



Financial Sustainability Scorecard

for National Systems of Protected Areas

UNDP Copyright © 2007.
United Nations Development Programme,
304 East 45th Street, New York, New York 10017

Acknowledgments:

Many thanks to the following who contributed to the development of this document: Steve Cobb, Christopher Cosslett, Scott Edwards, Julie Gale, Maria Jose Gonzalez, John Hough, Midori Paxton, Nik Sekhran, Jonathan Smith and Lee Thomas

Graphic design: Sandra Rojas

Cover photo: Amazonia © urbanhearts.Fotolia.com



Financial Sustainability Scorecard for National Systems of Protected Areas

Andrew Bovarnick

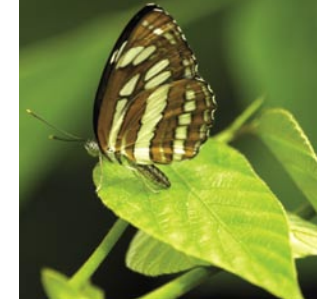
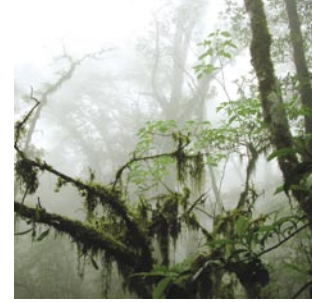
June 2007

NOTE: THIS DOCUMENT REFLECTS THE VIEWS OF THE AUTHOR AND NOT NECESSARILY THOSE OF UNDP. THIS DOCUMENT IS A WORK IN PROGRESS AND ALL COMMENTS AND SUGGESTIONS SHOULD BE SENT TO THE AUTHOR AT ANDREW.BOVARNICK@UNDP.ORG

Contents

INTRODUCTION	3
FINANCIAL SCORECARD – PART I – OVERALL FINANCIAL SITUATION	6
FINANCIAL SCORECARD – PART II – ASSESSING ELEMENTS OF THE FINANCING SYSTEM	8
FINANCIAL SCORECARD – PART III – SCORING AND MEASURING PROGRESS	15

INTRODUCTION



Context

Protected area financing is critical for sound PA management. However, globally, protected area financing needs to be improved at both site and system level. Hence developing long-term financing systems is a key element for protected areas sustainability.

Protected area “financial sustainability” refers to the ability of a country to meet all costs associated with the management of a protected area system. This implies a funding “supply” issue of generating more revenue, but just as importantly, a “demand” side challenge of managing PA financing needs (at sites and at the system level). PA financial sustainability needs to be addressed from both sides of the financial equation.

It is this systematic process of defining costs and identifying ways to meet those costs that constitutes financial planning. Good financial planning enables PA managers to make strategic financial decisions such as re-allocating spending to match management priorities, and identifying appropriate cost reductions and potential cash flow problems.

In addition to cost and revenue concerns, a third area that requires special consideration in order to achieve PA financial sustainability is institutional arrangements. In many cases, efficient, transparent, credible mechanisms for collecting PA-related fees are not in place.

Therefore, UNDP has developed this scorecard to assist project teams and governments track their progress to make PA systems more

financially sustainable. The scorecard has been designed at the PA system level and not site level because:

- There are activities required at a network level and not just at site level such as policy reform, fund management and setting PA fees, which can affect all PAs;
- There are activities that require a coordinated effort and support from several government institutions, particularly the Ministry of Finance, which are best achieved through a centralized management and financing system;
- Sites will often require similar activities so it is cost-effective to provide these centrally, such as training or verification of ambient quality and monitoring plans;
- It can allow more effective and coordinated fundraising;
- It can reduce competition between sites; and
- It allows cross-subsidization between sites.

PA financing must be viewed at two levels. One is the basic status of a PA system’s finances – how much is being spent and how much is needed to be spent for effective management. This will look at annual expenditures, operational costs, investment needs, revenue generation etc. From this it is possible to assess financing gaps and financial

targets for increasing budgets and expenditures and/or reducing management costs in order to balance accounts.

However, there are limitations to what a snapshot of a PA system's financial accounts shows about the underlying structure, health and future direction of its finance. One year there could be a high level of expenditure due to donor support, a capital injection from a debt-for-nature swap, or a jump in tourism. However, one year's financial status does not necessarily ensure the future financial health of a PA system. To fully assess if a PA system is moving towards financial sustainability it is also important to investigate and analyse the structural foundations of what enables and promotes long-term financial improvements for PAs. A PA system's financing is based on many elements, which are becoming increasingly known, and are quite common across countries.

Purpose

The purpose of this scorecard is to assist governments, donors and NGOs to investigate and record significant aspects of a PA financing system – its accounts and its underlying structural foundations – to show both its current health and status and to indicate if the system is holistically moving over the long-term towards an improved financial situation. The scorecard is designed for national systems of PAs but could be used by sub-sets such as state level.

There is a section to record overall financial changes to the inflows and outflows of capital of the PA system. However, the scorecard is designed to check the progress of the entire PA financing system and its foundations which will lead to the future financial viability of a PA system. Therefore the scorecard is structured to look at elements of a financing system, described below.

These elements in themselves provide guidance on what a framework for a PA financing system should comprise. The questions regarding

financial data also provide an opportunity for a country to assess its capacity to generate and collect cost and revenue data fundamental for PA financial planning. Where data is unavailable, provision of such data should be a priority for the country.

This tool does not cover cost-effectiveness of protected area management, ie use of funds. UNDP plans to develop guidance on this at a later date.

Structure

The scorecard has two components, Part I and Part II.

Part I requires financial data to determine the costs, revenues and financing gaps of the PA system both in the current year and as forecast for the future. It provides a quantitative analysis of the PA system and shows the financial data needed by PA planners needed to determine financial targets and hence the quantity of additional funds required to finance effective management of their PA system. As different countries have different accounting systems certain data requirements may vary in their relevance for each country. However in general, where financial data is absent, the first activity the PA authority should do is to generate and collect the data.

Part II of the scorecard is compartmentalized into three fundamental components for a fully functioning financial system at the site and system level – (i) governance and institutional frameworks, (ii) business planning and other tools for cost-effective management (eg accounting practices) and (iii) revenue generation.

Scoring

The scoring is aimed to allow comparisons between years to show improvements in a given country. Score comparisons across countries will be possible. However, some countries will have different total scores as certain elements may or may not be

COMPONENT 1: GOVERNANCE FRAMEWORKS THAT ENABLE SUSTAINABLE PA FINANCING

Legal, policy, regulatory and institutional frameworks affecting PA financing systems need to be clearly defined and supportive of effective financial planning, revenue generation, revenue retention and management. Institutional responsibilities must be clearly delineated and agreed, and an enabling policy and legal environment in place. Institutional governance structures must enable and require the use of effective, transparent mechanisms for allocation, management and accounting of revenues and expenditures.

COMPONENT 2: BUSINESS PLANNING AND OTHER TOOLS FOR COST-EFFECTIVE MANAGEMENT

Financial planning, accounting and business planning are important tools for cost-effective management when undertaken on a regular and systematic basis. Effective financial planning requires accurate knowledge not only of revenues, but also of expenditure levels, patterns and requirements. Options for balancing the costs/revenues equation should include equal consideration of revenue increases and cost control. Good financial planning enables PA managers to make strategic financial decisions such as allocating spending to match management priorities, and identifying appropriate cost reductions and potential cash flow problems. One positive corollary to the application of management effectiveness frameworks in protected areas is the resulting increase in the confidence of donors and governments, who are thereby assured that funds invested in a protected area are being used effectively.

COMPONENT 3: TOOLS AND SYSTEMS FOR REVENUE GENERATION AND MOBILIZATION

PA systems must be able to attract and take advantage of all existing and potential revenue mechanisms within the context of their overall management priorities. Diversification of revenue sources is a powerful strategy to reduce vulnerability to external shocks. Sources of revenue for protected area systems include traditional funding sources – government subsidies and donor projects – along with innovative ones such as debt swaps, tourism concession arrangements, and in some cases, carefully controlled levels of resource extraction.

applicable to them such as trust funds and payments for ecosystem services. Therefore the total score can be adjusted and for cross-country comparisons percentage scores will be more useful.

number of points allocated to a certain element so the scoring better suits their national conditions. Any modifications to scoring should be transparent and footnoted.

In each country certain elements may be more important and difficult to achieve than others. In this case country teams should have the flexibility to modify the current weighting system and increase the

FINANCIAL SCORECARD – PART I – OVERALL FINANCIAL SITUATION

6

Overall Sustainability of a National Protected Area System	Baseline year ¹² (US\$) ³	Year X ⁴ (US\$) ⁵	Year X+5 (forecasting) (US\$) ⁶	Comments ⁷
1. Total annual expenditure for PAs (operating and investment costs)				State any extraordinary levels of capital investment in a given year
- National protected areas ⁸				
- National protected areas co-managed by NGOs				
- State/municipal protected areas				
- Others				
2. Total annual government budget provided for PA management (excluding donor funds)				
- National protected areas				
- National protected areas co-managed by NGOs				
- State/municipal protected areas				
- Others				
3. Total annual government budget provided for PA management (including donor funds, loans, debt-for-nature swaps)				% of total budget provided by government
- National protected areas				
- National protected areas co-managed by NGOs				
- State/municipal protected areas				
- Others				

Overall Sustainability of a National Protected Area System. Cont.	Baseline year ¹² (US\$) ³	Year X ⁴ (US\$) ⁵	Year X+5 (forecasting) (US\$) ⁶	Comments ⁷
4. Total annual revenue generation from PAs, broken down by source				
a. Tourism (fees, concessions and taxes)				
b. Payments for ecosystem services (PES)				
c. Other (specify each type of revenue generation mechanism)				
5. Total annual revenues (over 5 year period)				
- National protected areas				
- National protected areas co-managed by ngos				
- State/municipal protected areas				
- Others				
6. Percentage of PA generated revenues retained in the PA system for re-investment⁹				
7. Estimation of financing needs				
A. Estimated financing needs for basic management costs and investments to be covered				
B. Estimated financing needs for optimal management costs and investments to be covered				
8. Annual financing gap (financial needs – available finances)¹⁰				
A. Net actual annual surplus/deficit ¹¹				
B. Annual financing gap for basic expenditure scenarios				
C. Annual financing gap for optimal expenditure scenarios				

FINANCIAL SCORECARD – PART II – ASSESSING ELEMENTS OF THE FINANCING SYSTEM

8	Component 1 – Legal, regulatory and institutional frameworks					Comment
Element 1 - Legal, policy and regulatory support for revenue generation by PAs		None (0)	Some (1)	A few (2)	Fully (3)	
(i) Laws are in place that facilitate PA revenue mechanisms						
(ii) Fiscal instruments such as taxes on tourism and water or tax breaks exist to promote PA financing						
Element 2 - Legal, policy and regulatory support for revenue sharing within the PA system		No (0)	Yes, but suboptimal (1)	Yes, satisfactory (2)	Yes, optimal (3)	
(i) Laws, policies and procedures are in place for PA revenues to be retained by the PA system						
(ii) Laws, policies and procedures are in place for PA revenues to be retained, in part, at the PA site level						
(iii) Laws, policies and procedures are in place for revenue sharing at the PA site level with local stakeholders						
Element 3 - Legal and regulatory conditions for establishing endowment or trust funds ¹²						
		No (0)	Established (1)	Established with limited capital (2)	Established with adequate capital (3)	
(i) A Trust Fund has been established and capitalized to finance the PA system						
		None (0)	Some (1)	Quite a few (2)	Fully (3)	
(ii) Trust Funds have been created to finance specific PAs						
		No (0)	Partially (1)	Quite well (2)	Fully (3)	
(iii) Trust Funds are integrated into the national PA financing systems						

Component 1 – Cont.					Comment
Element 4 - Legal, policy and regulatory support for alternative institutional arrangements for PA management	None (0)	Partial (1)	Satisfactory (2)	Fully (3)	
(i) There are laws which allow and regulate delegation of PA management and associated financial management for concessions					
(ii) There are laws which allow and regulate delegation of PA management and associated financial management for co-management					
(ii) There are laws which allow and regulate delegation of PA management and associated financial management to local government					
(iv) There are laws which allow and regulate delegation of PA management and associated financial management for private reserves					
Element 5 - National PA financing strategies	Not begun (0)	In progress (1)	Complete (3)	Under implementation (5)	
(i) Policy for revenue generation and fee levels across PAs					
(ii) Criteria for allocation of PA budgets to PA sites (business plans, performance etc)					
(iii) Safeguards are in place to ensure that revenue generation does not adversely affect conservation objectives of PAs					
(iii) Policy to require all PA management plans to include financial sections based on standardized format and criteria					
(iv) Degree of implementation of national financing strategy and adoption of policies					
Element 6 - Economic valuation of protected area systems	None (0)	Partial (1)	Satisfactory (2)	Fully (3)	
(i) Economic data on PA values exists					
(ii) PA economic values are properly documented					
(iii) PA economic values are recognized across government					

Component 1 – Cont.					Comment
Element 7 - Improved government budgeting for PA systems	No (0)	Yes (1)			
(i) Policy of the Treasury towards budgeting for PAs provides for increased medium to long-term financial resources in accordance with demonstrated needs					
(ii) Policy requires budgeting for PAs based on financial need as determined by the PA business plan					
(iii) There are policies that PA budgets should include funds for the livelihoods of communities living in and around the PA as part of threat reduction strategies					
Element 8 - Clearly defined institutional responsibilities for PA management and financing	None (0)	Partial (1)	Improving (2)	Fully (3)	
(i) Mandates of institutions regarding PA finances are clear and agreed					
Element 9 - Well-defined staffing requirements, profiles and incentives at site and system level	None (0)	Partial (1)	Almost there (2)	Fully (3)	
(i) There are sufficient number of positions for economists and financial planners and analysts in the PA authorities to properly manage the finances of the PA system					
(ii) Laws and regulations motivate PA managers to promote site level financial sustainability					
(iii) PA site managers are accountable for balanced budgets					
(iv) TORs for PA staff include responsibilities for revenue generation, financial management and cost-effectiveness					
(v) PA managers have the flexibility to budget and plan for the long-term					
(vi) Incentives are offered for PA managers to implement business plans					
TOTAL SCORE FOR COMPONENT 1					SCORE:

Component 2 – Business planning and tools for cost-effective management					Comment
Element 1 - Site-level business planning	Not begun (0)	Early stages (1)	Nearly complete (2)	Completed (3)	
(i) Business plans, based on standard formats, are developed for up to four pilot sites					
(ii) Business plans implemented at the pilot sites, measured by degree of achievement of objectives					
(iii) Business plans developed for all appropriate sites					
(iv) Business plans are directly linked to management plan goals and objectives					
(v) Preparation of participatory management plans including business plans in use across the PA network					
(vi) Monitoring and reporting on business plans through enhanced activity-based cost accounting that feeds into system-wide accounting and budgeting					
Element 2 - Operational, transparent and useful accounting and auditing systems	None (0)	Partial (1)	Nearly complete (2)	Fully completed (3)	
(i) Policy and regulations require comprehensive, coordinated cost accounting systems to be in place					
(ii) Transparent and coordinated cost and investment accounting systems are operational					
(iii) Revenue tracking systems for each PA in place and operational					
(iv) Regular monitoring and reporting of PA investments and revenue generation occurs					
Element 3 - Systems for monitoring and reporting on financial management performance	None (0)	Partial (1)	Nearly complete (2)	Complete and operational (3)	
(i) All PA revenues and expenditures are fully and accurately reported and tracked by government and are made transparent					
(ii) Positive return on investments from capital improvements measured and reported					

Component 2 – Cont.					Comment
(iii) Financial performance of PAs is evaluated and reported (linked to cost-effectiveness)					
Element 4 - Methods for allocating funds across individual PA sites	No (0)	Yes (1)			
(i) National PA budget is appropriately allocated to sites based on criteria agreed in national financing strategy					
(ii) Policy and criteria for allocating funds to co-managed PAs complement site-based fundraising efforts					
(iii) A monitoring and reporting system in place to show how and why funds are allocated across PA sites and headquarters					
Element 5 - Training and support networks to enable PA managers to operate more cost-effectively	Absent (0)	Partially done (1)	Almost done (2)	Fully (3)	
(i) Guidance on cost-effective management developed and being used by PA managers					
(ii) Operational and investment cost comparisons between PA sites complete, available and being used to track PA manager performance					
(iii) Monitoring and learning systems of cost-effectiveness are in place and feed into management policy and planning					
(iv) PA site managers are trained in financial management and cost-effective management					
(v) PA site managers share costs of common practices with each other and with PA headquarters ¹³					
TOTAL SCORE FOR COMPONENT 2					SCORE:

Component 3 – Tools for revenue generation					Comment
Element 1 - Increase in number and variety of revenue sources used across the PA system	None (0)	Partially (1)	A fair amount (2)	Optimal (3)	
(i) An up-to-date analysis of all revenue options for the country complete and available including feasibility studies					
(ii) There is a diverse set of sources and mechanisms generating funds for the PA system					
(iii) A number of PAs are operating effective revenue mechanisms and generating positive returns					
Element 2 - Setting and establishment of user fees across the PA system	No (0)	Partially (1)	Satisfactory (2)	Fully (3)	
(i) A system wide strategy and implementation plan for user fees is complete and adopted by government					
(ii) The national tourism industry and Ministry are supportive and are partners in the PA user fee system and programmes					
(iii) Tourism-related infrastructure investment is proposed and is made for PA sites across the network based on revenue potential, return on investment and level of entrance fees ¹⁴					
(iv) Where tourism is promoted PA managers can demonstrate maximum revenue whilst still meeting PA conservation objectives					
(v) Non-tourism user fees are applied and generate additional revenue					
Element 3 - Effective fee collection systems	None (0)	Partially (1)	Completed (2)	Operational (3)	
(i) A system-wide strategy and implementation plan for fee collection is complete and adopted by PA authorities (including co-managers)					
Element 4 - Marketing and communication strategies for revenue generation mechanisms	None (0)	Partially (1)	Satisfactory (2)	Fully (3)	
(i) Communication campaigns and marketing for the public about the tourism fees, new conservation taxes etc are widespread and high profile					

Component 3 – Cont.					Comment
Element 5 - Operational PES schemes for PAs ¹⁵	None (0)	Partially (1)	Progressing (2)	Fully (3)	
(i) A system-wide strategy and implementation plan for PES is complete and adopted by government					
(ii) Pilot PES schemes at select sites are developed					
(iii) Operational performance of pilots is evaluated and reported					
(iv) Scale up of PES across the PA system is underway					
Element 6 - Operational concessions within PAs	None (0)	Partially (1)	Progressing (2)	Fully (3)	
(i) A system-wide strategy and implementation plan is complete and adopted by government for concessions					
(ii) Concession opportunities are identified at the site and system levels					
(iii) Concession opportunities are operational at pilot sites					
(iv) Operational performance of pilots is evaluated, reported and acted upon					
Element 7 - PA training programmes on revenue generation mechanisms	None (0)	Limited (1)	Satisfactory (2)	Extensive (3)	
(i) Training courses are run by the government and other competent organizations for PA managers on revenue mechanisms and financial administration					
TOTAL SCORE FOR COMPONENT 3					SCORE:

TOTAL SCORE FOR PA SYSTEM	
TOTAL POSSIBLE SCORE	
ACTUAL SCORE AS A PERCENTAGE OF TOTAL POSSIBLE SCORE	
PERCENTAGE SCORED IN PREVIOUS YEAR ¹⁶	

¹ Insert year

² Where financial data is unavailable or does not exist this should be stated and is itself a reflection of the baseline situation

³ Insert in footnote the local currency and exchange rate to US\$ and date of rate

⁴ Insert year

⁵ Insert in footnote the local currency and exchange rate to US\$ and date of rate

⁶ Insert in footnote the local currency and exchange rate to US\$ and date of rate

⁷ Comment should be made on robustness of financial data (low, medium, high)

⁸ As defined by IUCN Categories I-VI

⁹ This includes funds to be shared by PAs with local stakeholders

¹⁰ Financing needs as calculated in (7) and available financing defined as (3) plus (5)

¹¹ This will be more relevant to parastatals and PA agencies with autonomous budgets

¹² Where a PA system does not require a trust fund due to robust financing within government – award full 9 points

¹³ This might include aerial surveys, marine pollution monitoring, economic valuations etc.

¹⁴ As tourism infrastructure increases within PAs and in turn increases visitor numbers and PA revenues the score for this item should be increased in proportion to its importance to funding the PA system

¹⁵ Where PES is not appropriate or feasible for a PA system – take 12 points off total possible score for the PA system

¹⁶ Insert NA if this is first year of completing scorecard



Energy & Environment Group
Bureau for Development Policy
United Nations Development Programme

304 East 45th Street
New York, New York 10017
<http://www.undp.org/>