000 interviews (both air and cruise ship arrivals), conducted 2008
- 95% willing to pay \$5 as PA fee
- 60% willing to pay \$50 as PA fee
- Top 3 activities cited during visit:
 - Beach visit, boat tour, snorkel
- Avg. amount spent on trip:
 - Overnight: \$1,243
 - Cruise: \$861

PA fees from International Visitors

	Tourism % of GDP	Int'l Air Arrivals	Cruise Ship Arrivals	Total Arrivals
Jamaica	25%	910,000	920,000	1,830,000
St. Kitts & Nevis	30%	123,000	262,000	385,000
Antigua & Barbuda	81%	182,000	386,000	568,000
Grenada	28%	142,000	147,000	289,000
St. Vincent	34%	100,000	260,000	360,000
St. Lucia	48%	277,000	393,000	670,000

US\$1 from each international visitor would raise upwards of US\$1.8 million per year.

New National Legislation Needed

in order to:

- Establish new fees, taxes or PES and earmark them for the CTF;
- Ensure that the CTF's investment income and purchases are tax-exempt;
- Link the CTF to national institutions and policies, and demonstrate to international donors that the CTF is fully supported by Government.

Next Steps

- National stakeholders workshops
 - Development of CTFs
 - Identification and development of sustainable conservation finance mechanism
 - 1 per country, 3 days
 - First workshop proposed for Grenada: Nov. 14-16
 - Rest need to be completed prior to July 2012

Funds Available

- GEF E. Caribbean Sustainable Finance project:
 - Sustainable Finance Plans for PA Systems: US\$20K per country
 - Feasibility Studies: US\$20K per country
 - CTF Board Development: US\$5K per country
 - Training for PA Manager to access CTF funding: US\$5K per country
 - Local Counsel to Review CTF Legislation: US\$5K per country
 - CTF Start-up Costs: US\$15K per country
 - CTF Public Awareness: US\$2K per country