

# Sustainable Funding for Nature Parks in the Netherlands Antilles

## Feasibility Study of a Protected Areas Trust Fund

### SYNOPSIS

February 2005

#### Introduction

The ecosystems of the Netherlands Antilles<sup>1</sup>, with their coral reefs, humid elfin forests and semi-desert scrublands, not only contain the richest biodiversity in the Kingdom of the Netherlands, but also represent an irreplaceable tourism resource – the most important source of income for the islands. The marine ecosystems along the coasts (coral reefs, seagrass beds, mangroves) are also essential for healthy fisheries and both the marine and terrestrial ecosystems (montane forest) provide a buffer against erosion and hurricane damage. According to a recent report by the World Resources Institute the tourism and ecological value of all the coral reefs of the Antilles is estimated at US\$24–144 million per year (WRI, 2004). Unfortunately, the economic value of all terrestrial and marine biodiversity cannot yet be estimated; further research is recommended to obtain the necessary data. Nature conservation, therefore, is not a luxury, but an essential part of the sustainable economic and social development on which the current Dutch–Antillean cooperation programme is based.

Well managed nature reserves are the cornerstone of nature policy and both marine and terrestrial nature parks have been established, or are in an advanced stage of establishment, on all the islands. The Antilles, therefore, are meeting their obligations under the Convention on Biological Diversity and other international treaties. Good management requires funds for infrastructure, personnel, maintenance, education and public information, but funding for the recurrent annual operating costs of the nature parks has been plagued by instability and deficits. This is because it is highly dependent on one-time project subsidies, limited ad hoc financial assistance from local government authorities and fluctuating revenues from tourism.

**Table 1**

*Relative contributions from various financial sources and the degree to which these cover the basic requirements for two nature parks per island (one park on St Maarten)*

	Island government	Other grants	Self-generated revenue		Available budget as percentage of basic requirements
	2002-03	2002-03	2002-03		2002
Saba	17%	30%	53%	100%	40%
St Eustatius	21%	51%	28%	100%	17%
St Maarten	17%	78%	5%	100%	21%
Bonaire	6%	4%	90%	100%	78%
Curaçao	26%	5%	69%	100%	59%

This uncertainty makes it virtually impossible for park management organisations to draw up long-term plans. It prevents the creation of a systematic park management as well as a sustainable management structure (including the recruitment and retention of qualified personnel from the local

<sup>1</sup> This study focused on the five islands of the Netherlands Antilles. However, Aruba can still join the process set in motion by this study at a later stage.

community and elsewhere) and even threatens the very survival of some organisations. Since 1998 the conservation organisations and the Antilles Environment and Nature Department have argued for the establishment of a trust fund as one of the most appropriate sustainable strategies for resolving this financial impasse. During the last 15 years experience has been gained with conservation trust funds in more than 40 developing countries.<sup>2</sup>

In 1998 the Dutch Parliament called for a feasibility study for a trust fund and the Minister of the Interior and Kingdom Relations agreed, under certain conditions, to make a financial contribution to such a fund. In 2003 the Antillean Environmental Department invited tenders for this study, which began in 2004 with funding from the Dutch Ministry of the Interior. Besides assessing the feasibility of a trust fund to cover the operational costs of one terrestrial and one marine park per island, the study also included a broader analysis of how park funding can be made more sustainable. The consultants also advised on the technical and organisational aspects of the management and administration of a trust fund and presented a fundraising and communication strategy to support the process.

## Summary of the findings

### *Sustainable funding: feasibility and constraints*

1. *The non-governmental organisations (NGOs) that manage the nature parks on the Netherlands Antilles need at least €2.25 million each year to cover the costs of adequately managing at least one terrestrial park and one marine park per island.* In 'normal' years it is considered feasible that the islands generate about half of this amount themselves, although this varies considerably between individual islands: Curaçao, Bonaire and Saba are in a much better position than St Eustatius and St Maarten. In years when a disaster occurs (such as major hurricanes and the 9/11 attacks) the revenues of the larger islands will also come under pressure, and the financial impacts of such disasters will still be felt in the subsequent years of reconstruction. Taking all this into account, the conclusion is that part of the operational costs of the conservation management organisations can indeed be covered by regular sources of income, but that these sources are highly unstable, which has considerable consequences for park management.
2. *External funding sources are therefore necessary to achieve a sustainable financial situation.* To obtain additional funding it is advisable to pursue four parallel tracks involving the public sector, the business community, private individuals and NGOs (see Figure 1). The consultants propose a financial strategy with a Trust Fund as the stable core component, complemented by the other three parallel tracks.<sup>3</sup> The strategy acknowledges that the Antilles cannot do it alone and can count on external help, while recognising that efforts will also be expected from the Antillean island governments and communities.

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<sup>2</sup> There are **three types of Trust Funds**:

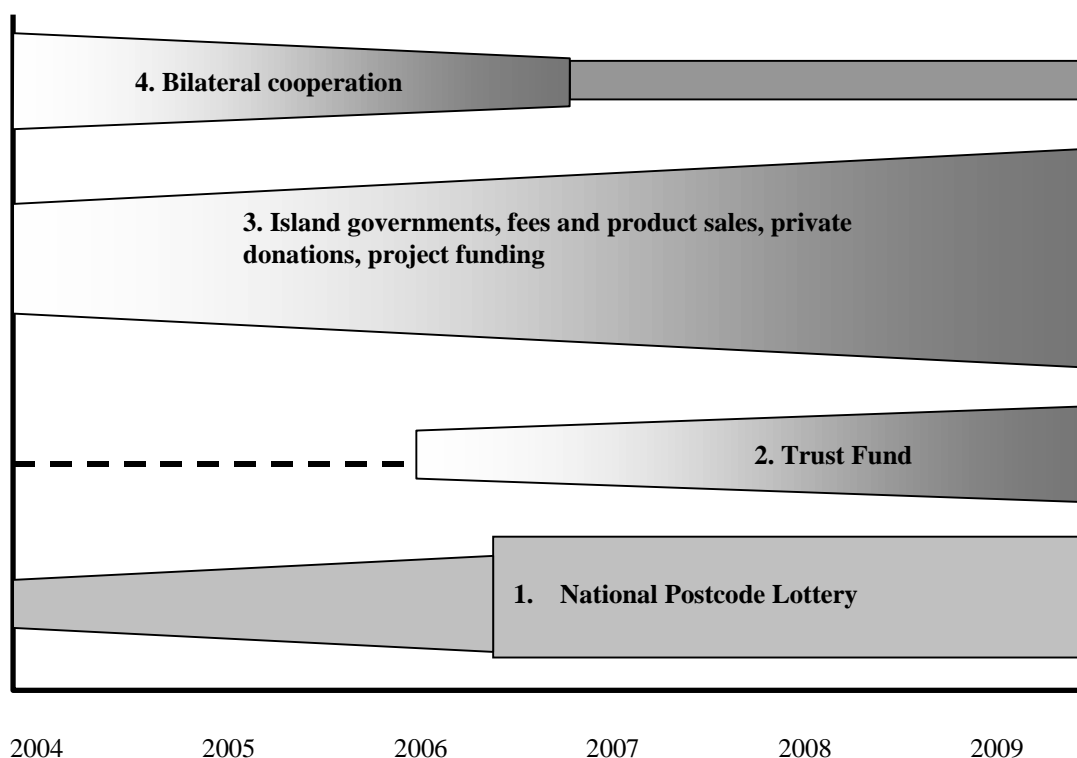
- *endowment funds*, in which only the interest or returns on the invested capital may be used, not the capital itself;
- *sinking funds*, in which both the investment income as well as the capital itself can be used over a previously determined fixed period.
- *revolving funds*, which are replenished by regular revenue sources, such as taxes and fees, and from which funds can be withdrawn according to the financial rules of the fund.

<sup>3</sup> Establishing a Trust Fund should be combined with other funding mechanisms because:

- not making use of existing additional options will be interpreted by donors as a lack of interest and commitment from other parties, which will affect their willingness to make a contribution;
- if a Trust Fund is the only option, an unrealistically high capital investment will be required to generate sufficient income to cover all the management costs;
- dependence on a single funding mechanism will make the parks particularly vulnerable if, for one reason or another, this mechanism does not function properly.

**Figure 1**

Diagram of the expected global time schedules and trends in funding volumes of the four tracks



3. *Certain developments in 2004 and early 2005 have considerably increased the chances of creating a sustainable funding strategy involving these four tracks:*
  - The establishment of the Dutch Caribbean Nature Alliance (DCNA) as the **umbrella organisation for the park management NGOs** on all the islands; DCNA also provides the organisational framework for the future Trust Fund.
  - Representation by the Netherlands Committee for IUCN (NC-IUCN) and successful lobbying of the Dutch Parliament and ministries. NC-IUCN has established a group to support the DCNA, consisting of De Landschappen (the Dutch provincial landscape associations), Natuurmonumenten (Society for the Preservation of Nature in the Netherlands), Staatsbosbeheer (National Forest Service), WWF and the representative of Conservation International in the Netherlands.
  - The National Postcode Lottery (NPL) has made two earmarked grants of €0.5 million in January 2004 and almost €2 million in January 2005, to be spent over a three-year period.
4. *In future years the **National Postcode Lottery** (NPL) will play a key role in providing longer-term funding to cover the running costs of the parks (**track 1**).* For the time being, the NC-IUCN is acting as the required intermediary NPL-beneficiary for DCNA; in the longer term this role may be taken over by De Landschappen if it agrees to the status of the Antillean parks as the thirteenth landscape within the Kingdom. An alternative option is that NC-IUCN helps the DCNA to achieve independent beneficiary status. An annual contribution by the NPL in the order of €1 million seems realistic. The intention is that the NPL contribution will be divided between the park management NGOs and their umbrella organisation, the DCNA, according to their needs. This would be based on the costs incurred by the DCNA umbrella organisation and the annual individual deficits in the standardised basic budgets of the park management NGOs.
5. *An essential element in the strategy for achieving sustainable funding for conservation management is the establishment of a **Trust Fund** (**track 2**).* The Trust Fund should be managed conservatively to guarantee stability over the long term. Once the fund has reached a sufficient size an adequate level of management can be guaranteed on all the islands under normal

conditions; 'bare minimum' management standards can be maintained during difficult years. Experience with conservation trust funds elsewhere in the world shows that the Antilles meet virtually all the legal, institutional and social criteria considered necessary for establishing a secure trust fund (GEF, 1998).

The decisive factor in creating a successful Conservation Trust Fund for the Antilles will be the willingness of donors to make capital contributions (see point 7). The first donor to make a commitment will put the Trust Fund in a position to demonstrate its effectiveness, reliability and transparency, and inspire other potential donors. In this respect, the NPL can play a key role in leveraging direct or indirect contributions from other parties; it could also contribute directly to the Trust Fund itself. The goal of sustainable funding for the nature parks on the Antilles would be brought that much closer if NPL and the Netherlands Ministry of the Interior agreed to combine their contributions, taking account of the constraints associated with government contributions to the Trust Fund. This would allow the Trust Fund to begin with an injection of capital.

6. *The Antillean governments should take their own share of the responsibility by ensuring the required legislative framework is in place and making a long-term financial commitment.* The legislative framework should provide the legal basis for establishing one terrestrial and one marine nature park on each island and for collecting user fees. However, regional competition and competing claims from other sectors (health care, poverty alleviation, public safety, etc.) mean that collecting tourist fees for conservation management purposes will inevitably meet with resistance. This should not be ignored. Nevertheless, it is important that the local authorities agree to make a structural commitment to funding conservation management, however modest. While the absence of a legislative framework and local co-financing will be interpreted by outsiders as a lack of support, the recent increase in diving fees in Bonaire, from US\$10 to US\$25 per year, and the interest in supporting the Trust Fund expressed by the Bank of the Netherlands Antilles are important positive signals. The chances of a structural contribution from the islands may be expected to increase when the governments see that their contribution is part of a wider strategy which based on a collective effort and also geared towards sustainable economic development. A realistic target is to cover about half of the required funds (approx. €1.2 million per year) from structural contributions from the island governments, fees and non-earmarked local donations (**track 3**). It should be noted that the financial capacity of the island governments and the opportunities for generating income on each island differ widely.
7. *The main capital donors to the most successful trust funds elsewhere in the world are **bilateral and multilateral agencies** (such as GEF and the World Bank) as well as **international nature conservation organisations** such as WWF and Conservation International. It is therefore highly important to obtain contributions from one or more of these parties in addition to the anticipated contribution from the National Postcode Lottery.* In the case of the Antilles, the bilateral and multilateral agencies and international nature conservation organisations are less willing to contribute in view of the prosperity of the Kingdom of the Netherlands as a whole. These organisations, therefore, cannot be expected to make a contribution to the Trust Fund in the short term, but in the longer term contributions from international foundations are conceivable if the Antillean nature parks participate in regional 'Hotspot' programmes or obtain the status of World Heritage Site.<sup>4</sup>

Only the Netherlands Ministry of the Interior and the EU are likely candidates for government support, but in both cases there are reservations on the grounds of budgetary policy. Nevertheless, it can be assumed that a contribution from the **Dutch Government**, possibly as part of a debt settlement with the Antilles Government, will be of great significance for the viability of the Trust Fund. A promising political signal was given in November 2004 when the Dutch Parliament adopted a motion calling upon the Government to make a substantial contribution to a conservation trust fund for the Antilles. A direct contribution to the Trust Fund will be the most effective option, but a combined contribution (with the NPL) as mentioned in point 5 is also

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<sup>4</sup> Conservation International has only recently started to examine the Caribbean islands in relation to its policy on Biodiversity Hotspots and has identified priority areas around the Netherlands Antilles. WWF is prepared to provide project support and has in the past made considerable contributions. Designation by UNESCO as a World Heritage Site could give access to support from the UN Foundation.

conceivable. This could be supplemented by support for multi-year projects and programmes (**track 4**) through governmental funding channels (SONA and EDF) as well as NGO channels (AMFO and EU budget lines). For this to happen, the integration of conservation management within sustainable economic development will have to move higher up the political agenda and receive wider attention within the multi-year development programmes.

8. *The **private sector** (business community, individuals and investment funds) is a potentially good source of funds in various tracks, particularly in the form of earmarked or non-earmarked donations, sponsorships and contributions to a Trust Fund (tracks 2 and 3). Considerable time and effort will be needed to capitalise on the opportunities in the private sector, but this effort will be rewarded in the long term.*

### **Trust Fund design and size**

9. *Assuming a combined income of €1.17 million, an annual grant from NPL of €0.45 million and a return on investment of 6%, the Trust Fund would require a capital of €18.9 million to guarantee basic levels of park management on the islands.*

Box 1 summarises the relevant calculations.

Trust Fund revenues will be divided between the participating park management NGOs according to a distribution key agreed by DCNA members (in the same proportions used to determine the basic financial requirements). Together with their own revenues and the contribution from the anticipated grant from NPL, these funds will more or less cover basic budget requirements. If there is sufficient support, the members of the DCNA could decide at a later stage to adopt a more detailed distribution key for the Trust Fund revenues that takes account of the differences in management costs and revenue-generating capacities of the individual islands, thus ironing out any major differences in the ability of the different islands to meet their basic financial requirements for park management.

**Box 1** *Financial scenario for calculating the annual target capital for a Trust Fund for the five islands of the Netherlands Antilles (excluding Aruba)*

	<b>NAF</b>	<b>€</b>
<b><u>REQUIRED BUDGET</u></b>		
Annual 'basic' budget for 2 parks per island, plus basic operational costs of the DCNA	5,000,000	2,250,000
<b><u>INCOME</u></b>		
Total island government contributions	360,000	162,000
Total self-generated revenues	2,120,000	954,000
Non-earmarked donations	<u>20,000+</u>	<u>54,000+</u>
	2,600,000	1,170,000
ANTICIPATED ANNUAL NPL CONTRIBUTION	1,000,000	
TRUST FUND REVENUES	1,400,000	450,000
		630,000
<b>Required Trust Fund (TF) target capital to achieve the desired return on investment</b>	<b>42,000,000</b>	<b>18,900,000</b>
Assumptions: 6% rate of return on investment from TF capital, 0.5% TF asset management costs, TF administrative costs of NAF 150,000, and 1.8% reinvestment in the TF to compensate for inflation. Assumed exchange rate: NAF1 = EUR 0.45		

The target capital for the Trust Fund could be considerably lower if the NPL agreed to double its annual grant to €0.9 million. On the other hand, this would not improve the long-term funding situation. Even slightly higher rates of return on investments will also considerably reduce the amount of capital required. Table 2 shows the impacts of these changes.

**Table 2**

*Trust Fund target capitals for different rates of return on investment and NPL grant sizes*

Rate of return on invested capital	No NPL grant (annual funding gap: €1.08 million)	Annual NPL grant of €0.45 million (annual funding gap: €0.63 million)	Annual NPL grant of €0.90 million (annual funding gap: €0.18 million)
6%	31 million	<b>18.9 million</b>	6.1 million
8%	20 million	11.9 million	4 million
10%	14,6 million	9 million	2,9 million

The scenarios presented in the report are based on an endowment trust fund option; in other words, only the returns on investment may be used. If a sinking fund or a mix of trust fund types is used, the target capital used to bridge the annual deficit may be considerably lower, but their annual contribution to the park budgets could not be sustained indefinitely without new capital injections in the medium to long term.

- The study provides a detailed design of the **institutional set-up** and a **legal and financial framework** for the Trust Fund. Instead of being a separate legal entity, the proposed Trust Fund will be established within the structure of the DCNA, since the advantages of this option outweigh the disadvantages. The disadvantages will be addressed by a number of specific checks and balances incorporated into the statutes of the DCNA. The most important of these are that not more than 50% of the DCNA Board (with between 10 and 14 members)<sup>5</sup> may be representatives of the park management organisations and that special voting procedures will be introduced for allocating financial resources. In addition, the specific grant agreement between the DCNA and a donor may be subject to additional provisions.

Although the aim is to establish a single Trust Fund for all the islands, it is more realistic to expect that some donors will want to earmark their support for certain islands or purposes. For this reason, the proposed umbrella structure for the Trust Fund includes a core Endowment Fund for all the islands, with the option of setting up special sub-accounts as endowments, sinking funds or revolving funds.

To gain and maintain the confidence of donors and to ensure the Trust Fund performs adequately, international standards for asset management will be applied (diversification, low-risk profiles) and professional international asset managers will be contracted. A Manual of Operations will contain detailed rules and procedures for the day-to-day operation of the DCNA and the Trust Fund, and donors will receive detailed technical and financial reports.

<sup>5</sup> The remaining 50% consists of independent experts from the private and public financial sector and representatives from international conservation organisations and from the Antillean Nature Forum.

## *The next steps*

11. The DCNA and the park management NGOs are advised to take the following **specific next steps**:
  - Prepare multi-year business plans for the nature parks, per island and for all islands together.
  - Elaborate and implement the proposed fundraising and communication strategy, including the production of attractive information materials.
  - Build a network of authoritative and influential people from the Dutch and Antillean political and business communities who are willing to act as ambassadors for Antillean conservation. They will help influence policies, broaden support and raise funds. A start has already been made with building this network and DCNA and NL-IUCN will continue to expand the network.
  - Prepare a project portfolio for fundraising purposes, including research into the economic valuation of Antillean biodiversity.
  - Link Antillean nature parks to regional Caribbean cooperation initiatives for Biodiversity Hotspots.
  - Strengthen staff capacity in fundraising, communication and management through training initiatives involving partner organisations in the Netherlands and the U.S.
  - Continue lobbying the local governments to complete the legal process for establishing at least ten nature parks and an adequate policy framework for user fees on those islands where they do not yet exist or are not yet operational.
12. The following factors are crucially important for the fundraising activities:
  - Building professional capacity within the DCNA for fundraising and financial management. The WWF and some banks are willing to give specific assistance to the DCNA to achieve this.
  - A convincing communication strategy and disseminating attractive information materials that not only clearly present the problems confronting the nature parks, but also the successes that have been achieved so far.

The design of the Trust Fund, the overall financial strategy and scenarios presented in the report and the proposed fundraising and communication strategy provide a firm basis for a sustainable financial future for park management on the Netherlands Antilles.

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- 
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Feasibility Study of a Protected Areas Trust Fund

# **Sustainable Funding for the Nature Parks of the Netherlands Antilles**

*Part A – CONTEXT, DONOR POTENTIAL, FINANCIAL STRATEGY*

February 2005

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*Feasibility Study of a Protected Areas Trust Fund*

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**Part A Context, Donor Potential, Financial Strategy**

**February 2005**

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## Abbreviations and Acronyms

ACP	African, Caribbean and Pacific Group of States
AMFO	Antilliaanse Mede-Financierings Organisatie (Antillean Co-Financing Organisation)
APNA	Algemeen Pensioenfonds van de Nederlandse Antillen (General Pension Fund of the Netherlands Antilles)
BNB	Bank van de Nederlandse Antillen (Bank of the Neth. Antilles)
BZK	Ministerie van Binnenlandse Zaken en Koninkrijksrelaties (Dutch Ministry of the Interior and Kingdom Affairs)
CARMABI	Caribbean Management and Research on Biodiversity
CBD	Convention on Biological Diversity
CBI	Caribbean Biodiversity Initiative
CEPF	Critical Ecosystem Partnership Fund
CI (-NL)	Conservation International (-Netherlands)
DCNA	Dutch Caribbean Nature Alliance
DGs	Directorates General (EC)
EC	European Commission
ECOFAC	Conservation and Rational Use of Forest Ecosystems in Central Africa program
EIB	European Investment Bank
EDF	European Development Fund
EOP	Eilandelijk Ontwikkelings Plan (Island Development Plan)
GCF	Global Conservation Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
LNV	Ministerie van Landbouw, Natuur en Voedselzekerheid (Dutch Ministry of Agriculture, Nature and Food Security)
MINA	Afdeling Milieu en Natuur (Environmental Department)
NA	Netherlands Antilles
NAF	Netherlands Antillean Guilder
NC-IUCN	Netherlands Committee for IUCN
NPL	National Postcode Lottery
OCT	Overseas Countries and Territories
PA	Protected Area
PBF	Prince Bernhard Fund
SONA	Stichting Ontwikkeling Nederlandse Antillen (Development Foundation of the Netherlands Antilles)
SPD	Single Programming Document
UPT	Ultra-Peripheral Territory
TF	Trust fund
TNC	The Nature Conservancy (US)
VOMIL	Ministerie van Volksgezondheid en Milieuhygiëne ( <i>former name</i> ) (NA Ministry of Public Health and Environment)
VSO	Ministerie van Volksgezondheid en Sociale Ontwikkeling ( <i>current name</i> ) (NA Ministry of Public Health and Social Development)
WWF-NL	World Wide Fund for Nature – Netherlands

# 1 Executive summary

## Biodiversity economics

A recent WRI report estimates that all Caribbean coral reefs combined provide goods and services with an annual net economic value from fisheries, dive tourism and shoreline protection services of between US\$ 3,1 billion and US\$ 4,6 billion (Burke & Maidens, 2004). Estimates for total annual economic benefits per sq km of coral reef have ranged from roughly US\$ 100.000 to US\$ 600.000, the largest share of which was associated with tourism and recreation followed by shoreline stabilization services. Although focusing on coral reefs only, the findings of the WRI study clearly demonstrate the vital role which intact ecosystems and a rich biological diversity play in the economies of Caribbean island states.

The coral reefs of the Netherlands Antilles are considered amongst the healthiest in the region. According to the WRI study, the estimated economic benefit of the country's total coral reef area ranges from 24 to 144 million US\$ per year. The economic value of all land and marine biodiversity of the Netherlands Antilles can still only be guessed. A comprehensive analysis of the costs and benefits of conserving the country's biodiversity is therefore strongly recommended, as an instrument to increase political, public and financial support to conservation. The fact that these tropical islands, in spite of their small size, also boast the richest combined land and marine biodiversity within the Kingdom, give the Netherlands a special responsibility in initiatives towards effective and sustainable biodiversity conservation.

## Nature parks finances

Protected areas, called nature parks on the Netherlands Antilles, are the cornerstone of the country's biodiversity conservation policy, in compliance with international obligations under the Convention on Biological Diversity to which the Netherlands and the Netherlands Antilles are party. On each of the five<sup>1</sup> islands one marine and one land park are being or have been established, most of them in the past two decades. Curaçao is developing a larger network of parks, which will be connected by ecological corridors. However, proper parks planning and operations have been seriously constrained by a lack of reliable long-term funding for their running costs.

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<sup>1</sup> Bonaire, Curaçao, Saba, Statia (or St Eustatius) and St Maarten make up the Netherlands Antilles. Aruba has a separate status within the Kingdom of the Netherlands and will probably join the Trust Fund process at a later stage (see chapter 2).

Some islands can finance a significant part of their park costs from user fees (mostly tourism charges) and island government contributions. This mainly applies to Saba and Bonaire, and to some degree to Curaçao (see table 1), but both tourism and island government contributions may fluctuate considerably from year to year. In order to achieve financial sustainability, additional sources are needed which are more stable.

Based on a series of standardized budget items, around NAF 5 million (EUR 2,25 million) per year are needed to cover the recurrent operating costs of a 'basic' level of park management on all five islands, including the costs of an umbrella organization. The last column of Table 1 shows the relative deficits in meeting the basic operating requirements in 2002, the first three columns show the diversity between islands in the relative shares of financial sources.

**Table 1**

Relative shares of financial sources and degree of budget coverage of two parks per island (one on St Maarten)

Island	Island government 2002-03	Other grants 2002-03	Self-generated 2002-03		Available budget as % of basic requirements 2002
Saba	17%	30%	53%	100%	40%
Statia	21%	51%	28%	100%	17%
Sint Maarten	17%	78%	5%	100%	21%
Bonaire	6%	4%	90%	100%	78%
Curaçao	26%	5%	69%	100%	59%

#### Towards a Trust Fund

Over the last 15 years, Conservation Trust Funds have been established in more than 40 developing countries as a mechanism for providing stable, long-term funding for protected areas.<sup>2</sup> Since 1998, a Trust Fund has also been proposed for the Antillean nature parks, with implicit reference to an Endowment Fund. That same year the Dutch government agreed to support a feasibility study for a Trust Fund. In 2003, the Antillean department for the environment contracted the consultants to conduct such a study. Apart from assessing the feasibility of a

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<sup>2</sup> Three types of Trust Funds exist:

- *endowment funds*, where only the returns on invested capital, not the capital itself, may be used.
- *sinking funds*, where investment income as well as the capital itself can be used over a fixed period.
- *revolving funds*, which are replenished by regular revenue sources such as fees or taxes.

Trust Fund to cover the running costs of one land and one marine park on each island, the assignment included a broader analysis of how the parks can be made financially sustainable, and advice on the organizational and technical aspects of the management and administration of a Trust Fund. Communication and fundraising strategies to support the process towards financial sustainability were outlined as well.<sup>3</sup>

#### A new momentum

In 2004, the Trust Fund process gained momentum as a result of first-time grants from the Dutch National Postcode Lottery (NPL), successful lobbying by NC-IUCN of the Dutch Parliament and Ministries, the launch of the Dutch Caribbean Nature Alliance (DCNA) as umbrella organization of all the park management NGOs and the fact that the Trust Fund study was finally underway. In addition, the DCNA will be receiving technical and political support from a group consisting of all major Dutch nature management organizations, i.e. Natuurmonumenten, Staatsbosbeheer and De Landschappen. The group is coordinated by NC-IUCN, and WWF-NL and CI-NL are also members. This new momentum is leading to growing political support, both in the Netherlands and in the Antilles, to the sustainable financing process.

#### Is sustainability feasible?

The consultants conclude that *sustainable funding of the nature parks is feasible when based on a financial strategy with a Trust Fund as the stable core component, complemented by several parallel funding mechanisms* ('tracks'). Complementary tracks are required, since it is unlikely that a Trust Fund alone will ever be large enough to satisfy all financial needs. Besides, potential donors to a Trust Fund will want to see all other financing options to be fully utilized before being prepared to help capitalize the Trust Fund. On the other hand, the stability of a Trust Fund is needed in view of the uncertainties inherent in the other tracks.

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<sup>3</sup> Trust Fund design aspects will be discussed in detail in Volume B. Fundraising and communication are dealt with in Volume C.

**Table 2**

Multi-track strategy towards financial sustainability of nature parks

Track 1	Long-term support from the <b>National Postcode Lottery</b> (NPL) to fund recurrent costs. This track has two alternatives, either with NC-IUCN or with De Landschappen as intermediaries. Under the most optimistic scenario, the NPL may additionally agree to a one-time capital grant into the Trust Fund. The final goal is to either obtain an independent NPL beneficiary status for the DCNA, or a structural association of DCNA with De Landschappen. Although perspectives are positive, long-term support is not yet assured.
Track 2	The <b>Trust Fund</b> , a key component in the overall strategy to achieve financial sustainability, not in terms of the volume of its annual contribution, but in terms of reliability and as a vehicle to develop commitment and support to the parks by a variety of stakeholders. Since the Trust Fund capital will probably grow slowly, this growth could be accelerated during a first stage by reinvesting the annual returns of the fund into the capital, provided that the financial situation of the islands allows for such reinvestments and the respective donors agree. Another way to strengthen the Trust Fund is to use portions of other revenues or grants to build a 'strategic reserve' as one of the Fund's sub-accounts.
Track 3 (several subtracks)	Strengthen <b>existing sources</b> of year-to-year financing for the parks (such as budget allocations from the various island governments, fees collected from tourists and other natural resource users, revenues from product sales, local fundraising, and project grants). Strengthening existing sources is necessary to demonstrate that there is a local commitment to supporting nature parks
Track 4	Grants from <b>development co-operation</b> agencies (Netherlands, EU). The chances of proposals being approved are larger if nature parks are presented as vehicles for sustainable economic development. After Trust Fund revenues reach a substantial volume, these funding sources may not be needed anymore to cover operational costs of nature parks, but proposals could still be submitted for specific projects or investments.

The tracks should not be seen as alternative options but rather as parts of a coherent package to be pursued simultaneously. The strategy represents a mixture of internal and external funding sources. Each track calls for specific actions involving different stakeholders.

**Feasibility of a Trust Fund**

As far as the feasibility of the Trust Fund itself is concerned, *the Netherlands Antilles satisfy at least eight out of the nine criteria identified by the Global Environment Facility* (GEF, 1998, p.39) as necessary for establishing a successful conservation trust fund. As for the decisive ninth criterion ---the potential to raise capital contributions from donors--- *the Trust Fund also appears to be*



*feasible, but developing this potential will require considerable efforts and time.* The reports of this study contain practical recommendations in that sense. The fact that donor potential is the crucial feasibility factor for a Trust Fund underscores the significance of the first donor to cross the line, so that the Fund can demonstrate its effectiveness, reliability and transparency and inspire other potential donors.

#### **Fund umbrella structure**

This study recommends that rather than establishing the Trust Fund as a separate legal entity, the Fund should be set up as a “restricted” endowment or sinking fund within the DCNA. Although one single Trust Fund for all islands would be the most flexible and convenient option, it is more realistic to expect that some donors want to earmark their support for certain islands or purposes only. For this reason, the consultants propose an umbrella structure for the Trust Fund that includes (see also report B):

- a) a core endowment for supporting the basic recurrent management costs of two parks on each island, and
- b) separate sub-accounts for supporting only one particular protected area or island that could be set up either as: (1) endowments, (2) sinking funds for contributions by donors whose regulations do not permit them to contribute to permanent endowments, (3) revolving funds which are financed by earmarked fees or taxes regularly collected on the particular island.

A number of checks and balances as well as international fiduciary standards should be implemented in relation to setting up a Trust Fund in order to truly gain the confidence of potential donors.

#### **Donor assessment**

Since donor potential is the critical feasibility factor for a Trust Fund, the study included an assessment of this potential. The study assessed five categories of potential donors to nature parks, with a special, but not exclusive, focus on contributions to a Trust Fund:

- 1. national and island governments.
- 2. bilateral and multilateral co-operation agencies (Netherlands and European Commission).
- 3. international NGOs and charitable foundations.
- 4. business companies.
- 5. private capital foundations and wealthy individuals.

The following table summarizes the results of the assessment of donor potential.

**Table 3**

Summary of donor assessment by the current study

Donor category	Potential and priority	Other considerations re parks funding
National and island governments	<ul style="list-style-type: none"> <li>- <u>Trust Fund (TF) capital grant</u>: very limited potential, <u>no priority</u> for fundraising, except under special circumstances (debt negotiations, large pollution fine, environmental damage fund).</li> <li>- Bank of the Netherlands Antilles (BNA): <u>medium priority</u> for TF capital grant fundraising (other grant options less priority, but to be monitored).</li> <li>- Be alert on opportunities for other types of grants, but no investment in fundraising.</li> </ul>	<p>Local governments' primary role in the financial strategy:</p> <ul style="list-style-type: none"> <li>- urgent completion of legal and policy frameworks re. parks establishment and fee systems earmarked for parks (taking existing revolving funds for civil works as examples).</li> <li>- structural allocation of budget items to parks.</li> <li>- explicit political support to the TF.</li> </ul>
European Commission (EC)	<ul style="list-style-type: none"> <li>- <u>TF capital grant</u>: low potential due to bureaucratic reluctance towards trust funds and due to the nature of the current SPD, <u>Medium priority</u> for fundraising. End date required (sinking fund option).</li> <li>- Medium priority for other types of grants (monitor Calls for Proposals under budget lines).</li> </ul>	<ul style="list-style-type: none"> <li>- DCNA lobby to incorporate parks in sustainable economic policy (Single Programming Document for EDF, European Development Fund).</li> <li>- Involve NC-IUCN in monitoring the EC.</li> </ul>
Bilateral aid agencies (BZK)	<ul style="list-style-type: none"> <li>- <u>TF capital grant</u>: modest potential due to reluctance based on budgetary policies and legislation, but political support is growing; <u>high priority</u> for capital grant fundraising because of special responsibility of the Netherlands; a grant to a Sinking Fund is the most feasible option; be alert on specific opportunities (debt-swap, underexpenditure annual co-operation budget). New co-operation channels SONA and AMFO may be more flexible.</li> <li>- Consider proposal to BZK to fund TF administrative costs for the first few years.</li> </ul>	<ul style="list-style-type: none"> <li>- DCNA and NC-IUCN lobby to incorporate parks in economic development policy.</li> <li>- DCNA and park management NGOs to strengthen relations with SONA and AMFO.</li> <li>- Political support by BZK to TF important to leverage funding from other sources.</li> </ul>
International conservation NGOs and other foundations	<ul style="list-style-type: none"> <li>- Conservation International (CI): future potential for <u>TF capital grant</u>; <u>high priority</u> for medium-term fundraising, linking NA to transboundary hotspots. CI can help profile of the NA in the US.</li> </ul>	<ul style="list-style-type: none"> <li>- DCNA and NC-IUCN to cultivate relations with CI and its representatives in the NA and NL, and to stay informed on development of CI's Caribbean Biodiversity Initiative.</li> </ul>

	<ul style="list-style-type: none"> <li>- WWF-NL: potential project funding. Special occasions in the future may justify a TF grant proposal, but no priority for the time being.</li> <li>- In case parks could obtain the status of World Heritage Site, this may give access to funding by the United Nations Foundation.</li> </ul>	<ul style="list-style-type: none"> <li>- DCNA to monitor opportunities at TNC and McArthur Foundation (US).</li> <li>- NC-IUCN to monitor opportunities at WWF-NL.</li> <li>- Best options to internationalize funding base are in the US.</li> <li>- Evaluate the feasibility of a WHS-status for one or more parks.</li> </ul>
Lotteries	<p>National Postcode Lottery (NPL): medium-term potential for TF capital grant; <i>high priority</i> for fundraising in general (one of the tracks in the Financial Strategy).</p> <p>DOEN Foundation (via NPL): remains important donor for project or temporary core funding.</p>	<p>NPL :</p> <ul style="list-style-type: none"> <li>- Priority for cultivating relations.</li> <li>- Options: (1) continued core grants via recognized intermediary beneficiaries (now NC-IUCN, later possibly De Landschappen), (2) independent beneficiary status for DCNA in the medium term, (3) TF capital grant.</li> <li>- DOEN also needs to be cultivated.</li> </ul> <p>Antillean lottery: DCNA to monitor progress with respect to linking lottery to charities.</p>
Business companies from the private sector	<i>High priority</i> for fundraising in general, and potentially for small-sized TF capital grants, requires patient networking and long cultivation periods.	<ul style="list-style-type: none"> <li>- DCNA to concentrate on trendsetters / pioneers in corporate responsibility.</li> <li>- DCNA and NC-IUCN to involve 'ambassadors' to open doors.</li> </ul>
Private foundations and wealthy individuals	<p>Jade Foundation: small potential for TF capital grant, but further exploration needed, <i>high priority</i>. Private capital foundations to be monitored via Prince Bernhard Fund; potential for TF grant seems to exist.</p> <p>Individuals: apparently <i>high priority</i> for fundraising in general, requires patient networking. Potential for TF grant undetermined.</p>	<ul style="list-style-type: none"> <li>- Prince Bernhard Fund is important for getting access to network of private entrusted funds in the Netherlands (involve NC-IUCN).</li> <li>- DCNA and NC-IUCN to engage 'ambassadors' to open doors.</li> </ul>

## Two financial scenarios

Based on previously determined requirement levels for the nature parks, two financial scenarios are presented in the final chapter, a 'bare minimum' and a 'basic' (i.e, target) scenario. The purpose of these scenarios is to show the overall degree to which the financial requirements of the average park are covered and,

more specifically, the roles of the Trust Fund and the NPL grants in relation to the two requirement levels.

**‘Bare minimum’**

The *‘bare minimum’ scenario* is an emergency scenario which covers the ‘bare minimum’ requirements of parks management. This scenario is untenable for more than a few years and will even affect meeting minimal park management standards. It is based on self-generated income and island government contributions totaling NAF 1,76 million plus NPL grants of NAF 1 million per year. The first two sources are restricted to the island where they generate revenues which means that any ‘surplus’ in relation to the ‘bare minimum’ level stays on that particular island. This scenario shows that, without a Trust Fund and without a NPL grant, some islands will not even be able to meet their ‘bare minimum’ requirements. With a NPL grant of NAF 1 million, all islands can meet the bare minimum requirements, but since park management can only sustain such funding levels for a couple of years, a Trust Fund is needed as a complementary source.

**‘Target’**

In the *‘target’ scenario*, the consultants assume that, to guarantee basic levels of management in the average nature park:

- almost half of the NAF 5 million basic budget for all islands (DCNA costs of NAF 350.000 included) can be covered from self-generated revenues, island government contributions and local fundraising.
- NAF 1,4 million (EUR 630.000) per year is needed to fill the gap between the sum of ‘basic’ financial requirements and what the three alternative tracks besides the Trust Fund can generate.

This target scenario shows that, without a Trust Fund, the parks will not be able to meet their ‘basic’ financial requirements. A capital of **NAF 42 million (EUR 18,9 million)** would need to be raised for an endowment to bridge an annual gap of NAF 1,4 million, assuming an average rate of return on investments of 6% per year over the long term plus an annual NPL contribution of NAF 1 million. On the level of individual islands, this capital amount would be sufficient to bridge the gaps if Trust Fund revenues were to be distributed without a distribution key. In reality, a percentage key will be applied proportionate to the standardized levels of ‘basic’ financial requirements of the parks on each island. This means that the target capital would leave some islands with budgets over their basic level, and others somewhat under their basic requirement level.

In case of a Sinking Fund, or a mix of Trust Fund types, the target capital can be considerably lower, but their annual contribution to the park budgets can not be sustained indefinitely without new capital injections in the medium or long term.

**Table 4**

Financial target scenario

	NAF	EUR
<b><u>ANNUAL REQUIREMENTS</u></b>		
Annual 'basic' budget for 2 parks per island, plus basic operational costs of the DCNA	5.000.000	2.250.000
<b><u>ANNUAL INCOME</u></b>		
a) Total island government contributions	360.000	162.000
b) Total self-generated revenues	2.120.000	954.000
c) Non-earmarked donations	120.000	54.000
d) Dutch Postcode Lottery (NPL) contribution	<u>1.000.000</u>	<u>450.000</u>
	3.600.000	1.620.000
<b>ANNUAL FUNDING GAP</b>	1.400.000	630.000
<b>Required Trust Fund (TF) target capital to fill this gap</b>	<b>42.000.000</b>	<b>18.900.000</b>
Assumed rate of return on investment 6%, TF asset management costs 0,5%, TF administrative costs of NAF 145.000 and 1,8% reinvestment into TF capital to compensate for inflation. <i>Assumed exchange rate : 1 NAF = 0,45 EUR.</i>		

In case the NPL agrees to an annual grant of NAF 2 million, then the Endowment capital target can be considerably lower. Higher rates of return on Trust Fund investments have significant impacts on the target capital as well. The following table shows target capital sizes under different assumptions for both variables.

**Table 5**

Trust Fund target capitals assuming different rates of return on asset investments and NPL grant sizes

Rate of return on investment	No NPL grant (annual funding gap: 2,4 mln NAF)	Annual NPL grant 1 million NAF (annual funding gap: 1,4 mln NAF)	Annual NPL grant 2 million NAF (annual funding gap: 0,4 mln NAF)
6%	69 million	<b>42 million</b>	13,5 million
8%	45 million	26,5 million	8,8 million
10%	32,5 million	20 million	6,5 million

## 2 Introduction

### **Nature under pressure**

Over the past century, land areas in the Netherlands Antilles have increasingly been developed as urban areas, for road networks and tourism infrastructure, and on some islands for agriculture, livestock and small industry. Space was needed to accommodate the growing population and to meet economic development needs. As a result, the area available for natural vegetation and associated animal populations kept shrinking. In the surrounding coastal waters, coral reefs and other ecosystems suffered from pollution, sedimentation and overfishing. In spite of these pressures, a considerable biological diversity<sup>4</sup> survives, a diversity little known outside the national and international conservation community.

### **A valuable resource**

In recent decades, this biological wealth has become recognized as a natural resource that needs active protection against further loss. This recognition is not only based on aesthetic and ethical considerations, but also on the fact that the Antillean nature is a key resource for the main economic sector on which most Caribbean island economies depend: tourism. This not only applies to Bonaire and Saba which have become globally recognized ecotourism destinations, but also to islands which focus more on mass tourism, such as Curaçao and St Maarten. Even in mass tourism destinations, natural areas enhance the tourism product by keeping landscapes attractive or by providing excursion opportunities. Furthermore, natural ecosystems also possess a less obvious economic importance by reducing flood and drought risks, protecting soils and shorelines against erosion and storm damage, and by serving as fishery nurseries.<sup>5</sup>

### **A park system develops**

The main strategy to protect natural ecosystems, which is now applied worldwide and has been laid down in international conventions, is to set them aside as protected areas. In the Netherlands Antilles, the protected areas are referred to as nature parks, either as land or as marine parks. Since the late 1960s, nature parks have been legally established in the Antilles. Meanwhile, management responsibility of the parks was ceded to qualified NGOs on each island, reflecting an international trend to involve civil society in park management and to create new financing opportunities. As by far the largest island, Curaçao is now developing a larger network of parks that will be connected

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<sup>4</sup> biological diversity is defined as the variation and variability in ecosystems, species and genes.

<sup>5</sup> The economic value of nature and nature parks is discussed more elaborately in Chapter 3.

by ecological corridors. In 1996, NGOs and institutions concerned with nature conservation on all islands joined forces and established a Nature Forum which is convened every two years. Dutch government representatives attend the Forum as advisors; after all, within the Kingdom of the Netherlands, the Antilles represent a biodiversity 'Hot Spot', which makes its conservation more than a local responsibility. On its first meeting, on Bonaire in 1996, the Nature Forum agreed that at least one marine and one terrestrial park of adequate size should be established on each island to effectively protect the biodiversity of the Antilles for generations to come and that financial means should be available to manage these areas.

#### Joining forces

An essential step in joining forces between park management organizations from all five islands has been made in 2004 with the establishment of an umbrella organization, the **Dutch Caribbean Nature Alliance (DCNA)**. MINA, the environmental department of the Antillean government, has played a very active and dedicated role in this process. Aruba is expected to join the DCNA at a later stage. The DCNA initiative is now supported by all major conservation and park management organizations in the Netherlands, led by the Netherlands Committee for IUCN.<sup>6</sup> The DCNA will serve as an important vehicle for financial and technical support to the Dutch Caribbean nature parks, and a future Trust Fund will be closely linked to the DCNA.

#### The financing challenge

Protecting these parks against external pressures, but also their controlled use for education, recreation or research, requires active management and such management has its costs. These costs have so far been covered by project grants, contributions by the island, national or Dutch governments, and on some islands by user fees (mostly tourism-related). Cutbacks in government budgets, the short time span of project funding, the vagaries of tourism and the under-exploited potential to raise revenues from user fees and taxes have led to financial problems for the park agencies on all islands. The unpredictable funding situation complicates the long-term planning of park management and affects basic management operations. On some islands, this has even led to the temporary closure of park offices and the suspension of management activities.

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<sup>6</sup> This Support Group includes : Natuurmonumenten, De Landschappen, Staatsbosbeheer, WWF-NL, CI-NL and NC-IUCN.



## A Trust Fund

The 1996 Nature Forum identified the lack of a reliable long-term funding mechanism as the main constraint in the development of a park system on the Antilles. Over the last 15 years, Conservation Trust Funds have been established in more than 40 developing countries (including Jamaica, Belize, Suriname, Mexico and Colombia) as a mechanism for providing stable, long-term funding for protected areas. The next Nature Forum in 1998 on Statia concluded that, also in the case of the Netherlands Antilles, the best financial mechanism to overcome the financial constraints would be a Trust Fund.

## Types of Trust Funds

A 'Trust Fund' is a general term used for three types of financial mechanisms which provide stable, long-term funding in the form of annual grants (e.g. GEF, 1998):

- a) **endowment funds**, where only the income generated by invested capital assets –not the capital itself- is used to finance agreed-upon activities.
- b) **sinking funds**, where investment income as well as the capital itself can be used over a fixed period of time, usually between 10 and 15 years.
- c) **revolving funds**, where regular revenues, such as proceeds from special taxes, replenish or augment funds that provide a continuing source of funding for specific activities.

In general, the annual revenues generated by Trust Funds for biodiversity conservation are used (1) to finance the recurrent and/or capital costs of protected areas, and/or (2) to provide grants for conservation and sustainable development projects, usually carried out by NGOs. The statutes of any particular Trust Fund should clearly determine which use of the revenues is allowed.

## Advantages of a Trust Fund

Based on experiences with Trust Funds elsewhere, the main advantages of conservation trust funds are their abilities to<sup>7</sup>:

- 1. provide sustained and reliable long-term funding of running costs of protected areas.
- 2. extend the lifetime of a grant over many decades rather than just a few years.
- 3. facilitate long-term planning for protected area management.
- 4. be relatively independent of political changes, government budget cuts, and certain government regulations.

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<sup>7</sup> See Annex 7 for a general introduction to Trust Funds.

These advantages clearly show that *a conservation Trust Fund would be an appropriate mechanism in the context of the Netherlands Antilles, as long as a Trust Fund will be used to finance the parks' running costs, not project costs*. After all, the lack of a stable financial basis to cover operational costs is the real bottleneck in developing a strong park system. Fundraising for projects can be done through specific grant proposals, which would be much more difficult in the case of funding regular park operations. The main challenge for a Trust Fund is to reach capital levels that are large enough to produce significant annual returns.

**History of the feasibility study** Following a decision by the biannual National Nature Forum held in 2000, a Budget and Financing Plan was produced that same year. This Plan analyses the financial needs and opportunities for the operational management of one terrestrial and one marine protected area on each island and how these could be met by a Trust Fund and complementary sources (VOMIL, 2000). Three stages are proposed in the development of a Trust Fund for the Netherlands Antilles, starting with a feasibility study to analyze the conditions and capitalization potential under which a Trust Fund is feasible and to recommend on its design.

The need to start with a feasibility study is evident considering the fact that the main funding sources of conservation Trust Funds are 'off-limits' for the Netherlands Antilles because of the country's high per-capita income and since it is part of the Kingdom of the Netherlands. In 1998, a motion was passed in the Dutch parliament that called upon the Secretary of State for Kingdom Affairs to commission such a feasibility study. The Dutch government agreed and the Secretary of State even expressed a willingness to contribute to such a Fund if certain conditions would be met. For various reasons, the study remained on hold and the need for a Trust Fund was reconfirmed at the Nature Forums in 2000 and 2002.

VSO/MINA started the tender process for the feasibility study in early 2003 and awarded the assignment to a consortium of AIDEnvironment (a Netherlands-based environmental and sustainable development consulting foundation, acting as lead partner), EcoVision (a Netherlands Antilles environmental consulting firm) and Mr. Barry Spergel, a conservation trust fund

specialist from the U.S.<sup>8</sup> Both VSO/MINA and the DCNA have been active dialogue partners for the consultants throughout the study. The study was funded by the Dutch Ministry of the Interior and Kingdom Relations (BZK), as part of the sustainable economic development programme of the Netherlands Antilles.

#### Terms of Reference

The Terms of Reference for the study state three objectives:

1. to assess the feasibility of a Trust Fund as a mechanism for the sustainable financing of protected area management in the Netherlands Antilles.
2. to propose alternatives for the short-term (i.e., next five years') financing of protected area management in the Netherlands Antilles.
3. to advise on legal, organizational and technical aspects of the management and administration of such a Trust Fund.

#### The study's phases

Work on the feasibility study started in January 2004 and was divided in three phases:

- I. **Preparatory phase:** a rapid appraisal of the key issues which determine the feasibility of the Trust Fund in view of the specific context of the Netherlands Antilles. The output was a discussion paper to generate feedback from the Principal and the park management NGOs, and define the set-up of the rest of the study.
- II. **Inception workshop:** an inception workshop was held in February 2004 in Willemstad with the Principal, LNV, representatives of the NGOs responsible for PA management and some external guests, including former Prime Minister Don Martina and the director of NC-IUCN. The consultants also held several interviews on Curaçao and Bonaire with government officials, representatives from the private sector and NGOs.
- III. **Research, Design and Follow-up,** the study's main phase. Based on the preceding phases, an in-depth analysis took place of the feasibility of a Trust Fund as well as other financial mechanisms and the structure and organization of a Trust Fund were designed. The analysis was further based on literature and internet sources. A variety of people were

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<sup>8</sup> The consultants involved in this assignment are Mr *Rob Glastra* (team leader) on behalf of AIDEnvironment, Mr *Tim van den Brink* on behalf of EcoVision and Mr *Barry Spergel*. Former AIDEnvironment director Mr *Bart Romijn*, now partner of Warner Strategy and Fundraising, has provided backstopping support.

interviewed, mostly on Curaçao and in the Netherlands. In the course of a week of meetings with government officials and private sector representatives in Curaçao and St. Maarten in August 2004, it was decided to establish the Trust Fund within DCNA rather than as a separate legal entity. The Consultants therefore recommended various changes and additions to DCNA's Draft Articles of Incorporation in order to make this possible. Finally, by way of follow-up, the study also included basic fundraising and communication strategies.

Phase III produced three reports:

- Report A (the current report) includes the analysis of the feasibility of a Trust Fund and other 'tracks' towards financial sustainability. It starts with a rapid analysis of the economic value of nature and nature parks, in order to demonstrate that nature conservation is not just a luxury for rich countries but an investment in sustainable development (chapter 3). This chapter is followed by an assessment of the Antillean context including a series of feasibility criteria for a Trust Fund (chapter 4) and a more general assessment of the donor potential (chapter 5). Report A is concluded with a proposal for a strategy towards financial sustainability (chapter 6).
- Report B contains the design of the Trust Fund, dealing with the legal, institutional and financial structure. Experiences with Trust Fund elsewhere on the world are used as a reference.
- Report C includes fundraising and communication strategies related to sustainable funding for the nature parks.

#### Aruba's position

This feasibility study covers all five islands of the Netherlands Antilles, in accordance with the ToR. The Aruban park management organization also attended the inception workshop, but since it was unclear to what extent they would join the rest of the Trust Fund development process, Aruba has not been taken into consideration in the reports produced by this study. Due to their expected participation in the DCNA, it is quite possible that Aruba will join the Trust Fund at a later stage. If, in the future, Aruba's parks are also included, then references and data used in this Study on budget requirements for all islands as well as on income sources will have to be adjusted accordingly.

### **3 Economic valuation of nature parks**

#### **Undervalued benefits**

#### **3.1 Cost and benefits of protected areas**

The conservation of biodiversity and other natural resources in nature parks generates both costs and benefits. Protecting the parks against external pressures, but also their controlled use for education, recreation or research, requires active management and such management has its costs. The available park management budgets are often much smaller than needed to ensure that conservation and sustainable development objectives are met. In many countries, budgets continue to decrease even in the face of increasing demands on protected areas to produce clean air and water, to stabilize water cycles, to provide recreational opportunities and to protect biodiversity and associated ecosystem processes.

As indicated in a recent Australian study (ICEM, 2003), the main economic benefits of protected areas have traditionally been considered the extractive value of their component resources (if extractive uses are permitted) and tourism earnings (where tourism exists). Such a limited definition of economic value usually determines decision-making on development and conservation issues. This often has negative implications for protected areas which have to survive on completely inadequate budgets. In this context, the primary objective of a more comprehensive economic valuation is to help develop mechanisms that reflect all values of protected areas and their natural resources, beyond mere extractive value and tourism earnings.

Box 1 illustrates how the conservation of biological diversity is imbedded in the international framework for sustainable socio-economic development.

### Box 1. Sustainable Conservation Objectives, AGENDA 21

At the 'Earth Summit' in Rio (UNCED, 1992), the nations of the world adopted Agenda 21, of which Chapter 15, on biological diversity, stresses the need to: "take effective economic, social and other appropriate incentive measures to encourage the conservation of biological diversity and the sustainable use of biological resources". This agenda led to a new Convention on Biological Diversity which, *inter alia*, calls on governments to establish systems of protected areas and to manage these in support of conservation, sustainable use and equitable benefit sharing. Governments recognised that protected areas have a key role to play in the alleviation and prevention of poverty and the maintenance of the global community's critical life-support systems. This new vision for protected areas requires an awareness and understanding of the economic values generated by protected areas.

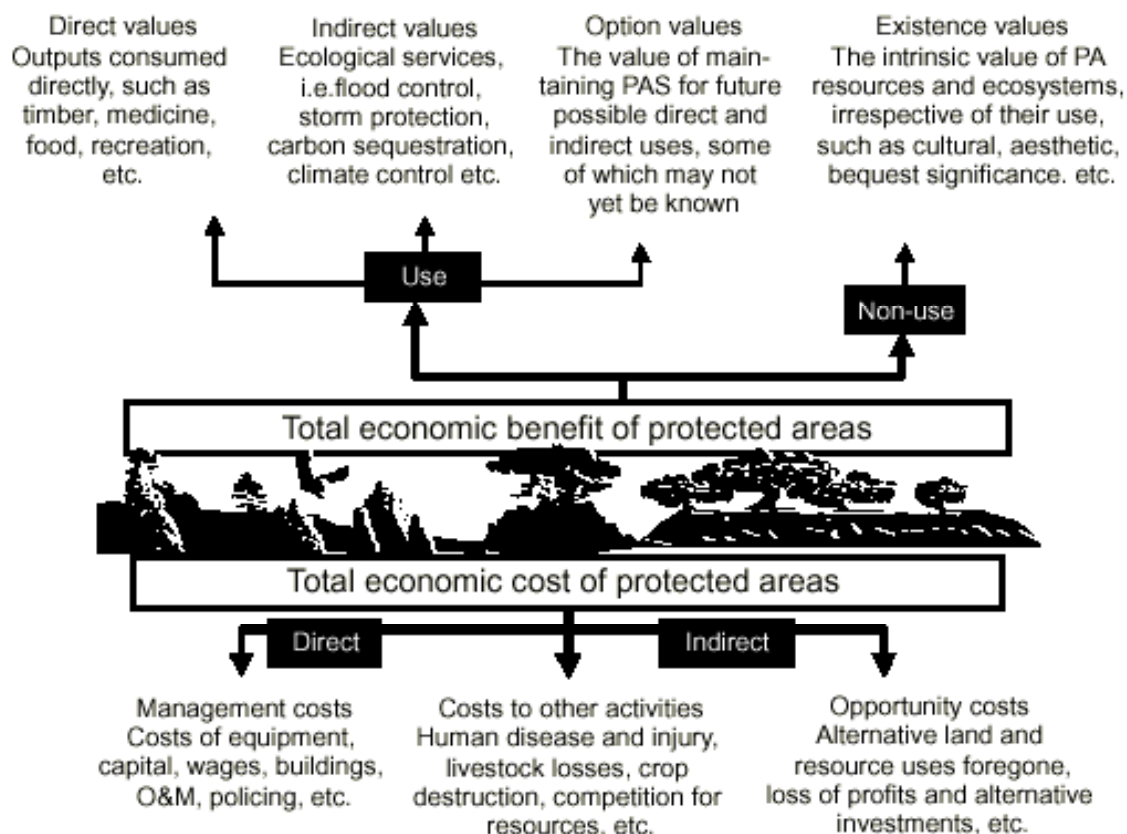
### Economic valuation

Environmental resources are complex and multifunctional. How the myriads of goods and services provided by these resources affect human welfare is not always obvious. Economic valuation of natural resources provides a tool to assist with the difficult decisions involved (Barbier, 1997). Economic valuation, as opposed to mere financial valuation, measures both their market and non-market values. In other words, it measures the total economic value, including the direct use value (such as food, fodder, and timber), indirect use value (such as watershed protection and soil fertility), and non-use value (such as existence value of biodiversity) (IUCN, 2004). Thus, economic valuation can assess the true flow of benefits from a protected area or nature park, as well as how these benefits are balanced with the costs of managing them.

Figure 1 visualizes the economic benefits and costs in relation to protected areas.

**Figure 1**

Costs and benefits of protected areas (ICEM, 2003)



The following table provides an example of the classification of total economic value for wetlands based on direct use, indirect use and non-use values.

Identifying the goods and services, measuring their values and determining who benefits and who bears the costs is not always a straightforward process (IUCN, 1998). Many goods and services are not traded on commercial markets. The entire range of values of non-market goods and services needs to be measured and expressed in monetary terms, where possible, so that they can be weighed against commercially traded components and alternative, production-oriented forms of land use.

The following table gives a classification of economic values for wetlands based on direct and indirect use and non-use values.

**Table 6**

Classification of total economic value for wetlands (Barbier et al, 1997)

Uses Values		Non-Use values	
Direct Use	Indirect Use	Option	Existence
<ul style="list-style-type: none"> <li>▪ Fish</li> <li>▪ Agriculture</li> <li>▪ Fuelwood</li> <li>▪ Tourism and recreation</li> <li>▪ Transport</li> <li>▪ Wildlife harvesting</li> <li>▪ Peat/Energy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nutrient retention</li> <li>▪ Flood control</li> <li>▪ Storm protection</li> <li>▪ Groundwater recharge</li> <li>▪ External ecosystem support</li> <li>▪ Micro-climate stabilization</li> <li>▪ Shoreline stabilization</li> </ul>	<ul style="list-style-type: none"> <li>▪ Potential future (direct and indirect) uses</li> <li>▪ Future value of information</li> </ul>	<ul style="list-style-type: none"> <li>▪ Biodiversity</li> <li>▪ Culture</li> <li>▪ Heritage bequest</li> </ul>

The environmental quality of nature parks on islands directly correlates with the degree of sedimentation, soil and coastline erosion, storm damage buffering, tourism attractiveness and fishing opportunities, and has economic multiplier effects on other sectors such as construction and transportation. The following sections aim to demonstrate how economics can justify the establishment and management costs of nature parks. Examples are given from protected areas and nature parks in other parts of the Caribbean.

### 3.2 Valuation approaches in the Caribbean

#### The 'Reefs at Risk' study

The degradation of coral reefs can lead to significant economic losses, particularly in the coastal areas of developing countries, through loss of fishing livelihoods, malnutrition due to lack of protein, loss of tourism revenues, and increased coastal erosion. A recent report on the 'Reefs at Risk' study conducted by the World Resources Institute (WRI) in cooperation with over 20 organizations working in the region, presents a unique, region-wide look at the status of and prognosis for Caribbean coral reefs (Burke & Maidens, 2004). This study is very relevant for nature conservation on the Netherlands Antilles, since coral reefs represent their richest biological treasure.

The study has produced the first regionally consistent, detailed mapping of threats to the region's estimated 26.000 square kilometers of coral reefs. The project provides decision-makers and the public with important insights on links between human



activities that stress and damage reef organisms and where degradation of reefs could be expected to occur, or may have already occurred. The project developed regionally consistent indicators of coral reef condition and threats in four broad categories representing the key stresses to reefs in the Caribbean:

- coastal development.
- watershed-based sediment and pollution.
- marine-based pollution and damage.
- overfishing.

The Reefs at Risk Threat Index indicates that nearly two thirds of coral reefs in the Caribbean are threatened by human activities. Protective measures are crucial both on land and in the sea to prevent over-exploitation, destructive fishery methods, coastal development, pollution and sedimentation.

#### Value of Caribbean reefs

Of particular interest is the economic analysis of the study, as illustrated by the box text.

#### Box 2.

Economic value of Caribbean coral reefs (Burke & Maidens, 2004)

Caribbean coral reefs provide goods and services with an annual net economic value in 2000 estimated at between US\$3,1 billion and US\$4,6 billion from fisheries, dive tourism, and shoreline protection services. Estimates for total annual economic benefits per sq km of coral reef have ranged from roughly US\$ 100.000 to US\$ 600.000, the largest share of which were associated with tourism and recreation followed by shoreline stabilization services.

*According to this study the Netherlands Antilles with a total coral reef area of 240 sq km would generate an annual economic benefit between 24 to 144 million US\$. Only 66% is located inside a marine protected area (MPA).*

Some other key data from the study:

- Coral reef-associated fisheries in the Caribbean region provide net annual revenues valued at an estimated US\$310 million. Degradation of the region's coral reefs could reduce these annual revenues by an estimated 30-45%, or US\$95 million to US\$140 million per year by 2015.
- Net benefits from dive tourism total an estimated US\$2.1 billion per year in 2000. By 2015, coral reef degradation could result in reduced net benefits from dive tourism of between US\$110 and 310 million.
- Coral reefs protect coastal shorelines by dissipating wave and storm energy. This study estimates that the value of such shoreline protection services provided by Caribbean reefs at between US\$700 million and US\$2,2 billion per year. Within the next 50 years, coral degradation and death could lead to losses totaling US\$140 million to US\$420 million annually.

Another study estimated that a healthy coral reef of one square km may produce enough fish to satisfy the protein needs of 2.500 persons per year, provided the productivity of the ecosystem remains intact (Cesar et al., 2000).

#### **Tourism multiplier effect**

The WRI report revealed that over 116 million people live within 100 km of the Caribbean coast and over 25 million tourists a year visit the Caribbean, almost all of whom spend most of their time in coastal areas. Tourism revenues alone bring in over US\$ 25 billion a year for the region. These expenditures also generate significant tax revenues for the government (Burke & Maidens, 2004).

Tourism also has a so-called multiplier-effect on economies, by encouraging growth in the primary and secondary sectors of industry (building, infrastructure and resort development, food and beverages). In its simplest form the multiplier effect can be described as *'how many times money spent by a tourist circulates through a country's economy'*. For example, money spent in a hotel helps to create jobs directly in the hotel, but it also creates jobs indirectly elsewhere in the economy. The hotel has to buy food from local farmers, who may spend some of this money on fertiliser or clothes. The demand for local products increases as tourists often buy souvenirs, which increases secondary employment. The multiplier effect continues until the money eventually 'leaks' from the economy through imports - the purchase of goods from other countries.

A recent publication (WTTC, 2004) stated that in 2004 the broader travel and tourism economy is expected to contribute 14,8 % of the Caribbean GDP and account for 2,4 million jobs, representing 15,5 % of total employment. Over the next ten years, travel and tourism in the region is forecast to achieve annualised real growth of 4,1 %, in terms of GDP, and 2,8 % in terms of travel and tourism employment. This would take the share of GDP and employment by 2014 to 16,5 % and 17,1 %, respectively.

#### **Coastal protection**

Other indirect uses relate to the Antilles reefs and coastlines and their storm protection, shoreline stabilisation, navigation and coastal protection function. The latter is particularly important, box 3 provides an example from Jamaica.

**Box 3.****Coastal protection value for the Portland Bight on Jamaica**

Cesar et al. (2000) estimated the total coastal protection value for the Portland Bight Protected Area (PBPA) on Jamaica, an integrated terrestrial and marine protected area. Portland Bight is an area with coral reefs but also rich in biodiversity in dry limestone forests and mangrove areas. Mangroves and other wetlands, as well as coral reefs contribute to coastal protection, as such ecosystems are able to dissipate wave energy. Mangrove destruction has damaged the coastal road going into Portland Ridge in recent years.

For the PBPA Cesar et al. (2000) estimated that the total coastal protection value is around US\$3,55 million in net present value terms or nearly US\$400.000 per year (with a 10% discount rate). It is assumed that a 1% loss in coastal ecosystems leads to a 1% loss in the coastal protection function, and this in turn leads to a loss of 1% of the value of the coastline. With a 1% decline in mangrove stands in the absence of park management (but no decline with park management), the benefits of the Portland Bight Protected Area (PBPA), in terms of coastal protection, are US\$40.000 per year.

**Non-use values**

Non-uses values of the Antilles include the many unique ecosystems that have an important contribution to the biological diversity of the island (and the region), and provide habitat or nesting areas for endangered species, several of which are endemic to the islands or to the Caribbean. Some of these non-use functions are related use-functions. Tourists come to enjoy the biodiversity and culture. Spash (2000) gave an example of contingent valuation method from a survey in Montego Bay (Jamaica) and Curaçao (Netherlands Antilles) to investigate the consumer surplus, or individual utility, of coral reef improvement. The survey instrument was designed to capture the “non-use ” benefits of marine biodiversity, for both local residents and for visitors. The question to respondents dealt with their willingness to pay (WTP) for more coral cover in the park. Expected WTP for coral reef improvement was US\$3,24 per person in a sample of 1.058 respondents for Montego Bay. For Curaçao, the number was US\$2,08 per person. But this value was heavily dependent on whether or not respondents believed that marine systems possessed inherent rights, and that humans had inherent duties to protect marine systems.

**Foreign support value**

To estimate biodiversity value in a developing country, Ruitenbeek (1992) suggests taking the value of foreign support likely to be available to protect the biodiversity resource through

NGOs, through the Global Environment Facility and other sources. A study for Indonesia has shown that two marine parks were able to capitalise on their global value of biodiversity, by obtaining an average of US\$10.000/ km<sup>2</sup> / year (Cesar et al., 2000). In the Portland Bight (Jamaica), an area of roughly 200 km<sup>2</sup> could be eligible for global grant funding of around US\$ 10.000/ km<sup>2</sup> / year, generating cash revenues of US\$ 2,000,000 per year. This grant money would not be available in the absence of park management. However, in the absence of a global accounting and allocation system for foreign support, it is not possible to determine the eligibility of the protected areas on the Netherlands Antilles due to the high per capita income and their status within the Kingdom of the Netherlands.

#### **Parks valuation**

A comprehensive valuation has been applied to the Portland Bight Protected Area (PBPA) on Jamaica (Cesar et al., 2000) (see table 7). The values of the ecosystem services (fisheries, forestry, tourism and recreation, carbon fixation, coastal protection and biodiversity) can be combined to calculate the total benefits of the PBPA.<sup>9</sup> Benefits of the PBPA are estimated at US\$ 52,6 million in present value terms (at a 10 % discount rate) in an optimistic tourism scenario and US\$ 40,8 million in a pessimistic tourism case. Hence, the US\$19,2 million management costs over the next 25 years are well justified on economic grounds versus the US\$ 40,8 million total economic value during this period.

A similar comprehensive valuation in monetary terms of the nature parks on the Netherlands Antilles can be achieved by combining the values of ecosystem services which benefit from the management of nature parks. Due to an enormous lack of data, an integrated analysis of costs and benefits is still impossible for the nature parks on the Netherlands Antilles.

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<sup>9</sup> The assumption is that protected area status is a precondition for fisheries to recover from the current state of collapse and regain economic value, if based on sustainable harvesting practices. Another assumption is that less forest exploitation would be allowed but more carbon credits produced if the area would be legally protected.

**Table 7**

Total economic value of the Portland Bight Protected Area (PBPA), Jamaica (in thousand US\$).

	"Without PBPA"		"With PBPA"		Accumulated difference 2000-2025 <sup>11</sup> (in NPV)
Year	2000	2025	2000	2025	
Fisheries	0	0	0	6 780	18 928
Forestry	100	100	0	0	-916
Tourism (high)	0	470	0	4 700	11 809
Tourism (low)	0	470	0	470	0
Carbon fixation*	0	0	450	450	4 122
Coastal protection*	0	0	40	40	366
Biodiversity	0	0	2 000	2 000	18 322
Total (high tourism)	100	570	2 490	13 970	52 631
Total (low tourism)	100	570	2 490	9 740	40 822

\*These are calculated in net terms. This means that the "with" scenario gives the net gains relative to the "without" scenario.

### 3.3 Valuation in the Netherlands Antilles

#### Antillean nature parks

Apart from coral reefs, the Netherlands Antilles are home to a range of valuable ecosystems, including wetlands, dry forests and shrublands, and a number of endangered species (Rojer, 1997). Most of these resources are currently under pressure from urbanization and infrastructure development, overfishing, overgrazing by goats, pollutants (such as industrial waste, oil and sewage) and woodcutting. Already in 1996, the Nature Forum agreed that at least one marine and one terrestrial park of adequate size should be established on each of the five islands to effectively protect their biodiversity, ecosystem services and landscape values for generations to come. Such nature parks provide many different services and functions. The most important ones are discussed below and examples are given to illustrate their economic value.

<b>Direct uses</b>	<p>Direct uses of biodiversity include fisheries, products from the woods and shrublands, including non-timber products such as honey, orchids and medicinal plants. For example, a comprehensive survey on fishery on the Saba Bank in 2000 (Dilrosun, 2000) indicated that about 50 fishermen were active, who generated a gross economic value of 1,1 million US\$ in 1999. This figure, however, does not relate to the marine park. In order to make a better estimation of the direct use value of fisheries for the Antilles as a whole, more data on the specific contribution of fish products from each of the islands is needed.</p>
<b>Economic value of tourism</b>	<p>Direct uses also include tourism and recreation, which forms a fundamental sector of the Antillean economy. Besides the attractive climate, the main tourist attractions are scuba diving, snorkelling, windsurfing, boating, hiking, shopping, gambling, cycling and mountain biking. Several of these attractions are closely linked to the availability and condition of natural resources, and the rich fauna and flora (particularly the reefs). As depicted in the 2004 Nature and Environment Policy Plan from the Netherlands Antilles, (NEPP, 2004), "<i>Tourism, environment and nature are inextricably linked. Tourism is also one of the most, if not the most important pillar of the economy of all our islands.</i>" It is thus crucially important that nature and natural resources are in a healthy state and that their qualities are monitored and managed. Given the growing demand for access to protected natural areas by tourists, adequate pricing mechanisms are to be implemented to ensure that recreational opportunities contribute to conserving such areas.</p> <p>In 1995 tourism contributed 561 Million US\$ or 27% of the GDP to the national economy of the Netherlands Antilles (IMF, 2001). If this percentage is extrapolated to 2003, with a GDP of 2,4 billion US\$ (CIA factbook, 2004), tourism would account for about 650 Million US\$. This figure, however, relates to all types of tourism and a correction factor should be applied to discriminate nature park related tourism.</p>
<b>Bonaire and ecotourism</b>	<p>Already in 1992, Pourier studied the future of tourism on Bonaire and concluded that Bonaire should avoid mass tourism, and instead focus on exclusive tourism, e.g. better hotel rooms, better service, etc. Bonaire has consistently embarked on the eco-tourism path, and benefits in economic, social and ecological terms are becoming more and more visible. In 1992 an annual diver admission fee of US\$ 10 was introduced. This admission fee system proved to be successful and found immediate and whole-hearted support amongst visiting divers, although it took</p>

longer to convince the dive operators. One year after fee introduction the Marine Park was already entirely self-financing. Early 2005, the authorities announced a rise in the diver fee to US\$ 25. Although at the same time the island's budget line for nature parks will be reduced, the net financial result for the parks will be positive.

The Travel Cost method has been used to estimate the value of the Bonaire Marine Park. Based on the estimated demand curve for reef-oriented vacations to Bonaire, the travel costs from each region and on an assumption of 20.000 annual visits to the marine park, the total consumer surplus of visitors to the Bonaire Marine Park is approximately US\$19.2 million annually (Pendleton, 1995).

#### **Saba Marine Park**

Besides providing an important nursing grounds for many juvenile fish species, the Saba Marine Park (SMP) is another example of a self-financing entity thanks to its rich ecosystem assets. Box 4 describes how the establishment of Saba Marine Park (SMP) resulted in increased tourism which made it possible to raise revenues through visitors fees, souvenir sales and donations.

#### **Box 4**

Tourism Saba Marine Park source Van't Hof, Tom & Kenneth C. Buchan, 1995

The Saba Marine Park (SMP) was created in 1987 in response to the desire of the Island Government to promote diving and snorkelling tourism, whilst protecting the marine resources upon which such tourism is based. The Park, which includes all near-shore waters of the island to the 60 m depth contour with a total area of 870 ha, has a comprehensive legislative base, the Marine Environment Ordinance 1987. Prior to the establishment of SMP few divers visited Saba. Dive operators at the time estimated the number of divers at 500 in 1984 and 1.000 in 1986. Following the establishment of SMP the number of visiting divers and snorkellers increased rapidly: from 2.600 in 1988 to well over 5.000 in 1994. A similar increase was realised in the number of yachts visiting SMP, from 131 in 1990 to 463 in 1994. A fee structure was initially targeting divers and snorkellers only. Divers were required by law to pay US\$ 1 per dive and snorkellers US\$ 1 per visit to the island. The fees were later raised to US \$ 2 per dive and per snorkeller, while also a yacht mooring/anchorage fee was introduced (based on the number of passengers or crew on board, or on gross tonnage for larger vessels), which included the snorkelling fee. The 1994 and 1995 SMP budgets amount to approximately US \$ 111.000. Over the years 1993-1995, the proportions of SMP revenue sources were: Visitor fees 51%, Gross souvenir sales 32%, Donations 9%, Other income 8%. The first year after the cut of personnel subsidy by government, one may conclude that the 1994 and 1995 budgets are essentially balanced, and that SMP has achieved its goal to become a self-financing entity within the Saba Conservation Foundation.

The successful implementation of ecotourism on the Antilles was rewarded in 2001, when the Bonaire Marine Park (BMP) together with Saba Marine Park were selected "Ecotourism Success Stories" by the UN (UN-SIDS, 2001). Another indicator for success is Bonaire's rise on the top ten list of Caribbean diving destinations published in international divers magazines.

#### **Coastal protection**

Coastal protection is also a critical issue for the Antilles. Sint Maarten, Saba, and Sint Eustatius are subject to hurricanes from July to October. The impact of hurricanes is further amplified by on going soil and reef degradation. The effects are always significant because land areas are so small on the Antilles. Their cumulative effects on the economy are undeniably substantial. A typical example of indirect uses or damage costs avoided for the Antilles is the recurrent hurricanes and the damage they cause to the reefs, bays and human activities in these areas. The 'damage cost approach' uses the value of the expected loss of the 'stock at risk' as straight forward proxy for the value of the coastal protection service. Cesar (1996) used a combination of the value of agricultural land, costs of coastal infrastructure and houses to arrive at a range of US\$ 90 up to US\$ 110.000 per km of reef per year.

### **3.4 Conclusions**

Economic valuation can be a powerful tool for raising awareness about the economic value of natural resources and about the implications of different development or management decisions.

The main function of nature parks on the Antilles is the conservation of wild species and (semi)-natural ecosystems in order to maintain a flow of (largely non-marketable) goods and services that will secure wider social, economic and environmental benefits. Many of these are currently being neglected because they have no formal market, price or expressed cash value.

In order to increase public and political support for Antillean nature conservation by means of a monetary valuation of natural ecosystems and nature parks in particular, many more data are needed. The consultants therefore strongly recommend a systematic analysis of:



- direct and indirect (multiplier effect) employment generated by nature and parks in particular (park management, nature-related tourism, fisheries).
- sales of nature and parks related business (as % of GDP).
- avoided damage costs and opportunity costs.

The first two variables are easier to quantify and such data should be published first, if a more comprehensive cost-benefit analysis takes too much time. Specific factors to be considered in the analysis are the visitor willingness-to-pay (as has been done for Bonaire) to assess the effect of increases of fees on park revenues, the introduction of other fees, visitation patterns, etc.

The above sections and examples give an indication of the wider range of direct and indirect values of nature parks than most people are aware of. These additional economic values should also be considered for both the development and conservation decision-making processes that affect nature park management in the Antilles, including the establishment of a nature park Trust Fund. A clean environment and healthy ecosystems are an essential basis for the economic development of the Netherlands Antilles. As the Inter American Development Bank (IDB, 1997) wrote in its 1997 report: "*The long term sustainability of economic growth in the Netherlands Antilles is inextricably linked to the careful management of the environment particularly because of the current and expected increase in tourism in all the islands.*"

## 4 The Netherlands Antillean context

### 4.1 Nature park policy and legislation

#### Country and island levels

The nature parks of the Netherlands Antilles are the cornerstone of the country's policy for biodiversity conservation. At the Netherlands Antilles country level, there is adequate framework legislation (a Country Ordinance) and policy (the National Nature Policy Plan adopted in 2000) for the creation of nature parks on individual islands. The country is thus complying with international obligations under the Convention on Biological Diversity to which the Kingdom of the Netherlands is a party. Most decision-making in nature policy and legislation, however, takes place on the island level. Plans, regulations and legal decrees related to nature parks exist at this level, but in some cases the process as indicated by the framework legislation is yet to be completed. So far, a five-year Island Nature Policy Plan has only been adopted on Bonaire (in 2004) and an Island Nature Ordinance only on St Maarten (in 2003). Both instruments are in various stages of development on almost all the other islands.

#### More progress needed

Progress with respect to the legal and policy context has been slow concerning:

- conclusion of the legal establishment of 10 nature parks (one marine and one terrestrial on each of the islands),
- reliable structural financial support by local governments, in addition to alternative sources.
- the establishment of fee systems with revenues earmarked (at least partially) for park development and management.

Potential capital donors will be less inclined to support a Trust Fund if some local governments do not show more commitment to creating an enabling legal and policy environment for nature parks. An important incentive would, for instance, be a broader income tax deductibility of private or corporate donations to charities (similar to the 501(c)3 status of charities in the US).

#### Lobbying for the policy framework

Accelerating this process through lobbying island and national governments can be expected to increase the interest of potential donors. In addition to these three issues, island land use plans and development plans reinforce the overall policy framework as well as donor confidence. Saba's five-year plan which explicitly mentions nature-based tourism as a key component is a good example. The threat that the island land use plan (EOP) for Curaçao could be changed or suspended would send a negative signal to the donor community. The park umbrella organization DCNA can play a vital role in lobbying

the national and island governments, together with the park management NGOs and other strategic allies in the Netherlands Antilles and the Netherlands.

Table 8 summarizes basic park data for all five islands.

Table 8

Key data on park status and management

Island Protected Area	Management Organization	Management mandate	Manager + rangers	Legislation
<b>Bonaire</b>  Land: Washington/Slagbaai - 6000 ha	STINAPA Bonaire	Yes	6 persons	Private properties; management transferred to island government under condition of being managed as a nature park. Nature Management Ordinance in preparation.  Created in 1969
Marine: all of the coastal waters <60 m in depth - 2700 ha		Yes	5 persons	Passed  Created in 1979
<b>Curaçao</b>  Land: Christoffel/Shete Boka - 1860 ha	CARMABI	Yes	7 persons (fte)	Island Development Plan (EOP) (5 yrs).  Island Ordinance in preparation.  Created in 1978
Marine: part of the coastal waters <60 m in depth		Yes	1 person	Island Decree '70s. Island Ordinance in preparation.  Created in 1982
<b>Saba</b>  Land: Muriel Thissel - 43 ha	Saba Conservation Foundation	Yes	1 person	in preparation  Created in 1997
Marine: all of the coastal waters < 60 m in depth		Yes	2 persons	Passed  Created in 1987

Island Protected Area	Management Organization	Management mandate	Manager + rangers	Legislation
St. Eustatius (Statia)  Land: The Quill/The Boven - 540 ha	STENAPA (St Eustatius National Parks)	Yes	2 persons (+2 with one year contract)	Passed  Created in 1997
Marine: all of the coastal waters <30 m in depth		Yes		Passed  Created in 1996
St. Maarten  Land: Hillsides not yet realized	St. Maarten Nature Foundation	No	--	in preparation.
Marine: all of the coastal waters < 30 m in depth		Yes	2 persons	Zoning approved. Park establishment in preparation (Island Nature Ordinance was passed Aug. 2003)  Created in 1999

## 4.2 Earmarked fees and taxes

### Current user fees and taxes

Of particular importance to the parks, both as management tools and as a mechanism for income generation, are fees and taxes. The situation regarding taxes and fees that are earmarked for conservation and nature park management varies greatly between islands. User fees have been introduced on all islands except Curaçao and St Maarten. Bonaire and Saba are the most advanced, although it took twelve years to get diver fees introduced. Bonaire even expects to become almost self-sufficient in financing the operational costs of its nature parks in 2005. On St Maarten, fees form part of the marine park ordinance which has been in the 'final draft' stage for several years. On Statia, conservationists have been pushing for almost three years to get the legally adopted anchorage fee system implemented. The introduction of these fees is now negotiated as part of the overall agreement with Statia Oil Terminal and Statia is lacking the capacity to speed up these negotiations. The agreement is more than two years overdue.

### Fee-based Revolving Funds

Several Revolving Funds can be mentioned that have been set up in the Antilles so far. In such cases, tax money flows directly into

a fund that is legally independent of Government, such as the Road Fund (Wegen Fonds) or a special fund, filled by airport taxes, which is used by Alterra Airport. However, all five members of the Board of Directors of the Road Fund are government officials, whereas in the case of a conservation Trust Fund none of the voting Board members would be government officials. This may make it more difficult to justify channeling the revenues from a government-imposed tax into a civil society foundation.

If the governments of islands that receive large numbers of tourists would decide to collect “nature conservation fees” of only a few dollars (or even just a few cents in the case of an island like St. Maarten) from each cruise ship passenger, airline passenger or hotel guest, this might be able to generate relatively large amounts of money for the nature parks in those islands. Part of these revenues could even be used to support severely under-funded nature parks on other islands of the Netherlands Antilles, although this would require special legislation. Several Caribbean countries, such as Belize and the Turks and Caicos Islands, have established conservation trust funds which are financed in this way. In the case of the Trust Fund proposed for the Netherlands Antilles, the money generated from such fees could supplement the stream of income generated each year as a result of investing the capital contributed by donors to the Trust Fund.<sup>10</sup> However, the lack of unity among Caribbean nations

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<sup>10</sup> On Curaçao, a one-cent surcharge was added in the past to the price of gasoline and allocated to a fund for the promotion of sports and culture. Curoil and the island Council of Curaçao (which has to give its approval) could be approached about the possibility of ‘earmarking’ a small percentage of the price of fuel for nature management. Similarly, St. Maarten’s Commissioner for Environment mentioned the possibility of introducing a small additional tax on fuel (one cent per liter) which could be earmarked for supporting protected areas in St. Maarten. However, the Director of the St. Maarten Tourism Office said that because the central government had already raised the gasoline tax too high, many people in St. Maarten now buy fuel for their cars on the French side of the island. Another St. Maarten Commissioner seemed to support the idea of earmarking a part of the waste reprocessing tax for supporting nature parks.

One of the most socially responsible leaders of the tourism industry in St. Maarten suggested the idea of slightly raising the land tax, which he said was much lower on the Dutch side than on the French side of St. Maarten, and earmarking this increase for the Trust Fund. He also suggested the idea of using the money from environmental fines to support the Trust Fund, and said that the collection of such fines should be outsourced to private contractors. The official from the central tax directorate mentioned that a precedent already exists for channeling certain kinds of fines into an independent foundation rather than to the government: criminal fines and the proceeds from sales of confiscated illegal goods are earmarked for an independent foundation for compensating crime victims.

The Vice President of the Curacao Hotel Association (CHATA) supported the idea of introducing a mandatory hotel tax of perhaps around US \$1/night that would be earmarked for the Trust Fund. However, other officials mentioned that Curacao’s island government recently stopped requiring visitors to beaches in areas managed by CARMABI to pay parking fees, even though these fees had become one of CARMABI’s only sources of revenue for maintaining the beaches, because some local people had started to complain to local politicians about having to pay any fees at all for the beaches.

makes it difficult for single countries to raise fees in the light of the stiff competition on the tourism market.

#### Potential for new fees

Although the central government could require the island governments to introduce new kinds of taxes for environmental protection, it is entirely up to the different island governments to set and approve the rates for such taxes, which essentially leaves the ball in their courts. Some of the officials whom the Consultants met from the Netherlands Antilles central government and from the island governments of Curacao and St. Maarten expressed the view that local people and businesses were already over-taxed, and that tourists already had to pay too many fees. It is interesting to note that such views were not as frequently expressed by people from the tourism industry, who seemed more willing than government officials to consider the introduction of new earmarked fees and taxes to support nature conservation.

When comparing the Antilles with other countries, there is considerable potential on some islands for the further development of earmarked tourism fee and other revenue systems. Such systems should be seen as part of a broader financial strategy for the nature parks. Annex 1 has a general overview of the main fee-based mechanisms and lists examples of taxes and fees which are applied in other Caribbean countries. Nevertheless, the whole subject of introducing new fees and taxes to support protected areas is quite complicated from a political (balance between national and island levels) and an economic perspective (in terms of assessing potential impacts on the tourism industry).

#### Financial requirement levels

### 4.3 Financial requirements and availability

To facilitate financial planning, the 2000 Budget and Financing Plan (VOMIL, 2000) included two tables, with '*bare minimum*' and '*basic*' budget requirements based on a standardized series of budget line items for all islands. This resulted in two standard total amounts, for the Windward and the Leeward islands. The tables from 2000 have been updated for the current study in consultation with the park managers, the DCNA and VSO/MINA. Total amounts are given in table 9. To enable an assessment of the financial gaps, requirements are compared with available budgets for 1998 and 2002.

The table shows that all islands combined need around NAF 1,97 million per year to cover bare survival needs and *around NAF*

*4,65 million to ensure that basic recurrent management costs are covered (EUR 0,9 mln and EUR 2,1 mln, respectively). If operating costs of the DCNA are included, then the amounts would rise to NAF 2,2 for the ‘bare minimum’ and NAF 5 million for ‘basic’ operating levels.*

**Table 9**

Basic budget requirements and actually available budgets in 1998 and 2002, for managing one marine and one land park per island (in NAF; 1 NAF = 0,45 Euro).

	Saba	Statia	St Maarten <sup>11</sup>	Bonaire	Curaçao	DCNA	TOTAL
Bare minimum <sup>12</sup> budget requirements	385.000	385.000	250.000	475.000	475.000	250.000	2.220.000
Additional <sup>13</sup> basic budget requirements	425.000	425.000	560.000	635.000	635.000	100.000	2.780.000
Total basic budget requirements	810.000	810.000	810.000	1.110.000	1.110.000	350.000	5.000.000
Available budget 1998	530.000	271.000	199.000	564.000	673.000	-	2.237.000
Available budget 2002	323.000	135.000	169.000	865.000	650.000	-	2.142.000
Available 2002 budget as % of bare minimum (without DCNA)	84%	35%	68%	182%	137%	-	108%
Available 2002 budget as % of total basic req. (without DCNA)	40%	17%	21%	78%	59%	-	46%

<sup>11</sup> The proposed Hillside Park is still far from becoming reality and therefore *not* included in the ‘bare minimum’ scenario, but it is included in the ‘basic’ scenario.

<sup>12</sup> For each island, the ‘bare minimum budget’ includes salaries for one marine and one land park manager (except St Maarten which has no land park yet), 1-4 rangers, one car and one boat (depreciation and operational costs), office costs, communication equipment, operational expenses, buoys, diving equipment, travel costs, accounting and 10% for contingencies.

<sup>13</sup> The ‘additional basic budget requirements’ include (for each island) one administrative officer, 1-6 additional rangers depending on the area, one education officer, one visitor centre for each park, more operational expenses, audiovisual equipment, monitoring and other management measures, and 10% for contingencies.

**Table 10**

Proportions of three income sources with average percentages for 2002–2003. For self-generated income the percentage is given for 1998 as well <sup>14</sup>

Island	Island government	Other grants	Self-generated	
	2002-03	2002-03	1998	2002-03
Saba	17%	30%	77%	53%
Statia	21%	51%	27%	28%
Sint Maarten	17%	78%	24%	5%
Bonaire	6%	4%	91%	90%
Curaçao	26%	5%	58%	69%

The traditional sources for the financing of operational park management costs have been grants, subsidies from island governments and revenues generated mostly by tourism and other user fees. Detailed amounts per source category per island can be found in the inception report of this study. Table 10 presents a summary of their relative shares.

## Conclusions

The following conclusions can be drawn from these tables:

1. The degree to which minimum requirements have been met in the past varies greatly between islands, but there is a general gap between available funding and the basic needs.
2. The Windward Islands face large fluctuations in their funding situation (self-generated revenues, non-structural government contributions, donor grants).
3. Self-generated income is low on the Windward Islands, and has even decreased since 1998 on some; it is particularly low on St Maarten in spite of its status as a top tourist destination where allocating even a fraction of e.g. general port taxes to nature conservation would be justified; dependency on non-structural grants is high.
4. Self-generated income is tourism-dependent and, therefore, relatively unstable.
5. More or less sustained financial government support was only found on Curaçao.

<sup>14</sup> Percentages have been averaged to compensate for large variations in source proportions. For 1998, no reliable discrimination could be made between the other two sources; their sum can be calculated by deducting the self-generated percentage from 100%.



6. The parks on Saba, Statia and St Maarten have dramatically less funding available than required to operate at bare minimum levels (see Box 5 on Statia as an example).
  7. Carmabi Curaçao has an annual budget between the bare minimum and the basic level.
  8. The budget of Stinapa Bonaire has approached its basic requirements level and expects to surpass this level in 2005 with fee and sales revenues.
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#### **Box 5     Statia Marine Park's struggle to survive**

##### *History of financing of operations*

1997 – 2000: Received large start up grants.

- Employed Manager, Assistant Manager, Rangers and built infrastructure.

2001 – 2002: Survived financially through a few small grants and user fees.

- These grants barely covered costs and mostly for projects but user fee income was too small.
- Island Government provided a subsidy for the Assistant Manager's salary (70%). No more rangers. Volunteer program started.
- Started lobbying the island government to collect tanker anchorage fees (as authorized by Ordinance).

2002 – 2003: Received Emergency Grant from BZK which

- Allowed 1 year's employment of 2 additional staff (immediately led to increase in self-generated income). Allowed effective deployment of volunteer program to keep operations going.
- Paid for operational costs (power, phone, etc.).

2003 (Oct): Office closed, then reopened with a Government subsidy.

- Island Government took 4 months to increase the subsidy to fl.30.000 (Oct-Dec 03) and agreed to work on changing the tanker fee system.
- Grants for research and turtle program included some salary costs, which barely covers salaries now.

##### *Negative consequences of the financial crisis in 2003*

Parks office closed in Oct 03 when BZK emergency grant stopped, no support from Island Government.

- This caused a vicious circle that worsened finances and compliance with regulations:
- Less fees collected (dive, yacht and trail fees)
  - Mooring maintenance and patrols stopped (loss of infrastructure)
  - Decreased adherence to rules by fishermen and divers, so traps and anchoring occurred in the reserves (causing conflict and damage)
  - No information or public awareness activities (and loss of potential revenue from souvenir sales)
  - Staff had to be dismissed (resulting in a loss of the training and time that had been invested in them)
  - Visits by school groups and clubs stopped, so community support weakened
  - High investment costs were required to restart operations (moorings had to be replaced because of lack of maintenance, staff knowledge was lost, public support and conservation awareness were lost).

Source: STENAPA

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#### 4.4 Feasibility and proposed structure of a Trust Fund

The history of Conservation Trust Funds in general is not long, having only started in the early 1990s, but long enough to allow for an evaluation of critical success factors and lessons learned. The Global Environment Facility (GEF), the financial vehicle for the implementation of the Convention on Biological Diversity (CBD), has been particularly active in setting up, capitalizing and evaluating Conservation Trust Funds.

Based on evaluations of Conservation Trust Funds, a number of criteria have been identified which determine their feasibility (adapted from GEF, 1998, page 39, which analyzed the experience of 13 funds). The current study assessed the context of the Netherlands Antilles against these criteria, the results of which are summarized in the following table.

**Table 11**

Assessing the Netherlands Antilles on Trust Fund feasibility criteria

Criteria for Trust Fund feasibility	Assessment of Netherlands Antillean context	Actions that can be undertaken to make the context more favorable
CRITERION 1: Globally or nationally significant biodiversity, whose conservation requires long-term funding (absence of grave immediate threats requiring mobilization of large amounts in a short time period).	High and unique biodiversity, especially compared to other parts of the Kingdom. The Caribbean is now considered a global biodiversity hotspot by Conservation International. The Netherlands Antilles are located in or near two of the hotspot's priority areas (Saba Bank and S Caribbean Marine Priority Area). Antillean coral reefs are among the most vital in the Caribbean.  Long-term versus immediate funding needs are more or less in line with this criterion.	Attractive information and promotion material with sound scientific underpinning needed which appeals to key target groups on funding market.
CRITERION 2: Strong government political support for conservation, and government commitment to make the trust fund a high national priority in submitting aid requests to international donors.	Basic political support for conservation is present, legal and policy framework (slowly) developing. Resources for implementation scarce. Further lobbying with national and local	Assess existing government policies and determine position of conservation in requests for donor assistance; also need to analyse existing tax incentives and disincentives for conservation, and

Criteria for Trust Fund feasibility	Assessment of Netherlands Antillean context	Actions that can be undertaken to make the context more favorable
	governments needed.	lobby accordingly.
CRITERION 3: Availability of one or more mentor organizations (such as a donor agency, an international NGO, or another, more experienced trust fund) who can provide both moral and technical support to the Trust Fund during the start-up and implementation phases.	The 'Support Group' in the Netherlands (Natuurmonumenten, De Landschappen, Staatsbosbeheer, WWF-NL, CI-NL), coordinated by NC-IUCN, is prepared to play this role.	Have this role formalized in a letter of understanding.  Approach CI at a later stage.
CRITERION 4: Government acceptance of the idea of creating a mixed public/private institution that will function beyond direct government control.	Yes. Management NGOs already provide good examples of this type of institution in terms of park management and collection of diving fees.  Acceptance to be formally confirmed in the case of tax revenues and other official assistance.	No further action needed.
CRITERION 5: A critical mass of people from diverse sectors of society who can work together to establish the trust fund and/or who are willing to serve on its board.	Yes.	Smart communication and stakeholder involvement strategies are high priorities.  Continuous work with the media is needed.  Involvement of influential persons is vital success factor.
CRITERION 6: A legal framework in the country that permits establishing a trust fund or foundation, and provides tax exemption for its earnings from investments.	Yes.	
CRITERION 7: A basic fabric of legal and financial practices and institutions in the country that people have confidence in.	Yes, certainly in comparison with many other countries where Trust Funds have been established.	

Criteria for Trust Fund feasibility	Assessment of Netherlands Antillean context	Actions that can be undertaken to make the context more favorable
CRITERION 8: A pool of potential grant recipients in the country which are interested and capable of carrying out biodiversity conservation activities.	Local NGOs and protected area management have reasonable to high levels of technical competence. Further institutional strengthening, training and capacity building are a priority to meet professional challenges. DCNA will be the key vehicle.	
CRITERION 9: Realistic prospects for attracting sufficient capital for the fund (donor potential).	Bi- and multilateral donors of capital grants (BZK, EC) little likely in the short-term, but a parliamentary motion adopted by the Dutch parliament in November 2004 asking BZK to provide a capital grant to the Trust Fund may lead to a positive reshuffling of contributions between donors in support of the Trust Fund.  Reasonable potential is expected in the private sector (corporations, individuals, private foundations) and the National Postcode Lottery. Developing this potential will require ongoing communication and confidence building efforts.	

#### Score

A Trust Fund for nature parks in the Netherlands Antilles could satisfy at least eight out of the nine criteria identified by GEF as necessary for establishing a successful conservation trust fund. The Netherlands Antilles have high scores on seven criteria, and a lower but still 'passing' score on criterion 2 ('government support and commitment to conservation'). As for the decisive ninth criterion ---the potential to raise capital contributions from donors---the Trust Fund also appears to be feasible, but interest and commitment to the Trust Fund expressed so far have a preliminary character and do not guarantee actual contributions. This criterion will be discussed in the next chapter.

## Trust Fund and DCNA

This Study recommends that rather than establishing the Trust Fund as a separate legal entity, the Trust Fund should be set up as a ‘restricted’ endowment or sinking fund within DCNA, since:

- DCNA has the type of institutional structure which is recommended for conservation trust funds by international donors such as the GEF, USAID, WWF, TNC and CI.
- DCNA’s general purposes include the Trust Fund’s more restricted purpose (i.e., to cover the annual gaps in funding the basic recurrent management costs of one marine protected area and one terrestrial protected area on each island of the Netherlands Antilles).
- administrative costs of the Trust Fund would be reduced considerably.
- there will be no need to reach a minimum capital level before the Fund can be operational.
- fundraising competition between the DCNA and the Trust Fund would be avoided.

The disadvantages of combining the DCNA and the Trust Fund and how these can be addressed are discussed in Volume B. Once the Trust Fund has fulfilled this restricted purpose, any of its annual budgetary resources which are left over could be used to support DCNA’s other, broader purposes.

## Trust Fund structure

A Trust Fund will have an ‘umbrella’ structure that includes a ‘core’ endowment for supporting the basic recurrent management costs of one marine protected area and one terrestrial protected area on each of the islands, as well as separate sub-accounts that could be set up either as:

- an endowment for supporting only one particular protected area or island.
- a sinking fund for contributions by donors whose regulations do not permit them to contribute to permanent endowments (but which could either be for all of the islands, or just for one particular island or protected area).
- a revolving fund which is annually financed by earmarked fees or taxes collected on a particular island.

*The Trust Fund structure will be discussed in more detail in Volume B.*

## 4.5 Conclusions

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- A Trust Fund for nature parks in the Netherlands Antilles could satisfy at least eight out of the nine feasibility criteria identified by GEF as necessary for establishing a successful conservation trust fund. The ninth criterion (donor potential) is the decisive one.
  - The fact that donor potential is the crucial feasibility factor for a Trust Fund underscores the significance of the first donor to cross the line, so that the Fund can demonstrate its effectiveness, reliability and transparency and inspire other potential donors.
  - One of the preconditions for a successful Trust Fund is that alternative funding sources are developed and carefully managed and that ample time and energy are invested in active communication with stakeholders outside the traditional conservation community.
  - An effective lobby among island and national governments by the DCNA and its partners plays a crucial role in accelerating the development of a favorable legal and policy context for the parks. This context is critical for building credibility and confidence in the private and public donor community.
  - The consultants recommend that rather than establishing the Trust Fund as a separate legal entity, the Trust Fund should be set up as a 'restricted' endowment or sinking fund within DCNA. DCNA's Articles of Incorporation and administrative procedures need to be designed in such a way as to enable it to serve as the trustee. The Trust Fund will have an 'umbrella' structure that includes a 'core' endowment as well as separate sub-accounts.
  - When comparing the Antilles with other countries and even Antillean islands among themselves, there should be considerable potential for the further development of earmarked tourism fee and other revenue systems. The tourism industry seemed more willing than government officials to consider the introduction of new earmarked fees and taxes to support nature conservation. Such systems should be part of any financial strategy for the nature parks, and can also take existing revolving funds on the islands as examples.
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## 5 Donor potential

### 5.1 Assessment of potential donors

#### Donor categories

The current chapter will discuss those donors and donor categories which were short-listed after an initial rapid assessment prior to the inception workshop which was held on Curaçao in February 2004. Annex 2 summarizes the findings of the long list which resulted from that rapid assessment. The emphasis of the assessment was on potential capital contributions to a trust fund, but other forms of support from a financial sustainability perspective were considered as well.

In general, there are five categories of potential donors for protected areas in general, and to conservation trust funds in particular:

- national governments.
- multilateral and bilateral aid agencies (such as the World Bank/GEF<sup>15</sup>, and US, German, British, Swiss, Canadian and Dutch agencies for development cooperation).
- private US and European foundations and wealthy individuals.
- international conservation NGOs.
- business companies.

Different resource mobilization strategies are required for each type of donor. See the fundraising strategy in Volume C for more details.

In the case of conservation trust funds in most other countries, the best fundraising strategy has been to focus first on donors who have a history of supporting conservation trust funds and have large bilateral assistance programs in other countries in the region. This strategy applies less to the Netherlands Antilles because it is part of the Kingdom of the Netherlands, and therefore ineligible for grants from most bilateral and multilateral official aid agencies.

#### ANTILLEAN AND ISLAND GOVERNMENTS

#### Small chances

A capital contribution from the national or any island government to a Nature Parks Trust Fund would send a very positive signal to other potential donors. However, the chances for such a contribution in the short or medium term are quite

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<sup>15</sup> Over the past seven years, GEF support and assistance has helped create more than 23 Conservation Trust Funds. And until 2004, over US\$ 180 million of GEF funding has been allocated into such funds worldwide (Crepin, 2003).

small, considering the pressing social and economic problems, aggravated by the debt crisis at the country and Curaçao island levels. Furthermore, it is highly unlikely that there is sufficient political support to contribute to a Trust Fund on top of regular budget items for park management and fee systems earmarked for parks.

**... and opportunities**

Nevertheless, opportunities for a capital contribution may arise in case:

- the government can not meet interest and repayment obligations on its debt anymore and bilateral or private creditors are no longer willing to enter into new debts to service old ones. In that case, a debt swap might be proposed (see next section, on the Dutch government, and Annex 3 for more details). In view of the competition that can be expected from the social sector, only a combined debt-for-sustainability-swap seems socially and politically feasible.
- a government receives large fines or recovery funding as a response to environmental damages caused by a major transportation accident or a natural disaster.

**A positive BNA signal**

A high official from the Bank of the Netherlands Antilles (BNA), the independent supervisory authority for the banking sector and the monetary system gave a positive signal by inviting the DCNA to submit a request to the BNA for a modest-sized capital donation to the Trust Fund.

**Prevent funding reductions**

A major goal for the DCNA and the park management NGOs is to prevent reductions in funding for conservation by the national and island governments as a result of the establishment of the Trust Fund. Funding reductions may be interpreted by donors as a lack of local support. In other countries, such a government commitment has usually come in the form of a Letter of Intent by major donors to the Trust Fund. It could also come in the form of a written provision in a grant agreement. However, experience has shown that it is almost impossible to legally enforce or even monitor government compliance with such a provision or a Letter of Intent. Its main value is that it would allow a donor to raise this issue in future discussions with the government.

Nevertheless, the consultants recommend that major donors request the Antillean and island governments (or their departments of finance) to sign a side letter stating that both parties agree that the purpose of establishing the Trust Fund is to provide *additional* financial resources for nature parks, and



that therefore the current level of national and island government financial support for nature conservation should not be reduced as a result.<sup>16</sup> At the Antillean level, such a commitment is feasible. A number of nature parks receive funding from the decentralized Island Governments, either in the form of budget items and/or from earmarked fee systems. Without lobbying by the DCNA and park management NGOs, some governments might reduce their net support, i.e. the combination of budget line items and earmarked fees.

## DUTCH GOVERNMENT

### **Ministry of the Interior and Kingdom Affairs (BZK)**

#### **Prior willingness**

Since BZK is virtually the exclusive source and channel of Dutch government funding for development co-operation with the Netherlands Antilles, one of the priorities of this Study has been to assess BZK's willingness to support the Trust Fund with a capital grant. In 1998, the then Secretary of State for Constitutional Kingdom Affairs, Mr De Vries, expressed his willingness for such a support (VOMIL/MINA, 2000), provided that:

- other donors participate as well.
- the Netherlands Antilles government establishes a coherent policy and legislative framework related to nature protection.
- protected areas are either owned by the national or local governments, or subject to management agreements between the government and private owners.

The Secretary favored a step-by-step approach, in which each side alternately takes a further step towards the end goal after the other side has taken a step, according to a schedule agreed upon by both parties. Such a step approach is now becoming standard practice in bilateral relations of the Netherlands.

#### **Changing bilateral relations**

Since 1998, however, the relation between the Netherlands and the Netherlands Antilles has faced many tests and challenges. Governments have changed several times on both sides, which led to new approaches and political priorities. In 2001, a five-year co-operation framework for "Sustainable Economic Development" was agreed which includes six economic and an additional environmental program. Specific plans based on this framework are prepared annually by the Antillean government,

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<sup>16</sup> Unfortunately, it was not possible for the consultants to obtain a meeting with the Ministry of Finance within the timeframe of the study to discuss this issue.

with the Dutch government evaluating the plans mainly on their sustainability, effectiveness and efficiency.

In recent years, the emphasis in development cooperation is shifting towards poverty alleviation, governance issues and strengthening of the judicial system. However, the sustainable economic development program still provides a framework for addressing environmental issues, even when continuous lobbying efforts are required to keep them on the agenda.

**Position re Trust Fund grant**

With regard to a contribution to a Trust Fund for nature parks, BZK's position is that:

- the use of government funds with the explicit goal to create financial reserves without spending the capital itself is considered 'not efficient' under the Dutch government's accounting system<sup>17</sup>; financial departments in several Ministries have rejected endowment initiatives on these grounds in the past.
- using Dutch government grants to create financial reserves may be politically more difficult in times of drastic budget cuts causing tightened operational budgets for all Ministries.
- the environment is a sector where Antillean ownership and policy priorities play a major role, which means that any inclination by BZK to endorse funding proposals for a Trust Fund would require strong backing by the Antillean and island governments.

In the light of the objections, a contribution to a Sinking Fund should be much more acceptable.

**New co-operation channels**

The newly formed SONA and AMFO (see box 6) are in a position to adopt, within limits, their own budgetary policies and guidelines. This may reduce the risk of a capital grant being rejected on the above-mentioned technical or political grounds if

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<sup>17</sup> Officials from various ministries have repeatedly commented that a capital grant by the Dutch government to a Trust Fund might be incompatible with financial legislation (the 'comptabiliteitswet'), in the sense that funds entrusted to third parties would be 'administratively not transparent', 'inefficient', 'beyond parliamentary control' and 'risk-prone'. However, a properly designed Trust Fund can counter all of these objections. Inquiries with the Ministry of Finance, which should give permission to such a transaction, and other government officials indicated that it is not a question of conflict with the law but rather with standard budgetary policy and guidelines ("HAFIR" and "Nota Beheer en Toezicht"). In their view, the drawbacks of a Trust Fund are that financial resources would be permanently withdrawn from supervision by policy makers and could not be put to alternative use in case of future policy changes. Another technical disadvantage is the unbalance in the year of disbursement between budget and output. In spite of these objections, there have been cases of Dutch government contributions to Trust Funds, such as US\$ 2,45 million to the Bhutan Trust Fund in the 1990s.

submitted to either of them, as compared to submitting a proposal directly to a Dutch Ministry.

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**Box 6 New channels for Dutch-Antillean development co-operation****The SONA**

In 2004, management of the co-operation program from government-to-government is being transferred to a newly formed development fund, the SONA (*Stichting Ontwikkelingsfonds Nederlandse Antillen*), following the successful model applied in Aruba. The SONA is an independent foundation according to Netherlands Antillean law. It is governed by a Board with three members, two Antilleans and one Dutch. The SONA has contracted a separate implementing agency and can also raise funds from other donors.

With regard to the SONA, the Dutch government applies less restrictive budgetary principles than before, based on a commitment system instead of a cash system. This means that annual budgets do not have to be entirely spent before the end of the calendar year anymore. This virtually eliminates the usual 'underexpenditure problem' for BZK funding, which occurs when the original annual budget can not be spent before year's end. Such an imminent underexpenditure created opportunities for submitting additional funding proposals in the last quarter. Instead, SONA funds have to be legally committed within two years after having been allocated. SONA funds may also be deposited into accounts that generate interests and these interests may be used as well, as long as adequate checks and balances exist.

The co-operation budget varies from year to year, and now stands at around 40 million Euros. Ten percent of the Dutch contribution has been allocated to the national Antillean government, to be calculated over a four-year period. Almost one quarter of this amount is for nature and the environment, including funding for activities on the various islands; in other sectors, these funds are restricted to the national Antillean level. The other ninety percent of the SONA development fund goes to island governments, and none of this is allocated to the environmental sector. However, the quality of individual project proposals remains the essential criterion and may lead to changes in these distribution percentages.

**The AMFO**

Parallel to the channel for Dutch bilateral government co-operation, an independent foundation was established in 2003 to operate as funding channel for NGOs, the AMFO (*Antilliaanse Mede-Financierings Organisatie*). Each island has established its own NGO platform and these platforms have developed multi-annual programs. Project proposals submitted to the AMFO have to fit in these programs. The annual AMFO programme budget for the coming years is 8 million Euros. So far, the overall emphasis of the programs is on social issues and capacity building, and so far no island program or activity field refers to nature management (see [www.samfo.org](http://www.samfo.org)).

Opportunities for the park management NGOs seem rather limited at the moment, but –once they become active members of the island platforms- this situation may change, as the Dutch-Antillean development programs are likely to be reformulated from time to time. Such a shift may, for instance, take place if environmental programmes are able to show a better performance and more measurable results than social programmes. Just as in the case of SONA, the AMFO can also raise funds from other donors.

## Recent developments

BZK has recently reconfirmed its political support for the Antillean Trust Fund process. If other parties take the initiative to establish and capitalize a Trust Fund, BZK stated it would welcome such a development and can at least be expected to increase its political support. Early November 2004, the Dutch parliament unanimously adopted a motion asking the Secretary of State for Constitutional Kingdom Affairs, Mr De Graaf, to “*use the expected under-expenditure in his 2004 budget for a substantial financial contribution to the Trust Fund for nature management on the Antilles*”. This motion represents an important political signal which may outweigh the reservations expressed by financial government departments.

Sustainable financing of protected area management is increasingly recognized as a priority issue by the international donor and co-operation community, as evidenced, for example, at the World Parks Congress in 2003. This may also contribute to a change in the Dutch government policy towards Trust Funds, especially if backed-up by influential organizations and individuals who have dealt with long-term park funding.

### Other Dutch Ministries

#### Ministry of Agriculture (LNV)

The Ministry of Agriculture (LNV) is the leading Ministry in Dutch international nature policy, although it does not have the largest budget. LNV supports nature management of the Netherlands Antilles by:

- providing in-kind technical assistance.
- supporting the cause of Antillean nature politically.
- small-sized financial support through a variety of programs.

#### Underexpenditure opportunity

In case the recent request for a BZK contribution to the Trust Fund as expressed in the parliament’s motion would be rejected, VSO/MINA and the DCNA may still consider presenting a larger funding proposal to BZK, LNV and/or the Ministry for Development Co-operation (OS) in the coming years. Such a proposal would be in anticipation of a possible underexpenditure in the overall government budget, i.e. outside the regular Antillean co-operation budget now being managed by the SONA and AMFO. Political support for the Trust Fund expressed by the Ministries of BZK and LNV may then play a vital role in the allocation of “unspent” funds from any Ministry. Demonstrated effectiveness of a Trust Fund and a professional performance of the DCNA will be obvious success factors.

Such a request should preferably be firmly embedded in a broader proposal which focuses on institutional strengthening

and the integration of nature management in sustainable economic development. Well-managed nature parks and intact ecosystems should be highlighted for their economic values, as a key tourism resource, as protection against erosion and hurricane damage, as marine nurseries etc..

### **The debt crisis**

In many countries, debt-for-nature swaps have been a major capital source for conservation Trust Funds. Annex 3 provides a general introduction to both commercial and bilateral debt-for-nature swaps.

#### **Bilateral debt negotiations**

The debts of the Netherlands Antilles' government have reached dramatic proportions (see box 7). So far the government has been able to meet its repayment and interest obligations and debt-swaps have never been seriously considered. Only about 20% of the government debt of 3,8 billion NAF (2002 data) is owed to the Dutch government. Debt negotiations have continued during the past few years, and the Dutch government stated that it would not consider special debt-relief arrangements until the Antillean government would come up with a comprehensive debt-restructuring plan.

#### **A bilateral debt-swap?**

Early this year, BZK officials stated they would rather see a technical financial restructuring proposal than a swap involving another sector. Also, a debt-swap proposal for conservation only is likely to meet with strong local opposition from the social sector (politicians, NGOs and other interest groups). Therefore, only a mixed conservation-and-social development swap might be politically acceptable to Antillean stakeholders. Using part of such a swap to capitalize a protected areas Trust Fund is a further step and would require additional lobby efforts to overcome hesitations to immobilize funds instead of spending them.

Last year's report on the Antillean debt crisis has been an important step towards a bilateral debt settlement (Ministry of Finance, 2003). The new Antillean government of Mr IJs recently presented an "urgency program" to address the economic crisis and, based on that program, came to an agreement with the Dutch government on a bilateral "co-operation plan". As a result, the Dutch government decided to cancel unconditionally almost one quarter of the bilateral debt, worth EUR 48 million, in September 2004. In case of substantial progress with the implementation of the urgency program, the Dutch government is willing to consider further debt reductions, but this time probably not without conditions. This would offer

an interesting opportunity for VSO/MINA, the DCNA and NC-IUCN to lobby both governments for a debt-swap as part of a debt reduction.

In summary, short-term prospects for a debt-swap with the Dutch government, which seemed negative earlier this year, are still uncertain because of reluctance among BZK officials. Such an arrangement is nevertheless worth to be pursued by the DCNA, NC-IUCN and VSO/MINA. For the Dutch government to agree with a debt-for-nature swap, the Antillean government should at least show concrete commitment to environmental protection and the park organizations must demonstrate to be effective and efficient park as well as fund managers. As the debtor government, the Antillean authorities would have to agree to allocate funds from the government budget to finance whatever environmental or other social programs are being supported by the swap deal. The chances of this happening appear to be small, even though the amount that would have to be allocated by the government would probably be significantly less than the full amount that the government is otherwise obligated to repay to its creditors.

#### **Commercial debt swaps**

Commercial debt swaps seem less feasible in the short term as conversations with several banks, including the central Bank of the Netherlands Antilles, have shown. On the other hand, in 2003 the first signs of reluctance by commercial banks in the Netherlands Antilles with respect to new loans to the government were reported. The DCNA is recommended to closely monitor any changes in the position of commercial banks in debt negotiations with the central or island governments.

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#### **Box 7 The debt crisis of the Netherlands Antilles**

A recent report by a special commission on the debt problems of the Antillean government concluded that, unless the government changes its policy, the "budget deficits and debt situation get completely out of control" (Ministry of Finance, 2003). Between 1980 and 2002, government debts rose from NAF 0,7 billion to NAF 3,8 billion, or from 40% to 81% of the GDP. The report even expected a percentage of 95% by the end of 2003 and 250% by 2010 (NAF 10 billion). This is extremely high as compared to international standards of, for instance, 40% for low-income countries and 60% for Euro countries. The national and the Curaçao island government together now account for 95% of all Antillean debt (40% and 55%, respectively; the other island governments have the remaining 5%).

The ratio between internal and external debt changed from 50/50 in 1980 to 81/19 in 2002 (92% of the external debt is owed to the Netherlands government). In 2003, interest payments absorbed 25% of all national government expenditures. A break-down of internal creditors results in the following percentages: 40% for the

APNA pension fund; 30% for private and institutional investors; 13% for commercial banks; 10% for the SVB social security bank and 6% for the Central Bank of the Netherlands Antilles.

The main solutions to the debt crisis which the Commission recommends:

- restructuring of interest (e.g. by refinancing the debt at lower interest rates).
- using development aid for interest payments, justified by traditional under-expenditures; however, the new set-up of Dutch aid with the SONA Development Fund makes this option highly unlikely.
- a package of structural measures to make public finances healthy again (budget cuts, guidelines for budget discipline, sanctions on non-compliance).

The Commission also concludes that debt relief can only be achieved with external help and qualifies the Dutch government as the 'most logical candidate'.

The report from 2003 does not mention a *debt-for-nature-swap* or *debt-for-development-swap* as possible part of a debt relief or debt-restructuring package. However, the variety of creditors of the Netherlands Antilles Government means that different debt-restructuring strategies could be proposed for discussion with different creditors. On the one hand, the Dutch government is currently reluctant about the idea of debt swaps, but such an initiative could be proposed, for instance by DCNA and NC-IUCN, in case of negotiations to restructure or cancel the foreign debt. On the other hand, a discussion on debt swaps could be initiated with certain internal creditors such as commercial banks, the Central Bank, and other investors, in case the debt crisis gets out of control and those creditors give up hopes of ever being substantially repaid (in which case, they might be attracted by the public relations value of simply donating the debt for conservation, or selling the debt to a conservation organization for only a small fraction of its face value). Even though their share of the total debt may be small, the amounts are still substantial for swap purposes (NAF 409 million debt with commercial banks, NAF 144 million debt with the Central Bank and NAF 907 million debt with investors).

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## EUROPEAN COMMISSION (EC)

### **OCT benefits**

Annex 4 presents an introduction to the current status of the Netherlands Antilles as one of the European Union's Overseas Countries and Territories (OCTs). The advantages and disadvantages of an alternative status as Ultra-peripheral Territory (UPT) will be assessed in the coming years, based on a recently published report (SEOR, 2004). A summary of the main points can also be found in Annex 4. The following sections discuss the options under an OCT status.

OCTs may benefit from the following forms of financial assistance:

- grants from the EDF grant facility.
- refundable aid from the EDF Investment Facility.
- loans from the European Investment Bank's (EIB) own resources.
- aid under horizontal budget lines and Community programs.

The first and fourth are relevant to the present study.

#### European Development Fund

The **European Development Fund** (EDF) is the main instrument for EU aid for development co-operation in the ACP countries and the OCTs. Each EDF is concluded for a period of around five years, with the 9<sup>th</sup> EDF running from 2002 to 2007 and an allocation of EUR 20 million to the Netherlands Antilles. EDF grants are assigned to governments, within the framework of the so-called Single Programming Document (SPD) which sets out a development and cooperation strategy and which is drawn up principally by the authorities of the OCTs. Each SPD identifies a limited number of ‘priority focal areas’.

#### SPD and focal areas

The EC now prefers each OCT to concentrate on one focal area, with more than one area in exceptional cases only. Provided the country has a track record of sound public financial management, the OCT may also request budgetary support from the EDF; this will then be treated as national resources. The proposed SPD of the Netherlands Antilles for the 9<sup>th</sup> EDF is currently under review by the European Commission. It includes four social ‘focal areas’ (housing, water and sanitation, neighbourhood rehabilitation and vocational training) and does not include ‘environment’.

#### Budget lines

Horizontal budget lines and community programmes relevant to our study mainly fall under the Directorates General (**DGs**) **Development** and **Environment**. DG Development has a much larger budget than DG Environment and the latter concentrates on European countries. DG Development provides policy guidance on development policy, programs resources of the EDF and dedicated budget lines of the Commission’s budget, prepares strategies for co-operation with ACP countries and OCTs and monitors their implementation. DG Development furthermore programs the use of financial resources dedicated to certain sectors and themes in support of the development policy under the Commission budget. Among the most significant budget lines are ‘Environment in developing countries’, tropical forests and NGO co-financing. The implementation of programs funded under these budget lines rests with the **EuropeAid** Co-operation Office (AIDCO).

Funds are made available by means of Calls for Proposals published on EC web pages<sup>18</sup>, usually on an annual basis. Budget

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<sup>18</sup> [http://europa.eu.int/grants/index\\_en.htm](http://europa.eu.int/grants/index_en.htm)



amounts available for such calls as well as thematic focus, eligibility criteria (such as government or NGO status) and co-financing requirements vary from year to year. Full details are given in each call.

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#### **Box 8 EC environmental budget lines and programs for developing countries**

In 2000, DG Environment financed around 100 environmental projects, ranging in budget from EUR 15.000 to 500.000. The total budget was around EUR 8,6 million. Both government institutions and NGOs were eligible, from EU as well as developing countries. In contrast, the recent Call for Proposals 2004 by this DG accepts around 20 proposals under three well-defined topics, only one of which (capacity building for Kyoto Protocol negotiations) is open to developing countries with only one project being awarded. Total budget of the 2004 Call is just EUR 1,4 million.

Of more importance to the Netherlands Antilles are the Calls for Proposals by DG Development / EuropeAid under budget line B7-6200 that are announced annually since 2000. They consist of two programs, with clearly defined themes and issues: *Promotion of the conservation and sustainable management of tropical forests and other forests in developing countries* and *Promotion of the full integration of the environmental dimension in the development process of developing countries*. The 2003 Call was closed early March 2004. This time, only NGOs were eligible, while government agencies could be involved in the projects as 'associates'. Projects can have a maximum duration of five years and the EC co-finances up to 80% of the budget. The total available budget was almost EUR 6 million and around EUR 25 million, respectively, with grant sizes from 0,5-2,5 million and 1-3,5 million, respectively.

As far as budget lines for NGOs and 'decentralised cooperation' are concerned (B7-6000 and B7-6002), these deal with North-South NGO-partnerships and with projects focussed on local civil society, respectively. Overall goal is to strengthen the 'operating capacity of such grouping' and to 'develop human and technical resources and carry out local social and economic development'. These budget lines can be relevant to the individual park management NGOs on the Antilles as well as to the DCNA. In 2003, the total amount available was EUR 6 million which went to 13 contracts out of almost 500 submitted proposals.

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The Tropical Forest program might be of interest to the Leeward Islands for more conventional project proposals. Although they would have to compete with large, globally known forest regions, one EC official stated that this aspect does not play a role in the selection unless it is an explicit eligibility criterion. Elements which should be stressed are their uniqueness, degree of threat,

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[http://europa.eu.int/comm/environment/funding/intro\\_en.htm](http://europa.eu.int/comm/environment/funding/intro_en.htm)

[http://europa.eu.int/comm/europeaid/tender/index\\_en.htm](http://europa.eu.int/comm/europeaid/tender/index_en.htm)

importance for the local economy and the effectiveness with which they are or will be managed. The program for 'Environment in developing countries' is relevant to all the Netherlands Antilles, but any grant proposal should be tailored to the criteria of a particular Call for Proposals.

#### **EC and Trust Fund grants**

Consultations with a range of EC officials showed different opinions on the feasibility of a capital grant by the EC to a Trust Fund. Most officials who have been consulted commented that such a proposal would be rejected by legal departments because of financial and legal regulations.<sup>19</sup> These regulations became more restrictive in 2003, only allowing grant funds to be spent and not to generate interest. Until a few years ago, it was allowed to use interest generated as a by-product of large grant installments, but that is now considered as 'banking practice' and no longer permitted; any interest should be returned to the EC.

On the other hand, some desk officers state that a Trust Fund contribution is, in principle, possible. This was confirmed by a letter from the Head of the Operational Support Unit of EuropeAid stating that EC contributions to Trust Funds are not forbidden, provided a "destination for the funding after the end of the project is determined from the onset". This means that the DCNA may, in principle, submit a proposal for a capital grant to a sinking fund. The same applies to a capital grant for an endowment fund, but under the condition that the time period in which the capital operates to generate revenues is limited. At the end of that period, the capital has to be used for some predefined purpose (see Annex 5 for the specific conditions), such as projects, running costs or capital investments (land purchase, park infrastructure etc.).

#### **DUTCH NATIONAL POSTCODE LOTTERY (NPL) AND DOEN FOUNDATION**

#### **Major donor**

The National Postcode Lottery (NPL) is the largest non-governmental charity lottery in the Netherlands. Since its creation in 1989, the NPL has given EUR 642 million to non-governmental organizations working in development co-operation, EUR 637 million to environment and nature

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<sup>19</sup> One EC official was involved in an attempt to establish a Trust Fund as part of the ECOFAC program in Central Africa which receives large EC funding, but a capital contribution by the EC was denied on legal grounds. One case was mentioned where the EC provided budgetary support to the education sector on Tuvalu freeing funds in the local government budget which were deposited in an environmental Trust Fund, by way of trade-off.

conservation, and EUR 322 to human rights organizations. Regular NPL grants to official beneficiaries are not earmarked and have a minimum size of EUR 0,5 million. Furthermore, beneficiaries can submit special projects once a year for the proceeds of an extra lottery draw. To qualify for the status of an NPL beneficiary, an NGO has to be legally established in the Netherlands, have a sound reputation, enjoy broad public support and possess fund-raising capacity. This implies that the DCNA would have to establish a legal dependence in the Netherlands. Any organization is required to first pass through a transition period before obtaining full beneficiary status. Proceeds from the 2003 draws left a net amount of EUR 217 million available for charity purposes, to be divided among 45 recognized beneficiaries.

#### **DOEN Foundation**

Indirectly, the NPL has been supporting Antillean park management NGOs through DOEN Foundation, one of its beneficiaries, since 1995 with a total amount of EUR 1,7 million in grants for land purchase, to cover operational park management costs and for projects. DOEN remains a high-potential donor for proposals that strengthen the income-generating capacity of the management NGOs. In 2003, DOEN Foundation has approved proposals for three-year core funding on Bonaire and Saba (EUR 470.000) plus a goat project on Saba. At the time of writing, an additional request for core funding on St Maarten and Statia has been approved by the Board of DOEN, totalling EUR 225.000 and EUR 229.000, respectively, for three years.

#### **NC-IUCN and NPL grants**

The NPL has expressed its interest in supporting conservation in the Netherlands Antilles on various occasions. A first step towards a more structural funding relation was the approval, in January 2004, of a EUR 0,5 million grant to cover operational costs of the Antillean nature parks and support the establishment of the DCNA (Dutch Caribbean Nature Alliance). This grant represented a promising start towards the recognition of the Netherlands Antilles and (later) Aruba<sup>20</sup> (the Dutch Caribbean) as a destination for NPL funding. These funds are being channeled through the **Netherlands Committee for IUCN** (NC-IUCN), one of the 45 NPL beneficiaries, as intermediary. In January 2005, a second grant proposal worth almost EUR 2 million was approved by the NPL for the period 2005-07.

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<sup>20</sup> Although Aruba has been invited to join the DCNA and has expressed an interest to do so, no concrete steps towards joining have been taken yet; some funds have been allocated in the NPL grants, but not yet paid.

Similar or additional grants could be applied for in the coming years. In the medium-term, an annual NPL contribution of EUR 1 million seems feasible, assuming a convincing performance by the park management NGOs in terms of their success in raising additional funds. They will also have to demonstrate effectiveness in managing NPL funds, in park management and in meeting conservation goals. It would help if NC-IUCN succeeds in incorporating such an annual contribution to the Antillean parks in its multi-annual beneficiary contract with the NPL, instead of the current dependence on more competitive project funding from an extra lottery draw.

#### 'De Landschappen'

Another NPL beneficiary that could play a role with respect to structural financial support to Antillean park management NGOs, is the association of 12 Provincial Landscapes, also known as **De Landschappen**. A proposal to eventually link the Dutch Caribbean nature parks, represented by the DCNA, to this association as a 13<sup>th</sup> "Landscape" has been under review within De Landschappen for several years. Any form of linkage, and the implications, conditions and mutual benefits, still need to be extensively discussed within De Landschappen. This process is expected to take some more time and its outcome will certainly be influenced by how the DCNA develops.

One of the goals of this linkage is to give the Antillean parks access to a share (most likely one 13th) of the annual NPL grant to De Landschappen. This grant currently amounts to EUR 12,5 million and is expected to increase by 1 million if DCNA would be admitted as the 13th member. Linking the DCNA to De Landschappen makes more sense than a continued linkage to IUCN, since the DCNA could then be accommodated to a comparable existing protected areas structure and provide a long-term partnership perspective, including access to NPL funds. A 13th landscape status for the Dutch Caribbean parks will be welcomed by the Dutch government as a non-governmental expression of Kingdom relations.

#### DCNA as NPL beneficiary

An alternative to linkage to De Landschappen is an independent NPL beneficiary status for the DCNA. This will require at least four years of successful professional performance as an organization and of visible progress in conservation and park management on the individual islands. The DCNA will also be required to establish a branch in the Netherlands which can legally represent the DCNA. Such a legal branch can also serve to mobilize support from Antillean residents in the Netherlands. During the transitional period NC-IUCN is committed to act as

intermediary not just in channeling funds but also in capacity building and organizational development.

**Combination**

Another option could be a combination of the two linkages, with an official association to De Landschappen besides a partnership agreement for lobby and technical support purposes with NC-IUCN. The position and preferences of the NPL on this issue will play an important role in any final decisions by De Landschappen, NC-IUCN and DCNA.

**A Trust Fund capital grant**

Another possibility is a one-time large grant, for instance from the NPL's annual extra draw, to a Trust Fund. The ideal scenario would be a combination of a capital grant with one of the other options (grants via NC-IUCN or De Landschappen). The NPL has never contributed to Trust Funds before and its Board remains reluctant, but the Lottery is gradually reconsidering its funding policies. DCNA, NC-IUCN and De Landschappen could submit a request for such a grant in 2005 or 2006 with a convincing proposal arguing that a Trust Fund is an essential mechanism to achieve long-term financial stability for Antillean conservation and a one-time capital injection by the NPL would complement the other, more conventional grant.

**NATURE MANAGEMENT ORGANIZATIONS IN THE NETHERLANDS**

**The Support Group**

NC-IUCN has recently secured institutional commitments for various forms of support to the Dutch Caribbean park organizations, from the key organizations that manage protected areas in the Netherlands: Natuurmonumenten, Staatsbosbeheer and De Landschappen. WWF-Netherlands and CI-Netherlands also joined this 'Support Group'. The members of this group provide political and technical support to the islands, which may refer to communication, promotion, training, financial management, park management and lobbying. Details will be worked out in the near future. Except from possibly WWF-NL, the members of the Support Group will not provide financial assistance to the Dutch Caribbean park organizations.

**Groenfond**

The Groenfond is an autonomous entity which channels and manages government funds for the Dutch national parks, finances nature and landscape management projects and provides financial advice on nature projects. The Groenfond also supports private investments in nature conservation with strategic financial advice or with additional financial assistance. The Nationaal Groenfond is a specialist in financial

arrangements for rural areas, for public and private players or public-private partnerships. The Groenfonds only works in the Netherlands. However, its chairman, mr Pieter van Vollenhoven, has expressed an interest in involving the Groenfonds in support to Dutch Caribbean nature conservation. Technical advice on financial arrangements and fundraising would seem a logical form of support. The first discussions with NC-IUCN about types of support have not yet taken place at the time of writing this report.

Funding to cover the running costs of nature parks can not be expected from these organizations, with the exception at a later stage of De Landschappen (NPL funding) and –as part of a project- WWF-NL (see separate section). More importantly, none of these organizations will make a capital contribution to a Trust Fund.

### CONSERVATION INTERNATIONAL

#### **Caribbean Basin Hotspot**

Conservation International (CI) considers the Caribbean Basin as one of the world's biodiversity conservation hotspots. At the same time, the basin comprises the world's greatest concentration of small countries, representing a variety of political systems. Based on these premises, CI is in the process of developing a Caribbean-wide conservation strategy and will seek funding in 2005.

This 'Caribbean Biodiversity Initiative' (CBI) includes two main activities:

- biodiversity research in the Caribbean Hotspot and Critical Marine Area, both of which have been designated as part of global analyses.
- establishing CI presence by involving local players in research and by establishing institutional links to a diverse set of local partners.

#### **Program development**

Among the programs which are currently being developed as part of the CBI are:

- conservation of Saba Bank (one of the world's largest marine banks with some of the most pristine coral reefs in the Caribbean) and the Saba island forest.
- conservation of the Southern Caribbean Marine Priority Area, which ranks as the second most important concentration of marine biodiversity in the entire Atlantic Ocean. This area runs along the coast of South America from Colombia to

Suriname and includes islands such as Aruba, Bonaire and Curaçao.

Both programs offer good opportunities for future CI involvement including financial support to the Dutch Caribbean.

#### **CI and Trust Funds**

CI has made many large, multi-million dollar grants to support protected areas and nature conservation in biodiversity hotspots. These larger grants generally are not made by using CI funds (which are mostly used to finance CI's own programs and offices), but by using one of the two independent multi-donor funding mechanisms that CI is responsible for administering:

- the Critical Ecosystem Partnership Fund (CEPF),
- the Global Conservation Fund (GCF).

#### **CEPF and GCF**

CEPF and GCF each have a total of between \$75 million and \$100 million available for making grants. CEPF grants are intended primarily for capacity building (especially for strengthening the capacity of local conservation NGOs in developing countries), and for large-scale eco-regional planning. However, CEPF grants must be completely spent within five years, and cannot be used to capitalize trust funds. By contrast, GCF grants are intended primarily to fund the costs of establishing new protected areas and of enlarging existing protected areas. GCF grants can be used to capitalize conservation trust funds which are intended to finance the recurrent operating costs of new or expanded protected areas, but not of existing protected areas. Currently, it is too early for the Caribbean to be a top priority for GCF, but it could become so in the future.

#### **Potential CI role in the Antilles**

The greatest potential in the short term for CI to make a contribution to the Trust Fund would be if CI could convince a wealthy US donor or multilateral corporation to make a donation to CI that would be earmarked for the Trust Fund. This appears to be the main strategy that is now being pursued by CI's President and CI's Antilles Country Director.

CI can be considered a key player in conservation finance for the western hemisphere, and is also of strategic importance to the Dutch Caribbean. The DCNA is recommended to develop and cultivate a close relationship with CI, which is facilitated by the early involvement of CI's Dutch and Antillean representatives in the current feasibility study. Linking the Windward Islands to the Saba bank hotspot and the Leewards to a possible transboundary marine protected area with Venezuela might increase CI interest in financial support to the Netherlands

Antilles. CI is also of strategic importance since it can help in persuading specific parts of the American public and US donors to give financial support to the Antillean parks.

#### WWF-NETHERLANDS (WWF-NL)

##### **Current prospects**

WWF-NL has not been short-listed as a promising donor, due to the outcome of the quick-scan prior to the inception workshop on Curaçao in February. WWF considers it to be more appropriate to rely on other sources for capitalizing the Trust Fund (such as BZK, local government budget allocations, imposition of new or higher fees, etc.). Instead, WWF plans to continue funding projects on those islands where WWF perceives that visible progress has been demonstrated in terms of institutional capacity and conservation results due to earlier financial support (Saba and Bonaire). Future changes in WWF-NL's funding policy and priorities may offer new opportunities, though, and the DCNA is recommended to actively keep WWF-NL informed on progress and major problems. If the DCNA succeeds in creating and maintaining a network of influential supporters, then one of them may be able to leverage WWF-NL support to the Antilles if the need arises. Even a Trust Fund grant can then not be excluded, in case of a special occasion.

##### **Institutional support?**

A form of support which can be of vital importance and which WWF-NL may be willing to provide is capacity building by staff members from its headquarters, for instance in fundraising, sponsoring, marketing or communication. The DCNA could prepare a proposal in the form of a training course to the park management NGOs and/or the DCNA, preferably accompanied by visits to all islands to help develop specific fundraising strategies. Special attention should be paid to the potentials and pitfalls of partnerships with business companies. WWF-NL will focus increasingly on this sector of "major donors" in the coming years, not only for its fundraising potential but also to engage in joint activities which benefit the environment. WWF might be willing to share its lessons on franchising and the use of its logo on a range of consumer products ("panda" bread, "panda" dessert, VISA card). WWF's current partnerships with one of Holland's main power companies (Essent) and with the main Dutch bank that is involved in managing investment capital for charitable purposes (MeesPierson) may also provide valuable lessons for the Antillean organizations.



## THE PRIVATE SECTOR – CORPORATIONS

The following table gives a general overview of the three categories of private funding sources for protected areas.

**Table 12**

Overview of private funding sources for protected areas (after Norris & Curtis, 1999)

Source	Definition	Who Can Use It	Advantages	Disadvantages
Philanthropic Foundations	Grant-giving organizations	Generally available only to non-profit organizations	Can be a significant source of revenue for specific project activities or start-up of new programs.	Difficult source of recurrent funding. Intense competition for limited funding often leads to significant investment of effort in proposals with low-to-medium chance of funding.
Corporations	Sponsorship or other types of voluntary payments by companies	Parks agencies, NGOs	Generally a means of raising both national and international support for facilities or management. Corporate donors' expectations sometimes can be met with simple acknowledgment placards. Means to link companies that benefit from protected areas to supporting them (tourism, hospitality industries)	Whether the protected area wishes to be associated with a certain corporate sponsor and what the corporation gets in return needs to be carefully considered before donations are solicited and accepted.
Individual Donations	Gifts through a variety of mechanisms - direct gifts, memberships, wills and bequests, etc.	Generally NGOs but sometimes protected areas agencies	No cumbersome application process. Can build donor loyalty over time. Usually unrestricted gifts.	Requires insight into potential givers and what motivates them. Some gifts, especially bequests, may take years to cultivate and eventually realize.

**Experiences in other countries** Although there are many cases around the world in which corporations have made large contributions (of more than US\$1

million) to conservation organizations, there are very few cases in which corporations have contributed large amounts to conservation trust funds. Corporations generally prefer to channel their contributions to more tangible individual conservation projects for which they can claim direct credit, such as the construction of a visitor or research center, or the purchase and donation of parcels of land to a protected areas agency or a private conservation organization.

The few cases in which corporations have made donations of more than US\$1 million to a conservation trust fund have involved large international oil companies such as Exxon (in Cameroon) or Shell and Enron (in Bolivia). Such donations were required by international financing agencies such as the World Bank or the U.S. Overseas Private Investment Corporation as a pre-condition for obtaining large loans or loan guarantees to construct oil or gas pipelines in ecologically sensitive areas. In those cases, contributions by oil companies were a form of environmental “mitigation”, and also served to improve the public image of oil companies which were under attack by environmental groups. A more common range of gifts to conservation trust funds by banks and corporations other than oil companies lies between \$10.000 to \$200.000.<sup>21</sup>

#### **Potential on the Antilles**

Despite the fact that the economy of the Netherlands Antilles has been in crisis for a number of years, the volume of commercial and private capital flows in the country –albeit with large variations between the five islands- is impressive. After the Bahamas and Aruba, the Netherlands Antilles still have the third highest per capita GDP (over US\$ 15.000 in 2001) among 15 Caribbean countries (IMF data quoted in SEOR, 2004; these include Dutch co-operation funds). If even a tiny fraction of this capital could somehow be tapped to support the nature parks, the amounts involved could still be very significant and bring an end to the parks’ financial crisis. There have always been individual members of the business community showing an interest in

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<sup>21</sup> - For example, the Jamaica National Parks Foundation received the following donations of \$10.000 or more: USAID (US\$240.000), The Conservation Trust of Puerto Rico (US\$100.000), Eagle Merchant Bank (US\$100.000 over 4 years), Smithsonian Institution (US\$60.000), Sandals Resorts Ltd (US\$13.000) and The Nature Conservancy (US\$10.000). Many smaller donations were also made by Jamaican companies and individuals.

- In another example, Banker’s Trust (which is now part of Deutsche Bank) made a grant of \$45.000 in 1992 to help pay for the costs of setting up the Mexican Nature Conservation Fund.

- In yet another example, WWF-South Africa successfully raised a total of US\$ 2 million from various local banks and corporations to capitalize the Table Mountain Conservation Trust Fund, which thereby qualified to obtain a \$5 million matching contribution from the GEF.

financial support to the conservation of the islands' nature and culture.

A number of business representatives, former politicians and influential individuals have been consulted during this assignment to assess the feasibility of various types of financial support by the business sector to the Antillean nature parks in particular (see list of consulted persons at the end of this volume). These conversations lead to the conclusion that there is definitely potential for a variety of financial support mechanisms from the business sector. Part C of this report discusses some ins and outs in fundraising from the corporate sector in more detail.

**Credibility and transparency**

At all times, the reputation and credibility of the conservation organization should be protected. Transparency towards the press, other NGOs and the general public on the benefits both to the company and to conservation is essential. The local as well as the international track record of any company in terms of environmental impacts of their business practices, and how the company will use its support in public relations should be evaluated before entering into any agreement. Organizations such as WWF and Natuurmonumenten can provide examples of policies for partnerships with the corporate sector.

**Trust Fund contributions?**

Whether or not this would include capital contributions to the Trust Fund is an option that needs further networking and investigation. However, signals are positive enough to include this option in the communication strategy with the business sector; crucial success factors are:

- performance of the DCNA and the park management organizations and a financial management that meets high standards of reliability, efficiency and transparency.
- a professionally designed Trust Fund, with special incentives to raise donor interest in such a mechanism.
- a well-targeted and professional information campaign explaining why a Trust Fund is needed.
- investing ample time and energy in building trust and cultivating relations with this section of the donor community.

Preliminary indications of the size of capital contributions range from \$ 20.000 to \$ 50.000 per company.

**Selective strategy**

Approaching individual business companies at random for financial support to nature conservation is not efficient and has little effect. It makes more sense to first select promising sectors.

The main selection criterion is whether their business activity has impacts on or depends on the islands' ecosystems.

The following sectors meet this criterion:

- tourism and recreation (all islands)
- oil (Curaçao, Bonaire, Statia, St Maarten)
- power and water (all islands)
- mining (salt on Bonaire; gravel and limestone on Curaçao)
- transportation and infrastructure (airline, port, airport)
- bioprospecting (possible option in the future)<sup>22</sup>

#### **Wildlife logos**

Another reason for approaching business companies may be the use of wildlife in their logos. A well-known example is Exxon which has sponsored tiger conservation projects. GCN is a telecom company operating in the Netherlands Antilles which has an iguana in its logo. The company might be contacted to find out whether it would be willing to donate a percentage of the costs of mobile phone calls to the nature parks (see the recent 'call4care' and 'greentalks' initiatives in the Dutch telecom sector).

#### **Tourism and transportation**

The tourism and transportation sectors already play a key role in legal or voluntary tax and fee systems that may be earmarked for conservation and nature park management. Such systems should be part of any financial strategy for nature parks and are complementary to a Trust Fund. They may also be directly relevant to Trust Funds in case of a fee-based Revolving Fund (see the Introduction chapter).

#### **Financial sector**

Another sector with high donor potential for the nature parks and for a conservation Trust Fund in particular is the financial sector, including banks, other financial service providers and insurance companies:

- in terms of capital flows, it is the most prominent sector on Curaçao, which has the largest island economy and is one of the main off-shore financial centres of the Caribbean.
- the sector has a direct commercial interest in raising, managing and channeling funds to the Antillean nature parks; this includes managing assets for a Trust Fund.

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<sup>22</sup> Contracts in which a pharmaceutical company or other entrepreneur secures rights to genetic resources (plant or animal materials collected and processed for analysis) in return for cash payments and/or royalties on any medicines/products that may be developed. This is a rather speculative enterprise which requires skilled legal representation for contracts and it is impossible to know the potential financial return up front (Norris & Curtis, 1999). Bioprospecting interest in marine biodiversity is quite recent.

- some individuals and companies that benefit from the favourable tax climate on various islands may want to do something in return; banks can be the obvious intermediaries.
- charitable giving is a tradition in the financial sector and there is a growing trend towards forming structural partnerships with conservation organizations.<sup>23</sup>
- a growing number of banks offer asset management with an explicit charity component as one of their financial services.

More details of the forms of support which financial service providers may be willing to provide will be discussed in Volume C of this report.

## Results

Table 13 summarizes the results of the consultants' contacts with a number of business companies and organizations. The modest short-term results confirm the importance of building long-standing relationships, as experiences elsewhere demonstrate. Another crucial element is the involvement of well-connected and respected goodwill ambassadors.<sup>24</sup> These aspects will be further discussed in the fundraising chapter in Volume C.

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<sup>23</sup> “The Green Trust” between Nedbank and WWF in South Africa; “Investing in Nature” between HSBC and WWF, Earthwatch, CI and others; MeesPierson and WWF-NL and Natuurmonumenten and ING bank in the Netherlands.

<sup>24</sup> Persons who have acted as informal goodwill ambassadors, and who have expressed an interest to continue in that capacity are:

- Mr Don Martina, former Prime Minister of the NA, director of Conservation International NA
- Mr Allerd Stikker, director of the Ecological Management Foundation
- Mr Pieter Borkent, director of Conservation International Netherlands

**Table 13**

Results of contacts with the business sector

Sector	Company or organization	Result	Suggested follow-up
Tourism and leisure	CHATA (Curaçao)  Heineken International	Existing voluntary charge (1 dollar a day) for social welfare in 4 hotels (Avila, Floris Suites, Papagayo, Livingstone) might be broadened to include support to nature parks.  International corporate policy does not support nature conservation. Local subsidiary breweries might be contacted for specific events.	contact by DCNA  CHATA has invited a presentation on parks funding  contact by DCNA and park management NGOs
Oil	Shell International  Curoil	Shell is very reluctant to make a voluntary financial contribution to the environment, let alone to a Trust Fund. <sup>25</sup>  Curoil received information and expressed their initial interest. Management has not yet had an opportunity to make a decision on financial support.	DCNA and NC-IUCN to monitor any legal developments  contact by DCNA
Public utilities	Aqualectra	Exploratory contacts with general manager and PR manager positive; Aqualectra studies possibilities for one- time grants and/or contributions on the longer term. Contacts with US partner to follow soon.	contact by DCNA
Mining	Mijnmaatschappij Curaçao (subsidiary of Janssen de Jong)	Preliminary contacts with Board of Janssen de Jong NL seemed positive, but no reaction received on letter introducing DCNA and TF. (see also under "Curaçaose Wegenbouw Maatschappij")	contact by DCNA (subs) and possibly NC-IUCN (Holding)

<sup>25</sup> Such a gesture might be construed as an acknowledgement of financial liability for past pollution, and expose Shell to similar liability in other parts of the world. This situation might change if the company were to come under very strong public, political or legal pressure to clean up its environmental legacy.

Sector	Company or organization	Result	Suggested follow-up
	Cargill Salt Bonaire	Contact through goodwill ambassador pending	contact by DCNA + 'ambassador'
Transportation & infrastructure	<p>Curaçaoese Wegenbouw Maatschappij (subsidiary of Janssen de Jong = JaJo)</p> <p>Alterra Airport</p>	<p>The Wegenbouw Maatschappij sees 2 clear links between their activities and nature and environment:</p> <ul style="list-style-type: none"> <li>▪ Impact of road construction,</li> <li>▪ Their work for Christoffel Park (upgrading of park-infrastructure).</li> </ul> <p>JaJo is willing to consider in-kind contributions or discounts on works. Mutual benefits need to be discussed with DCNA.</p> <p>Alterra has discussed the project information in the Senior Staff Meeting. Results will be communicated soon.</p>	<p>Contact by DCNA</p> <p>Contact by DCNA</p>
Financial sector	<p>Maduro &amp; Curiel</p> <p>RBTT</p> <p>MeesPierson Intertrust (Cur)</p> <p>Mees Pierson (NL)</p> <p>Amaco (Netherlands)</p>	<p>Initial meeting positive, bank sees importance of the issue, but also heavy competition with other fields (e.g. poverty reduction).</p> <p>Bank will consider donation to Trust Fund (especially earmarked for Curaçao and Sint Maarten where RBTT offices are based).</p> <p>Top management sceptical about nature parks, but interested in staying informed.</p> <p>Exchange of information, focussing on general principles for sponsorship relations (using WWF-NL as a model)</p> <p>Willing to provide certain administrative support at reduced fees as an in kind contribution. Modest financial donation, e.g. to Trust Fund (all support Subject to approval by Amaco Group's managing board),</p>	<p>contact by DCNA</p> <p>contact by DCNA</p> <p>DCNA to keep them informed because of MP's strategic client network.</p> <p>Contact by NC-IUCN.</p> <p>Contact by NC-IUCN.</p>
Insurance	ENNIA		No short-term contact by DCNA

## THE PRIVATE SECTOR – INDIVIDUALS AND FOUNDATIONS

### **Experience elsewhere**

In almost all cases in other countries in which wealthy individuals contributed to conservation trust funds, such contributions were not made directly to the fund, but either:

- to an existing tax-exempt organization (such as WWF), earmarked for the trust fund, or
- through private foundations established by those individuals.

**Open Society and Jade Foundations** A number of private charitable foundations have their seat in the Netherlands Antilles, some only for administrative or tax reasons (e.g. George Soros' Open Society Institute), others because of an active interest in charitable causes on the Antilles (e.g. Jacob Gelt Dekker's Jade Foundation). The Open Society Institute focuses on human rights and democracy issues in former socialist countries. The Jade Foundation focuses mainly on Curaçao's cultural and historical heritage but has also expressed an interest in environmental issues.

### **Prince Bernhard Fund**

The Prince Bernhard Fund (PBF) is the largest private culture fund in the Netherlands, also supporting domestic nature conservation. Over 151 private funds established by individuals, foundations or companies have been entrusted to the PBF, which has given the PBF a strategic position in the charity sector, both in terms of its network and of expertise in setting up and managing private funds. The PBF does have a modest subsidiary office in Curaçao, which has recently asked the head office for assistance in creating facilities for private funds on the Antilles.

### **The potential of individuals**

A number of wealthy people, of Antillean or Dutch origin but also from other countries, have residences or second homes on the Netherlands Antilles. Most of them settled on Curaçao for tax reasons. Several captains of industry or rich investors are known to stay on Curaçao or St Maarten regularly for short-break holidays. Many of them are member of the 'Penshonado' Union which now has about 400 members. St Maarten has developed into one of the Caribbean's main yacht centres, because it offers excellent marine services and provides a safe harbor in the hurricane season. Some owners of mega-yachts visit the island on a regular basis. Bonaire is becoming a top dive destination and some dive tourists are likely to be wealthy and, if making return visits, can be expected to have a commitment to the conservation



of the island's (marine) nature. Although only a few may be inclined to give financial support for nature conservation, they should nevertheless be considered a high-potential target group for fundraising.

#### Patrons or Ambassadors

Developing good relations with influential individuals will pay off in opening doors, i.e. by expanding a network with potential private donors, getting access to high political levels and being able to influence policy. In order to give the Trust Fund a high profile among potential donors, influential individuals could be invited to serve as one of the Fund's Patrons or Goodwill Ambassadors, and asked to appeal to political and business leaders to support the Fund. Such a 'patron' is not necessarily a member of the Trust Fund's board or advisory committee.

**Table 14**

Results of contacts with individuals and foundations

Private foundation or individuals	Result	Suggested follow-up
Jade Foundation	Contacts have been established, by the consultants and by several informal goodwill ambassadors with Jade's founder, with whom Conservation International has recently established contacts as well. Main result: the "trust fund process" has been invited to participate in a television contest to be organized by Jade and Endemol later this year (details are still unknown).	contact by DCNA + 'ambassador'
Prince Bernhard Fund	Will inform its network of private charities in the Netherlands on Antillean nature parks and the Trust fund process. Will assist Curaçao branch in setting up facility to manage Antillean private capital funds.	Contact by NC-IUCN and DCNA
Several individuals are being approached by 'Ambassadors'	No concrete results yet, but some have shown interest.	contact by DCNA, NC-IUCN + 'ambassadors'

The same that has been said of the business sector applies to private foundations and wealthy individuals. All sorts of financial support are feasible, but they require a mixture of patience, social skills, connections with influential sympathizers who can open doors, high-quality presentations and proven

effectiveness in park and fund management. Here again, the feasibility of a capital contribution to a conservation Trust Fund can not be confirmed with certainty at this stage, but there are positive signals.

## **5.2 Conclusions**

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- The consultants believe that sustainable funding of nature parks can be achieved, considering the complementary potential of a series of financial strategies and a new momentum which has become noticeable. This momentum is the result of recent NPL funding, lobbying efforts by NC-IUCN, the launch of the DCNA and the fact that the Trust Fund is finally underway. All this is leading to growing political support by both the Dutch and the Antillean governments to the sustainable financing process.
- Identifying and committing capital donors is by far the biggest challenge and the primary limiting factor for the feasibility of the Trust Fund. The 2000 Budget and Financing Plan turns out to be too optimistic in its assumptions about the level and sources for the starting capital of the Trust Fund.
- Several developments not foreseen in 2000 offer new opportunities, such as the involvement of the National Postcode Lottery and NC-IUCN. The private sector is believed to represent a larger potential for financial support to the nature parks than considered in the 2000 Budget and Financing Plan.

### **ANTILLEAN AND ISLAND GOVERNMENTS**

- It would be unrealistic to expect a capital contribution from the national or island governments to a conservation Trust Fund in the short or medium term, considering the pressing social and economic problems. It will already be difficult enough to achieve or maintain regular funding from budget items in the island government budget and/or fee systems earmarked for parks.
- A high official from the Bank of the Netherlands Antilles (BNA), the independent bank that supervises the entire banking sector and monetary system, suggested that the Trust Fund could submit a request to the BNA for a modest-sized capital donation to the Trust Fund.
- Curoil and the island Council of Curaçao (which has to give its approval) could be approached about the possibility of 'earmarking' a small percentage of the price of fuel for nature park management, using existing Revolving Funds as examples, where tax money flows directly into a fund that is legally independent of Government (the Road Fund and the Alterra Airport Fund).
- Opportunities for such a capital contribution may arise in case:
  - the government can not meet the interest and repayment obligations on its debt anymore and bilateral donors or private banks are no longer willing to enter into new debts; in that case, a debt-swap may be proposed, with a combination of debt-for-nature and debt-for poverty swap being the most feasible option.
  - a government receives large fines or recovery funding as a response to environmental damages.

## DUTCH GOVERNMENT

- With poverty alleviation now being the overriding priority in bilateral co-operation, any financial support sought for nature and environment should be firmly embedded in the wider context of sustainable development.
- Objections based on budgetary management policy by the Ministry of Finance and by its own finance department make a capital grant by BZK to a parks Trust Fund little likely in the near future, unless these objections are outweighed by political positions and decisions, such as the recent motion adopted by the Dutch parliament asking the Secretary of State for Kingdom Affairs to "use the expected under-expenditure in his 2004 budget for a substantial financial contribution to the Trust Fund for nature management on the Antilles".
- A bilateral debt-for-nature swap only has a chance if the Antillean government formally proposes such an arrangement as part of a comprehensive debt-restructuring plan, as requested by the Dutch government. Even then, reservations exist on both sides. A debt swap might only be politically acceptable to Antillean stakeholders provided a social development component is included besides a nature component. Nonetheless, the current bilateral debt negotiations offer good lobby opportunities.
- The fact that the Dutch government is now willing to consider further debt reductions, after a first reduction in September 2004, represents an interesting opportunity for VSO/MINA, the DCNA and NC-IUCN to lobby both governments for a bilateral debt-swap.
- As of mid 2004, the recently established SONA and AMFO will be the key channels for bilateral funding. Their procedures and distance from politics, as well as possible future program changes, may offer interesting new funding opportunities to the DCNA and to the park management NGOs, including for a capital grant to a parks Trust Fund. Building confidence and positive relations with both funds should be a priority for DCNA and the park management NGOs.
- The following conditions might have a positive effect on BZK's willingness to consider financial support by BZK to a Nature Parks Trust Fund :
  - nature and the environment gain importance on the political agenda of the Antilles and concrete steps have been taken locally towards strengthening the nature parks (legal ordinances, income generation, incentives).
  - other sources have capitalised the Trust Fund first and the Fund has proven its effectiveness.
  - the NGOs and their umbrella organization have shown to be effective park and fund managers.
- Park-related project grants via government (SONA) or via NGO channels (AMFO), including bridging funds to finance operations of the DCNA and the park management NGOs, remain feasible provided they fit in bilaterally agreed co-operation programs.

## EUROPEAN COMMISSION (EC)

- EC budgetary policy and guidelines do not exclude an EC capital grant to a Trust Fund, although legal departments have been known to reject such proposals on regulatory grounds and regulations have even

become stricter in 2003. Any capital grant proposal to a Trust Fund of the endowment type can not generate interests indefinitely and should give the capital a destination after a certain predetermined period of time.

- The Antillean government may submit to the European Development Fund either a conventional project proposal, or a proposal for the temporary capitalization of a Trust Fund or a proposal for budgetary support which includes an allocation for park management, provided that it falls under one of the focal sectors identified in the Single Programming Document that has been drawn up by the government and approved by the EC.
- The DCNA may submit a conventional project proposal or a proposal for the temporary capitalization of a Trust Fund to future Calls for Proposals for relevant budget lines (environment, tropical forests, NGOs) by DG Development / EuropeAid, provided the proposal meets the specific conditions of the Call.

## DUTCH NATIONAL POSTCODE LOTTERY (NPL) AND DOEN FOUNDATION

- the Dutch National Postcode Lottery (NPL) is the most promising external source for the longer-term funding of Antillean nature parks because:
  - the NPL has sizeable and stable funding capital and individual grants are large.
  - the NPL provides non-earmarked core funding.
  - significant first steps towards a more structural relation have been made with a EUR 0,5 million grant in early 2004 and a EUR 2 million grant in 2005 for 2005-07, both submitted by NC-IUCN as intermediary beneficiary.
  - the possibility of associating the DCNA to De Landschappen, which is another NPL beneficiary, is a possible medium-term option with many benefits to the Antillean conservation organizations.
  - one of the NPL's main beneficiaries, the DOEN Foundation, has been supporting Antillean conservation since the 1990s.
- In the medium-term, an annual non-earmarked NPL contribution of 1 million EUR seems feasible, assuming satisfactory DCNA and parks performance. Association to De Landschappen offers the best opportunity for a structural financial share of similar size.
- there are three possible strategies for the DCNA to benefit from NPL funding for a longer period:
  - continue to receive funds indirectly through the NC-IUCN as intermediate NPL beneficiary; this could lead to an independent NPL beneficiary status after several years of satisfactory performance. NPL grants channelled through NC-IUCN will be more predictable if they would be incorporated into NC-IUCN's regular beneficiary contract with the NPL instead of depending on the proceeds from the annual draw.
  - become associated to De Landschappen, ideally as a 13<sup>th</sup> landscape with the right to share in the NPL's annual allocation; in addition, NC-IUCN might or might not continue to provide lobby and technical support.
  - apply for a capital grant to the Nature Parks Trust Fund (this option could be combined with any of the other two).

The first option is the most realistic one for the time being. The third, a capital grant to a Trust Fund, could be seriously explored in 2005 or subsequent years.

- Future financial support through DOEN Foundation is feasible (for instance for income-generating capacities), but not on a structural basis. Performance criteria weigh heavily in DOEN's funding decisions. A contribution

by DOEN to a Trust Fund is highly unlikely, at least until such a Fund has proven its effectiveness. Any support by DOEN should be compatible with its relation as a special funding window for the NPL.

## NATURE MANAGEMENT ORGANIZATIONS IN THE NETHERLANDS

- Funding to cover the running costs of nature parks can not be expected from Natuurmonumenten or Staatsbosbeheer. The third national nature management organization in the Netherlands (*De Landschappen*) might become an important partner to the DCNA in advice on communication, fundraising and organizational development, apart from becoming a key channel for NPL funding in case of a structural association as the “13th landscape”.
- The recently established Support Group formed by the Dutch nature management organizations Natuurmonumenten, Staatsbosbeheer and De Landschappen, plus NC-IUCN, WWF-NL and CI-NL, concentrates an important leverage potential with the Dutch government and civil society to help the Antillean nature parks achieve financial sustainability.

## CONSERVATION INTERNATIONAL

- The interest of CI in the Dutch Caribbean is growing since it identified the Caribbean as one of the world’s biodiversity hotspots. At a later stage, the Caribbean can become a priority for the Global Conservation Fund (GCF) -one of the multi-donor funding mechanisms that CI is administering and which can be used to capitalize conservation trust funds. The DCNA can then consider presenting a capital grant proposal to the GCF, especially when embedded in a transboundary conservation initiative.
- CI is strategically important since it can help in persuading parts of the American public and US donors to make financial contributions to the Antillean nature parks.
- The greatest short-term potential for CI to make a contribution would be if CI could convince a wealthy US donor or multilateral corporation to make a donation to CI which would be earmarked for the Antillean Trust Fund.

## WWF-NETHERLANDS (WWF-NL)

- WWF-NL remains an important potential donor for project funding. Future changes in WWF’s funding policy and priorities should be monitored by the DCNA and the park management NGOs.
- A capital contribution by WWF-NL to a Dutch Caribbean Nature Parks Trust Fund is not feasible in the foreseeable future.
- WWF may be willing to provide capacity building in marketing, communication, local fundraising or sponsoring, including strategic partnerships with members of the business community. The consultants recommend the DCNA to approach WWF-NL with a proposal along these lines.

## THE PRIVATE SECTOR – CORPORATIONS

- There is considerable potential for various forms of financial support by private companies, especially among Antillean but also among certain Dutch companies with interests in the Antilles. The financial and tourism sectors are considered to have the highest donor potential. Companies with wildlife in their logos should be approached as well. Companies depending or impacting on natural resources need further exploration.
- The following companies have given positive responses, but no hard commitments yet, to contacts made by the consultants concerning possible future support to the nature parks. DCNA and NC-IUCN are recommended to follow-up on these contacts: *Bank of the Netherlands Antilles, Maduro & Curiel Bank, RBTT bank, AMACO, Alterra Airport, Curoil, Aqualectra, Curaçaoose Wegenbouw Maatschappij.*
- Capital contributions to a Trust Fund by private companies might be feasible, but require considerable time investments to gain confidence by demonstrating effective park, organizational and financial management. Estimates of the size of eventual capital contributions by business companies to a Trust Fund range from \$ 20.000 to \$ 50.000 per company.

## THE PRIVATE SECTOR – INDIVIDUALS AND FOUNDATIONS

- There is potential for various forms of financial support by individuals and private foundations. Contacts with the Jade Foundation should be continued. The Prince Bernhard Fund is important because of its network in the world of entrusted private funds, and because of its branch on Curaçao.
  - Capital contributions to a Trust Fund by private foundations or individuals might be feasible, but require more time investments to gain confidence.
  - Developing good relations with influential wealthy individuals will pay off in opening doors, i.e. by expanding a network with potential private donors, getting access to high political levels and being able to influence policy.
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## 6 Financial strategy and scenarios

### 6.1 The strategy proposed in 2000

#### Three phases

The 2000 Budget and Financing Plan for the Antillean nature parks proposed a three-phase process for achieving financial sustainability:

- I. For the year **2000**, emergency funding was to be provided for St Maarten and Statia. The remaining islands would continue on the same precarious basis on which they had been operating on in the past. A Trust Fund feasibility study was to be commissioned.
- II. **2001-05**: Bonaire, Curaçao and Saba would continue operating on 'basic' funding levels, St Maarten and Statia on 'bare minimum' funding levels. A Trust Fund with a capital of NAF 30 million would start operating in 2002 and, at an 8% annual rate of return, generate 2,4 million in revenues. One million would be used for nature park budgets, and 1,4 million would be added to the Trust Fund's capital. Structural co-financing of parks' operational park costs were to be provided by island governments. A feasibility study of revenue-generating projects was also proposed in a report produced by KPMG which developed business plans for the nature parks on all five islands (KPMG, 1999).<sup>26</sup>
- III. **2006-10**: All five islands would be able to operate their nature parks at 'basic' funding levels. The Trust Fund would be sufficiently capitalized (at NAF 37,5 million) to produce NAF 3 million a year for operational costs. Feasible revenue-generating projects would be implemented. Other fee-based revenue income would be increased.

#### Old vs new expectations

The 2000 Plan was rather optimistic in its assumptions about the level and sources for the starting capital of the Trust Fund: that a capital amount of NAF 30 million could be achieved in 2002, to be raised through contributions from international NGOs, the Dutch Ministry of BZK and the Antillean government, within

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<sup>26</sup> The 2000 plan states that most of the revenue-generating projects recommended by KPMG in 1998 (KPMG, 1999) were premature in the current understaffed and underfunded state of the management organizations and were based on overoptimistic assumptions. The 2000 plan also states that the staff and funding levels of the parks would have to be raised first, before the organizations could make the necessary investments of time and staffing in those projects considered feasible.

the framework of a debt-for-nature swap. In fact, the current study concludes that identifying and committing capital donors is by far the biggest challenge and the primary limiting factor for the feasibility of the Trust Fund. This means that alternative financial tracks and scenarios and additional funding sources will be needed for a much longer period. On the positive side, a number of developments not foreseen in 2000 offer new opportunities, notably the involvement of the National Postcode Lottery, NC-IUCN and potentially De Landschappen. The consultants also believe that the private sector represents a larger potential for financial support to the nature parks than was expressed in the 2000 Plan.

## **6.2 New road map to financial sustainability**

Based on the consultants' assessment of the donor potential and of the different approaches and conditions which various donors use, and based on conversations with stakeholders, our expert judgement and the 2000 Financing Plan, we propose a four-track financial strategy towards the financial sustainability of the Antillean nature parks.

### **Key features**

Key features of the proposed strategy are:

- ❖ All four tracks should be developed and maintained simultaneously; they should not be seen as alternative options but as parts of a coherent package. Progress in one financial track depends on progress in one or more of the others. This calls for a comprehensive action plan which covers all four tracks instead of pursuing them in isolation.
- ❖ The strategy represents a mixture of internal and external funding sources. This mixture reflects the philosophy that the Antilles (government, NGOs, private sector) on the one hand should seize all opportunities to develop their own sources, but on the other hand can not be expected to sustain adequately managed nature parks without external support.
- ❖ Many sources and mechanisms (fees, island contributions, donations) will be linked to specific islands; special attention should, therefore, be given to developing those sources which can be distributed among the islands and fill the specific funding gaps of each of them (NPL, an all-Antillean Trust Fund).



- ❖ Each track calls for specific actions involving different sets of stakeholders.

#### Common assumptions

The following assumptions are common to all four tracks:

- that DCNA and the park management NGOs operate successfully, in terms of institutional development, fund and park management.
- that island governments make medium-term funding commitments (as outlined in the 2000 Budget Plan).
- that island governments take the necessary enabling steps (legal park establishment process, fee systems reach minimum targets).

The different tracks will now be briefly introduced, each followed by a table listing actions and assumptions, and together visualized in diagrams. A more detailed strategy for fundraising, with steps and actions per donor category, is presented in Part C of this report.

#### National Postcode Lottery

1) *Track 1* relies on funding from the National Postcode Lottery (NPL) and has two alternatives (see chapter 4), either with NC-IUCN or with De Landschappen as intermediaries. The first “sub-track” has actually started, with a first grant in 2004 (EUR 0,5 million) and a second, larger grant approved in January 2005 (EUR 2 million for 3 years). In the medium-term, an annual non-earmarked NPL contribution of EUR 1 million seems feasible, assuming satisfactory DCNA and parks performance.

The following points should be noted:

- There is no guarantee that the NPL will continue providing such grants. The performance of the park management NGOs and the DCNA will be a key success factor. This equally applies to DCNA’s possible status as an autonomous NPL beneficiary starting in 2008 or later.
- If De Landschappen (DL) decides positively about associating with the DCNA, then NC-IUCN’s financial intermediary position is likely to be transferred entirely to DL.
- The fact that the role of the NPL forms a crucial part of the four-track strategy of the park management NGOs towards financial sustainability should help in convincing the NPL to continue its support through either channel and give it a more structural character.

**Table 15**

Actions and assumptions for Track 1

<b>1. National Postcode Lottery</b>	
<i>Actions</i>	<i>Assumptions</i>
<ul style="list-style-type: none"> <li>▪ In 2005: legally establish DCNA; prepare strategy, structure and multi-year workplan.</li> </ul>	<ul style="list-style-type: none"> <li>▪ DCNA and the park management NGOs operate successfully, in terms of institutional development, fund and park management.</li> <li>▪ island governments make medium-term funding commitments (outlined in Dec 2000 document).</li> <li>▪ island governments take necessary enabling steps (legal park establishment process, fee systems reach minimum targets) (<i>track 3</i>).</li> </ul>
<p><i>Partnering with NC-IUCN &gt;</i></p> <ul style="list-style-type: none"> <li>▪ Multi-year agreement between NC-IUCN and DCNA signed in 2005.</li> <li>▪ DCNA and NC-IUCN to prepare annual grant proposals to the NPL, with convincing performance reports.</li> <li>▪ Apply for independent NPL beneficiary status in 2008, if association to DL turns out to be not feasible.</li> </ul>	<p><i>Partnering with NC-IUCN &gt;</i></p> <ul style="list-style-type: none"> <li>▪ NC-IUCN retains status of NPL beneficiary.</li> <li>▪ In case DCNA decides to apply for independent beneficiary status, DCNA establishes legal subsidiary in the Netherlands.</li> <li>▪ DCNA meets NPL beneficiary performance standards by 2008.</li> </ul>
<p><i>Partnering with DL (De Landschappen)&gt;</i></p> <ul style="list-style-type: none"> <li>▪ Internal discussion process within DL in 2005-06 on: <ul style="list-style-type: none"> <li>- Member organizations' willingness to associate</li> <li>- Support role of NC-IUCN as third party</li> <li>- Status of DCNA (as 13<sup>th</sup> member or otherwise)</li> <li>- Distribution key of NPL funding</li> <li>- Duration (permanent or temporary, until the Trust Fund reaches a predetermined size)</li> </ul> </li> <li>▪ in case DL Board decides positively on association with DCNA, DL and DCNA prepare an agreement.</li> </ul>	<p><i>Partnering with DL &gt;</i></p> <ul style="list-style-type: none"> <li>▪ NPL supports initiative and leverages with DL,</li> <li>▪ DL board agrees to support the Dutch Caribbean through DCNA and apply for a proportionate increase in the annual grant proposal..</li> </ul>

## The Trust Fund

2) *Track 2*, the Trust Fund, is a key component in the overall strategy, not in terms of the volume of its annual contribution, but in terms of reliability and donor commitment. A Council of Patrons will be instrumental in fundraising for the Trust Fund. As long as the Trust Fund's capital does not reach minimum or target levels, this will have two consequences :

- parks will have to be managed with less resources, resulting in lower management intensity.
- the other four tracks will have to be more heavily relied on in order to compensate for the shortfall in projected revenues from the Trust Fund.

## Administration costs

As long as the capital of the Trust Fund is at a low level, asset management and administrative costs will be relatively high, even with the proposed close linkage of the Trust Fund to the DCNA. Other donor grants, obtained through tracks 3 or 4, could then pay for such costs during at least the first few years of the Trust Fund's operations.

## Maximize reinvestment

Since it is not unlikely that the TrustFund capital will grow slowly, this growth can be accelerated by reinvesting the annual returns of the fund into its capital, as several Trust Funds in other countries have done (GEF, 1998). This depends on two conditions:

- the Trust Fund donors should agree to reinvesting.
- other funds should be available to cover the running costs as 'replacement' of Trust Fund revenues.

Development co-operation agencies that politically support Trust Funds but whose procedures or laws prohibit donations to the fund's capital have been known to provide such 'replacement' funding in other countries.<sup>27</sup>

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<sup>27</sup> The Dutch government has done so in the case of a parksTrust Fund for Uganda.

**Table 16**

Actions and assumptions for Track 2

2. Conservation Trust Fund	
<i>Actions</i>	<i>Assumptions</i>
<ul style="list-style-type: none"> <li>▪ in 2005 : legally establish DCNA; prepare strategy, structure and multi-year workplan.</li> <li>▪ Establish Council of Patrons for the DCNA in 2005.</li> <li>▪ Agreement on technical-administrative assistance in 2005 between DCNA and Groenfonds and/or Natuurmonumenten.</li> </ul> <p><i>(steps in Trust Fund design and implementation process - see also Volume B):</i></p> <ul style="list-style-type: none"> <li>▪ Revise DCNA's Articles of Incorporation to explicitly provide for the TF</li> <li>▪ start raising core endowment</li> <li>▪ invest core endowment</li> <li>▪ establish separate sub-accounts</li> <li>▪ appoint members of the Finance Committee of DCNA's Board of Directors</li> <li>▪ develop sections of DCNA's Operations Manual and Strategic Plan which specifically deal with the Trust Fund</li> <li>▪ develop investment guidelines</li> <li>▪ hire asset manager</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prominent individuals willing to join a Council of Patrons for the DCNA.</li> <li>▪ DCNA and the park management NGOs operate successfully, in terms of institutional development, fund and park management.</li> <li>▪ island governments make medium-term funding commitments (cf. Dec 2000 document) (<i>track 3</i>).</li> <li>▪ island governments take necessary enabling steps (legal park establishment process, fee systems reach minimum targets).</li> <li>▪ island, national and Dutch governments express political support to the Trust Fund.</li> </ul>

#### Existing funding sources

3) *Track 3*, strengthening existing sources, is a necessary one, because sources such as budget allocations from island governments, fee and sales systems, and local fundraising, demonstrate that there is a local commitment to supporting nature parks. Such a commitment is essential to create trust and interest among external donors, including donors to the Trust Fund, international cooperation agencies, foundations, international NGOs, and other potential financial supporters. A Council of Patrons will be instrumental, especially in local fundraising.

One of the 'existing sources' are taxes and fees that are earmarked for nature parks, for which on some islands there is considerable room for further development. However, the whole subject of

introducing new fees and taxes to support protected areas is complicated from a political and an economic perspective (in terms of assessing potential impacts on the tourism industry).

#### Antillean lottery

The Antillean lottery has expressed an interest in establishing a similar lottery linked to charity and asked the NPL for assistance. Little progress has been made so far, but DCNA is nevertheless advised to monitor further developments and be alert for an opportunity to link nature parks to the lottery. Although not really an existing funding source, this could be considered a mechanism under Track 3.

**Table 17**

Actions and assumptions for Track 3

<b>3. Strengthening of existing funding sources</b>	
<i>Actions</i>	<i>Assumptions</i>
<ul style="list-style-type: none"> <li>▪ in 2005 : legally establish DCNA; prepare strategy, structure and multi-year workplan.</li> <li>▪ Individual island business plans to be prepared by each park management NGO.</li> <li>▪ Establish Council of Patrons for the DCNA in 2005.</li> <li>▪ Local governments to implement reasonable tax and fee systems that are earmarked for nature parks.</li> <li>▪ DCNA to develop strategies in 2005 for each existing funding source, taking outcome of tracks 1, 2 and 4 into account.</li> <li>▪ DCNA and park management NGOs implement fundraising strategy targeted at general public and private sector (corporations, individuals).</li> <li>▪ DCNA, NC-IUCN and park management NGOs lobby on all three levels (island, country, Kingdom) for agreements with island governments on budget allocations.</li> <li>▪ DCNA and park management NGOs prepare program / project portfolio.</li> <li>▪ DCNA and park management NGOs implement revenue generation strategies.</li> <li>▪ DCNA monitors further developments with respect to linking the Antillean lottery with charities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ DCNA and the park management NGOs operate successfully, in terms of institutional development, fund and park management.</li> <li>▪ Prominent individuals willing to join a Council of Patrons for the DCNA.</li> <li>▪ Island governments make medium-term funding commitments (outlined in Dec 2000 document).</li> <li>▪ Further taxes and fees are socially and politically feasible and local governments have sufficient will to implement them.</li> <li>▪ Island governments take necessary enabling steps (legal park establishment process, fee systems reach minimum targets).</li> </ul>

**Development co-operation**

4) *Track 4*, grants from international development cooperation agencies, is specifically meant to fill the funding gaps until Trust Fund revenues reach acceptable levels. The chances of proposals being approved are larger if the other tracks within the broader financial strategy have substantial volumes. Nature parks should be presented as elements within the context of sustainable economic development to make project proposals eligible for development co-operation funding. After Trust Fund revenues reach a substantial volume, these funding sources should not be needed anymore to cover operational costs of the parks; this fact should make these donor agencies less reluctant to provide operational funding in the first stage. Proposals could still be submitted later for specific projects or investments.

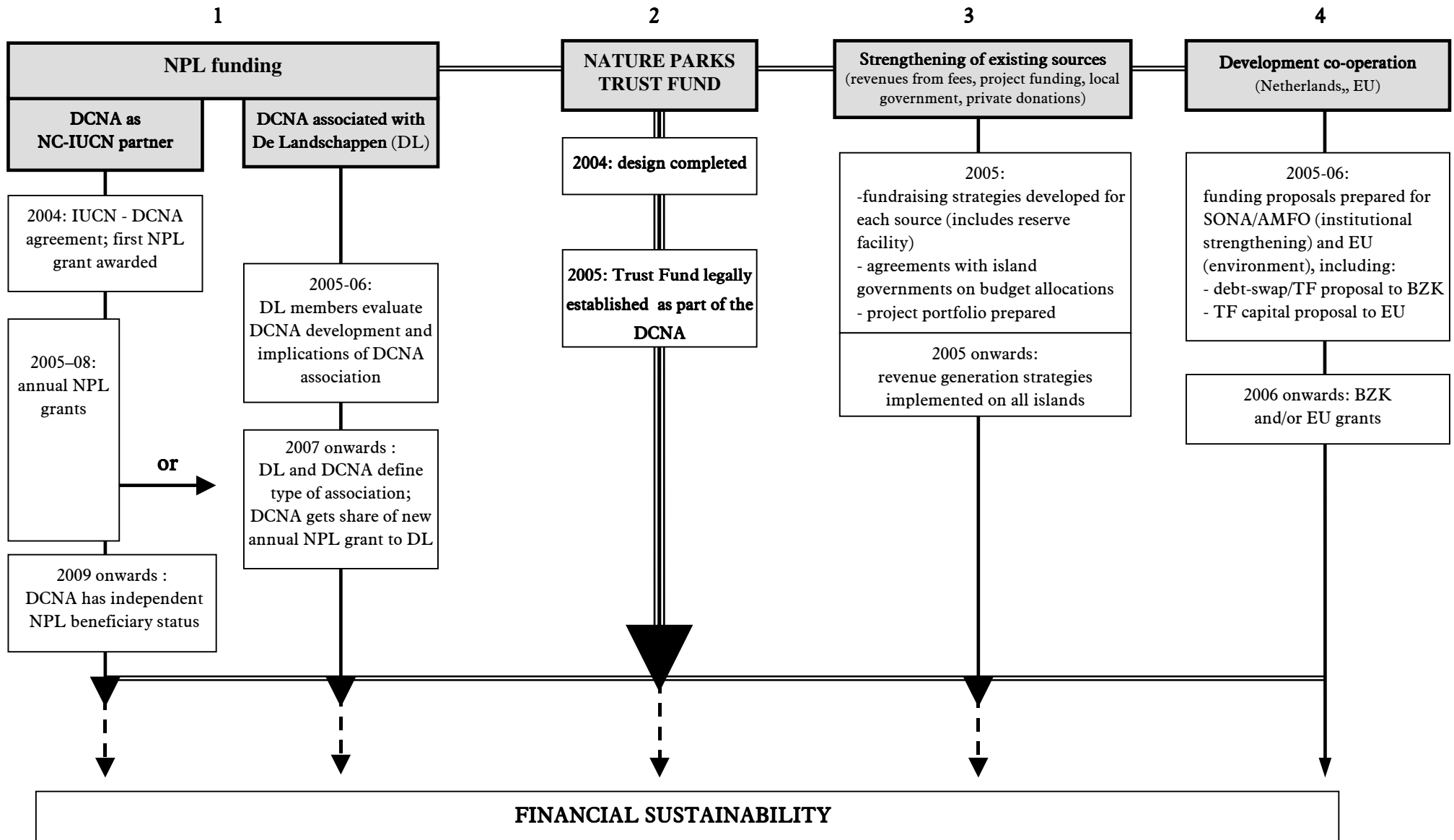
**Table 18**

Actions and assumptions for Track 4

<b>4. Development co-operation</b>	
<i>Actions</i>	<i>Assumptions</i>
<ul style="list-style-type: none"> <li>▪ in 2005 : legally establish DCNA; prepare strategy, structure and multi-year workplan.</li> <li>▪ DCNA and NC-IUCN prepare multi-year grant proposals aimed at closing gaps left by tracks 1 – 3:               <ul style="list-style-type: none"> <li>- For SONA and AMFO (BZK), focus on institutional strengthening and the role of parks in sustainable development.</li> <li>- For EU focus on Environment budget line B6720.</li> <li>- Include TF contribution as component of any of these proposals if feasibility improves.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ SONA and AMFO accept environmental proposals as part of Antillean development and poverty alleviation strategy.</li> <li>▪ Antillean government endorses proposals.</li> <li>▪ Administrative objections by BZK and EU to a TF contribution are overcome.</li> <li>▪ DCNA and the park management NGOs operate successfully, in terms of institutional development, fund and park management.</li> <li>▪ Island governments make medium-term funding commitments (cf. Dec 2000 document) (<i>track 3</i>).</li> <li>▪ Island governments take necessary enabling steps (legal park establishment process, fee systems reach minimum targets).</li> </ul>

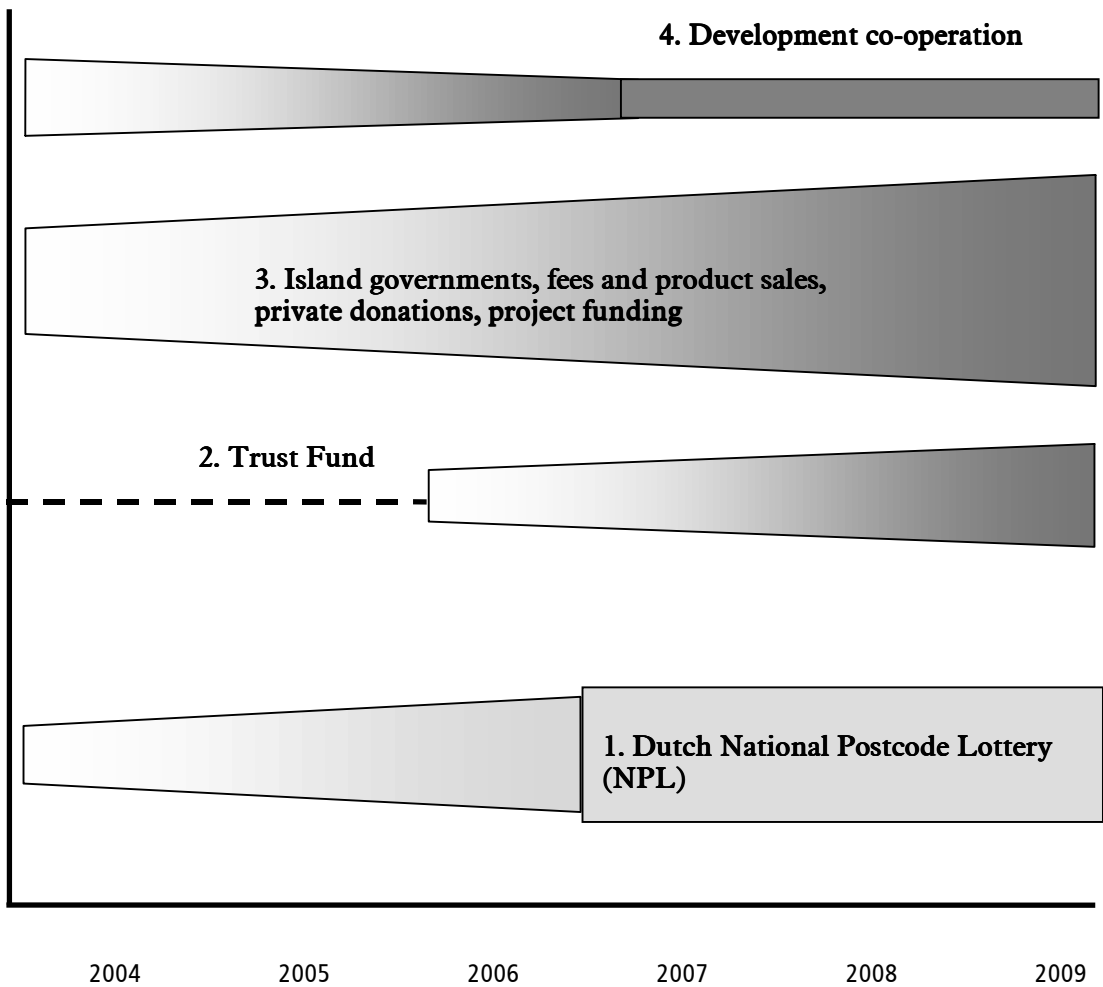
The following diagram is a schematic representation of the four financial tracks of the strategy, with the key steps.

Figure 2. Strategy towards the financial sustainability of nature parks in the Netherlands Antilles



The following diagram roughly shows the time paths and trends in funding volumes of the different tracks of the financial strategy. Only rough indications on the relative volumes of individual sources can be inferred from this diagram.

**Figure 3**  
Rough time paths and trends in funding volumes of the different tracks



### 6.3 Recommended actions per stakeholder

The following table summarizes recommended actions per stakeholder category. Most actions have been derived from the tables of the financial tracks.



**Table 19**

Actions per stakeholder in relation to the financial strategy

Stakeholder	Recommended actions by that stakeholder
DCNA	<p><i>Developing the DCNA</i></p> <ul style="list-style-type: none"> <li>▪ Hire staff and establish a suitable headquarters within the Netherlands Antilles.</li> <li>▪ Prepare a multi-year workplan for institutional development of the DCNA and the park management NGOs, with clear performance indicators which are suitable for communication purposes.</li> <li>▪ Establish a Council of Patrons for lobby, leverage and fundraising purposes in 2004-05.</li> <li>▪ Sign multi-year partnership and liaison agreement with NC-IUCN, for channeling NPL funding and support in capacity building and organizational development.</li> <li>▪ Agreement on technical-financial assistance in 2004 with Groenfonds and/or Natuurmonumenten.</li> <li>▪ Develop and implement communication and fundraising strategies in 2005 for each funding source, including a well-targeted and professional information campaign explaining why a Trust Fund is needed.</li> <li>▪ Develop a range of attractive and tailor-made information and promotion materials for key target groups (funding market, general public, politics).</li> <li>▪ Assess existing government policies on the position of conservation in government requests for donor assistance; also analyze existing tax incentives and disincentives for conservation.</li> </ul> <p><i>Fundraising</i></p> <ul style="list-style-type: none"> <li>▪ Prepare annual grant proposals for the National Postcode Lottery (NPL), including adequate reports on DCNA and parks performance.</li> <li>▪ If association to De Landschappen turns out not to be feasible, then work towards meeting the conditions to become an independent NPL beneficiary by 2008, in co-ordination with NC-IUCN.</li> <li>▪ Invest in and cultivate good relations with the SONA, the AMFO, De Landschappen and Conservation International.</li> <li>▪ Prepare multi-year grant proposals for SONA / AMFO and the European Commission aimed at closing gaps left by other funding tracks (NPL, Trust Fund and local sources).</li> <li>▪ Prepare a proposal for WWF-NL to provide capacity building by its staff members, in marketing, communication, local fundraising or sponsoring.</li> <li>▪ Follow up on promising Antillean and international contacts with individuals and business companies established by consultants.</li> </ul>

Stakeholder	Recommended actions by that stakeholder
	<ul style="list-style-type: none"> <li>▪ Lobby for a debt-swap (for 'nature and sustainable development') as part of coming bilateral debt renegotiations.</li> <li>▪ Lobby on all three levels (island, country, kingdom) to leverage agreements on budget allocations by island governments.</li> <li>▪ Prepare and maintain a program / project portfolio to seize grant and donation opportunities.</li> <li>▪ Implement revenue generation strategies.</li> <li>▪ Monitor progress with respect to linking the Antillean lottery to charities.</li> </ul> <p><i>Trust Fund</i></p> <ul style="list-style-type: none"> <li>▪ Design and implement a Trust Fund (see Volume B for more details). <ul style="list-style-type: none"> <li>- Revise DCNA's Articles of Incorporation to provide for the TF</li> <li>- Start raising core endowment</li> <li>- Invest core endowment</li> <li>- Establish separate sub-accounts</li> <li>- Appoint members of the Finance Committee of DCNA's Board of Directors</li> <li>- Develop sections of DCNA's Operations Manual and Strategic Plan specifically dealing with the Trust Fund</li> <li>- Develop investment guidelines</li> <li>- Hire asset manager</li> </ul> </li> <li>▪ Prepare Trust Fund grant proposals, for the NPL, the Bank of the Netherlands Antilles, SONA / AMFO / BZK, and for the private sector.</li> <li>▪ Approach Curoil and the island Council of Curaçao about the possibility of earmarking a small percentage of the price of fuel for nature parks.</li> </ul>
NC-IUCN	<ul style="list-style-type: none"> <li>▪ Lobby for a medium-term structural funding commitment from the NPL.</li> <li>▪ Sign multi-year partnership and liaison agreement with DCNA, for channeling NPL funding and support in capacity building and organizational development.</li> <li>▪ Follow up on promising Dutch contacts with individuals and business companies established by consultants, for fundraising and lobbying purposes.</li> <li>▪ Continue lobby with Dutch government in support of financial sustainability for the Antillean nature parks (see under Netherlands government).</li> <li>▪ Conduct a publicity campaign in the Netherlands in support of nature conservation on the Antilles, and nature parks in particular (web site, events, brochure package).</li> <li>▪ Lobby for a debt-swap (for 'nature and sustainable development') as part of upcoming bilateral debt renegotiations.</li> <li>▪ Cultivate relations with the Prince Bernhard Fund (PBF) because of the network of privately entrusted funds managed by the PBF.</li> </ul>

Stakeholder	Recommended actions by that stakeholder
Antillean government	<ul style="list-style-type: none"> <li>▪ Endorse Trust Fund proposals politically (appropriate priority in aid requests).</li> <li>▪ Develop a debt-swap (for 'development and nature') proposal for the next round of debt negotiations with the Netherlands government.</li> <li>▪ Express a commitment not to reduce any regular funding from the government budget as a result of the Trust Fund being capitalized.</li> <li>▪ Formal confirmation of accepting a mixed public-private institution managing funds for nature parks, including when based on earmarked taxes.</li> </ul>
Island governments	<ul style="list-style-type: none"> <li>▪ Make medium-term funding commitments from the regular budget.</li> <li>▪ Take necessary enabling steps (legal park establishment process, implementation of new and old fee systems earmarked for conservation).</li> <li>▪ Make commitment not to reduce funding for conservation as a result of establishment of the Trust Fund.</li> </ul>
Netherlands government	<ul style="list-style-type: none"> <li>▪ Endorse Trust Fund proposals politically.</li> <li>▪ Develop a debt-swap (for 'development and nature') proposal for the next round of debt negotiations with the Antillean government.</li> <li>▪ Consider Antillean nature parks as potential beneficiary in case of underexpenditure of the overall government budget.</li> </ul>
Dutch nature management organizations	<ul style="list-style-type: none"> <li>▪ Board of De Landschappen may agree to support Netherlands Antillean nature parks through the DCNA, including –in the medium term- an equal share to DCNA in the annual NPL grant.</li> <li>▪ Develop agreement on technical-financial assistance in 2004 between DCNA and Groenfonds and/or Natuurmonumenten<sup>28</sup>.</li> <li>▪ Use the leverage potential with the Dutch government and civil society to help the Antillean nature parks achieve financial sustainability.</li> </ul>

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<sup>28</sup> **Natuurmonumenten as an example for managing funds and revenues:** Natuurmonumenten keeps parts of the gifts and bequests it receives in investment funds, which are managed by two external asset managers. Investment returns still reached around 8% in 2003. The other part of the gifts and bequests, e.g. those that have been earmarked, are spent directly. Of the invested funds, 4% is made available each year to support the running costs of the organization and the numerous protected areas which Natuurmonumenten manages. Other sources to cover running costs are regular member contributions, government contributions and income from rents and leases. The costs of land purchase and new projects are mostly covered by funds from the National Postcode Lottery (NPL), the Dutch government and larger bequests.

## 6.4 Financial scenarios

### Purpose

Chapter 4.3 presented estimates of two levels of financial requirements, a ‘*bare minimum*’ and a ‘*basic*’ one, for the marine and land parks established or about to be established on the five islands. Based on these requirement levels, two financial scenarios are presented here, a **bare minimum** and a **basic (i.e, target) scenario**. Detailed underlying financial projections per island can be found in Annex 6. *The purpose of these scenarios is to show the roles of a Trust Fund and of NPL grants in relation to the two financial requirement levels of the parks.* The first (bare minimum) scenario shows the financial consequences of pessimistic assumptions on funding sources and the absence of a Trust Fund. The second (basic) scenario starts from more optimistic, but still realistic, assumptions and then calculates the theoretical Trust Fund capital size needed to bridge the gap between requirements and other funding sources. This calculation is theoretical in the sense that the distribution key of revenues from the Trust Fund is not taken into account<sup>29</sup>; the calculation is not a decision making tool and should be seen as an exercise to quantify Trust Fund sizes for the park system as a whole.

### The inflation factor

The consultants assume that inflation equally affects expenses and income and have not taken this element into account, except for calculations of Trust Fund capital levels. In general, there are two options to cope with the inflation effect in order to maintain the same real value of the trust fund’s capital:

- an amount of money equal to the inflation rate of the value of the capital would have to be subtracted from the income that is earned each year from investments, and should be reinvested back into the capital (unless the trust fund capital is likely to grow significantly in the future as a result of new contributions after the trust fund has reached its target size).
- assume that the trust fund will receive average new contributions to its capital each year that are equal to or greater than the inflation rate of its capital, or else that sometime in the next 10 years there will be one or two large donations that will increase the trust fund's capital by an

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<sup>29</sup> The distribution key will be discussed in Part B of this report. Taking the key into account here would make the scenarios unnecessarily complex.

amount that is more than enough to offset for the annual inflation rate.

For the time being, the first option is considered the most realistic one and the scenarios have been calculated accordingly.

## I. BARE MINIMUM SCENARIO

### Emergency scenario

The ‘bare minimum’-scenario is an emergency scenario that is untenable for more than two years. It will cause erosion of the weakest organizations and may affect the viability of meeting even the barest criteria for management effectiveness.

### How it is calculated

This scenario starts from the estimated availability of funds from the ‘existing sources’ (island government budget allocations, private donations, fees and product sales revenues, grants for specific projects) with or without a NPL contribution, and then compares the income with the estimated ‘bare minimum’ budgets to show the balance. The NPL contribution can be distributed over various islands according to individual island needs and agreed distribution keys. For the other sources it is assumed that funds can only be spent on the island where they are raised or generated, which explains the large share of Bonaire and Curaçao in the ‘positive balance’.

In the scenario, NAF 540.000 (= 450.000 for Bonaire and Curaçao plus 90.000 for the other islands) will be available to raise island budgets above the ‘bare minimum’ levels, in case of a NAF 1 million NPL grant. The table demonstrates how the NPL contribution makes the difference between surplus and deficit.

Table 20

Financial 'bare minimum' scenario for the running costs of nature parks

FINANCIAL BARE MINIMUM SCENARIO		
	NAF	EUR
<b><u>ANNUAL INCOME</u></b>		
a) Total island government contributions	360.000	162.000
b) Total self-generated revenues	1.400.000	630.000
c) Dutch Postcode Lottery (NPL) contribution	<u>1.000.000</u>	<u>450.000</u>
	2.760.000	1.242.000
<b><u>ANNUAL EXPENSES</u></b> (see chapter 4.3)		
Annual 'bare minimum' requirements for 2 parks per island	1.970.000	887.000
Minimum operational costs of the DCNA	<u>250.000</u>	<u>112.000</u>
	2.220.000	999.000
<b><u>BALANCE</u></b>		
Balance (available to cover running costs above bare minimum level), distributed as follows:	+ 540.000	+ 243.000
- Income a+b on Curaçao and Bonaire surpasses bare minimum, but the difference stays on islands of origin	+ 450.000	+ 203.000
- Balance available for other islands	+ 90.000	+ 40.000
<b><u>WORST CASE: NPL CONTRIBUTION STOPS</u></b>		
Income budget	1.760.000	
Expenses budget	<u>2.220.000</u>	
DEFICIT >>>>>	- 460.000	- 207.000
<i>By way of reference: in 2003, island government contributions and self-generated revenues totalled NAF 315.000 and NAF 1.654.000, respectively.</i> <i>(assumed exchange rate : 1 NAF = 0,45 EUR)</i>		

**Assumptions**

The bare minimum scenario is based on the following assumptions:

- Island government contributions and self-generated revenues are kept on the low side of the range of expectations.

- All revenues and other income raised by individual islands stay on those islands (resulting in positive balances for the Leeward islands and deficits for the Windward islands in relation to ‘bare minimum’ requirements).
- The annual budget is based on a realistic estimate of available financial resources in recent years (NAF 2,76 million or EUR 1,24 million).
- An NPL contribution can be distributed according to island needs and is mainly used to cover deficits of the Windward islands.

Conclusions from the bare minimum scenario:

- without a Trust Fund and without a NPL grant, some islands will not even be able to meet their ‘bare minimum’ requirements, under conservative estimates of other sources of funding.
- with a NPL grant of NAF 1 million, all islands can meet the bare minimum requirements, but since park management can only sustain such funding levels for a couple of years, a Trust Fund is needed as a complementary source.

## II. TARGET SCENARIO

### How it is calculated

The target scenario starts from the annual ‘basic requirements’ budget levels (NAF 5 million or EUR 2,25 million) and then calculates the projected annual budget shortfall by adding together all income sources other than the Trust Fund. The amount of capital needed for an Endowment type of Trust Fund to generate sufficient revenues to cover the projected theoretical budget shortfall is then calculated, based on expected average rates of return, after first deducting: estimated asset management costs, trust fund administrative expenses and a reinvestment in the capital to compensate for inflation. The budget shortfall is theoretical in the sense that the Trust Fund revenues are assumed to be freely distributed among the islands so as to raise the *average* income budget per island to ‘basic’ levels. In reality, however, a predetermined distribution key will be applied (see Part B). This means that NPL funds will have to be used to prevent funding gaps for any particular island in relation to their basic requirements from becoming too large.

In case of a Sinking Fund, or a mix of Trust Fund types, the target capital can be considerably lower, since a large part of the Trust Fund's budget could come from spending (i.e., using up) part of the Fund's capital, besides its investment returns. On the other hand, the annual contributions of such funds to the park budgets can not be sustained indefinitely without new capital injections in the medium or long term. Volume B provides more details on underlying assumptions such as expected rates of return and on the distribution key of Trust Fund revenues between islands.

The detailed target scenario is based on the following assumptions:

- Island government contributions, self-generated revenues and non-earmarked donations are kept on the higher, but not unrealistic, side of the range of expectations.
- Revenues and other income raised by individual islands generally stay on those islands (on Bonaire, self-generated revenues are assumed to equal the basic requirements budget).
- A conservative average long-term *gross* rate of return on Trust Fund investments of 6% /year. The *net* rate of annual return on investments would be 3,7% after subtracting 1,8% to offset for inflation and 0.5% for the asset manager's fee (but excluding the Fund's administrative costs).
- An annual NPL grant of 1 million NAF.
- NPL grants and TF revenues can be distributed freely among the islands, i.e. without a fixed formula.



## ~~Erratum~~

**Table 21**

Financial target scenario for the running costs of nature parks

<b>FINANCIAL TARGET SCENARIO</b>		
<i>(assumed exchange rate : 1 NAF = 0,45 EUR)</i>	NAF	EUR
<b><u>ANNUAL REQUIREMENTS</u></b>		
Annual 'basic' budget for 2 parks per island, plus basic operational costs of DCNA	5.000.000	2.250.000
<b><u>ANNUAL INCOME</u><sup>30</sup></b>		
a) Total island government contributions	360.000	162.000
b) Total self-generated revenues	2.120.000	954.000
c) Non-earmarked donations	120.000	54.000
d) Dutch Postcode Lottery (NPL) contribution	<u>1.000.000</u>	<u>450.000</u>
	3.600.000	1.620.000
<b>ANNUAL FUNDING GAP</b>	1.400.000	630.000
<b>Required Trust Fund (TF) target capital</b>	<b>42.000.000</b>	<b>18.900.000</b>
Expected rate of return on investment (6%)	2.520.000	1.134.000
Estimated TF asset management costs (0,5%) <sup>31</sup>	- 210.000	- 94.500
Estimated TF administrative costs	- 145.000	- 65.250
Reinvestment into TF capital to compensate for inflation (1,8%)	<u>- 765.000</u>	<u>- 344.250</u>
<i>Annually available for park management</i>	<i>1.400.000</i>	<i>630.000</i>

The target scenario shows that, without a Trust Fund, the parks will not be able to meet their 'basic' financial (target) requirements. A capital of **NAF 42 million (EUR 18,9 million)** would need to be raised for an endowment to bridge an annual

<sup>30</sup> By way of reference: in 2003, island government contributions and self-generated revenues totalled NAF 315.000 and NAF 1.654.000, respectively. The increase in projected self-generated revenues is mainly due to higher revenues on Bonaire, Curaçao and St Maarten

<sup>31</sup> Asset management costs are relatively higher at lower capital levels (ranging from 0,75% to 1% at capital levels below 10 million NAF).

gap under conservative assumptions. However, different assumptions for NPL grant sizes and for rates of return on Trust Fund investments have very significant impacts on the target size of the Trust Fund capital, as the following table shows. Combining three different assumptions on annual NPL grant sizes (no grant, 1 million or 2 million NAF) with three rates of return (6%, 8% or 10%)<sup>32</sup> produces nine different subscenarios.

**Table 22**

Summary of Trust Fund target capital levels under different subscenarios

Rate of return on investment	No NPL grant  Net annual funding gap: 2,4 mln NAF	Annual NPL grant 1 million NAF  Net annual funding gap: 1,4 mln NAF	Annual NPL grant 2 million NAF  Net annual funding gap: 0,4 mln NAF
6%	69 million	<b>42 million</b>	13,5 million
8%	45 million	26,5 million	8,8 million
10%	32,5 million	20 million	6,5 million
<p>Calculations are based on estimated TF administrative and operational costs of 100.000 NAF for TF capital sizes up to 15 million, 115.000 NAF for capital sizes from 15 to 35 million and NAF 145.000 for capital sizes over 35 million.</p> <p>Calculations are made as follows: &lt;TF capital = (Net annual funding gap + TF admin.costs) : 0,037 or 0,057 or 0,077&gt; (for ascending rates of return).</p>			

<sup>32</sup> In booming stock exchange years such as 1997, returns on Conservation Trust Fund assets have been recorded of 16% (Bhutan TF), 14% (Mexican TF) and 11% (Brazilian TF) (GEF, 1998). The 2000 Budget plan for the Netherlands Antillean nature parks used more optimistic assumptions on the rates of return, of 8% on interests and even 10% if part of the capital would be invested in stocks (VOMIL/MINA, 2000).

<sup>33</sup> In booming stock exchange years such as 1997, returns on Conservation Trust Fund assets have been recorded of 16% (Bhutan TF), 14% (Mexican TF) and 11% (Brazilian TF) (GEF, 1998). The 2000 Budget plan for the Netherlands Antillean nature parks used more optimistic assumptions on the rates of return, of 8% on interests and even 10% if part of the capital would be invested in stocks (VOMIL/MINA, 2000).

- Communicating the scenarios** In external communication, the two scenarios can be used as follows:
- the BARE MINIMUM scenario shows:
    - that NPL grants are needed to even allow the bare minimum levels of park management to be realised on all islands.
    - that a Trust Fund is needed to raise park management significantly above the unsustainable emergency level.
  - the TARGET scenario shows:
    - the size of the annual funding gap, plus the required size of an (endowment) Trust Fund to fill the gap at the national 'system' level (i.e., not on the individual island level due to the distribution key which will be applied).
    - how important NPL grants, and their sizes, still are, even with a Trust Fund.

## 6.5 Conclusions

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- Financial sustainability for the nature parks can only be achieved if various financial 'tracks', based on familiar and new funding sources are developed and maintained simultaneously, with a Trust Fund as the stable core. This multi-track strategy represents a variety of internal (Antillean) and external funding sources.
- Since it is not unlikely that the TrustFund capital will grow slowly, this growth can be accelerated by reinvesting the annual returns of the fund into its capital, provided that the original donors agree. Another way to strengthen the Trust Fund is to use portions of other revenues or grants to build a 'strategic reserve' as one of the Fund's sub-accounts.
- Without a Trust Fund, without a NPL grant and under conservative estimates for other funding sources, some islands will not even be able to meet their '*bare minimum*' requirements. With an annual NPL grant of NAF 1 million, all islands can meet the bare minimum requirements, but –except Bonaire and Curaçao– some remain dangerously close to this bare minimum and since park management can only sustain such funding levels for a couple of years, a Trust Fund is needed as a complementary source.
- In the *target* scenario, the overall 'basic' budget can be covered by a combination of existing sources, a NPL contribution and the annual revenues of a Trust Fund that, at a conservative rate of return on investment, should have a target capital size of NAF 42 million (EUR 18,9 million). Lower capital sizes mean that the budget will be in between 'bare minimum' and 'basic' levels. However, a smaller Trust Fund capital can still significantly reduce the funding gap in case of higher rates of return.

- Without a Trust Fund, the average park will not be able to meet their 'basic' financial (target) requirements. Different assumptions on the rate of return on the Trust Fund assets and on the size of the NPL grant lead to a very wide range in the size of the Trust Fund capital needed to meet the targets: from NAF 6,5 million to NAF 69 million.
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the website for the Conservation Finance Alliance, with many useful studies and documents:

<[www.conservationfinance.org](http://www.conservationfinance.org)>

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## List of consulted persons <sup>34</sup>

### **Netherlands Antilles**

#### *Conservation International – Netherlands Antilles:*

- Mr Don Martina, representative, former PM

#### *Curaçao Tourist Board:*

- Mr James Hepple, Executive Director

#### *Curaçao Hospitality and Tourism Association*

- Mr Don Werdekker, Vice President

#### *Bank van de Nederlandse Antillen:*

- Mr. A.G. Romero
- Mr. Jeffrey Sybesma
- Mrs. Davelaar

#### *Ministry for Development Cooperation (N.A.):*

- Mr Richard Cardoso, Head Research and Policy Development
- Mr Edil Poulina, Head Project and Program Management

#### *Ministry of Finances (N.A.) :*

- Mr G. W. Th. Damoen

#### *Tax Department (N.A.) :*

- Mr C.P. Josepa

#### *Executive Council Curaçao:*

- Commissioner G. van der Gen

#### *Executive Council St Maarten:*

- Commissioner Mrs Sarah Wescott Williams
- Commissioner Mr Roy Marlin

#### *St. Maarten Tourism Industry Association*

- Mr Frank Mingo

#### *St. Maarten Hospitality & Trade Association*

- Emil Lee

#### *Curaçao Island Government, Legal Affairs*

- Mrs Debora Richard

#### *AMFO*

- W. Wiels (*contacted by Kalli De Meyer*)

#### *JADE Foundation:*

- Mr Leo Helms

#### *Humanitarian Care Foundation:*

- Mr Norbert George, chairman

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<sup>34</sup> staff of the park management NGOs and of VSO/MINA not included in this list; however we would especially like to thank *Chris Schmitz*, Christoffel Park Manager, Curaçao, and *Fernando Simal*, Bonaire Marine Park manager, for highly interesting field visits and for providing invaluable information on the management situation of these parks.

*Maduro & Curiel's Bank - Curacao:*

- Mr L. Capriles, President

*Maduro & Curiel's Bank – St Maarten:*

- Mr Jan Beaujon (also Chairman of the Board of the Nature Foundation of St. Maarten)

*RBTT Bank:*

- Mr P. Hurtado, Managing Director

*MeesPierson Intertrust:*

- Mr Gregory Elias, General Manager
- Mr Edward Martina, Senior Portfolio Manager

*Janssen De Jong Groep*

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- Mr A. Zwueste

*Aqualectra*

- Mr I. Moenir Alam

*Alterra Partners*

- Mr E. van der Horst

*ENNIA*

- Mr R. Pietersz

- Mr Rutsell Martha, former Minister of Justice, member of the State Council
- Mrs Kalli de Meyer, former manager Bonaire marine park, now director Bonaire Coral Resources and co-ordinator of the DCNA

**The Netherlands**

*Ministry of Agriculture:*

- Mr Nico Visser
- Mr Erik van Zadelhoff, Head Nature Division
- Mr Jan Rietema and Sabine Keteler

*Ministry of the Interior and Kingdom Relations (BZK):*

- Mrs Ieteke Verhoeven, policy advisor Development Cooperation
- Mrs Ingrid Derkzen, policy advisor Development Cooperation
- Mr Hans van der Mierden, audit department
- Mr Raymond van Doorn, staff member
- Mr Jan Gudde, staff member
- Mrs Ceciel Pluijmaekers, staff member (on AMFO a.o.)

*Ministry of Development Cooperation (DGIS):*

- Mr Ton van der Zon, Head Biodiversity Unit

- Mr Aart van der Horst, Biodiversity Unit
- Ministry of Finance:*
- Mr Henri van Heugten, dept. of general treasury
- WWF-Netherlands:*
- Mr Carel Drijver, Oceans and Coastal Campaign manager
- Mr Guus Loomans, fundraiser Major Donors
- Mr Bas Geerts, Business Corporations Unit
- DOEN Foundation:*
- Mr Jeroen Loots, fund manager
- National Postcode Lottery:*
- Mr Leo van Grunsven, manager allocations
- IUCN Netherlands Committee:*
- Mr Willem Ferwerda, Director
- Groenfonds:*
- Mr Roelof Balk, Director
- De Landschappen:*
- Mr Henkjan Kievit, Director
- Prince Bernhard Fund:*
- Mrs Maartien Delprat, Head Fundraising Section
- Mr Johan de Bie, former secretary of the board
- Natuurmonumenten:*
- Mr Feiko Prins, international affairs
- Mrs Anita van Loenen, sponsoring and joint promotion
- Mr Fedde Koster, director of administration
- Conservation International – Netherlands*
- Mr Pieter Borkent, Director
- Wetlands International:*
- Mr Marcel Silvius, senior Programme Manager
- Peace Parks Foundation:*
- Mr John Loudon, member of the Board
- Ecological Management Foundation:*
- Mr Allerd Stikker, Chairman
  
- AMACO (Netherlands) BV*
- Mr Michael Elias, Managing Director
- MeesPierson:*
- Mr Teetse Holtrop, Director Charity Structuring
- Shell International:*
- Mr Steven de Bie, Sustainable Development Manager
- Rabo bank:*
- Mr Luuk Hans, Green Banking Department
- Janssen de Jong BV*
- Mr E. Kuperus, Secretary of the Managing Board
- Heineken International BV*

- Mr M.E. van Rijn, dept. of Corporate Affairs

*Committee 50 Years Kingdom Statute:*

- Mr Marius Jonkhart, also chairman NOB Holding

*Provincial Parliament North Holland:*

- Mr Ton Hooijmaaijers, member of parliament
- Mr Carel de Haseth, former plenipotentiary Minister of the Netherlands Antilles.
- Mr Kremer, attorney with Loyens & Loeff

**European Commission**

- Mr Raul Mateus Paula, Head of Unit, Financial and Contractual Questions, EuropeAid
- Mr Hemmo Muntingh, former member of European parliament
- Mr Bas van Helden, desk officer Caribbean
- Mr Marc Boucey, desk officer OCTs
- Mr Neil Scotland, desk officer EuropeAid
- Mr Frank Jacobs, desk officer EuropeAid
- Mr Paolo Roggeri, desk officer EuropeAid
- Mr Enrico Pironio, desk officer EuropeAid
- Mr Jan Bloemendal, desk officer EuropeAid
- Mr Jurgen Lefevere, administrator EuropeAid

**U.S.**

*Conservation International*

- Mr Scott Dresser (Legal Advisor, Global Conservation Fund -GCF):
- Mr Christopher Stone (Senior Program Officer, Global Conservation Fund -GCF)
- Mr Donnell Ocker (Director, Critical Ecosystem Partnership Fund –CEPF)

*The John T. and Catherine D. MacArthur Foundation:*

- Mr David Hulse (Senior Program Officer, Global Environment and Sustainability Program)

*The Nature Conservancy (TNC):*

- Mr Robert Weary (Director, Virgin Islands and Eastern Caribbean Program)

*WWF-US:*

- Mrs Melissa Moye (Director, Center for Conservation Finance)

- Mr Brian Menkes, attorney in US tax law issues for non-profit organizations at the Washington DC office of the international law firm Wilmer, Cutler & Pickering.

## Annex 1

## Fee-based mechanisms

The following table presents a general overview of fee-based mechanisms for protected area funding (after Norris & Curtis, 1999).

<i>Mechanism</i>	<i>Definition</i>	<i>Who Can Use It</i>	<i>Advantages</i>	<i>Disadvantages</i>
Taxes, Levies, Surcharges	Fees and levies imposed on certain classes of activities, sales or purchases	Government prerogative to impose and collect; proceeds may be earmarked for annual use, trust funds, etc.	<ul style="list-style-type: none"> <li>- Regular, recurrent income, use generally unrestricted.</li> <li>- Can capture economic benefits from resource uses (tourism, water consumption, hunting/fishing, boating, tourism, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>- Can result in promotion of inappropriate activities as a means to capture income.</li> <li>- May require special authorizing legislation.</li> <li>- May generate controversy, especially among constituencies to be taxed (requires public education on advantages and purposes of levy).</li> </ul>
Entry Fees	Charge for visitation, usually "per person" or "per vehicle"; may include such variations as seasonal or annual passes, charges to tour firms bringing escorted groups	The entity with jurisdiction over a protected area can collect fees itself or designate another party to do so on its behalf, depending on applicable law	<ul style="list-style-type: none"> <li>- Regular, recurrent income, use generally unrestricted</li> <li>- Embodies "user pays" principle</li> <li>- Can be used to regulate access, control over-use, manage visitation flow among protected areas</li> <li>- Easy to implement in areas with limited number of access points</li> </ul>	<ul style="list-style-type: none"> <li>- Not appropriate for little-visited areas (projected revenue should exceed cost of collection)</li> <li>- Potential equity issues (can be addressed by lowering fees for national/local residents)</li> <li>- Introducing fees for areas that previously were free can generate controversy (requires local outreach and education before implementation).</li> </ul>
Leases and Concessions	Legally binding agreements between the entity with authority over the protected area	Protected area agencies, private reserves, NGOs, businesses	<ul style="list-style-type: none"> <li>- Effective mechanism to provide services with little up-front investment by the</li> </ul>	<ul style="list-style-type: none"> <li>- Concessionaires operate for profit motive, may not share values of protected</li> </ul>

<i>Mechanism</i>	<i>Definition</i>	<i>Who Can Use It</i>	<i>Advantages</i>	<i>Disadvantages</i>
	and private organizations or entrepreneurs, who market goods and services related to the protected area and return some share of the profits, or a flat fee		<p>protected area.</p> <ul style="list-style-type: none"> <li>- Concessionaire incurs the risks associated with potential unprofitability</li> <li>- Concessionaires bring marketing and business skills</li> <li>- Frees management agency to focus on resource protection</li> <li>- Provides opportunities for local entrepreneurs</li> </ul>	<p>area and need to be carefully monitored</p> <ul style="list-style-type: none"> <li>- Estimation of fees is complex and difficult; need to ensure healthy and safe service at reasonable price to visitor; fair return to both protected area and entrepreneur.</li> <li>- Not appropriate for little-visited areas.</li> </ul>

The next table illustrates some of the different types of fees, taxes or surcharges that other countries have successfully used as a way of locally generating co-financing for conservation trust funds (and for protected areas and nature conservation in general) without thereby reducing the number of foreign tourists or the profits of the tourism industry. Such fee systems may be a way of generating the local matching funds that international donors usually require as a condition for contributing to a conservation trust fund.

<i>Long-term financial mechanisms in the form of a "revolving fund"</i>	<i>Examples from other Caribbean countries</i>
1. Hotel Room Tax / Surcharge	<ul style="list-style-type: none"> <li>- In Turks and Caicos islands, an extra 1% is added to the existing 8% hotel tax, and legally earmarked to support a Protected Areas Trust Fund.</li> <li>- The Spanish resort island of Majorca (which receives several million foreign tourists each year) collects a surcharge of 2 Euros per hotel room per night, which goes into a special environmental fund.</li> <li>- The US state of Delaware requires (by law) that 10% of all hotel taxes be earmarked for a beach conservation fund.</li> <li>- A major hotel chain in Hong Kong automatically adds a \$1 charge to hotel guests' bills as a "contribution" for nature conservation projects, with an explanation on the bill stating that this charge will be removed if a guest specifically so requests. A similar voluntary charge, for hospitality training and environment in general, is</li> </ul>

<i>Long-term financial mechanisms in the form of a "revolving fund"</i>	<i>Examples from other Caribbean countries</i>
	being applied in all major hotels on St Maarten.
2. Cruise Ship Passenger Tax / Fee	<ul style="list-style-type: none"> <li>- The CTO has recently proposed a uniform US\$ 20 head tax for all Caribbean states, which has been strongly opposed by the FFCA (Florida-Caribbean Cruise Association) and by some individual states.</li> <li>- Several years ago 4 Eastern Caribbean states tried to impose a \$1.50/passenger waste disposal fee which was used to clean up pollution in ports, but these fees were repealed when the cruise ship industry protested. However, a number of cruise ship destinations in Alaska have recently been successful in imposing these kinds of head taxes on cruise ship passengers, without thereby driving away business.</li> <li>- Some cruise ship companies (such as Lindblad) have asked all their passengers to contribute to a nature conservation fund set up by the company, and voluntarily contributed</li> </ul>
3. Fee collected from non-resident airline passengers	Belize instituted such a fee in 1996, which is the sole source of funding for a Protected Area trust fund.
4. Dive and Mooring Fees	This is already being done in Bonaire and Saba. Recommended for Curacao, St. Maarten and Statia.
5. Pollution Fines	<ul style="list-style-type: none"> <li>- Almost US \$1 billion out of the \$4 billion settlement of claims for damages from the Exxon Valdez oil tanker spill in Alaska has been allocated for a coastal and marine conservation fund. US courts have often required industrial polluters to contribute pay large sums of money to establish conservation trust funds to restore and conserve rivers which they have polluted.</li> <li>- Revenues could be raised if fines for pollution (either land-based, or within NA territorial waters) were significantly increased and enforcement efforts strengthened. The challenge is to have them legally earmarked just for the nature parks Trust Fund.</li> </ul>
6. Real estate transfer taxes	Many local governments in the US impose taxes on real estate sales that are earmarked specifically for conservation and purchase of open spaces. New Jersey and Florida have each raised more than \$1 billion this way.



<i>Long-term financial mechanisms in the form of a "revolving fund"</i>	<i>Examples from other Caribbean countries</i>
7. Tax on the Off-Shore Financial Sector	Revenue could potentially be raised through a small increase in corporate taxes and registration fees, or through a tax/fee on stock transfers or foreign currency transactions. Assess whether this would cause NA to become less competitive with other offshore financial centers in the Caribbean.
8. Lottery and casino revenues	<ul style="list-style-type: none"> <li>- Around 25% of the revenue from the Dutch Postal Lottery is allocated for nature conservation organizations and projects inside and outside the country.</li> <li>- US states such as Colorado and Oregon allocate between 15% and 50% of the revenues from state-run lotteries for nature conservation and preservation of undeveloped land.</li> <li>- Assess the feasibility of allocating part of Antillean lottery revenues or a small tax on casino gambling profits to charity purposes, specifically for long-term conservation funding).</li> </ul>
9. Rum Tax or other taxes on alcohol and tobacco	In Puerto Rico, 20% of the tax on rum (around US \$5 million/year) goes to the Puerto Rican Conservation Trust, and is mostly used to buy private land to create or expand parks.

## Annex 2

## Long list of potential donors

Potential donor (category) or financial mechanism	Level of donor's interest in the Netherlands Antilles	Type of financial support potentially provided (project, programme, core, TF contribution)	What does donor want in return / other conditions / observations
DUTCH FOUNDATIONS AND NON-GOVERNMENTAL AGENCIES			
WWF-Netherlands	Reasonable – but little interest in contributing to a trust fund, at the country level, although possibly at an individual island level once effectiveness has been proven	Crucial support from 1998-2001 (3,5 mln NLG) for core and project funding. Since then more limited project funding for Saba and Bonaire, includes establishing "Friends of Bonaire" as financial support mechanism.	Visible results in short-term, always with exit-strategy.  Support for individual islands only, rather than at the national level.
DOEN Foundation	Interest exists– but little interest in contributing to a trust fund as long as its effectiveness not proven and income-generating potential in some islands underutilized.	Important support in previous years.  Recently approved core and project funding for 3 years, to Saba and Bonaire. Request for St Maarten and Statia now under consideration.	
Groenfonds (National Green Fund)	Very basic – chairman (royal family) has great personal interest in NA.	Technical financial advice may be feasible.	
Dutch Union of Landscapes	National Dutch focus, but interest in NA growing.	Board is cautious, but willing to discuss options for linkage (with potential access to support) in coming months; status as 13 <sup>th</sup> landscape would be ultimate step.	

Potential donor (category) or financial mechanism	Level of donor's interest in the Netherlands Antilles	Type of financial support potentially provided (project, programme, core, TF contribution)	What does donor want in return / other conditions / observations
INTERNATIONAL FOUNDATIONS			
Conservation International (CI)	<p>Growing CI interest in Caribbean hotspot. Caribbean Basin Initiative (CBI) now being developed. Antilles are in two CBI priority areas.</p> <p>CEPF and GCF are not likely to make any large grants in the Caribbean for the foreseeable future.</p>	<p>CI has provided all sorts of financial support elsewhere, including capitalization of conservation trust funds.</p> <p>Project support on Netherlands Antilles feasible, especially for marine conservation.</p>	
The Nature Conservancy (TNC)	Currently starting a 2-year process of biodiversity assessments for entire Caribbean. TNC may be interested in providing advice or contacts to NA, but the financial resources of TNC's Caribbean Program (approx. \$4 million/year) are focused on Jamaica, Dominican Republic, Bahamas, and the Grenadines.	TNC made million-dollar contributions to several trust funds, but only it had already operated large-scale conservation programs in those countries for many years. This is highly unlikely for the NA.	
MacArthur Foundation	The Caribbean will probably not be a focus until 2005 or 2006 due to staff changes	MAF has made contributions to several trust funds, but current Director is not keen on TFs.	
Moore Foundation	Not interested in the Caribbean		
Packard Foundation	Not interested in the Caribbean		
Goldman Foundation	Not interested in the Caribbean		

Potential donor (category) or financial mechanism	Level of donor's interest in the Netherlands Antilles	Type of financial support potentially provided (project, programme, core, TF contribution)	What does donor want in return / other conditions / observations
LOTTERIES			
Dutch Postcode Lottery	Has expressed considerable interest in Neth Antilles; accepted beneficiary organizations play crucial intermediate role.	<p>Large funds only. Project, programme and core funding.</p> <p>Long-term funding relation feasible. Large non-earmarked grant has just been approved on Jan 29, 2004, via NC-IUCN.</p> <p>TF contribution not likely but not to be dismissed as medium-term option.</p>	Solid recipient organization required; established intermediate beneficiary needed. NA umbrella NGO might qualify as such in medium term.
GOVERNMENTS AND MULTILATERAL AGENCIES			
Netherlands Govt.	<p>Strong interest in NA as part of the Kingdom – large financial commitments – but the overall relationship is under serious political strain.</p> <p>Environment has less priority than a few years ago, now primary emphasis is on poverty alleviation. Policy priorities may shift again in the future.</p>	<p>Contribution to TF capital is not feasible for the foreseeable future, for political and budgetary policy reasons.</p> <p>Conservation support as part of debt restructuring is not feasible as long as overall debt management does not improve.</p> <p>Project support feasible if embedded in sustainable economic development context.</p>	<p>Improved governance context.</p> <p>Active role and commitments by local government, private and NGO sectors.</p>

Potential donor (category) or financial mechanism	Level of donor's interest in the Netherlands Antilles	Type of financial support potentially provided (project, programme, core, TF contribution)	What does donor want in return / other conditions / observations
EU	Netherlands Antilles currently have OCT status, received considerable EDF support. Also eligible under several budget lines of DG Development.	Contribution to TF capital is not feasible for budgetary policy reasons.  Project support possible under several budget lines.  No EDF funding for environment since this has not been included as 'focal area' by Netherlands Antilles government.	
GEF	NA is not eligible		
PRIVATE SECTOR – CORPORATIONS			
Shell Oil Co.	Historical ties.	Donations not feasible for political reasons.	
KLM	Limited	Only in minor publicity projects.	
Financial sector	Numerous branches and representations in Antilles due to favourable fiscal climate.	Good potential for various kinds of conservation support.	
Hotel sector		Limited potential, more review needed.	
Cruise ship companies	Unlikely to be donors, except if they cause a major pollution incident.	Usually only small project grants. Larger grants unlikely because of potential snowball effect across Caribbean.	

Potential donor (category) or financial mechanism	Level of donor's interest in the Netherlands Antilles	Type of financial support potentially provided (project, programme, core, TF contribution)	What does donor want in return / other conditions / observations
PRIVATE SECTOR – INDIVIDUALS			
Wealthy individual donors, including private foundations	<p>Potential exists: retired residents, second home owners, repeat visitors.</p> <p>Scale needs further assessment.</p> <p>Appeal to sense of responsibility for NA as part of Kingdom.</p>	Apparently good potential for various kinds of conservation support.	

## Annex 3                      Introduction to Debt-for-Nature Swaps

There are two types of Debt-for-Nature swaps, commercial and bilateral ones. Both will be introduced briefly.

**Commercial debt-for-nature swaps** have generated a total of \$112 million for conservation over the last 15 years (according to figures compiled by WWF's Center for Conservation Finance), with almost all of this occurring in the years between 1988 and 1994, following the Latin American debt crisis.

In a commercial debt-for-nature swap, a conservation organization purchases hard currency debt owed by a developing government to international commercial banks at a substantial discount from the face value of the debt (because the international banks do not expect to be fully repaid). The conservation organization then reaches an agreement with the developing country government for cancellation of the debt in exchange for payment in local currency or bonds, which is used to implement agreed upon conservation activities. The amount of funds that have been generated for biodiversity conservation through *bilateral debt-reduction agreements* has been considerably larger.

**Bilateral debt reduction agreements** involve cancellation of debt owed by one government to another, in exchange for the debtor government's commitment to allocate a specific portion (usually between 10% to 75%) of the cancelled debt for agreed upon environmental programs. Almost one billion has been generated this way, but more than half of this total amount was from 1991 debt reduction agreements between Poland and several of its bilateral creditors. These obligated the Polish government to spend \$571 million (equivalent to 10% of the cancelled debt) over an 18-year period, mostly for reducing industrial pollution. However, around 5% of the \$571 million is used for biodiversity conservation and protected areas.

The U.S. government's *Enterprise for the Americas Initiative* ("EAI") of the early 1990s generated a total of \$177 million in local currencies for environmental protection and child survival projects seven Latin American countries. However, none of this money could be used to cover the basic operating costs of protected areas, since all of the money had to go to NGOs rather than government agencies. Similar restrictions apply to funds made available under the U.S. Government's *Tropical Forest Conservation Act*, which in the past 5 years has generated almost \$100 million (payable over 28 years) to fund projects by local NGOs in six countries to conserve tropical rainforests. In addition to these two U.S. Government programs, several European governments (including Germany and Switzerland) have also provided funds for biodiversity conservation and protected areas in developing countries through the mechanism of bilateral debt reduction agreements.

From : Spergel, 2004. *Conservation Finance: Limitations and Opportunities. Reflections on the Experiences of the last 15 Years*

## **Annex 4            The European Union, OCTs and UPTs**

### **Overseas Countries and Territories (OCTs)**

The Netherlands Antilles are one of the twenty Overseas Countries and Territories (OCTs) that have a special relationship with one of the Member States of the European Community States (Denmark, France, the Netherlands and the United Kingdom). Two main characteristics distinguish the OCTs from the ACP states (former European colonies in Africa, the Caribbean and the Pacific) and the Ultra-Peripheral Territories (UPTs):

- The OCTs are not part of the Community territory (Contrary to the UPTs).
- Their inhabitants have the nationality of the Member States to which they are related.

The OCTs are constitutionally linked to four of the Member and they are not independent states, contrary to the ACP states. Like the ACP countries, the OCTs benefit from the European Development Fund (EDF) under a specific association agreement. They also participate in certain Community programmes in specific areas.

In 2001, new OCT association arrangements were designed that will remain in force until 2011.

The specific objectives of the arrangements reflect the main objectives of the European Community's development policy as within the framework of other development cooperation agreements, such as the Cotonou Agreement with the ACP states . The cooperation focuses, in particular, on three objectives:

- the reduction, prevention and eventual eradication of poverty.
- sustainable development.
- the gradual integration of the OCTs into the regional and world economies.

There are six main areas of cooperation:

- economic and trade cooperation: trade arrangements.
- trade development (including trade in services).
- trade-related areas.
- human and social development; in this area, 'sustainable management of biological diversity' is mentioned as one among five 'social sectors'.
- regional cooperation and integration.
- cultural and social cooperation.

A development and cooperation strategy is adopted by each OCT in the form of a Single Programming Document (SPD). The OCTs are responsible first and foremost for determining and implementing cooperation measures and the SPD is thus drawn up principally by the authorities of the OCTs. It is adopted jointly with the EC and the Member State to which it is linked.

Financial resources for the OCTs from the *9th European Development Fund* are allocated for a period of five years from 2002 to 2007, totalling EUR 175 million, out of a total 9<sup>th</sup> EDF budget of EUR 16.4 billion (84% grant and 16% investment facility). The OCTs continue to



benefit from previous EDF funds that have already been allocated. The Commission manages the funds allocated under the EDF and the European Investment Bank manages the Investment Facility and the loans from its own resources. Like other developing countries, the OCTs may have access to aid allocated via budget lines for sectoral development policies such as food and humanitarian aid, aid for NGOs, aid related to development, environment, health and demographic issues, etc.

### **Ultra-Peripheral Territories (UPTs)**

Among the most important implications of acquiring UPT status, i.e. becoming de facto EU territory, are:

- lifting of restrictions on the flows of goods, services, capital and persons from and to the EU.
- implementation of certain economic regulations.
- adoption of EU legislation and policy in a number of fields, such as the environment (including coastal and marine management and the protection of biodiversity).

Special benefits which a country enjoys as OCT (such as access to EDF funds and certain trade preferences) will no longer apply. In case of a change of status for the Antilles, the SEOR report expects that economic growth, trade and development will be stimulated, in part due to access to Regional Structure Funds and subsidies on transportation costs. These Structure Funds focus on infrastructure and employment and may not be used to reduce Dutch development funding. Certain mandatory fiscal adjustments will lead to lower import prices for industrial goods and higher import prices for food products, which are expected to increase prices in the tourist industry. Tourism from the US is expected to decrease, from the EU to increase. The balance between costs and benefits will be different for each of the Antilles. The Antilles could count on an estimated EUR 40 million a year in Structure Funds (SEOR, 2004). Whether a contribution by Structure Funds to a Nature Parks Trust Fund would be feasible will need further analysis.

### **General objectives**

The general aim is to support developing countries in their efforts to integrate the environmental dimension into their development process. To this end, the Community provides financial assistance and appropriate expertise aimed at drawing up and promoting the implementation of policies, strategies, tools and technologies for the pursuit of sustainable development. Community support shall be provided directly to developing country stakeholders as well as indirectly through the strengthening of the environmental dimension of Community economic and development co-operation in order to ensure that full account is taken of environmental considerations in Community programmes.

### **Types of actions**

Activities eligible for financing include, amongst others:

- support for the drawing up of national, regional and local policies, plans and strategies, programmes and projects for sustainable development,

- schemes to build up the institutional and operational capacities of actors in the development process, i.e. government, non-governmental organisations, private sector, civil society, indigenous peoples, at national, regional and local level,
- pilot projects in the field including those involving environmentally-sound technologies adapted to local constraints and needs,
- the promotion of trade in products that have been produced in a sustainable manner,
- the creation of instruments for sustainable development, inter alia, trade-related instruments such as labelling and certification schemes and green trade initiatives,
- the formulation of guidelines, operating manuals and instruments aimed at promoting sustainable development and environmental integration in particular in the form of public databases and databanks on the internet (open to the public),
- information campaigns on hazardous substances, and toxic waste and pesticides in particular,
- support for the development and application of environment assessment tools in the preparation and implementation of policies, strategies, programmes and projects,
- raising awareness of local populations and key actors in the development process and development cooperation with regard to the implications of sustainable development, in particular through information campaigns and training,
- inventory, accounting and statistical work, in order to improve the quality of environmental data and environmental indicators.

### **Beneficiary organizations**

Co-operation partners which may receive assistance under this Regulation shall include international organisations, States, regions and regional bodies, decentralised departments, public agencies, private operators and industries, co-operatives, local communities, non-governmental organisations and associations representing local people, in particular forest-dependent people.

### **Eligibility**

Grants may be awarded to Beneficiaries from Member States and from developing countries.

### **Procedure to be followed**

Grant award is generally following call for proposals. The announcement notice, guidelines and application form of calls for proposals are published on the Europa web-site ([http://europa.eu.int/comm/europeaid/tender/index\\_en.htm](http://europa.eu.int/comm/europeaid/tender/index_en.htm) - go directly to 'tender opportunities and calls for proposals').

## Annex 5

## Letter from AuropeAid on Trust Funds



### EUROPEAN COMMISSION

EuropeAid Co-operation Office

Operational support  
Financial and contractual questions

Brussels, 27.04.04  
AIDCO/G/2/LS D(2004) 13166

Mr Rob Glastra  
AID Environment  
Donker Curtiusstraat 7 - 523  
1051 JL Amsterdam  
The Netherlands

**Subject: Inquiry about Trust Fund Support**

**Ref.:** your letter 039-2004 dated 31 March 2004

Dear Mr Glastra,

Thank you for your above-mentioned letter. I confirm that there is nothing in the applicable rules which forbids in principle the contribution by the EC, either from the General Budget or from the European Development Fund, to a trust fund of the types you mention (endowment fund or sinking fund).

In the case of an endowment fund, a clear destination for the EC fund after the end of the implementation of the EC-funded project should however be determined from the onset.

Different rules and constraints would however apply depending on who would be recipient of the EC funds and administer the trust fund.

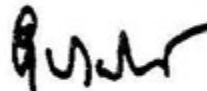
- If it were the government of the beneficiary country itself, there would be no specific constraint at the stage of constituting the trust fund, other than normal rules applicable to other programmes managed by the beneficiary countries. This includes that in administering the funds the government would have to abide by the applicable EC rules, in particular for procurement.
- If it were an international organisation like the World Bank, no specific constraints, other than the rules normally applicable to cooperation between the Commission and other international organisations, would apply provided that other donors contribute to the fund.
- If the trust fund manager were a private organisation, award of the funds to it could only be granted following a call for proposals and adequate competition, unless in the following circumstances:

Commission européenne, B-1049 Bruxelles / Europese Commissie, B-1049 Brussel - Belgium. Telephone: (32-2) 299 11 11.  
Office: L41-8/128. Telephone: direct line (32-2) 2969621. Fax: (32-2) 2965529.  
H:\consultations\diverses\AidEnvironment\TrustFunds.doc

- In duly substantiated exceptional cases of urgency, ie where unforeseeable events oblige the contracting authority to act with an urgency incompatible with the periods laid down for call for proposals;
- Where the grant is awarded to a body with a *de jure* or *de facto* monopoly.

I hope this clarifies the situation. Please do not hesitate to contact me should you wish any further explanations.

Yours sincerely,



Raul MATEUS PAULA  
Head of Unit

c.c.: Mr Zimmer, AIDCO/C/6

## Annex 6                      Financial projections per island over the next five years

The park management NGOs provided the information presented in the following individual island sections (data provided in the first half of 2004). Grants approved more recently have not been included in these tables. Apart from being a tool in the financial planning by each park management NGO, these data have been used as reference for the ‘self-generated revenues’ and ‘island government contributions’ in the two financial scenarios from chapter 6.3.

More precisely, the consultants used the following amounts for the two categories in the scenarios:

	Island government		Self-generated revenues	
	<i>Minimum</i>	<i>Target</i>	<i>Minimum</i>	<i>Target</i>
Curaçao	190.000	190.000	350.000	600.000
Bonaire	100.000	-	800.000	1.170.000
Saba	40.000	55.000	150.000	150.000
Statia	15.000	90.000	50.000	65.000
St Maarten	15.000	25.000	50.000	135.000
TOTAL	360.000	360.000	1.400.000	2.120.000

All amounts are in NAF.

The consultants made the following assumptions to arrive at the above amounts:

- 1- Curaçao: stable island government contribution. Estimated self-generated revenues in the minimum scenario come from the land park only, in the target scenario from both parks.
- 2- Bonaire: island government contribution is assumed to stop if fee increase proposal is approved. Self-generated revenues are taken at lower levels than indicated by STINAPA and by themselves cover the ‘basic budget requirements’.
- 3- All the amounts are within the ranges indicated by the park management NGOs.

## BONAIRE

All information provided by STINAPA Bonaire. All figures are in NAF.

Year	Island government	Other grants	Self-generated (fees, sales, donations)	Total Operational Funding	Project funding
2004	100.000	11.700	885.100	996.800	233.300
2005	0	11.700	1.766.400	1.778.100	353.300
2006	0	11.700	1.766.400	1.778.100	163.300
2007	0		1.768.100	1.768.100	70.000
2008	0		1.763.100	1.763.100	70.000

Year	Island government	Other grants	Self-generated	TOTAL
2004	10%	1%	89%	100%
2005		1%	99%	100%
2006		1%	99%	100%
2007			100%	100%
2008			100%	100%

### NOTES

1. These figures are for STINAPA Bonaire and cover two “units”: Bonaire National Marine Park (BNMP) and the Washington Slagbaai National Park (WSNP). STINAPA charges the two parks a management fee which has not been included in this financial projection.
2. STINAPA assumes that when the Island Government approves of a BNMP divers fee increase and introduction fee for all users, we will no longer receive subsidy from them.
3. Under the current management contract of the BNMP with the Island Government, revenue of the BNMP cannot be used for maintenance of both parks. STINAPA will request the Island Government to change this regulation. If the request is not accepted, then the Washington Slagbaai National Park will have an operational deficit.
4. Island Government subsidy is for both STINAPA (largest part) and for the BNMP.

## CURACAO

All information provided by CARMABI. All figures are in NAF.

Year	Island government	Other grants (marine park or marine management zone only)	Self-generated (fees, sales, donations)	Total Operational Funding	Project funding
2005	190.000	0 – 25.000	350.000 – 605.000	540.000 – 820.000	Various
2006	190.000	20.000 – 25.000	350.000 – 605.000	560.000 – 820.000	Various
2007	190.000	0 – 25.000	350.000 – 605.000	540.000 – 820.000	Various
2008	190.000	0 – 25.000	350.000 – 605.000	540.000 – 820.000	various

### NOTES

1. The island government is expected to maintain its annual contributions at NAF 70.000 for the Underwater Park and NAF 120.000 for the Christoffel Land Park.
2. 'Other grants' (which refer to the marine park only) and 'self-generated revenues' vary whether the Underwater Park is considered or the much larger Curaçao Marine Management Zone will be established, according to a zoning plan that has been accepted by the island government. The corresponding legislation is in preparation.
3. 'Self-generated revenues' for the Christoffel Park are estimated to reach NAF 350.000 in 2005. As of 2006, a Christoffel Park Improvement Programme should become operational including the Savonet Open Air Museum. One of the main goals of the programme is to make the park completely self-sustainable. The expected revenues are estimated at over 1 million NAF per year, against an amount of around NAF 870.000 in costs. From 2008 onwards, this should result in a positive balance of NAF 160.000. These projected costs and benefits have not been incorporated in the scenarios in this report, to keep the financial picture comparable with the other islands. As far as beneficiaries of the Trust Fund are concerned, other, smaller parks may then represent the role of land park from Curaçao, after agreement by the DCNA and MINA/VSO..
4. Project budgets for the Christoffel Park alone from 2005 onwards run to more than NAF 9 million, largely as infrastructure investments.

## SABA

All information provided by the Saba Conservation Foundation. All figures are in NAF.

Year	Island government <sup>35</sup>	Other grants <sup>36</sup>	Self-generated (fees, sales, donations) <sup>37</sup>	Total Operational Funding	Project funding <sup>38</sup>
2004	56.500	150.500	147.000	354.000	190.000
2005	56.500	150.500	150.000	357.000	25.000 – 200.000
2006	56.500	150.500	150.000	357.000	25.000 – 200.000
2007	56.500	0	150.000	206.500	25.000 – 100.000
2008	56.500	0	150.000	206.500	25.000 – 100.000

<sup>35</sup> The SCF receives NAF 56.500.- per annum subsidy for trail maintenance. The island government has paid this subsidy consistently for several years and the SCF believes the government will continue to commit to this subsidy although the amount could vary in the future, depending on the budgetary constraints of government. The government frequently raises the issue of withdrawing the subsidy (due to shrinking island budgets) and seeking an alternate funding source for all government subsidies to NGOs. For the time being, the subsidy is guaranteed but is unlikely to increase.

<sup>36</sup> Grant from Stichting DOEN NAF 135.000 per annum for 3 years (\$75.000/ pa \$1 = NAF1,8)  
Grant from IUCN Nederland NAF 15,540 per annum for 3 year (€6.667 /pa €1 = NAF 2,0)  
No grants after 2006. Grants committed to operational expenses only. Exchange rates may vary.

<sup>37</sup> User fees in the Saba National Marine Park are unlikely to grow significantly unless there is growth in dive tourism to Saba or if the fees are increased (this is a consideration but is unlikely in the next 2-3 years). Collection of fees diving/ yacht is efficient. Income generation from nature fees (terrestrial) may increase in the next 3- 5 years especially if the national park is granted a legal status. The approach to collection will need to be improved in order to ensure an increase – proposals included in National Park management plan.

<sup>38</sup> 2004: Approved project funding from Stichting DOEN	NAF 165.500
Grant pending for education	NAF 18.000
Application to NGO Platform	<u>NAF 50.000</u>
	NAF 233.000

2005 and 2006: No grants approved. No applications pending.

Expectation of project funding for 2005/6 and beyond is based on project planning, and then matching to available grant sources. The SCF believes the Antillean Co-financing Organization (AMFO) will play a greater role in project funding for all nature management NGOs in the Netherlands Antilles. Expected income for projects will vary depending on activities and success with grant applications.



Year	Island government	Other grants	Self-generated	TOTAL
2004	17 %	40 %	43 %	100%
2005	17 %	39 %	44 %	100%
2006	17 %	39 %	44 %	100%
2007	27 %	0%	73 %	100%
2008	27 %	0%	73 %	100%

#### NOTES:

1. All figures are as realistic as possible. Explanatory footnotes are given for each category of income.
2. Project funding refers to funding that does not cover operational costs.
3. With reference to the list of examples in Annex 3, the SCF believes that most of these initiatives are difficult to apply to Saba mainly due to its small size and absence of economies of scale. There are possibilities to raise income from taxes (e.g. nature taxes, visitor taxes, etc.) but this would only be viable in the context of overall tax restructuring – current tax system is very skewed/ inefficient.
4. Other possibilities for sources of income: Multi-national sector (in the Netherlands e.g. Shell, Philips, etc.) - Kyoto Protocol lists options for ‘payback’ by this sector for environmental take-up.

## STATIA

All information provided by STENAPA. All figures are in NAF.

Year	Island government <sup>39</sup>	Other grants <sup>40</sup>	Self-generated (fees, sales, donations) <sup>41</sup>	Total Operational Funding	Project funding <sup>42</sup>
2004	0 – 100.000?	122.400	45.000	167.400-267.400	94.200
2005	0 – 120.000?	122.400	50.400	172.800-292.800	46.800
2006	0 – 120.000?	122.400	55.800	178.200-298.200	46.800
2007	0 – 120.000?	0	61.200	61.200-181.200	46.800
2008	0 – 120.000?	0	66.600	66.600-186.600	46.800

## NOTES

1. The greatest uncertainty lies with the Island Government category. There was a permanent subsidy of 3.500/month until September 2003. This was replaced by a temporary subsidy of 10.000/month until end 2003 after the office closure and end of BZK emergency funding. We do not have any subsidy at present. In January 2004, we requested continuation of the temporary subsidy of 10.000/month until we can collect tanker fees and this is currently under discussion amongst the Executive Council. We hope to receive a response in the next month. Therefore, there is a range of 0-120.000 (100.000 for 2004) for the Island Government and a question mark against this figure.
2. Project funding refers to funding which does not cover operational costs. If STENAPA succeeds in its application for Marine Park funding, this will relate to project funding only and will not affect our Other Grants column.

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<sup>39</sup> Zero subsidy from Island Government at present and temporary 3 month subsidy of 10.000/month expired at end 2003. In January 2004, we requested continuation of 10.000/month until we can collect tanker fees. Some positive feedback but (on 1 March 2004) still awaiting response about continuation of subsidy and amount.

<sup>40</sup> NPL funding via IUCN. No other grants for operational expenses. DOEN application in process.

<sup>41</sup> Marine Park and National Park fees income increased by approximately 5.400/year between 2001-2002 and also 2002-2003. This increase is due to growing numbers of divers and increased efficiency in collection. We estimate dive numbers will continue to increase resulting in an increase of \$3.000/year in fee income.

<sup>42</sup> This income is very variable depending on activities and success with grant applications. 2004: World Turtle Trust (46.800), KNAP Tanker Impact (15.000), KNAP Turtle Conservation (9.000), UNEP Fisheries Baseline (14.400), VNP Flora Education (9.000). This is an exceptionally high level compared to other years. 2005 onwards: no funding acquired yet but estimate 46.800 based on past years' experience.

3. After consideration of the list of examples from Annex 1, STENAPA finds that many are not applicable to the situation on Statia. For example, Statia does not have visiting cruise ships, no casinos, the only source of industrial pollution would be from the visiting tankers (and STENAPA is still pursuing fines for an oil spill in February 2002 in the court, and it is likely that the fine will go to the Island Government), there are no major real estate transfers (most property is leased from government land), no offshore finance, the private sector is almost non-existent, there are no water bills for a nature tax (piped water). Two fee-related possibilities are:
- establishing a nature conservation fee for departing air passengers (9.780 non-Antillean residents arrived by air in 2002); yacht visitors already find the island expensive due to customs clearance of NAF 45 and Marine Park fee of NAF 18/night) (number of sea arriving tourists in 2002 was 6.336).
  - increasing annual dive fees – considering increasing from \$15 to \$30. Dive passes were set at \$30 until 2001 when the fee was decreased due to pressure from one dive centre and the belief that a lower fee would attract more divers. Two dive centres now indicate willingness to increase again. This would increase our fee income by approximately \$14.000/year but needs approval by Board and Island Government first.
4. Assumptions include a continuing upward trend of tourism and Island Government support (for the upper level of projections).

Based on the lower range of Island Government subsidy:

Year	Island government	Other grants	Self-generated	TOTAL
2004	0%	73%	27%	100%
2005	0%	71%	29%	100%
2006	0%	69%	31%	100%
2007	0%	0%	100%	100%
2008	0%	0%	100%	100%

Based on the upper range of Island Government subsidy:

Year	Island government	Other grants	Self-generated	TOTAL
2004	37%	46%	17%	100%
2005	41%	42%	17%	100%
2006	40%	41%	19%	100%
2007	66%	0%	34%	100%
2008	64%	0%	36%	100%

## St MAARTEN

All information provided by the St Maarten Nature Foundation. All figures are in NAF.

Year	Island government	Other grants	Self-generated (fees, sales, donations)	Total Operational Funding	Project funding
2004	0-14.000? <sup>1</sup>	181.600	18.000	199.600-213.600	89.000
2005	0-20.000?	159.800	51.600	211.400-231.400	89.000
2006	0-25.000?	154.800	78.300	233.100-258.100	89.000
2007	0-25.000?	144.100	97.900	242.000-267.000	97.900
2008	0-25.000?	117.400	133.500	250.900-275.900	10.800

Year	Island government	Other grants	Self-generated	TOTAL
2004	7%	85%	8%	100%
2005	9%	69%	22%	100%
2006	10%	60%	30%	100%
2007	9%	54%	37%	100%
2008	9%	43%	48%	100%

### NOTES

1. Island Government subsidies reflect the average amount of received funds since 1997.  
This does not imply that government will give us the same amount in the future, but can be expected. Last time government gave subsidies to NAFSXM was October 2003.
2. Includes NPL funding via IUCN. DOEN application in process.

Feasibility Study of a Protected Areas Trust Fund

# **Sustainable Funding for the Nature Parks of the Netherlands Antilles**

*Part B – TRUST FUND DESIGN*

February 2005

**AIDEnvironment**

**Mr Barry Spergel**

*EcoVision*

*Feasibility Study of a Protected Areas Trust Fund*

# **Sustainable Funding for the Nature Parks of the Netherlands Antilles**

## **Part B - Trust Fund Design**

**February 2005**

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1. Guiding Principles for Asset Management

## Abbreviations and Acronyms

BZK	Ministerie van Binnenlandse Zaken en Koninkrijksrelaties (Dutch) (Ministry of the Interior and Kingdom Affairs)
CI	Conservation International
DCNA	Dutch Caribbean Nature Alliance
GEF	Global Environment Facility
MINA	Afdeling Milieu en Natuur (Environmental Department)
NA	Netherlands Antilles
NAF	Netherlands Antillean Guilder
NC-IUCN	Netherlands Committee for IUCN
NPL	National Postcode Lottery
TF	Trust Fund
TNC	The Nature Conservancy (US)
USAID	US Agency for International Development
VOMIL	Ministerie van Volksgezondheid en Milieuhygiëne ( <i>former name</i> ) (NA Ministry of Public Health and Environment)
VSO	Ministerie van Volksgezondheid en Sociale Ontwikkeling ( <i>current name</i> ) (NA Ministry of Public Health and Social Development)
WWF	World Wildlife Fund / World Wide Fund for Nature



# 1 Executive Summary

**Combining Trust Fund and DCNA** The consultants propose (and VSO/MINA and DCNA agree) that the Trust Fund for the nature parks of the Netherlands Antilles should be established inside of the DCNA rather than as an independent charitable foundation, as had been proposed earlier. The reasons for this are as follows:

- DCNA has been designed to have the type of institutional structure recommended for conservation trust funds by international donors such as the GEF, USAID, WWF and CI.
- DCNA's general purposes include the Trust Fund's more restricted purpose (i.e., sustainable funding of the recurrent management costs of protected areas).
- Making the Trust Fund part of DCNA will substantially reduce administrative costs and complexity.
- There will be no need to wait until a target minimum capital is raised before the Trust Fund can be fully operational.
- Combining DCNA and the Trust Fund will avoid potential fundraising competition between the two.

## **Disadvantages**

Housing the Trust Fund inside the DCNA could, however, raise one or more of the following concerns:

- The similarity in purposes between DCNA and the Trust Fund could confuse some potential donors.
- Donors may be concerned that funds which they have given for the narrower purpose of the Trust Fund, could be used to support some of DCNA's other broader purposes or its core operating costs.
- The fact that grant beneficiaries (i.e., park management agencies) are members of the same Board which decides on making grants to those agencies may initially seem like a conflict of interest to some people.

However, potential conflicts of interest will be prevented by specific provisions in the Articles of Incorporation of the DCNA that disqualify Board members from voting on grants to their own organizations, and that limit the park management agencies to holding 50% or less of the seats on the Board, which means that a vote of approval by some of the "outside" members of the Board will always be required for any decision.

## **Umbrella structure**

The DCNA provides a common legal, financial and administrative structure for accomodating whatever separate

accounts the Trust Fund may include. The proposed Trust Fund will consist of a core endowment to support the operating costs of the ten protected areas (one marine and one terrestrial park on each of the five islands). The Trust Fund could also include restricted sub-accounts established to support a single island, a single protected area or a particular nature management activity. These sub-accounts could either be endowments, sinking funds (i.e., funds that are for a limited period of time) or revolving funds based on a continual in-flow of new revenues from fees or taxes.

#### **Trust Fund governance**

The Trust Fund's core endowment, and each particular sub-account, will be managed by the DCNA's Board of Directors in accordance with the DCNA's Articles of Incorporation. However, a specific Grant Agreement between the DCNA and a particular donor can establish a separate decision-making body for the sub-account or specific voting rules, veto rights or approval authority.

#### **Board members**

The DCNA's Board (which will also serve as the Trust Fund's Board) consists of up to thirteen voting members. Five voting members are nominated by the park management NGOs of each of the five islands of the Netherlands Antilles, plus one more for Aruba if it joins the DCNA. These voting members can then appoint a maximum of eight additional voting members to the Board, consisting of:

- up to two members from the Nature Forum who are not serving as an officer or board member of any of the organizations already represented on the Board;
- up to three members representing international nature conservation organizations which provide support to DCNA.
- up to three members with significant financial expertise who have held senior-level positions in public or private sector organizations in the Netherlands Antilles.

In addition, the Environmental Department of the Ministry of Public Health shall appoint one non-voting member of the Board. DCNA Board members cannot vote on grants to their own organizations.

#### **Council of Patrons**

In order to give the Trust Fund the highest possible profile among potential donors, well-known and influential people will be invited to join a Trust Fund "Council of Patrons" or become Trust Fund "Honorary Board Members". Their

primary mission will be to appeal to national and international political and business leaders to give political or financial support to the Trust Fund.

#### Finance Committee

The DCNA's Board is to elect a Finance Committee that includes the Treasurer and other board members who have been selected for their financial expertise and experience in financial management. This Committee also oversees and reviews all matters related to financial asset management, including investment strategy and oversight and management of any third parties involved in managing the Foundation's and/or the Trust Fund's assets (i.e., the DCNA may have other financial assets besides those which comprise the Trust Fund).

#### Target capital

The Consultants estimate that a **target size of NAF 42 million** (equivalent to approximately EUR 18,9 million or US\$ 25 million) is required to capitalize the Trust Fund core endowment up to a level that the 'basic' financial requirements for managing the average park can be met. This estimate is based on certain particular assumptions about the rate of return on investments, and about the size of an annual contribution to the DCNA by the Dutch Postcode Lottery. These assumptions will be discussed in detail later in this Part B of the Feasibility Study. Changing these assumptions could change the target size of the endowment to as little as NAF 6,5 or as much as NAF 69 million (see also Part A).

#### Revenue distribution keys

There are basically three conceivable approaches for the distribution of funds that have to be shared between the islands, such as the revenues from an unrestricted Trust Fund:

- 1) equal shares: simply divide the total annual amount by the number of islands (5 or 6).
- 2) proportionate shares: divide the total annual amount between the islands by predetermined percentages, regardless of each protected area management agency's budget deficits, or based on some other fixed "entitlement" criteria used in other countries.
- 3) allocate parts of the annual grant in successive 'rounds' of disbursements according to predetermined formulas for each round, based on a combination of equality (equal amounts) and solidarity (islands with larger gaps between available income and basic requirements get a larger share than islands with smaller gaps).

Any of these formulas will also need to allocate a share to cover the operating expenses of the DCNA itself.

**Professional asset management** The Trust Fund's capital should be invested and managed by independent professional asset managers, rather than by the DCNA Board or by a Trust Fund Finance Committee, which could lead to conflicts of interest. The role of the DCNA Board (and/or Finance Committee) with respect to investing the Trust Fund's assets is to establish general investment policies and guidelines, and to appoint an asset manager to implement those policies and guidelines, and monitor his performance.

An asset manager should invest the Trust Fund's assets in a highly diversified mix of categories based on "Modern Portfolio Theory". This usually involves investing in a variety of different mutual funds which are each the most consistently top-performing in their respective category.

**Location of asset manager** From a legal and a tax perspective, it makes no difference whether the Trust Fund's assets are invested by an asset manager located in the U.S., in the Netherlands or in the Netherlands Antilles, since none of these countries impose any taxes on the interest and profits that a charitable organization earns each year on its passive investments. Therefore, even though the DCNA is a Netherlands Antilles foundation, it is not limited in its choice of assets managers to those located in the Netherlands Antilles, but could also select one in the Netherlands, the U.S., or other places such as London.

**Place of incorporation** From a legal point of view, it also makes no difference whether the Trust Fund is incorporated in the Netherlands Antilles, the Netherlands or the U.S., since none of these three countries imposes any burdensome restrictions or requirements. However, both the Netherlands and the Netherlands Antilles have set rather low maximum limits (EUR 4.000) on how much of a tax deduction an individual or a corporation is entitled to claim for making charitable donations, whereas the U.S. does not set any maximum limits. The Netherlands and the Netherlands Antilles also impose a tax on charitable donations above a certain amount to be paid by the beneficiary, whereas there is no such tax in the US. For these reasons, it may be more advantageous for an individual and a corporation that wishes to donate relatively large amounts of money to the Trust

Fund to make a donation to the U.S. “Friends of the DCNA”, which can then transfer the donation to the DCNA.

#### **Accountability**

DCNA should hire a well-reputed international accounting firm to annually conduct an independent outside financial audit of the Trust Fund. The Trust Fund’s Operational Manual should set forth detailed procedures for all financial transactions, including requiring multiple signatures and even written approval by the Board in the case of withdrawals, transfers and contracts involving more than certain specified amounts of money. All donors should receive detailed annual financial and technical reports on the activities financed by the Trust Fund.

## 2 Introduction

### The Trust Fund process

The establishment of a Trust Fund was first proposed in 1998 as a mechanism for providing predictable, long-term funding to cover the basic operating costs of the Netherlands Antilles' nature reserves. In that same year, the Dutch Parliament requested the Dutch Government to support a study of the feasibility of establishing such a Trust Fund. In early 2003, the Antillean government agency VSO/MINA commissioned such a feasibility study, on which work was started in January 2004. From a mere study of the feasibility of establishing a Trust Fund, this has evolved into a broader analysis and exploration of how the parks could be made financially sustainable, with emphasis on the potential and role of a Trust Fund.

### Conclusions on feasibility

In the first of a series of three reports, the consultants<sup>1</sup> concluded that sustainable funding of nature parks can be achieved, considering the complementary potential of a series of financial strategies and a new political, institutional and social momentum which has become noticeable. This momentum is leading to growing political support by both the Dutch and the Antillean governments for the sustainable financing process. *The overall conclusion of the feasibility study is that establishing a nature parks Trust Fund is a feasible way of providing sustainable funding of nature parks in the Netherlands Antilles, if combined with several parallel and complementary funding mechanisms.*

### This report

The present report B describes the design of the Trust Fund. Report A of the study examined: (1) a rapid economic valuation of nature and nature parks; (2) the Netherlands Antillean policy and socio-economic context from a conservation finance perspective; (3) donor potential; (4) financial strategies and scenarios for the nature parks. Report C presents communication and fundraising strategies to support the process towards financial sustainability for the protected areas of the Netherlands Antilles.

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<sup>1</sup> A consortium of AIDEnvironment (lead partner, based in Amsterdam, the Netherlands), EcoVision (based on Curaçao) and Mr Barry Spergel, a conservation trust fund specialist from the U.S.

### **3 A Trust Fund within the DCNA**

#### **One institution or two separately**

One of the most fundamental issues to be decided when designing a protected areas trust fund is whether it should be set up as a separate new institution, or housed inside of an existing one. In most countries, it makes more sense to set up a trust fund as a separate new institution, because the purposes of a trust fund are either much broader or much narrower than the purposes of existing government environmental agencies or non-governmental conservation organizations. Another reason is that a trust fund is intended to serve as a model for collaboration between government and civil society in countries where the government has traditionally controlled everything in a top-down manner. But DCNA's purposes and objectives are very similar to the Trust Fund's, and the Netherlands Antilles already has a well-established pattern of collaboration between government and NGOs in the management of protected areas.

Rather than being set up as an independent charitable foundation, as had been proposed earlier, the Trust Fund should therefore be established under the legal and institutional umbrella of the DCNA. Table 1 summarises the Pros and Cons of setting up a single institution.

#### **Responding to the CONs**

In general, a key element in addressing the disadvantages (CONs) is to always convey clear and consistent messages that anticipate to these concerns, in all external communication. Other solutions are to include specific provisions in the Bylaws on voting procedures or decision making competence of the Board vs special Committees.

The first "CON" argument from the table is based on too narrow a conception of what trust funds are and of what DCNA does. The GEF Evaluation Report on Conservation Trust Funds (GEF, 1998) states that they "are more than just financing mechanisms", and "have made impressive accomplishments in the areas of ...enabling the participation of civil society institutions in resource conservation...and increasing public awareness of conservation issues".

**Table 1**

PROs and CONs of establishing the Trust Fund under the umbrella of the DCNA

PROs	CONs
DCNA has a the type of ' <b>mixed Board</b> ' composed of <b>NGOs, government, private sector, and international donors</b> which is recommended for conservation trust funds by the GEF, USAID, WWF, TNC and CI.	<b>Conflict of interest:</b> the fact that grant beneficiaries (i.e., park management agencies) are members of the same Board which decides on grants to those agencies may seem at first like a conflict of interest.
DCNA's <b>general purposes include</b> the Trust Fund's <b>more restricted purpose</b> (i.e., sustainable funding of the recurrent management costs of protected areas). Combining DCNA and the Trust Fund will <b>avoid potential fundraising competition and potential confusion</b> between the two in the minds of donors that could result from having two separate organizations with almost the same goals.	<b>Similarity in purpose may confuse.</b> Although donors are likely to be confused if DCNA and the Trust Fund are legally separate entities with purposes that are similar, donors might also be confused if the two are combined, since DCNA may sound like a networking and mutual support NGO, whereas the Trust Fund may sound like a donor financing mechanism.
Making the Trust Fund part of DCNA will substantially <b>reduce administrative costs and complexity</b> , since the Trust Fund will not need to have its own separate Board of Directors, staff, office space, bank accounts, outside auditors etc.	<b>Broader use of funds;</b> donors may be against the use of funds they have given for the narrower purpose of the Trust Fund, to support DCNA's other broader purposes or all of its core operating costs rather than just a pro rata portion of those costs which are attributable to supporting the operating costs of the agreed nature parks.
There will be <b>no need to wait until a target minimum capital</b> is raised -which could take several years- before the Trust Fund can be operational since the DCNA will soon be fully operational with an office and full-time staff.	

#### No conflict of interest

Any possible misconception that having the park management organizations represented on the DCNA's Board would amount to a conflict of interest because they would simply be making grants to themselves can be refuted by showing that:

- they represent less than half of the proposed 13 voting members of DCNA's Board of Directors, which means that



by themselves they would only have power to “block” rather than to “make” grant awards.

- according to the Articles of Incorporation of the DCNA, none of the members of the Board who are nominated by the park management agencies shall have a right to vote on any matters directly relating to the award and allocation of grants to the agency which nominated them.
- a predetermined “distribution key” specified in the Bylaws will be used for the allocation of non-earmarked grants, instead of ad hoc annual decisions.
- even if the five park management organizations did collectively “control” the Board, it is unclear how any particular one of them could thereby gain an unfair advantage or share for themselves, since the other four could oppose any such attempt which would disadvantage them.

Any remaining donor concerns about having beneficiaries represented on the Board can be dealt with by simply including provisions in individual donor’s grant agreements and/or in a specially added new section of DCNA’s Bylaws that specifically sets forth the rules and restrictions governing the PA Trust Fund account within DCNA.

**Narrow spending criteria**

DCNA will not be able to use the Trust Fund’s assets for any broader purposes than directly supporting the operational costs of the selected protected areas on each island, plus a stipulated amount to cover DCNA’s own overhead, unless the Trust Fund generates more income than is required for its core purpose.

**Domestic control over parks**

Any potential concerns about ceding too much control over the parks to international donors by letting them have a role in deciding how to allocate grants from the Trust Fund (whether or not the Trust Fund and DCNA are combined) can be overcome by pointing out that neither the Trust Fund nor the DCNA has any legal powers of its own to manage or regulate protected areas.

## 4 Structure and Governance

**Core endowment and sub-accounts** Although the simplest situation would be for the DCNA to just have a single unrestricted “core endowment fund” to cover the gaps in funding the operating costs of one marine and one terrestrial protected area on each island, in fact some donors may only be willing to contribute capital to an endowment or sinking fund that is restricted for one particular island or park, or for one particular type of conservation activity. Establishing different sub-accounts for many different purposes could add to the administrative complexity of disbursing and monitoring grants, but this would still be manageable so long as there are only a relatively small number of sub-accounts. On the other hand, the nature parks may not be able to forego any funding opportunities by refusing to accommodate a donor’s wish to have a separate subaccount.

The proposed Trust Fund will, therefore, consist of:

- a “*core*” *endowment fund* to help finance the operating costs of selected nature parks on all islands.
- *separate subaccounts earmarked for restricted purposes*, to allow donors to earmark their contributions, provided that those purposes are also authorized by the general terms of the relevant Articles of Incorporation. Examples of restricted sub-accounts are a “Sea Turtle Trust Fund” or an “Environmental Education Trust Fund”.

### The term “Trust Fund”

In the case of the Trust Fund now being proposed, the term “Trust Fund” refers to the totality of endowments and sub-accounts which are established within the DCNA. None of these different funds would be a separate legal entity apart from the DCNA, or have its own separate Articles of Incorporation, or its own separate Board of Directors, unless determined otherwise in a particular grant agreement with a donor. These sub-accounts themselves could either be endowments, sinking funds or revolving funds.

### Articles of Incorporation

In general, the “Articles of Incorporation” of any conservation trust fund should contain detailed provisions containing the elements listed in the following text box. In fact, all of these topics have already been addressed in the DCNA’s Articles of Incorporation, and will be further elaborated in the DCNA’s Bylaws. It is therefore unnecessary to have a different set of

Articles of Incorporation and Bylaws specifically for the Trust Fund.

**Contents of Articles of Incorporation of conservation trust funds**

- *Purposes* for which the trust fund or foundation is being established.
- Conditions of *eligibility to receive grants*, in terms of the general kinds of activities and kinds of beneficiaries that are eligible.
- Composition of the *Board of Directors*; the Board's powers; the procedures for appointing and replacing Board members; Board members' responsibilities, their term of office; and their remuneration (if any); the required frequency of Board meetings; the number of Board members whose presence is required in order to constitute a quorum; and the number of Board members whose vote is required in order to approve of any proposed action.
- Appointment and responsibilities of an *Executive Director and other staff* of the trust fund.
- Rules requiring *disclosure of any potential conflicts of interest* by the trust fund's board members or staff, and requiring the trust fund's Board members to *abstain from voting* on any proposed grants or contracts involving their own organizations.
- Establishment and functions of any *special committees* of the Board (such as a Finance Committee), and any outside advisory committees (such as a "Council of Patrons" or a Scientific Advisory Committee).
- Anticipated *sources of revenue* for the trust fund (described by general category rather than by naming specific donors).
- Provisions that make it possible to establish an endowment, and other kinds of separate *sub-accounts* for particular purposes.
- Provisions requiring an annual outside audit, and publication of an annual financial report.
- Conditions and procedures for *dissolution* of the trust fund and disposal of its assets, if that should ever be necessary.

**Operational manual**

The day-to-day rules and guidelines for administering the Trust Fund will be set forth in the DCNA's "Operational Manual". The Operational Manual will be adopted by DCNA's Board, and will be for the use of DCNA's Executive Director and other staff in carrying out their job responsibilities. The administration of the Trust Fund will constitute only one part of those job responsibilities.

One of the purposes of the Operational Manual will be to gather in one place all of the various restrictions, rules, terms and conditions for the different sub-accounts and the core endowment. The Operational Manual should set forth detailed procedures for all financial transactions, including requiring

multiple signatures and even written approval by the Board in the case of withdrawals, transfers and contracts involving more than certain specified amounts of money. The Operational Manual (but not the Bylaws or the Articles of Incorporation) will therefore need to be partially updated whenever a new sub-account is established.

#### **Grant agreements**

The actual establishment of any Trust Fund is something that the DCNA's Board can accomplish at any time by passing a resolution. What will give relative permanence to the core endowment or separate sub-accounts are the Grant Agreements that will be signed between the DCNA and donors.

#### **Common elements in grant agreements**

- Reference to DCNA Articles of Incorporation and Bylaws, specifying any additional or deviating provisions.
- Additional governance structure applying specifically to the grant (e.g., a Finance, Advisory and/or Technical Committee, with or without representation of the donor) and its relation to the DCNA Board.
- Any specific voting rules, veto rights or approval authority the donor may have.
- Specific provisions concerning the eligibility of activities or cost items, including distribution keys for the allocation of revenues.
- Specific provisions concerning bank accounts and asset management.
- Procedure regarding the original grant in case of dissolution of the DCNA, or in case of use of funds for purposes that are not consistent with the terms of the Grant Agreement (e.g., right to a return of funds).
- Investment arrangements and guidelines that specifically apply to the grant.
- Additional detailed reporting obligations (annual workplan, annual progress report).
- Specific provisions concerning transparency (e.g., information access), and accountability (e.g., external evaluations).
- Specific provisions concerning dissolution of the fund or account.

#### **DCNA Board of Directors**

The Trust Fund as a whole, and each particular sub-account, will be managed by the DCNA's Board of Directors, in accordance with the DCNA's Articles of Incorporation and unless a Grant Agreement between the DCNA and a particular donor determines otherwise; this could be the case when a donor wants a separate decision-making body for its grant or sub-account, with or without representation of the donor. Its relation to the DCNA Board should then be clearly specified, as

well as any specific voting rules, veto rights or approval authority which the donor and the DCNA may agree.

#### **Board composition**

The composition of DCNA's Board of Directors is set forth in Article 6 of DCNA's recently registered Articles of Incorporation. The Board consists of up to thirteen voting members. The legally designated park management organizations of Curacao, Bonaire, St. Maarten, Saba and St. Eustatius are each entitled to nominate one voting member of the Board, and Aruba will also be entitled to nominate one voting member if it joins the DCNA. These voting members must then appoint a minimum of five (or, if Aruba joins the DCNA, a minimum of six) and a maximum of eight additional voting members to the Board as follows:

- Up to two members can be nominated by and from the Nature Forum, preferably one from the Windward and one from the Leeward Islands, provided that they are not an officer or board member of one of the organizations which are already represented on the Board;
- Up to three members can be representatives of international nature conservation organizations which provide significant support to DCNA;
- Up to three members can be individuals selected because of their significant financial expertise and experience in financial management, who have held senior-level positions in public or private sector organizations in the Netherlands Antilles.

#### **Some attributes of successful Trust Fund Boards**

- Members are of high integrity and respected within their communities.
- Diversity of membership is a key factor in establishing effective specialized committees.
- Active participation and leadership of prominent business people who bring a private-sector management perspective.
- Members serve with a primary commitment to the fund itself and not to the sectors they represent.

#### **Non-voting government member**

In order to ensure equitable representation of all of the islands and to provide continuing links with other conservation and environmental activities within the Antilles, the Environmental Department of the Antillean Ministry of

Public Health shall appoint one non-voting member of the Board to participate in all Board discussions and to give advice.

Articles 7 through 14 of the DCNA's Articles of Incorporation specify further details about the Board's manner of appointment, the convening and conduct of Board meetings, voting rules and procedures, the Board's powers and responsibilities, the election of Officers and of the Executive and Finance Committees, the hiring of an Executive Director and staff, and rules on disclosing and avoiding conflicts of interest by Board members and staff of the DCNA. No special changes need to be made to those Articles in order to enable the DCNA's Board of Directors to also serve, in effect, as the management board of the Trust Fund.

#### **Council of Patrons**

In order to give the Trust Fund the highest possible profile among potential donors, well-known and influential people could be invited to join a Trust Fund "Council of Patrons" or become Trust Fund "Honorary Board Members". In this capacity, they would have no right to vote (or even necessarily to participate) in meetings of the DCNA's Board of Directors; the Board would continue to be the sole body with decision-making powers over how the Trust Fund is invested or its investment income is spent. From time to time these Honorary Board Members or members of the Council of Patrons could be invited by the DCNA Board to give advice, but their primary mission would be to publicly (and privately) appeal to national and international political and business leaders to give political or financial support to the Trust Fund. The African Parks Foundation and the Peace Parks Foundation provide examples of successful honorary councils.

#### **Finance Committee**

The Board shall elect a Finance Committee which shall include the Treasurer and the board members selected for their financial expertise and experience in financial management. This Committee shall oversee and review all matters related to financial asset management including investment strategy and oversight and management of any third parties involved in the financial asset management of the Foundation. The Finance Committee shall also oversee the grant giving activities of the Foundation including ensuring that eligibility criteria are met and that rules and responsibilities of grantees are adhered to. Finally, the calculation of "bare minimum" and "basic budget

requirements” for each protected area should be approved by the Finance Committee (see chapter 6).

#### **Transparency and Reporting**

The DCNA’s Articles of Incorporation, Bylaws, annual budget and work plan, and summaries of all board meetings and board decisions relating to the Trust Fund, should be made publicly available and regularly updated on an internet website maintained by the DCNA. In addition, DCNA’s annual reports should present the Trust Fund’s financial balance sheet and a description of all projects and activities which the Trust Fund has supported over the course of the year, using verifiable monitoring indicators. All donors should receive detailed annual financial and technical reports on the activities financed by the Trust Fund. The following text box contains general guidelines on reporting and accountability.

#### **U.S. National Charities Information Bureau Standards on Reporting and Accountability**

**Annual Reporting:** An annual report should be available on request and should include:

- a) an explicit narrative description of the organization’s major activities, presented in the same categories and covering the same fiscal period as the audited financial statements.
- b) a list of board members.
- c) audited financial statements or, at a minimum, a comprehensive financial summary that 1) identifies all revenues in significant categories, 2) reports expenses in the same program, management/general, and fund-raising categories as in the audited financial statements, and 3) reports ending net assets.

**Accountability:** An organization should supply on request complete financial statements which:

- a) are prepared in conformity with generally accepted accounting principles (GAAP), accompanied by a report of an independent certified public accountant, and reviewed by the board.
- b) fully disclose economic resources and obligations, including transactions with related parties and affiliated organizations, significant events affecting finances, and significant categories of income and expense; and should also supply.
- c) a statement of functional allocation of expenses, in addition to such statements required by generally accepted accounting principles to be included among the financial statements.

**Budget:** The organization should prepare a detailed annual budget consistent with the major classifications in the audited financial statements, and approved by the board.

## **Outside Auditing**

The DCNA should hire a well-reputed international accounting firm to annually conduct an independent outside financial audit of all investment and disbursement of funds from the Trust Fund's core endowment and each of the separate sub-accounts. The audit should certify that the income of the Trust Fund and any sub-accounts are used in accordance with their objectives, budgets, guidelines and procedures. In addition, those audits should be published within 6 months after the end of each fiscal year. Such a deadline is necessary because otherwise audits can drag on for a year or more, by which time it may be much harder to take any necessary actions.



## 5 Capitalization

### Minimum Fund size

A 1998 GEF evaluation concluded that in most countries, it is probably not worthwhile to set up a conservation trust fund with an endowment of less than US \$5 million, because in that case too high a percentage of the trust fund's annual income from investments will have to be used to pay administrative expenses and asset management fees (GEF, 1998). Donors would be willing to contribute to a fund or a project which spends not more than 10% to 20% of its total budget on administrative costs. This has usually been the average administrative expense ratio or "cap" for conservation trust funds.

### Less than minimum size

On the other hand, it would still be reasonable to set up a conservation trust fund whose core endowment has a capital of less than US\$ 5 million, if the Trust Fund is also financed by separate accounts which are sinking funds or revolving funds. This is because even though the annual asset management costs and other administrative costs of a sinking fund may be roughly the same amount as those of an endowment, this amount will represent a relatively much smaller percentage of a sinking fund's annual grants budget than of an endowment's annual grants budget.

It would also still be worthwhile to establish a core endowment of less than US\$5 million if:

- it is likely that there will be substantial future donations that will raise the endowment above \$5 million.
- a donor agrees to pay for all or most of the trust fund's administrative costs during its first few years.
- the endowment can be accommodated under some less expensive alternative administrative structure, such as in the case of the DCNA.

### Comparing Fund types

Endowment Funds offer the best long-term perspective and are, by their very nature, the most sustainable but they require large capital sizes to bridge relatively small financial gaps. The disadvantage of Sinking Funds is that they provide only a medium-term solution to financing the management costs of protected areas, and as soon as they are used up, additional funding sources again need to be found. The advantage is that their size can be much smaller than an Endowment Fund. On the other hand, Revolving Funds financed by a continuous in-

flow of entry fees, dive fees, cruise ship passenger fees, or other types of tourism-related fees or taxes could provide a long-term solution if they are earmarked for the Trust Fund, although such fees or taxes may be politically difficult to establish since they may be initially opposed by the tourism industry. Which type of fund is preferable will depend on the relative importance of addressing medium-term versus long-term financial needs, and whether or not establishing some form of revolving fund is politically feasible.

#### Target Capital for the NA

As indicated in Volume A of this report, the Consultants estimate that a **target size of NAF 42 million** (equivalent to approximately EUR 18,9 million or US\$ 25 million) is required to capitalize the Trust Fund core endowment up to a level that the ‘basic’ financial requirements for managing the average park can be met.<sup>2</sup> This estimate is based on data provided by the park managers (NAF 5 million of ‘basic’ requirements), by the Consultants’ analysis of the unmet annual financial needs (NAF 1,4 million) and a calculation of how much capital would need to be invested in order to generate this amount of annual income. The estimate of NAF 42 million assumes a certain rate of return and size of an annual contribution to the DCNA by the Dutch Postcode Lottery. Changing these assumptions could change the target size of the endowment to as little as NAF 6,5 or as much as NAF 69 million (see also Part A).

#### Assumptions

The assumptions on which these calculations are based are the following:

- The long-term average (gross) rate of return on investment of the core endowment will be around 6 % per year<sup>3</sup>, i.e., a

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<sup>2</sup> This calculation assumes that the share of each island in the revenues of the Trust Fund is determined by its specific annual deficit and not by a distribution key. In reality, the park management organizations agreed that islands will receive shares proportionate to their standardized basic requirements. This means that –with the Trust Fund at its target level- some islands will be somewhat above and others below their basic requirement level.

<sup>3</sup> A recent study (NACUBO, 2003) of 723 U.S. university endowments (worth a total of \$230 billion) found that the median annual rates of return on their investments (calculated as of June 30, 2003, shortly after a 2-year period of sharp declines in U.S. and global stock markets) were:

- 2.9% for the previous 1-year period;
- -2.5% for the preceding 5-year period; and
- 8.5% for the preceding 10-year period.

NAF 42 million endowment will generate investment income of approximately NAF 2,52 million per year.

- In order to offset for an estimated long-term annual inflation rate of 1,8% and thereby maintain the same “real” value of the endowment’s capital, an amount equal to 1,8% of capital (NAF 765.000 / year) will be subtracted from each year’s investment income and reinvested back into the capital.
- The asset managers of the core endowment fund will charge a fee equal to around 0,5% per year of the endowment’s capital.
- Administrative costs of NAF 145.000, equivalent to around 9,4% of the Trust Fund’s total annual budget (i.e., gross returns minus asset management costs and reinvestment for inflation).

#### **Sub-accounts**

The above calculations will have to be modified if the Trust Fund consists not only of the core endowment but also of various restricted sub-accounts which themselves could either be endowments, sinking funds or revolving funds. In the final analysis, it is very difficult to say what the “target size” of the core endowment should be, because it all depends on exactly how much donors contribute to the various restricted sub-accounts, and within what period of time each sub-account which is a sinking fund must be completely spent.

#### **Fundraising takes years**

The amount of time that it is likely to take to raise even the minimum capital of \$5 million for a Trust Fund core endowment may be several years, based on the examples of large successful conservation trust funds like the \$90 million Mexican Nature Conservation Fund, the \$36 million Bhutan Trust Fund for Environmental Conservation, the \$70 million Amazon Region Protected Areas Initiative (ARPA), and even the coordinated international campaign to raise money to address the issues of the HIV-AIDS epidemic (UNAIDS). Some international donors may wait to make a contribution until other donors contribute first or agree to match their

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The US Department of Labor’s regulations for calculating pension funds’ liabilities to workers are based on the assumption that pension funds will earn an average annual rate of return on their investments of 7.5%. The average annual long-term investment returns of the S&P 500 Index and the Dow Jones Industrial Average have been more than 10% over the last 10-year period, and over the last 50-year period. Increasing the proportion of fixed-income bonds (versus stocks) in a portfolio of investments will result in more stable and more predictable, but lower, rates of return.

proposed contribution, or may give only modest amounts initially (e.g., \$500.000) and then wait to see how well the Trust Fund succeeds in its first two to three years of operation before making larger contributions.

## 6 Grant-making criteria

### DCNA's role

Conservation trust funds are not implementing agencies, nor are they directly involved in actual protected area management. Instead, their primary role is to make grants to implementing agencies, including governmental and non-governmental organizations that do have responsibility for managing protected areas. All this is also true of the DCNA; all that it does is to make promotion and raise funds for those areas, to provide technical assistance to conservation organizations, and to facilitate networking and exchange of information between all key stakeholders. DCNA Board members cannot vote on grants to their own organizations.

The establishment of the DCNA and of the Trust Fund does not affect the roles, responsibilities and internal structure of the protected area management agencies in the Netherlands Antilles, or the relationship of those management agencies to island governments. However, if the DCNA (or more specifically, the Trust Fund that will be established within the DCNA) provides a large portion of the annual budget for a protected area on a particular island, then the DCNA could indirectly exert an influence over the management of that protected area if it decides to hold up transferring funds to the protected area until certain conditions are satisfied (e.g., relating to financial accountability).

### Grant-making criteria

There are at least three possible criteria or formulas that DCNA's Board could conceivably use for allocating grants from the Trust Fund:

- Awarding equal shares of the of the core endowment's annual investment income to each island.
- Proportionate shares: awarding each island a different fixed percentage of the total, based on factors such as:
  - financial requirement levels or other administrative criteria.
  - the relative size of their protected areas.
  - the relative size of their protected area management agencies' budgets and staff.
  - biodiversity factors, etc.
- Allocating grants to each island's protected areas in successive 'rounds' of disbursements according to

predetermined formulas for each round, based on combining principles of *equality* (equal amounts) and *solidarity* (islands with larger gaps between available income and basic requirements get a larger share than islands with smaller gaps). The justification for introducing solidarity here is that the considerable differences between islands in their ability to raise revenues from other sources is to some extent due to circumstances beyond their control (such as differences in tourism potential, or political leadership that may be more or less supportive of conserving the environment). Applying this principle of solidarity would mean that an island which is struggling to satisfy even its ‘bare minimum’ requirements (such as Statia) receives a much larger share of the Trust Fund revenues than an island whose protected area management agency may already surpass its ‘basic’ budget requirement level thanks to other revenue sources (such as Bonaire). <sup>4</sup>

#### Pros and Cons

The consultants feel that the third alternative is in some ways best, because it is based on an objective assessment of the relative unmet financial “needs” of each island’s protected areas in a given year. On the other hand, the protected area management agencies of the five islands felt that this third option might be too complicated to determine each year and to administer, and might also be a disincentive for islands to also try to fundraise on their own. Therefore, they prefer the second option, and agreed that the Trust Fund’s grants should be allocated based on the following fixed percentages:

- ❑ St. Maarten receives 11,3%
- ❑ Saba and Statia each receive 17,3%
- ❑ Bonaire and Curacao each receive 21,4%
- ❑ DCNA receives 11,3% to cover its expenses.

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<sup>4</sup> An example is to start with a first round of e.g. NAF 50.000 to each island by way of incentive, a second round with amounts that enable all islands to reach 100% or a fixed higher % of their ‘bare minimum’ level (in other words, those islands at or above this level won’t receive anything in this round), and a third round (assuming that the total revenue amount allows for another round) divided in equal shares again. Other incentives could be built in as well, e.g. rewarding islands where the local government is making a bigger effort in supporting park management by allocating a budget line or by implementing user fees.

**'Excess' amounts**

If any funds remain after disbursements have reached certain agreed ceilings (i.e., if the Trust Fund has much greater income than now anticipated), this 'excess' amount could either be: (1) reinvested to increase the size of the Trust Fund's capital, or (2) disbursed in the form of grants to support other conservation activities that may be eligible for funding under the DCNA's Articles of Incorporation.

## **7 Place of incorporation**

### **Three options**

Possible locations for legally establishing (i.e., registering and incorporating) the Trust Fund which were considered by the Consultants are the Netherlands Antilles, the Netherlands, and the U.S. All three of these jurisdictions have well-established laws and regulations governing non-profit foundations and trust funds, which allow charitable organizations (including foundations and trust funds) to have almost any type of governance structure. In all three jurisdictions, it makes essentially no difference for tax or other legal purposes, whether the charitable organization is established as a “trust fund” or as a “foundation”.

None of these three jurisdictions imposes any burdensome legal requirements or restrictions on trust funds and foundations with respect to:

- the minimum or maximum number of directors on their governing boards;
- the citizenship of members of their board of directors;
- the country where their board meetings must be held;
- voting requirements; powers, duties and qualifications of the organization’s board members and officers;
- the need to obtain government approvals for decisions by the board (other than for the organization’s dissolution and liquidation);
- restrictions on the permissible objectives and activities of charitable organizations (except for certain restrictions on political and commercial activities of non-profit organizations);
- the permissible sources of funds for the organization;
- the ability to transfer the organization’s funds into or out of the country;
- maintaining the organization’s accounts in foreign currencies;
- the types of investments of the organization’s endowment which are permissible or impermissible (other than the general requirement that such investments must be “prudent”).

### **Tax considerations**

There is one important difference between the three locations, however, in their tax treatment of charitable donations. In the Netherlands, a non-profit charitable foundation has to pay a gift tax of 11% (as opposed to the regular 42% which applies to



individuals) on any gift received above a threshold level of around EUR 4.000 (see table 2). A similar gift tax in the Netherlands Antilles is expected to take effect soon. However, such tax considerations do not apply to bilateral donors, or to donors that are non-profit foundations or NGOs, since such organizations pay no income taxes anyway.

**Table 2**

Comparison of tax regimes in three countries

Tax advantage	US	Netherlands Antilles	Netherlands
Donations by individuals to conservation organizations are tax-deductible	YES, provided charity has 501(c)(3) status	YES, provided the organization is a resident of the N.A.(art. 16, par. 1, f Income Tax)	YES, but only between certain limits (also to a charity legally established in NA)
Donations by business companies to conservation organizations are tax-deductible <sup>5</sup>	YES, provided charity has 501(c)(3) status	YES, but only up to certain limits and provided the organization is a resident of the N.A ( Art. 7, Profit Tax)	YES, but only between certain limits
Gift tax is levied on grants, to be paid by the charity, including grants to the charity's trust fund, endowment or other capital reserve <sup>6</sup>	NO, provided charity has 501(c)(3) status	YES, a tax will soon be imposed that is similar to the Dutch tax on charitable contributions	YES, but for charities lower tax rate of 11% applies to gifts above a threshold level
Interest or investment returns generated by investing the charity's trust fund, endowment or other capital reserve are tax-exempt	YES, provided charity has 501(c)(3) status	YES Art. 1, Profit Tax	YES

<sup>5</sup> In the US, charitable contributions by corporations can be deducted for purposes of calculating the corporate income tax (i.e., profits tax), which is levied at the national level and also usually at the state and local levels. Charitable contributions are not deductible against other kinds of taxes paid by corporations, such as real estate taxes, social security taxes for employees, unemployment insurance taxes, etc.

<sup>6</sup> A charity's endowment fund or capital reserve is not a legally separate entity, but is just a part of the charity. If a legally separate trust fund were established, it would itself be registered as a tax-exempt charitable entity, and would simply transfer its earned income (i.e., make non-taxable grants) to the "parent" charity.

**"Friends of..." organizations** If the Trust Fund is legally established within the DCNA, and if the DCNA, wishes to raise funds and accept contributions directly from individual U.S. citizens or from U.S. "private foundations", then in order to receive a U.S. tax deduction for such contributions, it will be necessary to establish a separate U.S. charitable organization that transfers such contributions to the DCNA for the Trust Fund. A U.S. charitable organization that is established primarily to channel U.S. contributions to a non-U.S. charitable organization is generally referred to by U.S. tax authorities as a "Friends of..." organization (e.g., "The U.S. Friends of Dutch Caribbean Nature Parks"). This "U.S. Friends" organization will need to have its own separate board of directors, articles of incorporation and by-laws. Setting up such an organization could cost several thousand dollars in lawyers' or accountants' fees. The US "Friends of..." organization will need to hold an annual board meeting and submit annual tax forms to the U.S. Internal Revenue Service. Dutch tax law has similar provisions.

**Place of Incorporation** The DCNA will be legally established as a charitable foundation under the laws of the Netherlands Antilles. It was selected from among the five islands to be the legal domicile of the DCNA in order to create a greater sense of 'ownership' and involvement by the people from the three windward islands of St. Maarten, Saba and Statia, who often feel that they are too distant from the main center of national government and commerce in the relatively bigger and much more populous island of Curacao.

**Sense of local ownership** Even before the idea of establishing the Trust Fund within the DCNA was discussed, the Consultants had concluded that the Trust Fund should probably be established in the Netherlands Antilles, in order to maximize a sense of "local ownership". This is particularly true since the trust fund is being created in order to financially support certain types of local land management that will have a direct or indirect impact on other local stakeholders, e.g., on people who might otherwise wish to develop or exploit the protected areas and their resources.

Even if it might be more advantageous from a tax perspective to legally incorporate the Trust Fund in the Netherlands or in the U.S., this might cause certain people to think that their country's publicly-owned protected areas are being somehow

“controlled” by a distant, foreign entity, even if 90% or 100% of that legal entity’s board members are citizens of the Netherlands Antilles. This kind of potential misunderstanding might be deliberately encouraged by unscrupulous politicians or business people who wish to “develop” or otherwise weaken the conservation management of the protected areas.

**Location of investments**

The issue of choosing the location in which to legally establish a trust fund is quite distinct from the issue of where to invest the money that is contributed to the Trust Fund by donors. A trust fund or foundation that is legally established in the Netherlands Antilles could decide to hire a bank or other asset manager in the U.S., the Netherlands, or anywhere else, and instruct the asset manager to invest the trust fund’s endowment in various different parts of the world.

## **8 Administration and staffing**

### **Executive management**

The DCNA's Executive Director and the DCNA's financial officer (whenever one is hired) should prepare and submit to the DCNA's Board:

- Regular financial reports and technical reports to the Board on all grants made by the DCNA using the resources of the Trust Fund. These reports should be based on monitoring and evaluation of all such grants, which should be carried out either by the DCNA's Executive Director, other DCNA staff, or outside consultants hired specifically for this purpose.
- An annual work plan and budget for the coming year, including a list of proposed grants and allocations from the core endowment and the separate sub-accounts, which the Board should carefully review and discuss at its annual meeting, and then either approve or modify.
- A strategy for fund raising for the Trust Fund over the coming years.

### **Managing administrative costs**

Most conservation funds have had administrative costs in the 10% to 20% range. In general, the smaller the size of the endowment, the more difficult it has been to stay within administrative cost ceilings. Furthermore, trust funds with relatively straightforward criteria for the allocation of grants (e.g. to pay the recurrent costs of protected areas), or with a more narrowly defined range of eligible recipients/activities, will incur lower management costs than those conducting more open, competitive grants programs over a broader range of potential activities. Thus, developing a well-focused grant-making program is important as a means for managing costs as well as for maximizing conservation impact.

### **Start-up costs**

Administrative costs generally constitute a much higher percentage of total revenues in the first year or two after a conservation trust fund is first established, because of "start-up costs" that include many one-time expenditures. Some international donor agencies that are prohibited by their own regulations from contributing to endowment funds may nevertheless be able to make institutional capacity-building grants that will support a conservation trust fund's first one to five years of administrative costs. Sometimes they may also pay for the trust fund's first one to five years of grant-making.

**Ceiling on administrative costs** The DCNA's Articles of Incorporation impose a 20% ceiling on administrative and operating expenses of the Trust Fund, although the actual percentage (if the Trust Fund's core endowment reaches its target size) will only be around half that amount. This could refer to the following costs:

- a proportionate share of the salaries and benefits of all DCNA staff involved with working on the Trust Fund;
- Trust Fund-related domestic and international air travel for the Executive Director;
- a proportionate share of the costs of renting office space and of the purchase or lease of office equipment;
- telephone, fax, postage and publications expenses;
- the short-term hiring of outside consultants such as lawyers, accountants and information technology specialists for Trust Fund-related tasks.

Obviously these costs would vary depending on the number and complexity of sub-accounts and the size of the DCNA's staff. A more precise estimate of administrative costs could be done once certain basic parameters of the Trust Fund have been further determined. The Trust Fund can use DCNA's staff and office facilities, and each year the Finance Committee can consult with the DCNA's staff to determine what percentage of the DCNA's staff and overhead costs should be considered as the Trust Fund's administrative expenses.

**Operations manual**

The Trust Fund's day to day administration will be governed by its Operations Manual, which will set forth procedures for things such as calls for proposals, proposal review, and project selection; disbursement procedures; requirements for financial and technical reporting by grantees; procedures for supervision and monitoring. The Operational Manual should be made publicly available, in order to promote full transparency.

## **9 Asset management**

### **Who manages the assets**

The Trust Fund's capital should be invested by independent professional asset managers, rather than by the DCNA's Board or by a Trust Fund Finance Committee, which could lead to conflicts of interest. The role of the DCNA Board (and/or Finance Committee) with respect to investing the Trust Fund's assets is to:

- (1) establish general investment policies and guidelines.
- (2) appoint an asset manager whose responsibility is to implement these policies and guidelines.
- (3) monitor the asset manager's performance in relation to agreed benchmarks and targets, and replace any asset manager that consistently fails to reach them.

The Board's and the Finance Committee's roles should never be to pick and choose individual stocks or other investments, since this could result in what might appear to be conflicts of interest (e.g., if a member of the Board or the Finance Committee recommends that the Trust Fund should invest in a company in which the member has a personal financial interest).

The criteria for choosing a financial institution to serve as the Trust Fund's asset manager are based on:

- skill and past performance relative to other asset managers.
- research capacity.
- ability to give customized service to the trust fund and its fees for providing such service.
- ability to invest globally (especially now that the US dollar is likely to continue to decrease in value over a long period because of US budget and trade deficits).

### **Location of asset manager**

In no case should more than half of the Trust Fund's assets be invested in a single country, whether that be the Netherlands Antilles, the Netherlands, or the US. An asset manager that is based in any of those three countries is not thereby limited to only being able to invest in those countries, but can (and should) invest globally. From a legal and a tax perspective, it makes no difference whether the Trust Fund's assets are invested by an asset manager located in the U.S., in the Netherlands or in the Netherlands Antilles, since none of these countries impose any taxes on the interest and profits that a charitable organization earns each year on its passive investments. Therefore, even though the DCNA is a Netherlands Antilles foundation, it is not limited in its choice

of assets managers to those located in the Netherlands Antilles, but could also select one in the Netherlands, the U.S., or other places such as London.

<b>Asset manager performance</b>	Overseeing the investment practices and performance of an asset manager (i.e., the financial institution or firm that has been hired to invest the trust fund's capital endowment) is a crucial responsibility of the Board members of a conservation trust fund. An asset manager's practices and performance have an immediate impact on the amount of money that will be available to carry out the trust fund's annual programs and activities, and also has a long-term impact on the size of the trust fund's capital. This can be even more important financially than the short-term investment returns.
<b>Finance Committee oversight</b>	Conservation Trust Fund Boards often decide to delegate a large part of their responsibility for overseeing and communicating with the asset manager to a Finance Committee, particularly if most of the other Board members lack expertise in managing investments. Such a Committee will be established by the Board of the DCNA. However, all decisions to hire or change asset managers, or to adopt or modify investment policies and guidelines, should be approved by the full Board, except in urgent cases, when only the Executive Committee's approval should be required. The DCNA Board should adopt all of these same principles in relation to the Trust Fund. All requests to the asset manager to withdraw money from the Trust Fund's accounts should require the signatures of both DCNA's Chairman of the Board and its Executive Director.
<b>Fiduciary standards</b>	<p>When donors are deciding whether to contribute to a trust fund, they usually wish to know whether the trust fund's Board has satisfied international fiduciary standards in terms of the trust fund's investment guidelines, professional investment consulting services utilized, asset allocation and diversification practices and the methods used for the contracting, oversight and review of investment managers.</p> <p>The American Law Institute redefined traditional "prudent investor rule" in 1992, in ways that allow trustees and directors to do a more efficient job of managing their investment responsibilities. The main rules are:</p> <ul style="list-style-type: none"><li>• Investments should be judged based on the total portfolio.</li></ul>

- No asset classes are flatly forbidden.
- Risk is to be managed, not avoided.
- Delegation is clearly authorized.

<b>Asset management guidelines</b>	These rules require a diversification of investment portfolios to achieve an optimal trade-off between risk and return. In case of the Netherlands Antilles Protected Areas Trust Fund, an asset manager should invest the assets in a highly diversified mix of categories based on “Modern Portfolio Theory”. This usually involves investing in a variety of different mutual funds which are each the most consistently top-performing in their respective category (such as funds specializing in Japanese large company stocks, European government bonds, US real estate investment trusts, etc.). Annex 1 provides more details on guiding principles for asset management based on this approach.
<b>Diversified management</b>	In addition to combining different asset classes in a portfolio, another way of minimizing risk while maximizing returns in order to achieve long-term consistency of results, is to also select different asset managers for different classes of assets. By investing a trust fund’s portfolio in a combination of different funds that are each managed by the top-rated fund managers for each different class of assets in the portfolio, it should be possible for the trust fund’s portfolio to achieve higher and more consistent returns than if its portfolio is only managed by one or two investment managers.
<b>Responsible investment</b>	The investment portfolio should be invested directly with asset managers of socially or environmentally screened funds (i.e., Smith Barney’s LCG, and the LGA S&P 500 Eco-index fund). Such funds only invest in the stocks or bonds of companies that are considered to have demonstrated a positive social or environmental record relative to other companies in the same industry.
<b>Separate accounts</b>	For accounting and record-keeping purposes, the DCNA should keep the Trust Fund’s assets in distinct accounts –one for the core endowment and one for each sub-account- that are separate from the DCNA’s other accounts, such as a bank account that is used for day-to-day expenditures, or an account that the DCNA uses for depositing grants that it receives from donors for short-term projects. This is because the whole purpose of establishing a trust fund is to provide relatively



secure and reliable sources of long-term funding for protected areas.

**Pooled investment**

The asset manager should pool all of the Trust Fund's endowment and sinking fund capital, i.e. manage the assets in a single restricted account of the DCNA, unless Grant Agreements with particular donors require otherwise. The annual investment income should then be allocated between the core endowment and the different sub-accounts in proportion to their respective shares of the total capital being invested. In the case of sub-accounts which are sinking funds, the DCNA's Board would also draw down and disburse a portion of the capital remaining in that particular sub-account, in addition to allocating to each sub-account its respective share of the income earned by investing the entire pooled capital of the Trust Fund during that year. The restricted purposes for which a particular sub-account can be used would be set forth in a Grant Agreement between the DCNA and the donor, provided that these particular criteria are consistent with the DCNA's general purposes as set forth in its Articles of Incorporation.

## **10 Lessons learned from other Trust Funds in the Caribbean**

The following section has been included in response to a request made by several participants at the Inception Workshop held on Curaçao in February 2004, and is largely based on several published studies.

### **10.1 Key factors in fund operations**

Some key success factors for Trust Fund operations, rather than for their establishment, are presented here as identified in an evaluation by the GEF secretariat published in 1998 (GEF, 1998).

#### **Factors important for successful Trust Fund operations**

- Clear and measurable goals and objectives; a “learning organization” mentality and environment, flexibility to make adjustments in objectives or approach based on feedback and experience.
- A governance structure with appropriate checks and balances, conflict of interest provisions and succession procedures. “Ownership” of the fund by its governing bodies, indicated by members’ commitment of time, engagement in policy and building support of the fund with varied constituencies.
- Linkage between the trust fund and the leadership of a national biodiversity strategy or environmental action plan.
- Ability to attract dedicated competent staff, and a strong Executive Director. Harmonious and productive board-staff relationships.
- Basic technical capacity that permits the fund to become a respected and independent actor in the community.
- Constructive relationships with relevant government agencies and key existing non-governmental organizations (such as socio-economic development NGOs).
- Financial/administrative discipline, transparency and consistency.
- Mechanisms for continuing to involve a wide variety of stakeholders in the fund’s programs and direction.
- Asset management competitively selected; diversified portfolio of investments; financial experts to provide regular reporting and comparison to benchmarks.

## 10.2 Mexico

### Defining rules and roles

A recent study of the very successful Mexican Nature Conservation Fund (FMCN) concluded that “defining the roles and functions of each participating institution is the most frequent source of problems” [for conservation trust funds]. Given the fact that many, if not most, partnerships between organizations eventually fail due to lack of an organizational structure, considerable effort should be directed at defining the rules within partnerships.” One of the lessons to be learned from the experience of the Mexican fund is that it is better to work out these arrangements in advance.

Another recent case study of the FMCN quoted a personal communication from the Executive Director of the fund since its inception about things that, in looking back 10 years later, he would have done differently:

### Lessons learned in the Mexican Trust Fund

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- A) Consider more carefully whether the benefits provided by asset managers outweigh the costs. The selection of FMCN's three asset managers took a large amount of time and money, and these managers were initially given discretionary power to decide on the best financial strategy for the fund, following the investment guidelines of the fund's major donors, such as USAID and the World Bank/GEF. In hindsight, FMCN's Executive Director does not feel that the results garnered by the managers from 1996 to 2000, were worth their cost (a total of approximately US\$250,000 – 300,000 per year). The fund has since altered its relationship with its asset managers so that they do not have the power to decide what and when to buy. They now make transactions only at the direction of the fund, which, in turn, is guided by its Board Finance Committee and its independent financial advisor, based in Mexico.
- B) Make sure that the fund's income from its investment strategy covers the fixed costs of the fund. FMCN has just recently adjusted its portfolio so that the fixed income portion of investments provides the money necessary to cover the budgets of its conservation programs, which should not be subjected to short-term risk and potential shortfall. The variable income portion (15-20% in equities) produces resources over the long term to maintain the real value of the endowment.
- C) Work from the beginning to raise non-earmarked endowment funds that are sufficient to cover the basic operative and administrative costs of the core staff of FMCN. In this way, accounting and cost-sharing between programs are easier and more money can be directed to field activities. Even though FMCN has been very successful in raising its endowment, all of the funds are earmarked for specific programs and there is not enough "general" money to cover overhead in an ample way that allows for a permanent capacity building process of the core staff.

- D) Establish an internal communication strategy early on. When the staff of FMCN was only 4 -5 people, they did not feel that such a strategy was necessary. However, FMCN now has 24 employees and more than 10 donors and programs, so effective internal communication is vital. Something else that was not attended to from the start was the creation of a good staff evaluation and motivation mechanism (the lack thereof, however, has not hindered results due to the high level of staff commitment and capacity). Although it has taken more than a year to do so, the fund developed, through a participatory process, a system for performance evaluations (and concurrent bonuses) that was applied for the first time in December 2001.
- E) Consider carefully the implications involved in how often the board of directors rotates. FMCN agreed, in response to requests by donors to ensure transparency and democratic transitions, that its board would change members every six years. However, in countries where there are not large numbers of qualified people to serve in such capacities, losing effective members takes its toll on the strategic capabilities of an organization. FMCN has made some adjustments to its Board Renewal Policy to work within these restrictions while still retaining the talent of its Board.
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### **10.3 Belize**

#### **Revolving Trust Fund**

Belize's Protected Area Conservation Trust (PACT) also provides certain lessons to be learned. The PACT was established by a special act of parliament, and is entirely financed by a US\$3,75 "conservation fee" that all foreign tourists must pay (i.e., it is a revolving fund). The fee is collected at the airport from tourists who are departing Belize, and at ports from passengers arriving by cruise ship. The legislation establishing PACT stipulated that all of the revenues from these fees should go directly to the PACT rather than to the government treasury. PACT is legally independent of government, and its 7-member board of directors is composed of 3 representatives from different government ministries, and 4 non-governmental representatives, including one from the private-sector "Belize Tourism Industry Association". This has since been expanded to a 9-member Board that includes 4 members from Government and 5 members from outside of Government.

#### **Use for projects**

Government agencies and NGOs can apply for grants from PACT, but these grants can only be used for projects that support the conservation of Belize's protected areas (representing 48% of the country's total area). Some of Belize's protected areas are operated by NGOs (such as the Belize Audubon Society) under management contracts signed with

government, which is very similar to the system in the Netherlands Antilles.

**Strength and weakness**

On the one hand, Belize deserves praise for being the first country to apply the “user pays” principle to ALL foreign tourists, by making them pay a fee for the conservation of the pristine natural environment (which is the main reason why tourists visit Belize), in contrast to merely making those tourists who visit a protected area pay an entry fee. On the other hand, PACT has not functioned as a mechanism for financing the recurrent costs of Belize’s protected areas, because the legislation establishing PACT prohibits PACT from funding staff salaries or any other “core costs” of either government agencies or NGOs. PACT has therefore limited itself to awarding grants for one-time, non-recurrent activities, such as construction of trails and visitor centers, demarcation of protected area boundaries, and environmental education and awareness programs.

The original reason why the PACT legislation prohibited PACT from making any grants to cover the day-to-day operating costs of protected areas was in order to prevent PACT from simply becoming a replacement for already existing sources of government and private funding for protected areas, which would have resulted in a “zero sum game” for conservation. However, this limitation has made PACT’s role in supporting conservation of the country’s biodiversity rather marginal. Furthermore, PACT has let its administrative costs become much too high, consuming over 60% of its budget, because it has six full-time staff members and has purchased its own building to serve as its offices.

**High administrative costs**

The other major problem with the PACT is its extremely high administrative costs, which in fact are even larger than its total annual grants budget. This is mostly the result of having a very large permanent staff (13 people) in relation to the size of its annual budget (US \$1 million). This is therefore something that should definitely be avoided by the proposed Dutch Caribbean Protected Areas Trust Fund.

## **10.4 Suriname**

**Asset management**

Several other important lessons about the “best practices” for trust fund asset management can be learned from its

experiences of the Suriname Conservation Foundation (SCF), which was established in 2001 with a capital of US \$8 million that was contributed by the GEF and CI:

- a trust fund's board should solicit, evaluate and compare proposals from at least five asset management firms before selecting one through an open, transparent and well-documented process;
- a trust fund's board of directors needs to not only adopt asset management guidelines, but also needs to continually monitor and ensure that these are being consistently followed by the asset manager;
- a minimum of 3 to 5 individuals---including members of a trust fund's Financial Committee, its Chairman of the Board, and its Executive Director---should receive monthly, quarterly and annual investment performance reports from the asset manager; they should carefully review these statements and be able to directly contact the asset manager in case of any questions;
- it is important to have a highly diversified portfolio of investments, and not allocate too large a percentage of the portfolio's assets to any particular asset class, to any particular currency or country, or to any particular fund manager.

## 11 Next Steps

The next steps that are required in order to operationalize the Trust Fund are:

1. Finalize DCNA's Articles of Incorporation and officially register DCNA as a Netherlands Antilles charitable foundation.
2. Hold meetings of the DCNA Board in order to:
  - conclude the selection process of Board members.
  - approve a set of Bylaws and an Operations Manual.
  - elect members of the Trust Fund Finance Committee.
  - hire an Executive Director.
3. Open a local bank account for the Trust Fund, and proceed to select an Asset Manager.
4. Start raising funds for the Trust Fund core or sub-accounts, in line with the proposed fundraising strategy (see Volume C) and sign specific grant agreements with each donor.
5. Prepare and approve a Workplan and Budget for the first year of the Trust Fund's operation.
6. Establish a "Friends of DCNA" organization at least in the U.S., in order to fundraise for the Trust Fund and enable U.S. donors in those countries to claim a tax deduction for their contributions.

## References

GEF, 1998. *Evaluation of Experience with Conservation Trust Funds*. Monitoring and Evaluation Team, GEF Secretariat, Washington DC.

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VOMIL/MINA, 2000. *Begroting en financieringsplan voor de beheerskosten van belangrijke natuurgebieden van de Nederlandse Antillen*. Willemstad, N.A.

[www.pactbelize.org](http://www.pactbelize.org)

[www.conservationfinance.org](http://www.conservationfinance.org)

[Note: this particular website includes links to many general publications and case studies on conservation trust funds, many of which have been used as a basis for writing this study]



## Annex 1      Guiding Principles for Asset Management

**Modern Portfolio Theory** (“MPT”) is based on decades of research by economists into the relationship between risk and return. Its **basic guiding principle is “diversification”** --- not putting all of your eggs into one basket. Diversification of investment portfolios can best be achieved through asset allocation – the process of deciding what different classes of assets should be included in an investment portfolio, and what percentage of the portfolio should be allocated to each particular asset class. Asset classes are investments that share certain characteristics, such as large-capitalization stocks or long-term government bonds, or that are geographically focused on different markets, such as Japan or Latin America. **Different asset classes often move in different cycles and offset each other**, so that **combining them tends to reduce portfolio volatility**, which in turn tends to promote compound growth over time, leading to higher returns.

**Even asset classes with lower returns and higher risk may improve portfolio performance**, if their returns typically move in different directions or in different cycles compared to the returns generated by other asset classes that are included in the same portfolio. For example, stocks in emerging markets tend to follow very different cycles than stocks in large capitalization US growth stocks, and both of these tend to differ from the cycles of real estate investments, or the cycles of high-yield corporate bonds. By combining different asset classes, it is possible to create portfolios that deliver the best possible trade-off between risk and return for a particular investor.

This **requires complex mathematical calculations of expected asset performance**, based on an analysis of both past and predicted capital market trends. It **also requires knowing a particular investor’s tolerance for risk and volatility, and the investor’s hoped for rate of return over a specific period of time**. Investors who have a longer time horizon (for example, a younger individual investor who may not need to withdraw any money from his investment portfolio until some distant future event such as retirement) **may be willing to accept greater short-term risks and volatility in exchange for getting a larger return in the long run**. However, a conservation trust fund is more similar to an older individual investor who has to rely on the quarterly returns from his investment portfolio in order to pay his monthly rent and daily living expenses.

A trust fund’s hoped for rate of return on investments, and its tolerance for risk and volatility should be defined in **asset management guidelines**, such as the following ones adopted by the Board of the Suriname Conservation Foundation:

1. “The primary investment objective of the Foundation is to attain **a total return** over the long term consisting of income and capital appreciation, net of investment expenses, **that is at least five percentage points greater than the rate of inflation** measured by the Consumer Price Index in the United States over a five-year period.”

2. “The Investment Manager is expected to achieve these objectives within a range of portfolio **risk** that a prudent manager with professional skills in investment management would take in similar economic, financial, and market environments. As a general rule, the Board of Trustees is more concerned with the **consistency of the total return over an extended period of time** rather than the fluctuating returns that may occur over shorter interim periods.”

Rather than hiring a single asset manager to invest all of the trust fund’s assets, the best way to diversify risk and achieve the highest returns is to **hire a financial consulting firm that can evaluate and select the top-performing asset managers for each different class of assets, and then invest a percentage of the portfolio with each such asset manager.** For example, the top-rated managers of mutual funds that invest primarily in US real estate are not likely to be the same as the top-rated managers of mutual funds that invest primarily in high tech growth stocks or the top-rated managers of mutual funds that invest in European government bonds. The financial consulting firm should continually monitor each asset managers’ performance, and replace those that have under-performed other managers of that particular asset class.

Feasibility Study of a Protected Areas Trust Fund

# **Sustainable Funding for the Nature Parks of the Netherlands Antilles**

*Part C – FUNDRAISING AND COMMUNICATION STRATEGY*

February 2005

**AIDEnvironment**

**Mr Barry Spergel**

*EcoVision*

*Feasibility Study of a Protected Areas Trust Fund*

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**Part C Fundraising and communication strategy**

**February 2005**

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## **Abbreviations and Acronyms**

AMFO	Antilliaanse Mede-Financierings Organisatie (Antillean Co-Financing Organisation)
BZK	Ministerie van Binnenlandse Zaken en Koninkrijksrelaties (Ministry of the Interior and Kingdom Affairs)
CARMABI	Caribbean Management and Research on Biodiversity
CBO	Citizen Based Organization
CI	Conservation International
DCNA	Dutch Caribbean Nature Alliance
EC	European Commission
GEF	Global Environment Facility
MINA	Afdeling Milieu en Natuur (Environmental Department)
MP	Member of Parliament
NA	Netherlands Antilles
NAF	Netherlands Antillean Guilder
NC-IUCN	Netherlands Committee for IUCN
NPL	National Postcode Lottery
PA	Protected Area
PBF	Prince Bernhard Fund
SONA	Stichting Ontwikkelingsfonds Nederlandse Antillen (Development Fund Foundation of the Netherlands Antilles)
SPD	Single Programming Document (EC)
TF	Trust fund
VOMIL	Ministerie van Volksgezondheid en Milieuhygiëne ( <i>former name</i> ) (Ministry of Public Health and Environment)
VSO	Ministerie van Volksgezondheid en Sociale Ontwikkeling ( <i>current name</i> ) (Ministry of Public Health and Social Development)
WWF-NL	World Wide Fund for Nature- Netherlands

# 1 Executive Summary

**Fundraising and communication** This study focuses on *how to achieve financial sustainability, with emphasis on the role of a trust fund, for nature park operations in the Netherlands Antilles*. A financial strategy to achieve that goal has been proposed consisting of various parallel tracks (see Part A). The tracks combine funding mechanisms and sources, and in most cases an enabling legal and policy environment is important to develop their potential. To develop, mobilize and make effective use of funding sources, communication is an essential success factor. Fundraising and communication need to be integrated into one strategy which identifies priority target groups and key messages, and outlines actions and responsibilities.

**Strategic guiding principles** The core of this report consists of an integrated fundraising and communication strategy for the nature parks, with the following three guiding principles:

- 1) Work through partnerships based on common interests.
- 2) Communicate nature parks as natural components in the sustainable development agenda.
- 3) Demonstrate unity and co-ordination among park management organizations from all islands.

**Target groups of the strategy** Fifteen categories of target groups have been identified for fundraising and communication, in descending priority. For each target group steps and actions are listed, including time paths and responsibilities.

## HIGH PRIORITY

- a) Dutch National Postcode Lottery
- b) Dutch Ministries and Parliament
- c) De Landschappen
- d) Island governments
- e) Business sector in the Netherlands Antilles (NA)
- f) Conservation International

## MEDIUM PRIORITY

- g) Dutch bilateral aid channels: SONA and AMFO
- h) Business sector in the Netherlands
- i) Wealthy frequent visitors
- j) General public
- k) Private foundations
- l) Wealthy residents in the NA and the Netherlands
- m) National Antillean Government
- n) International NGOs and DOEN Foundation
- o) European Commission (EC)

**Strategic partners** Nature parks need other stakeholders in relation to parks funding, either to contribute funds, to take necessary or

enabling policy decisions or to create a supportive attitude outside the conservation community and develop a sense of ownership. More structured partnerships are needed in the light of the considerable human resource limitations which the park are facing. The main strategic partners are:

- NC-IUCN and nature management organizations from the Netherlands united in the ‘Support Group’.<sup>1</sup>
- pioneers and trendsetters within categories of potential donors or other stakeholder groups to influence the ‘wait-and-see’ majorities in their groups.
- influential and highly networked persons who sympathize with the DCNA and the parks, to act as ‘ambassadors’.
- civil society organizations (CBOs and NGOs), e.g. for awareness raising and sustainable development projects in the parks’ buffer zones; their support makes effective protection with scarce resources easier.

#### **Fundraising principles**

The following general principles are recommended for a fundraising strategy for Antillean nature parks:

- diversify funding sources; dependence on one or a few revenue streams makes the recipient organizations vulnerable; diversification can also broaden stakeholder involvement.
- monitor the costs and benefits of fundraising to ensure that fundraising efforts are cost-effective (a financial institution sponsoring a fundraising position or activity might be an option).
- approach target groups for joint fund raising whose involvement could bring additional (political and social) benefits.
- maintain transparency and accountability at all times.

In order to focus the fundraising and communication strategy, a SWOT analysis has been made of the funding context for Netherlands Antillean nature parks.

#### **Corporate fundraising**

This report discusses fundraising from categories of donors that have not received much attention in the past, including the business sector, private foundations and individuals. Part A of this report contained an assessment of the donor potential in

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<sup>1</sup> This Support Group consists of Natuurmonumenten, Staatsbosbeheer, De Landschappen, WWF-Netherlands and CI-Netherlands.



these categories. Corporations are generally a difficult type of donor from which to secure major support and the mutual benefits as well as potential pitfalls should be carefully analysed and negotiated. Nevertheless, interest in the business community to support conservation initiatives is growing. On the Netherlands Antilles, the financial and the tourism sectors have been identified as having the best donor potential.

**Private philanthropy**

Since the early 1990s, private philanthropy has been booming as the rich have become more numerous and prosperous than ever before. In general, individuals are also the most flexible, and most likely to give non-earmarked funds and donations, which can be spent in accordance with the beneficiary's priorities. Both the Netherlands Antilles and the Netherlands are home to prominent individuals who sympathize with nature conservation and who play a key role in the patient networking which access to private philanthropy requires.

**A communication strategy**

The communication part of the fundraising strategy proposed for Antillean parks provides guidance on all basic questions: what are the goals of communication (Why), who does the organization want to communicate with to achieve these goals (Who), what message does the organization want to communicate (What), which communication means and channels should be used (How) and when should the messages be delivered (When). Specific messages must be composed for specific target groups and purposes. This report provides a series of 'message elements' as building stones for composing such messages, for specific target groups and purposes.

The integrated fundraising and communication strategy and the background chapters should assist in creating the right financial conditions for the effective conservation of the most precious natural assets of the Netherlands Antilles.

## 2 Introduction

- Interactions with stakeholders** Fundamental preconditions for the successful long-term management of protected areas are:
- an adequate legal and policy framework.
  - acceptance and support by society at large and by influential stakeholders in particular (i.e. whose attitudes and actions may have great impacts on the parks).
  - short and long term funding security, the main focus of this study.

Achieving these goals requires that individual parks interact and work with the world beyond the conservation community. Stakeholders need to be informed, lobbied, encouraged, approached for dialogue and involved in negotiations. Conservationists want these groups to assume attitudes and take actions and decisions that favour and strengthen the nature parks. Influencing stakeholders is, therefore, one of the key tasks of park managers and any organizations (DCNA) mandated to support them.

A communication strategy is interwoven with the fundraising strategy and a "case" has to be communicated, targeted at the right groups, with the right means, at the right time. Nevertheless, fundraising is more than just communication and, vice versa, communication on parks has more purposes than to support fundraising.

- Report A** The consultants' report has been divided in three parts to allow for separate distribution. These reports follow a logical sequence. Report A of the study examines:
- (1) the economic values of nature and nature parks.
  - (2) the Netherlands Antillean policy and socio-economic context from a conservation finance perspective.
  - (3) the donor potential in relation to sustainable funding mechanisms, with emphasis on a Trust Fund.
  - (4) a four-track financial strategy with financial scenarios for the future.

- Conclusions on feasibility** In Report A, the consultants<sup>2</sup> concluded that a sustainable funding situation for the nature parks of the Netherlands

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<sup>2</sup> A consortium of AIDEnvironment (lead partner, based in Amsterdam, the Netherlands), EcoVision (based on Curaçao) and Mr Barry Spergel, a conservation trust fund specialist from the U.S. and former Director Conservation Finance of WWF-US.

Antilles can be achieved. *The overall conclusion is that establishing a Trust Fund is feasible in combination with several parallel and complementary financing tracks.* Donor potential is the critical feasibility factor.

**Report B**

Report B contains the design of a Trust Fund, the core component of the financial strategy, with sections on: articles of incorporation, capitalization, legal location, grant-making criteria, structure and governance, administration and staffing and asset management.

**Report C**

Report C deals with the main follow-up required to support the financial sustainability process, i.e. fundraising and communication, which are always interdependent. In addition to a concise strategic framework, the next chapter lists steps and actions, timing and responsibilities for all relevant target groups, arranged according to priority (chapter 3). This report also contains the following three background chapters (4, 5 and 6):

- a SWOT analysis of the funding context, including recommended actions to address weaknesses and threats.
- a number of general considerations on fundraising, with special attention to the private sector.
- a model for a communication strategy tailored to the nature parks in the Netherlands Antilles. The general model itself is presented in Annex 2.

### **3 Integrated Fundraising and Communication Strategy**

The integrated fundraising and communication strategy proposed by the consultants has the following structure:

- I. Overall goal
- II. Strategic principles
- III. Objective
- IV. Target groups
- V. Steps and actions

#### **I. OVERALL GOAL**

**To achieve financial sustainability of nature park management in the Netherlands Antilles**

Notes:

- “financial sustainability of nature park management” refers to the level of parks’ running costs required to meet basic standards of park management effectiveness.
- this study considered the financial sustainability of one land and one marine nature park per island only.
- the proposed fundraising and communication strategies are meant to support the four-track financial strategy introduced in Part A of this report.
- the following pages indicate the key target groups and the steps and priorities in fundraising and communication actions which are needed to achieve the overall goal.

#### **II. STRATEGIC PRINCIPLES**

Three guiding principles should prevail in both the fundraising and communication strategies for the nature parks of the Netherlands Antilles:

##### **1) Work through partnerships**

Reasons:

- limitations in the availability of resources, particularly human resources, to DCNA and the park management NGOs (in terms of both quality and quantity).
- conservationists need other stakeholders to reach their goals.
  - (mobilizing selected individual stakeholders who sympathize with nature conservation increases the effectiveness of communication with that stakeholder group at large because of greater credibility and acceptance which individual members enjoy in their constituency. Openness on common and diverging interests and agendas is a prerequisite for successful partnerships).
- need to create a strong international profile and to provide links to the larger international conservation community

## **2) Communicate nature parks as natural components of the sustainable development agenda**

Reasons:

- nature parks are undervalued in decision making on land use and economic development by politicians, economists and by parts of the public who see them as a luxury for foreigners.
- nature parks in fact do represent a considerable, but not always obvious economic value.
- to maintain access to funding sources which focus on sustainable development.
- this principle is in line with international conventions related to conservation and sustainable development to which the Netherlands Antilles are party.

## **3) Demonstrate unity and co-ordination among park management organizations from all islands**

Reasons:

- because the park management NGOs have common interests and synergy potential, some donors prefer to provide support at the Antillean, not on the individual island level
- the islands on their own are too small and insignificant to command attention, whilst as a co-ordinated whole they represent the highest conservation potential in the Caribbean today; 'regional approaches' to conservation are currently well regarded by donors.
- it is essential that the NGOs operate in a co-ordinated fashion and respect commonly agreed commitments. One lagging or non-compliant DCNA member can harm the interests of the rest.

## **III. OBJECTIVE**

To mobilise financial and other (legal, political) forms of support for nature parks and to establish a supportive constituency.

## **IV. TARGET GROUPS**

The following target groups (see next page) have been identified for the fundraising and communication strategy, *in descending priority for short-term fundraising and funding-related communication*. The urgency with which target groups can bring about the necessary changes or their importance for the success in one of the 'tracks' of the financial strategy have been the criteria for assigning degree of priority.

#### HIGH PRIORITY

- a) Dutch National Postcode Lottery
- b) Dutch Ministries and Parliament
- c) De Landschappen
- d) Island governments
- e) Business sector in Neth. Antilles (NA)
- f) Conservation International

#### MEDIUM PRIORITY

- g) Bilateral aid: SONA and AMFO<sup>3</sup>
- h) Business sector in the Netherlands
- i) Wealthy frequent visitors
- j) General public
- k) Private foundations
- l) Wealthy residents in the NA and the Netherlands
- m) National Antillean Government
- n) International NGOs and DOEN Foundation
- o) European Commission (EC)

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<sup>3</sup> Official channels for bilateral development co-operation with the Netherlands, for government and non-government co-operation, respectively.

## V. STEPS AND ACTIONS – per stakeholder

### a) Dutch National Postcode Lottery (NPL)

- priority: HIGH

#### 1. *Cultivate relations ---*

- 1.1- keep the NPL well informed, through attractive annual reports of the DCNA and regular updates on parks progress, performance, and annual and multi-annual financial planning.
- 1.2- exploit promotional opportunities and give the NPL recognition and credit at public events, publications, statements, web sites, etc.
- 1.3- invite and accompany a NPL representative on a tour to the nature parks.
- 1.4- give presentations to the NPL on the financial strategy of the DCNA and the park management NGOs, highlighting the strategic importance of continued funding by the NPL (try to obtain a multi-annual commitment as transition to a direct or indirect beneficiary status of the DCNA).

#### 2. *Stimulate interest in capital support by the NPL to the Trust Fund ---*

- 2.1- monitor NPL attitudes and policy development concerning Trust Fund grants.
- 2.2- give a presentation to the NPL on conservation Trust Funds in general.
- 2.3- prepare a capital grant request after informal positive signals by NPL.

#### 3. *Develop a medium-term beneficiary option ---*

- 3.1- DCNA, De Landschappen, NC-IUCN and NPL decide which option to pursue (independent beneficiary status or linkage to De Landschappen) and determine the respective necessary steps.

Steps / actions	Timing	Responsible	Support
1.1	Ongoing	DCNA (+NC-IUCN)	PM NGOs <sup>4</sup>
1.2	Ongoing	DCNA (+NC-IUCN)	
1.3	2005	DCNA (+NC-IUCN)	PM NGOs
1.4	2005	NC-IUCN	DCNA
2.1	Ongoing	NC-IUCN	
2.2	2005	NC-IUCN	
2.3	Conditional	DCNA +NC-IUCN	
3.1	2005-07	DCNA +NC-IUCN	De Landschappen, NPL

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<sup>4</sup> PM NGO = park management NGO

**b) Dutch Ministries and Parliament****- priority: HIGH**

[Ministries and parliament are considered separately from the bilateral aid channels SONA and AMFO as target groups, since the lines of communication and associated actions and responsibilities on behalf of the parks are different].

1. *Ensure proper implementation by the Ministry of BZK of the motion passed by the Dutch Parliament on 2 November 2004<sup>5</sup> ---*
  - 1.1- provide inputs into BZK decision making so that the outcome facilitates and does not complicate the operational viability of the Trust Fund.
  - 1.2- keep the MPs who initiated the parliamentary motion of November 2004 informed and involved.
2. *Lobby the Dutch Parliament to remove legal and policy obstacles to Endowment Funds - --*
  - 2.1- prepare a general position paper on endowment funds, with special attention to these obstacles (Groenfonds may provide support as expert agency in financial mechanisms for nature management in the Netherlands, creating leverage through its chairman Mr van Vollenhoven).
  - 2.2- mobilize MPs who sympathize with endowment funds to remove the obstacles.
3. *Integrate BZK support to Antillean conservation in the Dutch international biodiversity policy in order to consolidate or increase support from other Ministries (such as LNV) (NC-IUCN takes care of the necessary lobbying and DCNA feeds the lobby with information as needed).*
4. *Monitor the future Dutch funding policy in bilateral co-operation with the NA, and make use of new opportunities (including a debt swap in case of bilateral debt restructuring).*

Steps/ actions	Timing	Responsible	Support
1.1	2004-05	NC-IUCN	DCNA
1.2	2004-05	NC-IUCN	DCNA
2.1	2005	NC-IUCN	Groenfonds
2.2	2005-06	NC-IUCN	Groenfonds
3	2005 onwards	NC-IUCN	DCNA
4	2005 onwards	NC-IUCN	DCNA

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<sup>5</sup> The motion was passed unanimously and calls upon BZK to use the underexpenditure of the 2004 bilateral co-operation budget to make a “substantial financial contribution to the Trust Fund for Antillean nature conservation to be established soon”.



c) De Landschappen (DL)

priority: HIGH

1. *Cultivate relations ---*

- 1.1- keep DL well informed, through attractive annual reports of the DCNA and regular updates on parks progress, performance, and annual and multi-annual financial planning (at least until the DL Board decides on association of the DCNA).
- 1.2- invite and accompany DL representatives on a tour to the nature parks.
- 1.3- solicit invitations to give presentations on DCNA and conservation in the Dutch Caribbean to the full Board of DL.
- 1.4- find creative ways to work with DL at the Board and Park level and ensure that cooperation works both ways.

2. *In case of a positive decision by the DL Board on association of the DCNA as the 13<sup>th</sup> member, prepare and implement a plan for association ---*

3. *Participate in the development of a proposal for future NPL funding with a fair share to the DCNA ---*

Steps/ actions	Timing	Responsible	Support
1.1	Ongoing as long as relevant	DCNA (+ NC-IUCN)	PM NGOs
1.2	2005	DCNA (+ NC-IUCN)	PM NGOs
1.3	2005 and beyond	NC-IUCN (+ DCNA)	
1.4	Ongoing	DCNA (+ NC-IUCN)	
2	Conditional	DCNA + NC-IUCN	DL
3	Conditional	NC-IUCN + DCNA	

**d) Island governments****priority: HIGH****1. Cultivate interest and political support ---**

- 1.1- provide island governments and councils with annual reports of the DCNA and regular updates on parks progress and performance.
- 1.2- invite and accompany commissioners, council members and officials on visits to the nature parks.
- 1.3- give annual presentations to island government and councils, on progress and problems in local park development, on the ecological and economic benefits of nature parks, on the financial strategy of the DCNA and on park success stories from islands elsewhere.

**2. Lobby, with strategic partners, for an adequate policy and legal framework ---**

- 2.1- lobby for completing the legal establishment of one marine and one land park per island.
- 2.2- lobby for the design and implementation of tax and user fee systems earmarked for nature parks' running costs.
- 2.3- lobby for statements of intent to maintain funding levels for nature parks within the regular island government budget (unless this is politically not feasible in the light of high-volume earmarked fee systems).
- 2.4- lobby for the incorporation of nature parks in island economic development policies and plans.
- 2.5- obtain political support for regional cooperation in park and biodiversity programmes, including transboundary initiatives.

Steps/ actions	Timing	Responsible	Support
1.1	2005 onwards	PM NGOs	DCNA
1.2	2005 onwards	PM NGOs	
1.3	2005 onwards	PM NGOs	DCNA
2.1	2005	PM NGOs	DCNA + 'Ambassadors'
2.2	2005-07	PM NGOs	DCNA + 'Ambassadors'
2.3	2005	PM NGOs	DCNA + 'Ambassadors'
2.4	2005 onwards	PM NGOs	DCNA + 'Ambassadors'
2.5	2005 onwards	PM NGOs + DCNA	MINA + 'Ambassadors'

**e) Business sector in the Netherlands Antilles (NA)**

**priority: HIGH**

*1. Prepare a communication campaign ---*

- 1.1- DCNA to agree on principles and policy for relations with the corporate sector, based on a realistic perception of their primary goals and agendas.<sup>6</sup>
- 1.2- develop a DCNA house style (for printed materials, web site, pp-presentations); consider in-kind support by the Support Group in the Netherlands or by a local company.
- 1.3- prepare communication materials (per island and for all islands together).
- 1.4- prepare communication plans per island (targets, time table, press contacts, presentations, events etc.) (for instance, a competitive campaign to form a select group of the top 20 “Friends of Caribbean Nature Companies” each pledging NAF 50.000 to the Trust Fund).
- 1.5- prepare a project and investment portfolio covering all islands, including for contributions to the Trust Fund. Keep the portfolio updated.

*2. Identify target companies in target sectors for fundraising ---*

- 2.1- prepare longlists of companies in target sectors (see Part A of the consultants’ report, chapter 5.1); verify their potential by consulting web sites, annual reports, ‘ambassadors’, company officials (PR, management).
- 2.2- define shortlist based on 2.1; establish contacts with key company staff, using personal networks of ‘ambassadors’ (discuss mutual benefits and preferences of financial support options – in case of international subsidiaries, keep holding company informed).

*3. Cultivate relations with target companies ---*

- 3.1- keep companies updated on parks performance and financial needs, conservation achievements (newsletter); organize ‘quality’-visits to the parks; invite companies to special events; organize joint events with the company.
- 3.2- present proposals for (financial) support and negotiate conditions.
- 3.3- discuss strategies with pioneer companies to influence mainstream companies.

*4. Cultivate low-key relations with the business sector as a whole ---*

- 4.1- keep sectoral organizations and chambers of commerce updated on parks performance and needs and conservation achievements.
- 4.2- seek opportunities to raise DCNA and parks profiles (presentations at sector meetings, be interviewed in sector magazines highlighting the parks’ corporate partners).

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<sup>6</sup> Analyse pitfalls such as the greenwash risk by companies with a bad environmental track record which may undermine a park agency’s credibility. On the other hand, companies operating in commercial markets should be approached with a business attitude, stressing the benefits which their support to conservation can bring by creating a positive corporate image among consumers of their products, employees, shareholders and the public at large (see also chapter 5.2).

Steps/ actions	Timing	Responsible	Support
1.1	2005	DCNA + PM NGOs	Support Group NL
1.2	2005	DCNA	Support Group NL / local sponsor
1.3	2005	DCNA + PM NGOs	Support Group NL / local sponsor
1.4	2005	DCNA + PM NGOs	Support Group NL
1.5	2005 onwards	DCNA + PM NGOs	
2.1	2005	PM NGOs + DCNA	'Ambassadors'
2.2	2005	PM NGOs + DCNA	'Ambassadors'
3.1	2005 onwards	PM NGOs + DCNA	
3.2	2005 onwards	PM NGOs + DCNA	Support Group NL
3.3	2005-06	DCNA + PM NGOs	'Ambassadors' + Support Group NL
4.1	2005 onwards	PM NGOs + DCNA	
4.2	2005 onwards	PM NGOs + DCNA	

**f) Conservation International (CI)**

**priority: HIGH**

*1. Keep CI well informed ---*

- 1.1- provide CI with attractive annual reports of the DCNA.
- 1.2- invite and accompany CI staff on visits to the nature parks.
- 1.3- keep CI updated on parks performance and financial needs, on conservation achievements, on Trust Fund development and on financial strategies.
- 1.4- maintain a project and investment portfolio covering all islands; submit proposals for (financial) support.

*2. Develop potential for support ---*

- 2.1- participate in the Caribbean Biodiversity Initiative (information and research inputs, provide facilities to CBI researchers; Antilles receive research information, become involved in transboundary initiatives).
- 2.2- monitor CI policy development re. Trust Funds and Caribbean in particular.
- 2.3- expand network of contacts in the US, facilitated by CI, for Trust Fund contribution by a US private or corporate donor.

Steps/ actions	Timing	Responsible	Support
1.1	2005 onwards	DCNA	
1.2	2005 onwards	DCNA	
1.3	2005 onwards	DCNA	
1.4	2005 onwards	DCNA + PM NGOs	
2.1	2005	DCNA	'Ambassadors'
2.2	2005-07	DCNA	'Ambassadors'
2.3	2005	DCNA	'Ambassadors'

**g) SONA and AMFO**

**- priority: MEDIUM**

*1. Cultivate relations ---*

- 1.1- visit SONA and AMFO offices on a regular basis, be visible at relevant fora and meetings related to sustainable development and/or environment.
- 1.2- provide SONA and AMFO with an attractive annual report of the DCNA and regular updates on parks progress and performance.
- 1.3- invite and accompany SONA and AMFO representatives on visits to the nature parks.
- 1.4- meeting between NC-IUCN and SONA / AMFO.

*2. Maintain a project portfolio ---*

- 1.1- prepare a portfolio of project and investment profiles for funding opportunities, indicating their relevance within the overall financial strategy; keep portfolio updated.
- 1.2- monitor funding opportunities (size of annual budgets, calls for proposals, changes in policies and procedures, feasibility of a Trust Fund grant proposal).

*3. Submit proposals ---*

According to DCNA and parks' needs and tailored to opportunities and procedures.

Steps/ actions	Timing	Responsible	Support
1.1	Ongoing	DCNA	PM NGOs
1.2	2005 onwards	DCNA	PM NGOs
1.3	2005	DCNA	PM NGOs
1.4	2005	NC-IUCN	
2.1	2005 onwards	DCNA + PM NGOs	
2.2	Ongoing	DCNA	NC-IUCN
3	Annually	DCNA	

## **h) Business sector in the Netherlands**

**priority: MEDIUM**

### *1. Identify target companies for fundraising ---*

- 1.1- prepare longlist of companies (see Part A of the consultants' report, chapter 5.1); verify their potential by consulting web sites, annual reports, 'ambassadors', company officials (PR, management).
- 1.2- define shortlist based on 1.1; establish contacts with key company staff, using personal networks of 'ambassadors' (discuss benefits and preferences of financial support options).

### *2. Cultivate relations with target companies ---*

- 2.1- keep companies updated on parks performance and financial needs, and on conservation achievements.
- 2.2- maintain a project and investment portfolio covering all islands.
- 2.3- present proposals for (financial) support and negotiate conditions.

### *3. Cultivate low-key relations with business sector as a whole ---*

Seek opportunities to raise profiles of Antillean nature parks (presentations at corporate meetings and corporate responsibility platforms, be interviewed in sector magazines highlighting any existing corporate partners).

Steps/ actions	Timing	Responsible	Support
1.1	2005	NC-IUCN	DCNA
1.2	2005	NC-IUCN	NL 'Ambassadors' + DCNA
2.1	2005 onwards	NC-IUCN	NL 'Ambassadors' + DCNA
2.2	2005	DCNA + PM NGOs	
2.3	2005 onwards	NC-IUCN + DCNA	Support Group
3	2005 onwards	NC-IUCN	'Ambassadors'

**i) Wealthy international frequent visitors**

**priority: MEDIUM**

**1. Identify, approach and cultivate relations with high-potential frequent visitors ---**

- 1.1- prepare targeted information package (including financial support options) and distribute among top hotels and resorts, staff of airports receiving private jets, port captains, marinas and yacht service providers.
- 1.2- maintain database of high-potential frequent visitors, through personal networks and ‘Ambassadors’.
- 1.3- [See 2.2-2.6 of “wealthy residents in the NA”].

Steps/ actions	Timing	Responsible	Support
1.1	Ongoing	DCNA + PM NGOs	
1.2	Ongoing	DCNA	‘Ambassadors’

**j) General public**

**priority: MEDIUM**

**1. Provide viable low-cost facilities for fundraising among the general public ---**

- 1.1- identify which mechanisms, channels and locations are feasible or strategic per island for fundraising among visitors, in consultation with the tourism sector.<sup>7</sup>
- 1.2- create facilities for on-line donations via the DCNA or parks web sites.
- 1.3- develop and implement the associated plans.

Steps/ actions	Timing	Responsible	Support
1.1	2005-06	PM NGOs + DCNA	Support Group
1.2	2005-06	PM NGOs + DCNA	Support Group
1.3	2005-07	PM NGOs + DCNA	Support Group

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<sup>7</sup> *Mechanisms* (a.o.): voluntary additions to hotel bills, cash or spare change boxes, merchandising on souvenirs and clothes, invitations to donate after return home.

*Locations* (a.o.): hotel and resort desks, souvenir and information booths on sites where tourists concentrate, gift shops, flight and cruise ship terminals, yacht registration posts, visitor centres and zoos etc.

**k) Private foundations****priority: MEDIUM**

1. *Cultivate contacts with Jade Foundation (Curaçao) ---*
  - 1.1- follow up on consultants' contacts in connection with plans for a TV program.
  - 1.2- seek meeting with Mr Gelt Dekker, facilitated by 'Ambassadors'; discuss support options and mutual preferences.
  - 1.3- keep Jade updated on parks performance and financial needs, and on conservation achievements; monitor interest and present proposals for (financial) support and negotiate terms and conditions.
2. *Maintain contacts with Prince Bernhard Fund (PBF) ---*
  - 2.1- keep PBF office in the NA updated on parks performance and financial needs, and on conservation achievements; monitor establishment of private foundations entrusting funds to the PBF; maintain a project and investment portfolio covering all islands.
  - 2.2- keep PBF office in the Netherlands updated on funding situation of the Antillean parks and provided with information materials; give presentation to PBF Board and relevant meetings of private funds entrusted to the PBF; stay informed on new private foundations entrusting funds to the PBF which are of potential interest to the NA.
3. *Maintain a database on high-potential private foundations established in the US, the NA and the Netherlands<sup>8</sup> ---*

Steps/ actions	Timing	Responsible	Support
1.1	2005	DCNA	'Ambassadors'
1.2	2005	DCNA	'Ambassadors'
1.3	Ongoing		PM NGOs
2.1	Ongoing	DCNA	
2.2	2005 onwards	NC-IUCN	DCNA
3	2005 onwards	NC-IUCN + DCNA	Support Group "Friends of the NA-US"

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<sup>8</sup> Potential information sources: MeesPierson bank branches in the NA and the Netherlands, Prince Bernhard Fund, Association of Funds ('Vereniging van Fondsen'), notaries in the NA, conservation networks (CI, WWF).



**1) Wealthy residents in the NA and the Netherlands**

**priority: MEDIUM**

*1. Identify high-potential residents ---*

- 1.1- [NA only] seek opportunities for presentations on parks to the Penshonado Union, to Rotary and Lions Clubs, facilitated by ‘Ambassadors’; discuss support options.
- 1.2- maintain a database of promising contacts from personal networks (suggestions from ‘Ambassadors’, tips from prominent members of the Antillean community in the Netherlands etc.), press files, media.

*2. Approach and cultivate relations with high-potential residents ---*

- 2.1- follow up on database and consultants’ contacts, facilitated by ‘Ambassadors’.
- 2.2- maintain a project and investment portfolio covering all islands.
- 2.3- organize ‘quality’-visits to the parks for high-potential residents; invite to special events.
- 2.4- check interest of high-potential residents in form of involvement (endorsements, networking, lobbying, financial support); discuss support options and mutual preferences.
- 2.5- keep them updated on parks performance and financial needs, and on conservation achievements.
- 2.6- present proposals for (financial) support when appropriate, and negotiate terms and conditions.

Steps/ actions	Timing	Responsible in the NA	Responsible in the Netherlands	Support
1.1	Ongoing	DCNA + PM NGOs	n.a.	‘Ambassadors’
1.2	Ongoing	DCNA	NC-IUCN	‘Ambassadors’
2.1	Ongoing	DCNA	NC-IUCN	PM NGOs
2.2	2005	DCNA + PM NGOs	DCNA + PM NGOs	
2.3 – 2.6	2005 onwards	DCNA + PM NGOs	NC-IUCN	‘Ambassadors’ (NA + NL) DCNA (NL)

**m) National Antillean Government**

**priority: MEDIUM**

*1. Keep national authorities well informed ---*

- 1.1- provide government and members of parliament (MPs) with annual reports of the DCNA.
- 1.2- invite and accompany ministers, MPs and officials on visits to the nature parks.
- 1.3- give annual presentations to government and parliament sessions on park development, conservation achievements and the ecological and economic benefits of nature parks.

*2. Obtain policy commitments ---*

- 2.1- Obtain a statement from the national Antillean government and/or parliament in support of an effectively operating Trust Fund.
- 2.2- Obtain a statement of intent to continue adequate funding levels for nature conservation in the national government budget.
- 2.3- Lobby for the incorporation of nature parks in national economic development policies and plans.
- 2.4- Lobby for a capital contribution to the Trust Fund in case of a debt swap as part of debt restructuring, in case of a natural disaster emergency fund or in case of large fines for environmental damage.

Steps/ actions	Timing	Responsible	Support
1.1	2005 onwards	DCNA	
1.2	2005 onwards	DCNA	
1.3	2005 onwards	DCNA	
2.1	2005	DCNA	'Ambassadors'
2.2	2005-07	DCNA	'Ambassadors'
2.3	2005	DCNA	'Ambassadors'
2.4	in case of opportunity	DCNA	'Ambassadors' + NL gov't

**n) Other international NGOs and foundations**

**priority: MEDIUM**

*1. Cultivate relations with DOEN and WWF-NL ---*

- 1.1- provide with attractive annual reports of the DCNA and regular updates on parks progress and performance.
- 1.2- identify key potential supporters with target organizations and invite and accompany them on visits to the nature parks.

*2. Maintain a project portfolio ---*

- 2.1- prepare a project and investment portfolio covering all islands, indicating their relevance within the overall financial strategy; keep portfolio updated.
- 2.2- monitor funding opportunities with these donors (size of annual budgets, calls for proposals, changes in policies and procedures, feasibility of a Trust Fund grant proposal).

*3. Submit proposals ---*

According to DCNA and parks' needs and tailored to opportunities and procedures.

*4. Monitor opportunities with other foundations---*

Keep in touch with TNC, McArthur Foundation, UN Foundation and the Moore Foundation.

Steps/ actions	Timing	Responsible	Support
1.1	Ongoing	DCNA	PM NGOs
1.2	In case of opportunity	PM NGOs	DCNA + NC-IUCN
2.1	2005 onwards	DCNA + PM NGOs	
2.2	Ongoing	DCNA	NC-IUCN
3	Ongoing	DCNA + PM NGOs	NC-IUCN
4	Ongoing	DCNA	'Ambassadors'

**o) European Commission (EC)**

**priority: MEDIUM**

*1. Maintain a project portfolio ---*

- 1.1- prepare a project and investment portfolio covering all islands, indicating their relevance within the overall financial strategy; keep portfolio updated.
- 1.2- give presentation on nature parks to the EC liaison office.
- 1.3- monitor funding opportunities (preparation of a new EDF round, Calls for Proposals under relevant budget lines, changes in policies and procedures, feasibility of a Trust Fund grant proposal) and actively participate in the IUCN-Regional Office for Europe's overseas territories initiative.
- 1.4- lobby Antillean government to incorporate nature parks in economic policy development and associated documents (such as the Single Programming Document required by the EDF).

*2. Submit proposals ---*

According to DCNA and parks' needs and tailored to opportunities and procedures.

Steps/ actions	Timing	Responsible	Support
1.1	2005 onwards	DCNA	PM NGOs
1.2	2005	PM NGOs	DCNA + NC-IUCN
1.3	Ongoing	DCNA + PM NGOs	NC-IUCN
1.4	2006 onwards	DCNA	PM NGOs
2	Ongoing	DCNA + PM NGOs	NC-IUCN

## **BACKGROUND CHAPTERS**



## 4 A SWOT analysis of Antillean nature park funding

### A SWOT analysis on funding

The current study focuses on *how to achieve financial sustainability for nature park operations and the potential role of a trust fund*. The study's findings must be 'marketed' and recommendations need to be implemented. Fundraising and communication strategies are the preferred means of doing so. Prior to the strategies, this section deals with:

- a summary of the donor assessment from Part A of the consultants' report.
- a SWOT analysis in relation to the funding issue.

### Donor assessment

In general, there are six categories of potential donors for conservation purposes:

- national government budgets.
- multilateral and bilateral aid agencies.
- international conservation NGOs.
- lotteries.
- business companies from the private sector.
- private foundations and wealthy individuals.

The main donor categories for conservation have been assessed during the current study on their potential to financially support the nature parks of the Netherlands Antilles (see Part A). The following table lists these categories, their potential and priorities within the overall fundraising strategy recommended to the DCNA.

**Table 1**

Summary of donor assessment by the current study

Donor category	Potential and priority	Other considerations re parks funding
National and island governments	<ul style="list-style-type: none"> <li>- <u>Trust Fund (TF) capital grant</u>: very limited potential, <u>no priority</u> for fundraising, except under special circumstances (debt negotiations, large pollution fine, environmental damage fund).</li> <li>- Bank of the Netherlands Antilles (BNA): <u>medium priority</u> for TF capital grant fundraising (other grant options less priority, but to be monitored).</li> <li>- Be alert on opportunities for other types of grants, but no investment in fundraising.</li> </ul>	<p>Local governments' primary role in the financial strategy:</p> <ul style="list-style-type: none"> <li>- urgent completion of legal and policy frameworks re. parks establishment and earmarked fee systems (cf. existing revolving funds for civil works as examples).</li> <li>- structural allocation of budget items to parks.</li> <li>- explicit political support to the TF.</li> </ul>

European Commission (EC)	<ul style="list-style-type: none"> <li>- <u>TF capital grant</u>: low potential due to bureaucratic reluctance towards trust funds and due to the nature of the current SPD, <u>Medium priority</u> for fundraising. End date required (sinking fund option).</li> <li>- Medium priority for other types of grants (monitor Calls for Proposals under budget lines).</li> </ul>	<ul style="list-style-type: none"> <li>- DCNA lobby to incorporate parks in sustainable economic policy (Single Programming Document for EDF, European Development Fund).</li> <li>- Involve NC-IUCN in monitoring the EC.</li> </ul>
Bilateral aid agencies (BZK)	<ul style="list-style-type: none"> <li>- <u>TF capital grant</u>: modest potential due to reluctance based on budgetary policies and legislation, but political support is growing; <u>high priority</u> for capital grant fundraising because of special responsibility of the Netherlands; a grant into a Sinking Fund is the most feasible option; may be alert on specific opportunities (debt-swap, Kingdom Statute anniversary, underexpenditure annual co-operation budget). New co-operation channels SONA and AMFO may be more flexible.</li> <li>- Consider proposal to BZK to fund TF administrative costs for the first few years.</li> </ul>	<ul style="list-style-type: none"> <li>- DCNA and NC-IUCN lobby to incorporate parks in economic development policy.</li> <li>- DCNA and park management NGOs to strengthen relations with SONA and AMFO.</li> <li>- Political support by BZK to TF important to leverage funding from other sources.</li> </ul>
International conservation NGOs	<ul style="list-style-type: none"> <li>- CI: future potential for <u>TF capital grant</u>; <u>high priority</u> for medium-term fundraising, linking NA to transboundary hotspots.</li> <li>- WWF-NL: potential project funding. Special occasions in the future may justify a TF grant proposal, but no priority for the time being.</li> </ul>	<ul style="list-style-type: none"> <li>- DCNA and NC-IUCN to cultivate relations with CI and its representatives in the NA and NL, and to stay informed on development of CI's Caribbean Biodiversity Initiative.</li> <li>- DCNA to monitor opportunities at other organisations such as TNC, the McArthur Foundation, the UN Foundation and the Moore Foundation.</li> <li>- NC-IUCN to monitor opportunities at WWF-NL.</li> <li>- Best options to internationalize funding base are in the US.</li> </ul>
Lotteries	National Postcode Lottery (NPL): medium-term potential for TF capital grant; <u>high priority</u> for fundraising in general (one of the tracks in the	<p>NPL :</p> <ul style="list-style-type: none"> <li>- Priority for cultivating relations.</li> <li>- Options: (1) continued core grants via recognized intermediary</li> </ul>



	<p>Financial Strategy).</p> <p>DOEN Foundation (via NPL): remains important donor for project or temporary core funding.</p>	<p>beneficiaries (now NC-IUCN, later possibly De Landschappen), (2) independent beneficiary status for DCNA in the medium term, (3) TF capital grant.</p> <ul style="list-style-type: none"> <li>- DOEN also needs to be cultivated.</li> </ul> <p>Antillean lottery: DCNA to monitor progress with respect to linking lottery to charities.</p>
Business companies from the private sector	<p><u>High priority</u> for fundraising in general, and potentially for small-sized TF capital grants, requires patient networking and long cultivation periods.</p>	<ul style="list-style-type: none"> <li>- DCNA to concentrate on trendsetters / pioneers in corporate responsibility.</li> <li>- DCNA and NC-IUCN to involve 'ambassadors' to open doors.</li> </ul>
Private foundations and wealthy individuals	<p>Jade Foundation: small potential for TF capital grant, but further exploration needed, <u>high priority</u>. Private capital foundations to be monitored via Prince Bernhard Fund; potential for TF grant seems to exist.</p> <p>Individuals: apparently <u>high priority</u> for fundraising in general, requires patient networking. Potential for TF grant undetermined.</p>	<ul style="list-style-type: none"> <li>- Prince Bernhard Fund is important for getting access to network of private entrusted funds in the Netherlands (involve NC-IUCN).</li> <li>- DCNA and NC-IUCN to Involve 'ambassadors' to open doors.</li> </ul>

Strengths and opportunities are listed in one table. Weaknesses and threats are mentioned in two separate longer tables, with a column listing recommended actions to address them, many of which based on the strengths and opportunities identified before.

**Table 2**

SWOT analysis of the funding situation for nature parks of the Netherlands Antilles

<b>Strengths</b>	<b>Opportunities</b>
<ul style="list-style-type: none"><li>- Proposals for a financial strategy and a Trust Fund design (reports A and B) that have been well received by relevant partners, government departments, NGOs and several private sector members.</li><li>- Good relations and contacts with various (potential) donors and donor aid agencies.</li><li>- A committed national government department (VSO/MINA) with a professional reputation and the creation of a new umbrella organisation, DCNA; both eager for a sustainable financing strategy to succeed.</li><li>- The environment is a recognized component in bilateral Dutch-Antillean co-operation (although requiring constant lobbying attention), to be seen within the framework of sustainable economic development.</li><li>- Positive funding decisions taken in 2004 and 2005 by the Dutch National Postcode Lottery and DOEN Foundation.</li><li>- Nature parks are managed by technically capable, independent NGOs, mandated by island governments.</li><li>- Internationally recognized success cases in fee-based funding systems on some islands (Saba, Bonaire).</li></ul>	<ul style="list-style-type: none"><li>- Establishment of the DCNA marks a starting point for long-term institutional development with potential benefits to all island nature parks; this widely raises interest among potential supporters.</li><li>- Positive political momentum in the Ministry of BZK and the Dutch Parliament, triggered by the previous phase of this study and the coincidence with NC-IUCN lobby and NPL-support (a momentum both in relation to conservation on the Antilles and to Trust Funds in general).</li><li>- Commitments to support Antillean parks from nature management organizations in the Netherlands, united in the 'Support Group' initiated by NC-IUCN.</li><li>- Potential for growing acceptance of nature parks as a pillar for sustainable development, by local governments, and parts of civil society, the private sector and the donor community.</li><li>- Presence of large untapped capital resources with wealthy individuals and private capital foundations, and private corporations in the Netherlands and the Netherlands Antilles.</li><li>- Presence of influential citizens and residents who sympathize with Antillean conservation.</li></ul>

**Table 3**

Recommended actions to address weaknesses and threats in the funding situation

<b>Weaknesses</b>	<b>Recommended actions to address weaknesses, using strengths (s) and opportunities (o)</b>	<b>Key actors<sup>9</sup></b>
- Lack of diverse, well-developed funding sources; nature management has largely depended on sources from one donor country (the Netherlands).	<ul style="list-style-type: none"> <li>- Develop EC donor potential (insert parks in the Single Programming Document required by the EC; monitor calls for proposals on the EC web site).</li> <li>- Cultivate relations with donors and foundations in the US (emphasis on CI) and beyond.</li> <li>- Develop local corporate and private donor potential (o).</li> <li>- Highlight recent fundraising successes, existence of DCNA and Support Group, promising contacts and Saba + Bonaire successes, through international channels (s).</li> </ul>	<p><b>D, M</b></p> <p><b>D, NI</b></p> <p><b>P, D</b> <b>D, NI</b></p>
- Lack of skills and resources hampers creation and exploitation of fundraising opportunities with private foundations, business corporations and individuals.	<ul style="list-style-type: none"> <li>- Increase staff and allocate time for communication and fundraising.</li> <li>- Involve influential persons sympathizing with the parks as 'ambassadors' to open doors (o).</li> <li>- Continue engaging contacts established by consultants (s).</li> <li>- Organize on-the-spot training in fundraising, communication and outreach for park managers and the DCNA (e.g. by WWF-NL staff member or the US Fish and Wildlife Service).</li> <li>- Stimulate information sharing by parks on innovative approaches in raising revenues.</li> </ul>	<p><b>D, P</b></p> <p><b>D, P, NI</b></p> <p><b>D, NI</b> <b>D, P</b></p> <p><b>D, P</b></p>
- No structural resources or capacity have been available to support the development and implementation of a fundraising and financial strategy, including a Trust Fund.	<ul style="list-style-type: none"> <li>- Make use of the results and momentum generated by the current study and engage strategic partners to implement the proposed financial strategy (s, o).</li> <li>- Build reciprocal relationships (i.e. with both parties benefiting) with and mobilize support from NC-IUCN and individual Support Group members.</li> <li>- Improve communication and create a forum for NL and NA conservation organisations to interact both at institutional and management levels.</li> </ul>	<p><b>D, NI</b></p> <p><b>D, NI</b></p> <p><b>D, NI</b></p>

<sup>9</sup> Main actors responsible for these actions: D= DCNA; P= park management NGOs; NI= NC-IUCN; M= VSO/MINA

- Local government funding has generally been unpredictable and isolated (little consistency between islands).	<ul style="list-style-type: none"> <li>- Involve influential persons sympathizing with the parks as 'ambassadors' to open doors (o).</li> <li>- Prepare a structured plan for relationship building and outreach to local decision-makers.</li> <li>- Use new momentum and commitments by other partners to lobby local governments (o).</li> </ul>	<p>P, D</p> <p>D, P</p> <p>P, D</p>
- Lack of an attractive and coherent portfolio of information materials for marketing purposes covering the nature parks on all islands.	<ul style="list-style-type: none"> <li>- Give priority in work plans (esp. DCNA) to developing a communication package, using a variety of traditional and non-traditional means and channels (o).</li> <li>- Create effective venues for the distribution of information to broad and targeted audiences within the NA, NL and internationally e.g. through strategic partnerships with organisations with expertise in this field (including the Dutch Support Group) (o).</li> </ul>	<p>D, P</p> <p>NI, D</p>

<b>Threats</b>	<b>Recommended actions to address threats, using strengths and opportunities</b>	<b>Key actors</b>
- Negative image abroad of governance and financial management in the Netherlands Antilles.	<ul style="list-style-type: none"> <li>- Campaign in the Netherlands to create a positive and informed image of nature and conservation in the Antilles (implementation: NC-IUCN with inputs from DCNA) (o).</li> <li>- Emphasize successes in communication materials and events and that parks are well managed by technically capable NGOs (s).</li> <li>- Develop benchmarks and measures of success for funders and potential funders and make the results widely available.</li> <li>- Implement professional standards of accounting and reporting on all islands (if possible, uniform).</li> <li>- Practice transparency and accountability, and emphasize this in communication.</li> </ul>	<p>NI, D</p> <p>D, NI</p> <p>D, P</p> <p>D, P</p> <p>D, P</p>
- Nature parks still seen by many as irrelevant for economic development and as a "playground for foreign tourists".	<ul style="list-style-type: none"> <li>- Make use of strengths of MINA in negotiations with other government departments (e.g. in budget allocations) (s).</li> <li>- Emphasize economic values of nature parks in communication materials.</li> <li>- Arrange for more economic valuation studies of parks and communicate the results in ways that can be understood by decision-makers and the corporate world.</li> <li>- Intensify local school programs and visits to parks, stimulate responsible recreational use by locals; document these uses.</li> <li>- Develop more local park-related income generation opportunities, and communicate results.</li> </ul>	<p>D, M</p> <p>D, P</p> <p>D, P, M</p> <p>P</p> <p>P</p>

<p>- Lack of access to many international funding sources because of high income per capita and Kingdom status of the Netherlands Antilles.</p>	<ul style="list-style-type: none"> <li>- Point out this constraint in communication with agencies that do support Antilles and with donors that do have an interest.</li> <li>- Create international links to the biodiversity of the NA by stimulating and joining regional hotspot programs with international funding, including transboundary (Venezuela) and other international initiatives (the Saba bank in the future).</li> <li>- Try to obtain UNESCO World Heritage Site status for one or more parks (may give access to funds from the United Nations Foundation).</li> <li>- Cultivate relations with CI and possibly the McArthur Foundation.</li> </ul>	<p><b>D, NI, M</b></p> <p><b>D, NI</b></p> <p><b>D, NI</b></p> <p><b>D, NI</b></p>
<p>- Compelling competition for funds from other sectors and organizations (social, welfare and poverty alleviation).</p>	<ul style="list-style-type: none"> <li>- Invest in attractive communication material, work on more professional presentation than the competitors.</li> <li>- Establish partnerships with CBOs and social NGOs in the field (park and buffer zone management).</li> <li>- Develop joint integrated conservation and development projects (ICDPs), for funding opportunities related to sustainable development (including in relation to debt-swaps).</li> </ul>	<p><b>D, P</b></p> <p><b>P</b></p> <p><b>D, P, M</b></p>
<p>- Lack of commitment to nature conservation by some stakeholders, including lack of effective follow-up to stated commitments.</p>	<ul style="list-style-type: none"> <li>- Mobilize pioneers and trendsetters as strategic partners to influence rest of respective stakeholder group.</li> <li>- Involve influential persons sympathizing with the parks as 'ambassadors' to open doors (o).</li> <li>- Build a strong case for the importance of the linkage between a sustainable environment and a sustainable economic future for the islands.</li> </ul>	<p><b>D, P</b></p> <p><b>D, P</b></p> <p><b>D, M</b></p>
<p>- Lack of qualified human resources for park management and lack of trained staff.</p>	<ul style="list-style-type: none"> <li>- Create training opportunities for islanders and park staff.</li> <li>- Establish partnerships with local, inter-island and international NGOs that can assist either with training and/or implementation of the work done by park NGOs and DCNA.</li> <li>- Encourage volunteers.</li> <li>- Stimulate and participate in regional (Caribbean) exchange programs aimed at building capacity of park management.</li> <li>- Identify opportunities for regional funding.</li> </ul>	<p><b>D, P</b></p> <p><b>P, D</b></p> <p><b>D, M</b></p> <p><b>D, P</b></p> <p><b>D, P</b></p>
<p>- Time pressure to implement financial strategy without necessary human capacity.</p>	<ul style="list-style-type: none"> <li>- Mobilize support from NC-IUCN and the Support Group in the Netherlands, and of sympathetic companies from the financial sector (o).</li> </ul>	<p><b>D, NI</b></p>

<b>Strategic partners</b>	<p>These tables show that there are a range of opportunities and strengths which can be utilized to address the threats and weaknesses with respect to the issue of sustainable funding. Given the human resource limitations of both DCNA and the park NGOs, one element of particular importance is the need to identify and engage strategic partners, including:</p> <ul style="list-style-type: none"> <li>- NC-IUCN and nature management organizations from the Netherlands united in the Support Group.</li> <li>- pioneers and trendsetters<sup>10</sup> within categories of potential donors or other stakeholder groups to influence the ‘wait-and-see’ majorities in their groups.</li> <li>- influential and highly networked persons who sympathize with the DCNA and the parks, to act as ‘ambassadors’.</li> <li>- civil society organizations (CBOs and NGOs), e.g. for awareness raising and sustainable development projects in the parks’ buffer zones; their support makes effective protection with scarce resources easier.</li> </ul>
<b>Strategic actions</b>	<p>As far as the associated recommended actions are concerned, it is clear that the DCNA plays a key role and that for some actions NC-IUCN has an important liaison and lobby role to play in support of the DCNA. Many actions are self-evident and some refer to work already underway. A number of recommended actions stand out as strategically important and are summarized as priority actions in the following table:</p>

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<sup>10</sup> These can be identified through networking, by following interviews and media reports on environmentally responsible initiatives and by checking web sites. They can then be approached and asked for support in return for positive exposure or other incentives.

**Table 4**

Recommended strategic actions with indirect importance for communication and fundraising

Strategic action	Specific objective
1. Develop and implement a targeted fundraising and communication plan based on the integrated strategy from chapter 4.	1. To make fundraising and associated communication as effective as possible.
2. Organize on-the-spot training in fundraising, communication and outreach for park managers and the DCNA (e.g. by WWF-NL staff member or the US Fish and Wildlife Service). Also stimulate information sharing by parks on innovative approaches in raising revenues.	2. To increase local fundraising capacity.
3. Arrange for more economic valuation studies of parks to be carried out, and translate and disseminate the results with appropriate means.	3. To convince stakeholders of the economic importance of nature parks.
4. Improve relations with the local community, for example by launching local school programs and visits to parks, and by stimulating responsible recreational use by islanders.	4. To convince stakeholders of the social importance of nature parks; to build a pro-parks constituency.
5. Develop more local park-related income generation opportunities, and communicate the results of these initiatives.	5. To build a community-based pro-parks constituency.
6. Create opportunities for funding by developing integrated conservation and development projects (ICDPs) in parks and buffer zones, in partnerships with CBOs and social NGOs (which might, for instance, be used to capitalize on 'debt-swap' opportunities).	6. To strengthen the funding as well as social support base for parks and to convince stakeholders of the parks' social importance.
7. Identify and mobilize pioneers and trendsetters as strategic partners to influence the majority of respective stakeholder groups (mainly in business sectors, but also among communities).	7. To broaden social and political support with limited means.
8. Identify and engage influential persons who sympathize with the work of the DCNA and the parks to act as 'ambassadors' to open doors.	8. Broaden support base; Compensate for lack of human resources; Obtain access to circles which would otherwise remain inaccessible.
9. Participate in regional programs in protected area development and management, including transboundary (Venezuela) and other international initiatives (the Saba bank in the future).	9. Create access to new international funding opportunities that would remain closed to the Netherlands Antilles alone; Capacity building for park staff.

## 5 A fundraising strategy

### Financial strategy

Although the original focus of the study was on the feasibility of a Trust Fund, this focus has broadened to include other funding sources and mechanisms. The resulting multi-track financial strategy, described in detail in Chapter 6 of Part A of the consultants' reports, is summarized in the following table.

**Table 5**

Multi-track strategy towards financial sustainability of nature parks

Track 1	Obtain long-term recurrent funding support from the <b>National Postcode Lottery</b> (NPL). This track has two alternatives, either with NC-IUCN or with De Landschappen as intermediaries. Under the most optimistic scenario, the NPL may additionally agree to a substantial one-time capital grant into the Trust Fund. The final goal is to either obtain an independent NPL beneficiary status for the DCNA, or a structural association of DCNA with De Landschappen.
Track 2	The <b>Trust Fund</b> , a key component in the overall strategy to achieve financial sustainability, not in terms of the volume of its annual contribution, but in terms of reliability and as a vehicle to develop commitment and support to the parks by a variety of stakeholders. Since the TrustFund capital will probably grow slowly, this growth can be accelerated during a first stage, by reinvesting the annual returns of the fund into the capital, provided that the financial situation of the islands allows for such reinvestments and the respective donors agree. Another way to strengthen the Trust Fund is to use portions of other revenues or grants to build a 'strategic reserve' as one of the Fund's sub-accounts.
Track 3 (many subtracks)	Strengthen <b>existing sources</b> of year-to-year financing for the parks (such as budget allocations from the various island governments, fees collected from tourists and other natural resource users, revenues from product sales, local fundraising, and project grants). Strengthening existing sources is necessary to demonstrate that there is a local commitment to supporting nature parks.
Track 4	Grants from <b>development co-operation</b> agencies (Netherlands, EU). The chances of proposals being approved are larger if nature parks are presented as vehicles for sustainable economic development. After Trust Fund revenues reach a substantial volume, these funding sources should not be needed anymore to cover operational costs of nature parks, but proposals could still be submitted for specific projects or investments.



All tracks require active fundraising, but some sub-tracks (such as user fees and island contributions) rely primarily on lobby and campaign work by conservation organizations so that the necessary policy and legal frameworks are created. Chapter 6.2 of Part A listed actions and assumptions in relation to each track, some of which have a fundraising character. Chapter 6.3 of Part A gave an overview of actions per stakeholder category.

The current chapter should be seen as complementary to Part A, with a number of general considerations followed by sections on fundraising directed at some non-traditional categories: *the business sector, private foundations and individuals*.

## **5.1 General considerations**

### **Importance of cultivating**

An organization or institution has three resources: program, people and money. A clearly articulated case statement demonstrates strength and focus. More important than direct fundraising experience is the ability to express the case eloquently and persuasively. Donors may want to give money, but they also want to know their support will make a difference; they want to make a change for the good. Fundraising is not simply soliciting gifts from donors. Professional wisdom states said that only 20 percent of fundraising is solicitation; the remaining 80 percent is donor cultivation. A systematic programme of major donor cultivation develops the interest of prospective donors by exposing them to the program activities, people, needs and plans and, evidently, communication plays a key role.

### **Fundraising strategy**

The resources (people, time, money) available for fundraising itself are often limited and must be used efficiently. That is what a fundraising strategy is for, to define a number of principles and objectives, target groups and actions to organize and focus an organization's fundraising efforts. The purpose of a strategy is to achieve maximum efficiency (ratio between inputs and outputs is relative high) and effectiveness (quality and quantity of the outputs). However, developing a fundraising strategy for any programme, project or NGO is a complicated task for which there are no ready-made blueprints and one should realize that making fundraising efforts by itself does not guarantee a successful outcome.

## Fundraising principles

The following general principles are recommended for a fundraising strategy for Antillean nature parks:

1. *Diversify funding sources*; short and long-term; government and non-government; public and private. Reasons for diversification (see also the next paragraph):
  - dependence on one or a few revenue streams makes the recipient organizations vulnerable.
  - diversification can broaden stakeholder involvement.
2. *Monitor the costs and benefits of fundraising*, to ensure that fundraising efforts are cost-effective; discontinue a campaign or mechanism that produces little in relation to its costs. A financial institution sponsoring a fundraising position or activity might be an interesting option to explore.
3. *Try raising funds from donors whose involvement can have other benefits as well*; the political and social acceptance of conservation can never be taken for granted, and therefore parks will benefit from donors who will also morally and politically support them if necessary.
4. *Maintain transparency and accountability at all times*; highlight successes and be open about obstacles, failures and weaknesses, but emphasizing what the organization intends to do about them. Make sure that a convincing system of checks and balances exists. Do not underestimate the importance of keeping existing donors well informed.

## Diversification of sources

Diversifying funding sources also has a disadvantage, by increasing the administrative workload, due to the different procedures and conditions (earmarking e.g.) that donors require. The best ways to overcome these disadvantages are to aim for non-earmarked funding sources and mechanisms and for basket funds (accounts which are shared by several donors). Since the parks can't really afford to exclude sources or forego funding opportunities, it is recommended to offer a variety of options to interested donors, but also not to hesitate to make a strong case in favour of those funding options which best suit the interests and efficiency of the parks.

## 5.2 Corporate fundraising

### Difficult but worthwhile

Corporations are usually the most difficult type of donor from which to secure major support. They typically require a large investment of time in meetings and presentations, and long cultivation periods. In addition, some corporations have

complex decision-making processes, and it can take a long time to get a donation approved. The exceptions are generally corporations that need to bolster their "green" image (resource exploitation companies, especially when their activities impact upon protected areas) or corporations with a direct stake in the success of the conservation area or program (cruise lines, the food and beverage industry, travel industries) (Norris & Curtis, 1999). The benefits of corporate support should be balanced against pitfalls such as the greenwash risk by companies with a bad environmental track record that may undermine a park agency's credibility.

Corporations rarely give donations for altruistic reasons; usually something must be in it for them. Corporate fundraising requires patience and the ability to craft a win-win partnership. It is therefore necessary to negotiate clearly what the donor can expect in return; a donor often wants to make a contribution which is earmarked for a project with high public appeal, whereas the beneficiary NGO often has other priorities or wants to reduce earmarking. Corporate gifts usually result from personal contact with a key individual involved with and committed to an institution. Identifying and cultivating these people are crucial. The following box lists a number of tips for corporate fundraising.

#### **Box 1**

Tips in corporate fundraising (Norris & Curtis, 1999).

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- Start with a tangible effort - a trail, an interpretive signboard, a beach clean-up - that can be supported by a limited number of corporate patrons, say, 10 corporations contributing \$250 each. Brainstorm a list of the companies most involved or likely to contribute, and recruit a corporate representative to chair the solicitation process. Be flexible about accepting in-kind as well as cash contributions, have a backup financing plan to make sure the project gets completed even if you don't get as many corporate sponsors as you planned, and then make sure that the sponsors get good publicity and recognition for their efforts. Build on this goodwill with further events, calling on corporate officers pleased with earlier outcomes to assist with future projects.
  - Work with local branches of international firms to gain access to their corporate foundations and corporate giving programs.
  - If your list of involved and supportive corporations includes a significant number who actually use the protected area, analyze whether there is a way to issue permits or capture use fees - even if on a voluntary basis - rather than asking for straight donations.

- Think of the possibilities for corporate sponsorship of popular events - a school science day, a students' conservation poster exhibit, student conservation clubs. Don't take on activities outside the mission of the protected area simply to win corporate support, but if you do schedule public outreach activities, especially those involving schools and students, look to service industries such as banks, insurance companies, travel agencies, and soft-drink bottlers as potential sponsors.
  - Maintain a visitor registry or receipt on payment of user fees that asks people for their name, address, telephone or e-mail, business affiliation, comments and a check box allowing them to be contacted (to avoid allegations of spamming). Review the registry for frequent visitors who may have helpful affiliations.
  - Talk to business leaders about the social and charitable activities their companies support and why. Ask them for advice about how to structure a corporate giving program that would appeal to them and their colleagues.
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#### **Additional guidelines**

Additional guidelines to bear in mind when approaching donors from the private sector, with reference to the context of the Netherlands Antilles, are:

- the need to identify the most appealing rationale for why this particular donor should make a contribution (e.g., the rationale that taking minimal care of Antillean nature is also a Dutch responsibility, or the rationale that the Antilles have the only coral reefs and rainforests in the Kingdom), and realize that most donors will want to support a specific island or nature park only.
- try to link up (as long as the DCNA is still very young) with another well-known and well-trusted conservation organization (such as WWF, Natuurmonumenten, De Landschappen, or IUCN), and thereby benefit from the use of their logo, their written endorsement, or a link on their web site.
- demonstrate park successes such as positive conservation results, economic benefits and effective management approaches. Also show how islands support each other and how they exchange experiences.<sup>11</sup>
- make a strong case on the benefits for the company if it decides to give substantial financial support to nature parks, as opposed to the traditional very small gifts for discrete projects in the social, sports and welfare fields (e.g. by a

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<sup>11</sup> For instance, CARMABI has applied an interesting small-enterprise and stakeholder approach around nature parks and other nature sites which deserves to be discussed with the other Antilles. The relevant official could tour these islands to identify opportunities together with local park managers.

competitive campaign to raise contributions of NAF 50.000 for the Trust Fund).

- also decide when NOT to accept funds and how to critically evaluate prospective corporate sponsors. Transparency towards the press, other NGOs and the general public on the benefits to the company and for conservation is essential. The local as well as the international track record of any company, and how the company will use its support in public relations should be evaluated and the effects on the credibility of the conservation organization assessed before entering into any agreement.

#### **Potential sectors**

Chapter 5 of Part A has a section on the donor potential among the corporate sector in relation to nature parks on the Antilles. That section focuses mainly on the potential, limitations and conditions for financial support to the Trust Fund, and concludes with a table presenting the results of contacts established so far by the consultants. Companies were selected from sectors meeting the criterion of whether their business activity has impacts on or depends on the islands' ecosystems:

- tourism and recreation (all islands)
- oil (Curaçao, Bonaire, Statia, St Maarten)
- power and water (all islands)
- mining (salt on Bonaire; gravel and limestone on Curaçao)
- transportation and infrastructure (airline, port, airport).

#### **Wildlife logos**

Another reason for approaching business companies can be the use of wildlife in their logos. A well-known example is Exxon which has sponsored tiger conservation projects. GCN is a telecom company operating in the Netherlands Antilles which has an iguana in its logo. Recent innovative initiatives in the Dutch telecom sector are 'call4care' and 'greentalks', which donate a percentage of the costs of each mobile phone call to charities. GCN could be contacted to find out whether the company would be willing to engage in a similar initiative.

#### **Mutual benefits**

Table 6 summarizes the possible benefits of a partnership agreement between a company and a park management NGO, all subject to negotiations between the two parties. Explicitly stating these benefits can be important in convincing an interested but reluctant prospect donor.

**Table 6**

Mutual benefits of a partnership between nature parks and a business company

Possible benefits to the company	Possible benefits to nature parks
Green profile and positive exposure; good corporate citizenship (the company may use park or NGO logo; the company logo or name may be displayed on public sites, rolls of honor or park and NGO web sites)	Access to new potential park supporters through company's own marketing channels
Additional customer and employee satisfaction	Company pays for standard use of the park logo
Special benefits to bank personnel (reduced or zero entrance fee, reduced rate accommodations)	Payments through license agreement (charge per product sold using park logo)
Access to new clients (conservation supporters), e.g. through NGO media channels	Banner on company web site (with or without electronic donation option)
	Company makes one-time or periodic donation to NGO, park or project

### The financial sector

The business sector with the highest potential for becoming a donor to the Trust Fund is the financial sector, since:

- in terms of capital flows, it is the most prominent sector on Curaçao, which has the largest island economy and is one of the main offshore financial centres of the Caribbean.
- there is a logical link between its core business ---financial services--- and the key problem which the Antillean nature parks face : the lack of financial resources.
- some individuals and companies that benefit from the favourable tax climate on various islands may want to do something in return; banks can be the obvious intermediaries.
- charitable giving is a tradition in the banking sector and there is a growing trend towards forming structural partnerships with conservation organizations<sup>12</sup>.

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<sup>12</sup> "The Green Trust" between Nedbank and WWF in South Africa; "Investing in Nature" between HSBC and WWF, Earthwatch, CI and others; MeesPierson and WWF-NL and Natuurmonumenten and ING bank in the Netherlands.

- a growing number of banks offer asset management with an explicit charity component as one of their financial services.

#### **Options for financial support**

There are various ways for a financial services provider to support a nature park (see also table 7):

- one-time donation to a project or organization (varying from a small project donation to a large Trust Fund grant as the other extreme).
- periodical donations.
- park sponsorship or co-sponsorship of a project or park.
- structural sponsorship of (parts of) a park management organization.
- voluntary donation mechanisms which are linked to financial transactions.
- government taxes on financial transactions which are earmarked for conservation.

As stated before, a modest grant can be the beginning of a longer relationship with more significant financial benefits. This possibility can be tentatively explored in the initial stage of contact, so that the DCNA or park management NGO can decide how much time to invest in cultivating the relationship with that particular company.

Box 2 illustrates a remarkable partnership established in South Africa between Nedbank and WWF, a model whose feasibility might be worth exploring in the Netherlands Antilles, between for instance DCNA and Maduro & Curriel Bank.

#### **Box 2**

Nedbank and The Green Trust: a model partnership between a bank and a conservation organization

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In 1990, together with WWF-South Africa, Nedbank founded The Green Trust, which aims to protect the unique biological diversity of southern Africa and to counter the adverse effects of unsustainable development. Funded solely by Nedbank and its clients, it was hailed internationally as a success story in mutual benefit marketing. Nedbank clients are encouraged to support The Green Trust through associated banking products, which allows Nedbank to donate money on its clients' behalf to the designated trust, at little or no cost to the client. In this way, over R50 million (EUR 6,2 million) has been raised to date which supported over 125 projects. These projects focus on community-based conservation, environmental education, sustainable use and species or habitat conservation.

The donations include a percentage of credit card transactions and savings account balances, and chequebook fees. The donations on credit cards and savings accounts are made at no cost to the client.

Nedbank clients can provide further financial support for The Green Trust, by donating once off, by monthly debit order or by bequeathing money to the trust.

As well as representatives from the founding partners, the Board of Trustees includes key representatives from the various environmental bodies in South Africa. These trustees are responsible for policy decisions and for the allocation of funds, so that the directors make the decisions about how the Trust is to operate, and what projects will benefit from its funds.

'Green Trust Awards' recognize innovative, catalytic projects which show high levels of ongoing commitment and which have significant positive benefits for the environment. These awards are traditionally held as close to World Environment Day (5 June) as possible.

Nedbank has won a number of prestigious awards for its contribution to sustainable environmental initiatives. In 1995, the bank was recipient of the international WWF Golden Panda conservation award, an honour unsurpassed in the industry. 1999 saw Nedbank garnering much recognition, including the WILD Foundation / United Nations Environmental Programme (UNEP) WILD Award for International Excellence and the Wildlife and Environment Society of South Africa (WESSA) Corporate Award.

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<http://www.nedbank.co.za/website/content/greenaffinities/greentrustsupport.asp>

Apart from banks as the most obvious type of financial services provider, insurance companies and pension funds could also be approached for donations and sponsorships, appealing to the long-term perspective that is inherent to their respective core businesses.

**Taxing financial transactions?** Suggestions have been made for the government to levy new taxes on international financial transactions or on capital gains, and to earmark such tax revenue for nature conservation or for a combination of social and environmental objectives. Even though the offshore banking sector is less important to the Antillean economy than it used to be ---as a result of competition from other offshore financial centers, and of tax reforms that are part of a new Kingdom policy---the volume of offshore financial transactions is still high enough for a new, tax of even a tiny percent to produce substantial funds for nature conservation. However, strong competition from the Bahamas, the British Virgin Islands and the Cayman Islands in the offshore banking sector makes it unlikely that the Antillean



government would risk driving away business by imposing such taxes.<sup>13</sup>

Other possible benefits of a partnership agreement between a bank and a park management NGO, besides the general benefits mentioned earlier, are shown in the following table.

**Table 7**

Mutual benefits of a partnership between nature parks and a bank

Possible benefits to the bank	Possible benefits to nature parks
Bank can advertise that it has a park management NGO as its client	Bank can offer products and services which automatically include a donation for nature conservation as part of each transaction (e.g., by earmarking a percent of interest, internet payments, or credit card transactions)
Bank can act as asset manager for the Trust Fund	Bank can sponsor a fundraiser, fundraising campaign, or earmark part of the earnings from some activity for the NGO
Park management NGO can advise the bank on "green investment" criteria	Bank may offer to manage a park's financial administration at no or low charge
Park management NGO advises bank on marketing new "green" bank products	Access to low-interest green funds for investments
Well-managed nature parks improve the quality of the island experience for off-shore clients on their regular visits	Access to wealthy potential park supporters through bank's client network

#### Communication plans

Park management NGOs are recommended to prepare communication plans per island, supported by the DCNA and the Dutch Support Group. Such plans should include targets, a timetable, establishing and maintaining press contacts, prepare and give presentations. Opportunities to raise the profiles of Antillean nature parks should be identified, such as presentations at corporate meetings and corporate

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<sup>13</sup> Although one former Antillean Minister expressed a personal opinion that imposing such taxes and using the revenues to support global as well as Antillean conservation initiatives could attract off-shore companies and investors seeking a corporate responsibility profile by supporting local nature conservation.

responsibility platforms, interviews in sector magazines highlighting any existing corporate partners, etc.. Sectoral organizations and chambers of commerce should be updated on parks performance and needs and on conservation achievements.

#### Corporate foundations

Many large corporations have set up their own foundations that manage charity funds and allocate grants. Corporate foundations operate similarly to professionally staffed private foundations, but their boards are often made up of corporate officers, their own endowment funds are separate from the corporation and they have their own professional staff. In general, corporate foundations are not a source for recurrent costs of basic management, nor do they generally support "core" activities of government agencies. Instead, they prefer to support special projects.

### 5.3 Private foundations and individuals

#### Looking for prospects

Private philanthropy is booming as the rich are more numerous and prosperous than ever before. Typically, though, 80 percent of the money given to a campaign comes from 20 percent of the donors. Therefore, instead of wasting time trying to convert wealthy non-givers, it is more productive to spend time by looking for those with a proven interest in conservation, through prospect research.

#### Further tips

There are a few basic points to be understood about foundation donors (Norris & Curtis, 1999 and other sources):

- A partnership with a conservation organization in the country where the prospective foundation donor is located can be a very useful point of entry.
- Professionally staffed private foundations have larger assets and issue annual reports; these foundations provide most foundation dollars to philanthropy.
- Family foundations can be good sources of regular, unrestricted support. Just as with individual donors, personalities, relationships and loyalties are very important in working with family foundations.
- The activities that a foundation can support must meet the definition of charitable purposes in the country where the foundation is located.

- Any funding proposal will have a much greater chance of success if it is presented in terms of meeting the specific missions, goals, and objectives of the targeted foundation.

#### **Individual donors**

In general, individuals are the easiest type of donor to raise money from, in the sense that no proposals have to be written, deadlines met, or program needs twisted to meet their giving guidelines. Individuals are also the most flexible, and most likely to give non-earmarked donations which can be spent in accordance with the beneficiary's priorities. Most successful conservation organizations in the US raise three-quarters or more of their income from individuals (Norris & Curtis, 1999).

The trick is in the art of identifying individuals who are likely prospects for giving, 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 program, and what needs to be done.
- inspire them, helping them to develop a personal vision of how their contributions will make a difference.
- sincerely ask them to help make that difference.

Donor recognition often serves as an incentive to other potential donors.

Generally, a specific request is better than a general one (for instance, ask to support to a \$50,000 boardwalk interpretive trail by contributing a few boards costing \$20 each). Several protected areas have used devices such as a visitor registry or raffle to collect names and addresses of visitors, and then following up with a personal letter requesting a donation. Even simple programs such as a "spare change" box in a gift shop, or a pitch by tour guides (with special donation envelopes) at the end of a tour can generate donations.

#### **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 organization in a will; naming a conservation

organization as the beneficiary of a life insurance policy; donations of properties or securities with or without provisions for the donor's "life estate" (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 organizations will have far less sophisticated knowledge of these options than the potential donors themselves. DCNA should therefore become acquainted with inheritance and tax laws that might apply to both local and international donors inclined to set up their giving as part of their estates or investment plans. One option may be to cultivate a legal and/or financial advisor who might volunteer his services to assist with these tasks.

#### **5.4 Memberships<sup>14</sup>**

##### **What are memberships**

Members are individuals or entities (businesses, for example) that join an organization (usually by paying a membership fee) and in return receive benefits of membership. The primary benefit is to be part of an organization supporting a cause they believe in. Additional benefits may include free admissions, discounts on merchandise, a subscription to a bulletin or newsletter, invitations to special events, etc. A common mistake that organizations make in beginning membership programs is to offer so many benefits to potential members that the program eventually costs more to run than it brings in. It is always important to remember that the main benefit of membership is support of the cause. Membership development is the process of building, renewing, upgrading, and maintaining a membership to provide ongoing income, as well as a source of volunteers and community support.

##### **"Friends of the park"**

In contrast to the "pay-per-visit" concept of user fees, membership programs provide a vehicle for voluntary support by a constituency that may or may not actually visit the sites. A "Friends of the Park" program or collaboration with existing NGOs provides an excellent opportunity to channel individual

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<sup>14</sup> This chapter is largely based on Norris & Curtis, 1999.

contributions directly to park management. Staff can establish mechanisms to collect donations on site, or to capture visitor information (names and addresses) for later fund-raising contacts. Some protected areas make this information available to NGOs for cooperative fund-raising efforts. A recent low-cost, but still relatively untested mechanism for this kind of fundraising is on-line giving.

#### **Benefits to parks**

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 clout, both in the political process and in convincing potential donors to invest. Membership dues can be a significant source of income, but membership programmes will always be expensive to run from the Antilles due to the cost of postage. 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. In general, the proceeds will range from US \$20-50 from approximately one to 10 percent of the people who are identified as prospective members.

Experience on Saba has shown that running a “Friends of”-programme effectively is a time-intensive task even with appropriate technology. The programme worked but at the same time it was vulnerable because it was run by local volunteers.

#### **Corporate memberships**

In the US, corporate memberships have ranged from \$50 to \$5,000 and are most successful when solicited in person by corporate peers who are connected with the organization soliciting the donation (usually members of the board of directors of an NGO, or members of the park's private advisory committee, for example). Some park organizations, such as the Peace Parks Foundation and the African Parks Foundation, have been particularly successful in committing corporations and wealthy individuals through membership programs.

## **6 A communication strategy for Antillean parks**

The current chapter follows the general outline for communication strategies as presented in Annex 2.

### **6.1 Goals and objectives**

The Antillean parks' case

The 'communication program goal' of the DCNA and the nature parks of the Netherlands Antilles and Aruba regarding sustainable funding can be formulated as:

“to achieve financial sustainability for the operational management of one terrestrial and one marine nature park and to fund other conservation activities on each of the islands of the Netherlands Antilles and Aruba”

Examples of related communication objectives are:

- 1) “within three years, all relevant government agencies at the Antillean and island levels and in the Netherlands, major companies and industry and trade organizations present on the islands, as well as national and international private foundations and conservation NGOs with potential interest in the Antilles, have basic information on and knowledge of the value of nature and nature conservation in the Netherlands Antilles, the management structure and financial situation of the nature parks as well as the funding mechanisms and sources in use and under consideration”.
- 2) “within two years, the major media on all islands have published articles or broadcasted news items focusing on the social and economic benefits of the nature parks, their financial problems and progress towards solutions”.
- 3) “within three years, all island authorities have expressed, in written statements, commitments to close policy and legislative gaps, including the implementation of realistic user fee systems”.

- 4) “within five years, sufficient commitments have been made by donors and funding sources in relation to the Trust Fund that make meeting the target endowment capital (or sub-accounts producing equivalent annual returns for the next ten years) in 2010 feasible”.
- 5) “support to the nature parks becomes an important element in corporate and civic responsibility in the Antilles -> four new business companies each year, for the coming ten years, commit financial or in-kind support to the parks, without compromising the parks’ conservation goals”.

Additional objectives could be formulated , e.g. to secure a medium or long-term funding commitment from the NPL (Dutch National Postcode Lottery), but a list which becomes too long carries the risk that it may seem overwhelming and time and energy are too thinly spread to be effective. Those objectives should be selected where communication can really make a difference. In the case of the NPL, for instance, regular and reliable communication on park and fund management is vital, but this is an evident standard practice in cultivating relations with any major donor, and has therefore not been included in the above shortlist.

## 6.2 Target groups

### The Antillean parks’ case

With respect to the nature parks of the Netherlands Antilles, the following table lists the main stakeholder groups. The assessment of their characteristics is left to the DCNA and the park management NGOs. Note that the core issue in the identification of stakeholders and the assessment of their characteristics is the *funding of nature parks*, and not the existence of those parks by itself. For instance, general knowledge of a park may be high, but knowledge of its funding situation may be low (and is, in fact, rare). Similarly, a stakeholder group may have high priority in general communication on the park and its management (local landowners, resource users, schoolteachers), but lower priority with regard to the funding issue. Nevertheless, these distinctions are sometimes hard to make.

The first three columns refer to what the park managers may want from each stakeholder in relation to nature parks funding, and stakeholder roles in this regard can be summarized as:

- Contribute funds (1<sup>st</sup> column)
- Take necessary or enabling policy decisions (2<sup>nd</sup> column)
- Social support / ownership (3<sup>rd</sup> column)

The column ‘Funding’ indicates that the stakeholder can either provide voluntary funding (X)<sup>15</sup> or be subject to financial charges earmarked for the parks (Y). The column ‘policy’ indicates that the stakeholder can take policy decisions with respect to parks funding. The third column ‘opinion’ refers to (often negative) perceptions and attitudes which stakeholders have with respect to funds benefiting nature parks. In case of negative attitudes, they may influence other stakeholders who are in a position to take funding or policy decisions. Especially secondary and tertiary stakeholders, relative outsider groups who are often indifferent or negative about parks funding, are easily overlooked. Communication efforts should therefore also aim at managing attitudes of outsider groups in order to prevent negative impacts on decision makers (see also chapter 4). The column ‘High Priority’ refers to short-term communication priority on the funding issue. For every goal or result the park management NGO or the DCNA wants to achieve messages have to be prepared, and each time the question will be: “*whom do we want to influence and what do we expect from each stakeholder*”.

**Table 8**

Stakeholders and what the parks want from them

Stakeholder category	Funding	Policy	Opinion	High Priority
<b>PRIMARY</b>				
<i>National</i> politics	X	X	X	
VSO/MINA	X	X		
Economic Department (Minister)	X	X	X	
Financial (and Tax) Departments		X	X	
<i>Island</i> councils	X	X	X	X
Commissioner of Economic Affairs	X	X	X	X

<sup>15</sup> X = stakeholder provide voluntary funding; Y = stakeholder subject to financial charges;  
(x) = indirect influence



Stakeholder category	Funding	Policy	Opinion	High Priority
Island Financial / Tax Departments	X	X	X	
Local agencies (taxes, coast guard, police)			X	
Donor agencies	X	(x)		X
Business companies active in / impacting on parks	X/Y		X	X
International conservation NGOs, Private foundations, wealthy individuals	X	(x)		X
Land owners (with land inside parks)	X <sup>16</sup>		X	
Local users of park resources (grazing land, fuelwood, seafood, game)	Y		X	
Visitors (excursionists, recreationists, divers, yacht owners)	Y		X	X
Travel agencies	Y		X	X
Hotels and resorts	Y		X	X
Schools	Y		X	X
Environmental NGO's (Turtle Clubs, Amigu di Tera etc)			X	X
<b>SECONDARY</b>				
Interest groups depending on government budgets outside the nature conservation sector			X	
Dutch politicians and authorities (mainly the Ministries of BZK and LNV)	X			X
<b>TERTIARY</b>				
Local press			X	X
General public (public opinion)			X	
Local social and development NGOs			X	
Influential individuals in politics, business and the charity community (in NL and NA)	(x)	(x)	X	X
Dutch press			X	

For explanations of 'primary', secondary'and tertiary'stakeholders – see Annex 2

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<sup>16</sup> donating land or allowing park management

All of these stakeholder groups can be considered communication target groups as well. It is recommended to proceed by assessing the interest, knowledge and attitudes of the stakeholders from the table, and then prioritize them. Due to the length of the list of stakeholders, the resulting table may look complex, but there will be overlaps that allow e.g. for using the same communication materials for various target groups, depending on the specific purpose or occasion. Most of all, the tables should serve as checklists for further communication planning. For some stakeholder groups, attitudes or knowledge may be described as ‘mixed’ when some members can be rated as negative and others within the same category as positive. Those cases present interesting opportunities to involve the ‘positives’ as allies to influence the neutrals or the ‘negatives’ (see also chapter 4).

### 6.3 The message

#### The Antillean parks’ case

Concerning the issue of funding the Antillean nature parks, a set of elements is given which can be combined into a concrete message and tailored to a specific occasion or communication purpose. The list is long, and it should be remembered that a particular message should have one main point, which may be supported by a number of other points, depending on the purpose and target group.

#### Box 3

Elements for composing a message on Antillean parks funding

*Paying for parks is justified because:*

1. of the richness and uniqueness of biodiversity on land and in the sea (with examples and statistics) (this helps create a sense of pride).
2. to reach their goals, parks need to be actively managed and management costs money.
3. of the economic values of biodiversity (use, non-use, essential element in tourism product, protection against hillside and coastal erosion, fish nurseries).
4. of the social and economic benefits of nature parks in particular (including recreation and education, income opportunities at entrances, job opportunities in park staff).
5. of conservation successes which are the result of park management (examples: recovery of an ecosystem or species, increased animal sightings, reduction of anchoring damage, cleaner and safer beaches).
6. nature parks are a globally accepted land-use strategy to conserve biodiversity, backed up by international conventions.
7. nature parks are a common interest and therefore require local government support.
8. nature conservation on the Antilles is also a Kingdom responsibility.

*Additional considerations which can be incorporated in messages:*

9. the economic importance of nature and parks in particular has been confirmed repeatedly in island, national and international policy documents, including in authoritative reports by international institutions such as the World Bank and the Interamerican Development Bank (IDB, 1997 and World Bank, 2001).
10. the ‘user pays’ principle (should apply to resource users and those with impacts on the parks, but in a socially fair manner).
11. park funding has so far been inadequate and unpredictable (give illustrations of negative impacts on park management).
12. management of park funds is not in government hands, but of NGOs with park management mandates and independent boards (as a response to distrust of government which may exist).
13. trust funds have shown to be appropriate mechanisms where a stable, long-term funding base is badly needed (such as the NA case).
14. highlight every private initiative to financially support nature parks as a positive sign of corporate or civic responsibility.
15. appeal to competitive instincts (highlighting pioneers to the larger ‘wait-and-see’ group, appealing to competition between islands, business companies, public figures, political parties and politicians, etc.).
16. transparency and accountability are leading principles in park funds management (make sure to put this principle into practice).
17. a financial strategy for Antillean parks exists, which is based on the diversification of funding mechanisms and sources (this makes the parks less vulnerable and leads to broader stakeholder involvement).
18. avoid and respond to impressions that excessive amounts of funding go to the nature parks, especially in case of a large grant (by showing the overall picture, plus any gaps, of costs and benefits, income and expenses, and by referring to the overall financial strategy).
19. use parks to appeal to the sense of island and national pride, not only because of natural but also cultural heritage (historic buildings and other cultural monuments) .

The tips given in the first paragraphs of Annex 2c will further help to prepare the right message in relation to the nature parks funding issue, making use of the list of message elements.

#### **6.4 Means and channels**

The Antillean parks’ case

The selection of communication means and channels for target groups relevant to park funding in the Netherlands Antilles is left to the DCNA, the park management NGOs and their

advisers. Analyzing target group profiles as suggested at the end of Annex 2c can be very helpful, but the table in Annex 1 can also be used immediately since the profiles will mostly be known already to the DCNA and the park management NGOs. Which means are the most appropriate depends on whether it is to be used on specific occasions or on a structural basis, with what specific message, for what specific purpose, directed at what specific target group. The Annexes provide the instruments for choosing the right communication means.

#### Monitor and evaluate

Monitoring and evaluating the effects and impacts of communication is essential and should be fed back into all components of communication planning. For instance, by registering the necessary data it should be possible to compare the amounts raised before and after launching a particular brochure introducing a nature park which was accompanied by a request for a voluntary contribution. The benefits –but not only in terms of the increase in funds raised- should then be weighed against the costs of producing the brochure.

### 6.5 Three strategic levels

The long-term communication goals should always guide the overall communication strategy. Communication will have to be used as an instrument on three strategic levels which all apply to nature parks funding in the Netherlands Antilles:

#### Ongoing

*Ongoing communication* – this means continuously and pro-actively informing all high-priority target groups about the goals, achievements and difficulties faced in the development of the nature parks. Communication efforts should be seen as a long-term investment and no short-term results must necessarily be expected (e.g., when cultivating potential but reluctant large donors). Care must be taken that the target groups do not get an information overdose or become bored with the same message. The best remedy is to monitor the effects by asking for responses. Another remedy could be to define annual “conservation success targets” per park and develop an information campaign around the target (per newsletter, web site, local press releases, school visits, etc).

#### Project

*Project communication* – this refers to communication of a well-defined duration, for a specific purpose. For instance, to develop an education program for local communities or to inform the public on new snorkeling regulations. These

activities, and the corresponding communication work, can usually be planned in advance and included in the annual operational plan of the park in question.

**Immediate**

*Immediate communication* – this refers to unforeseen events that need a response from the park(s). Examples are a sudden threat (high mortality in an animal population, an oil spill, an accident with park visitors, a bank scandal affecting the park) or opportunity (an unexpected very large donation, an international prize). Although unexpected, staff in charge of communication can make general preparations for such events. Alert reactions help in developing a professional image.

**Outline for a plan**

The following general steps are recommended to the DCNA and the park management NGOs, to move from strategy to planning:

- 1) formulate the communication goals, using chapter 6.1 as a reference.
- 2) verify and adjust the other elements of the communication strategy from this chapter.
- 3) prepare a multi-annual communication plan and a more detailed plan for 2005, including a portfolio of means and channels.
- 4) disseminate materials and messages for ongoing and project communication, according to the plan.
- 5) monitor and try to anticipate immediate communication needs.

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## ANNEX 1 Checklist for communication means and instruments

Source: [http://www.iucn.org/themes/cec/principles/checklist\\_means\\_instruments.htm](http://www.iucn.org/themes/cec/principles/checklist_means_instruments.htm)  
(IUCN Commission on Communication and Education)

Printed means			
Mean	Advantages	Disadvantages	Points to remember
Letters	Personal mode of communication, relatively high chance of being noticed and read by intended target group (when personalised); mail-merge software makes it easier to send personalised letters to larger groups.	Unsuitable for very large groups.	Requires up to date database with names, addresses, etcetera.
Annual report	Good opportunity to give information about organisation's operations.	Can be quite costly and time consuming to produce and distribute; often lost in the flood of annual reports that is sent out every year; little chance of feedback	Often an annual report is required by law. If you are making one anyway, it might as well be good!
Brochures & Leaflets	Can reach large number of people ; costs can be controlled – when produced in large number cost efficient, can be kept in store to answer questions.	Little chance of feedback; if distributed in the wrong way easily overlooked; mass distribution will result in high wastage, limited space to explain details.	Plan the distribution with care, always pre-test a draft with the target group to check if the message gets across.
Reports	Can present information in detail	Can easily be overlooked because of high number reports published; little feedback option.	Develop guidelines for level and tone of voice, lay out can attract attention, plan distribution and publicity well in time.
Journals & Magazines	Good way to reach specialised audience; articles are usually printed without cost (free publicity).	Limited circulation, little feedback.	Keep lists of specialised journals and names, phone numbers of editors, built a relation with most important editors.

Visual means			
Mean	Advantages	Disadvantages	Points to remember
Visitor centre	Attractive way to present information; if staff available direct feed back opportunity; chance to appeal to all senses: strong impact.	Will not reach target groups who are not interested. Costly to built/rent and maintain.	How to attract the right target groups, how to ensure financial continuity.
Displays/exhibitions Posters	Attractive way to present information, if staff is present there is a direct feed back opportunity.	Can be costly.	Go for light-weight, portable and easily changeable systems; Don't present too much information.
Slides	Attractive, eye catching, potential for strong impact. Useful as a support for other communication activities. Direct feedback often possible.	Needs special equipment and darkened room, slightly tricky in use.	Always test equipment beforehand.
Overhead sheets	Cheap and easy to make, effective to support speeches	Needs special equipment, tendency to put too much information on one slide.	Aim for no more than 5 lines with 5 words.
Film/video	Suitable to address groups of various sizes. Easy to transport and to reproduce. Different options for distribution.	Expensive to produce, needs professional skills, no feedback possible, difficult to change.	
Digital means			
Mean	Advantages	Disadvantages	Points to remember
Web sites	Attractive way to present high variety of information, feedback and interaction possible, relatively easy to update, insight in number of users, potential to reach high number of people.	Not accessible for everyone, requires technical expertise.	How to attract target groups to the website? Ensure linkages with popular target group sites and ensure high ranking with search engines.
CD Roms	Suitable medium to present complex and high quantity of	Requires special equipment to use, requires technical expertise to develop.	Check CD Rom use in target group first.



	information, relatively cheap to reproduce, easy to distribute.		
e-mail (- newsletter)	Effective medium to approach small and large number of people, cheap, fast, direct, possibility for feedback.	Difficult to stand out in large number of e-mails sent each day.	Necessary to attract attention right away. Be direct, avoid long messages.
<b>Mass Media</b>			
<b>Mean</b>	<b>Advantages</b>	<b>Disadvantages</b>	<b>Points to remember</b>
Radio broadcasts	High local interest; accessible for large audience, audience can be targeted, low production costs.	Contact does not mean communication, lacks personal appeal, scheduling can be problematic, no control over final message (dependant on editors and journalists).	Keep an updated list of media addresses and contact persons, follow up phone call increases chances of publication, maintain good relations with important editors.
TV broadcasts	Potential for high impact, accessible for large audience, audience can be targeted.	With increasing number of channels more difficult to reach large audience, no control over final message (dependant on editors and journalists).	Keep an updated list of media addresses and contact persons, follow up phone call increases chances of publication, maintain good relations with important editors.
Newspaper articles	Usually wide circulation; information can be distributed quickly.	No control over final message (dependant on editors and journalists).	Keep an updated list of media addresses and contact persons, follow up phone call increases chances of publication, maintain good relations with important editors.
Press conference	Chance to deliver more complex information to media; has opportunity for feedback.	Staff needs to be trained in media contact.	Requires careful preparation.
Press releases	Cheap way to draw attention of media to newsworthy events; suitable for fairly straightforward issues; can be produced on short term.	Media receive large numbers of press releases, difficult to attract attention, requires writing skills, no direct feed back from journalists.	Keep an updated list of media addresses and contact persons, follow up phone call increases chances of publication, maintain good relations with important editors.

<This chapter is largely based on (Rientjes, 2000).>

## **2a. General introduction**

### **Communication as policy instrument**

The main policy instruments that are used in conservation to influence people are (Rientjes, 2000):

- *communication*
- regulation
- financial incentives
- provisions (facilities and infrastructure)

Communication also plays an indirect role in the success of two of the other instruments, i.e. regulation and financial incentives, which makes it a key instrument. Every instrument has its potentials and restrictions and a policy strategy for a particular area consists of a mix of instruments. Communication is particularly important as a direct as well as an indirect policy instrument when nature conservation is at the low end of the stakeholders' priority list. Many stakeholders have other (social and economic) concerns and little interest in or knowledge of nature and biodiversity, although such interest and knowledge can be developed and stimulated.

Some of the typical pitfalls that conservationists face when communicating with outsider groups are stated in Box 4. Conservationists should be constantly aware of these factors and regard them as general communication principles.

### **Box 4- problems in communicating**

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Problems regularly occurring in communicating about nature conservation (Rientjes, 2000):

- 1) **Insiders and outsiders;** conservationists may act as insiders or experts who either ignore outsider or non-expert groups which interact with nature, due to their presumed 'ignorance', or give outsiders the impression that they need to be 'told the truth'; both styles give outsiders the feeling that they are not taken seriously.
  - 2) **Language;** common biological and conservation concepts are often poorly understood by non-experts; too much use of expert jargon excludes outsider groups and this makes them fail to understand why nature is important, or can generate frustration.
  - 3) **Stereotypes;** both conservationists and outside 'target groups' may have negative preconceived images about each other, which may block listening to each other's message before communication has even begun.
  - 4) **Instrumental instead of interactive;** one-way means of communication is used allowing for little or no interaction between sender and receiver; consensus development through stakeholder participation takes the interactive character of communication into account and is a usually much more effective.
  - 5) **No good news;** communication about nature conservation is often about problems, decline and loss, or about telling others what they are not allowed to do; the challenge to conservationists is to mix any negative messages that may have to be told with positive messages that offer perspectives for action.
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### Strategic communication planning

One of the main challenges for conservationists and park managers is to organise and plan their communication in such a way that its effects are maximised and lasting, and address all relevant target groups at the right time. *This requires, first of all, a clear, consistent vision on the long term goals of the organization and of the steps needed to reach those goals.* Vision (goals) and steps together make up a strategy. Defining an organisation's vision, goals and objectives is the first step towards strategic planning. What is needed to make the Parks' strategy successful includes insight in who the stakeholders are, what interests, influence and power they have, what the conservation organization wants from them, which message is most likely to have the desired effects and which mix of means and channels is appropriate to each stakeholder category.

### The basic questions

The key to successful communication on conservation issues lies in planning and preparation. This requires knowing:

- **WHY** does the organization want to communicate: what are the problems and anticipated solutions, what goals can or should communication achieve?
- **WHO** does the organization want to communicate with – who are the people and groups that must be targeted to achieve the goals?
- **WHAT** message does the organization want to communicate? What should the target groups know, feel or do?

After these three questions have been answered, the organization has to decide:

- **HOW** the message can reach each target group, i.e. which communication means and channels should be used.
- **WHEN** this message should be delivered and how much each communication activity will or may cost.

The next subchapters will present a number of general considerations for each of these elements (except the last). Chapter 5 will present the outline of a communication strategy for Netherlands Antillean nature parks prepared along the lines of the current chapter.

### Levels of planning

Communication plans can be designed at three levels:

1. *Strategic plans* – serve as central guideline and ensure consistency between the organization's vision and overall goals and its communication activities; a strategic plan is long-term and deals with broad principles and procedures.
2. *Annual plans* – are based on the strategic plan, but more detailed and short-term; they plan activities over the year and make sure that the required manpower and money are available.
3. *Project plans* – refer to a separate communication effort, defining the purpose, timing, means and who is responsible.

This report contains an outline of such a strategic plan and its application within the context of funding for Antillean nature parks. Among the general rules of thumb in communication planning are that it must be absolutely clear what goals the communication activities are supposed to achieve; poorly defined goals will lead to confusion, both among target groups and inside the organization. Another piece of advice is to remain flexible and be prepared to change the plan in response to changed circumstances.

### Other uses

Plans not only serve to guide conservation activities but can also be used as a communication tool themselves. They can be released to the public to promote public understanding, show transparency and inform them on what is coming. A communication plan can also be an important learning instrument for the organization, which can be used to evaluate failures and successes.

## 2b. Goals and objectives

### Program goals and communication objectives

Communication is a tool which helps an organization or a conservation program achieve its goals and, therefore, communication objectives need to be linked to the overall goals of the organization or program. Communication objectives and their indicators need to be specific, measurable, appropriate, realistic and timely. They should reflect changes in perceptions, attitudes or behaviour as a result of communication activities.

### Box 5 - example of communication objectives in a conservation program

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The problem: a sea turtle population is threatened because adults are killed in fishermen's nests and their eggs are overharvested at nesting beaches. Conservation program goals could be:

- "a ban on collecting eggs in area X until the sea turtle population has reached certain target levels"
- "local residents co-operate in protecting nesting beaches during the nesting season"
- "fishermen co-operate in protecting sea turtles from being caught in nets, by using special devices"

An inadequate communication objective in this case would be:

- "raising awareness among fishermen and egg collectors of the importance of protecting sea turtles and their nesting beaches".

Adequate communication objectives could be:

- "within 6 months, 80% of the fishermen and egg collectors will indicate, during meetings with conservation workers, that they are aware of the problem and their own role"
- "within 12 months, 60% of the fishermen will be willing to discuss with conservation staff the use of nets with protective devices"
- "within 18 months, 40% of the egg collectors will be willing to help patrol the nesting beaches and to co-operate in a turtle breeding program"
- "within 24 months, 30% of the fishermen are implementing the use of nets with protective devices" (in this case, an increase in the % of fishermen implementing the devices may not be possible with communication alone, but may also need regulations and/or incentives).

In this case, indicators and their target values are directly reflected in the objectives.

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## 2c. Target groups

### Stakeholders or target groups

*Stakeholder groups* are often confused with *target groups*. Stakeholder groups are organizations or groups of people that are involved or have an interest in a given issue or project, and they are related to an organizational goal. Target groups have been selected as the target of communication and are, therefore, related to the communication goals. All target groups are stakeholders, but not all the stakeholders are necessarily target groups for communication.

### Identifying stakeholders

The first step in identifying target groups for communication is to identify the stakeholders. The following questions guide their identification:

- whose permission, approval or (financial) support are needed to reach the goal? (*primary* stakeholders).
- who is directly affected by the plan or activity – who will benefit and who will suffer loss or damage? (*primary* stakeholders).
- who is indirectly involved or affected? (*secondary* stakeholders).
- who is not directly involved but can influence opinions? (*tertiary* stakeholders).

After having been identified, the characteristics of the different stakeholder groups should be analyzed to determine how to communicate with those who are chosen as target groups.

### Box 6 - Analysing stakeholder characteristics

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**INTEREST:** *Do they have an interest in the issue that is being communicated?*

- No interest in the issue makes communication difficult. High interest makes communication easier. In cases of low interest, try to link the issues to what is of high interest or of potential benefit to them.

**KNOWLEDGE:** *How much does the stakeholder group know?*

- If the group has little knowledge of the issue, be prepared to provide a lot of information before a two-way communication flow can be expected. Always start from what they know and speak their language (usually non-expert language).

**ATTITUDE:** *How do they feel about the issue?*

- If the group has strong feelings against the plan, then communication will require a lot of time, patience and effort. The feelings can be so strong that effective communication becomes impossible for a while. Listening and trying to understand their position can be more effective than arguing. If their position is based on (irrational) emotions such as fear, do not try to rationalize but take the emotion serious and try to find common solutions.
- If the group has strong feelings in favor of your plan, communication will obviously be much easier.

**INFORMATION BEHAVIOR:** *How does the group look for information?*

- Do they get information – which is reliable in their perception - from other members of the group, or from local opinion leaders? Do they read newspapers and magazines, listen to radio, watch TV, use internet? Will they look actively for information (phone, library, internet, databases etc.)? Will they attend public meetings and hearings?

See also the web site of the IUCN Commission on Communication and Education – [www.iucn.org/themes/cec/principles](http://www.iucn.org/themes/cec/principles)

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### Selecting target groups

The next step is the selection of target groups for communication purposes. The following questions help selecting target groups from among the stakeholders:

1. *is communication with this group necessary?* (Can the group create trouble in reaching the communication goals? Can the group offer advice or support in reaching the communication goals? Can the group help reach other groups that are essential for achieving the communication goals?)
2. *is communication with this group possible?* (Is the group willing to communicate with the organization? How accessible are they?)
3. *is there any chance of successful communication?* (How are the group's feelings about the issue – negative, neutral or positive? Does the group have interest or knowledge about the issue?)

The combination of answers to these questions will indicate how easy or difficult communication will be.

### **Allies and intermediaries**

It is important to determine which of the stakeholders can be considered as allies, intermediaries or opponents. The first two categories can be helpful in delivering the message to target groups which may be difficult to reach directly and with the desired effect. Allies can help reach the communication goals, but it is necessary to know which goals they share and which they do *not* share with your organization, and what relation or reputation they have with target groups (e.g. a business company can be an ally but may also have a troubled relationship with a local NGO). Intermediaries can act as messengers or negotiators between the organization and the target group in case for some reason direct communication is difficult. The intermediary should:

- be trusted by both parties
- have no clear interests in the issue
- be prepared to undertake this role.

### **The 'general public'**

Conservation organizations often focus on the general public as a major target group for communication. However, the 'general public' is quite a broad category and further segmentation into subgroups with a particular role or interest may be needed (such as landowners, tourists, specific authorities or individuals). Even when the 'public opinion' can be an intermediary, more specific target groups may have to be approached, in different ways.

## **2d. The message**

### **Steps in formulating**

Spending ample time and attention in formulating the message increases the chance that the message is interpreted by the target groups correctly and has the intended effect. Basic steps in formulating the message(s) are:

- find out what the target group knows and feels about the subject.
- decide what information has to be given and what arguments have to be used to convince the target group.
- formulate the message, check whether it will still contribute to the communication goals and ask a member of the target group or someone familiar with them to provide feedback.

### **Effective messages**

Every message is a combination of content (facts and persuasions) and articulation (voice, tone, style). Effective messages must be clear and consistent. A message is clear if it has one main point, uses simple and straightforward sentences, and does not use technical or bureaucratic jargon. Messages need to be consistent on two levels: (1) be in accordance with every other message the organization sends and (2) be consistent in their arguments for support (for instance not describing dramatic threats that degrade a natural site, but also stating how untouched and biodiverse the site is).

A crucial element in making messages more effective is to look at the issue through the eyes of the target group, and formulate it in a way which shows understanding and respect for the group's ideas, feelings and concerns. Other rules of thumb are:

- begin with a positive opening, such as what conservation and the target group have in common or what has already been achieved; do not begin with controversial issues.
- deliver the message in a way that the target group understands and appreciates; make it understandable to their education level.
- be quite clear about what the target group is expected to do (in case that is a purpose of the message).

- encourage feedback from the target group; the organization benefits by finding out how well its messages are received and understood, whereas the target group feels that it is playing a meaningful role.

## **2e. Means and channels**

### **Instrumental or interactive**

As stated in chapter 3, communication on conservation issues can have an instrumental or an interactive character. The first approach is used to inform target groups, to generate general support for policies or plans, or to raise the attention of certain stakeholders. In such cases, the organization first defines its goals and then uses communication to influence certain groups in favour of those goals. Interactive communication is used when the organization wants to reach consensus with relevant stakeholders about the goal or about the way it can be achieved.

### **Selecting means**

Means and channels of communication can be spoken, written, visual or digital. The most appropriate have to be selected, depending on purpose and intended effect, message, available resources, size and accessibility of the target group, and how the target group normally gets its information (e.g., don't use the internet when the group does not have computers). Some general considerations for selecting means and channels:

- including options for feedback often has a positive effect, and can be done by including contact data, pre-printed forms, surveys and interviews among the target group, or establishing an information desk.
- a multi-media approach is useful to give messages a greater impact and to increase the chance that the target group is reached, but it is often a costly and not required if more targeted means can be used.
- using the same means for different target groups simultaneously only works if the messages are really similar and the target groups comparable; this is not advisable if target groups differ in attitudes, interests and priority issues.

See also Annex 1 for an overview of means and channels, with their advantages, disadvantages and specific points to remember.

### **Personal communication**

Personal communication is not always possible but it is generally the most effective way of communicating and has the best potential for creating understanding with target groups. It is the best choice if the target audience is small, the issues are complex or sensitive, instant feedback is required or the communicator's personal presence gives credibility.