National Conservation Finance Strategy

Bolivia Case Study

Introduction

This is a case study about the evolution of thinking in Bolivia on how to attain sustainability of their protected area network. It is an interesting story because it addresses so many elements of what is required to achieve sustainability in addition to just finances. As a country with one of the richest biodiversity heritages in the world, Bolivia also faces a great array of protected area threats ranging from mining to deforestation (400,000 Ha./yr), agriculture (including coca), and uncontrolled fires.

Bolivia has now adopted the principle of “Parks with People”. Forty thousand people in 150 communities live in or around its 22 protected areas. Many of them are indigenous peoples. All of them are poor and use biodiversity in one form or another to survive. The management of protected areas is recognized as an opportunity to provide additional protection to traditional lifestyles while resolving land tenure disputes and income generation issues through carefully managed participatory planning processes. A recent, broadly-consulted, National Biodiversity Strategy has selected the strengthening of the protected area system as one of its top priorities. Bolivia is also one of the only countries to have gone through the design of 2 full size GEF projects dedicated to its biodiversity and in the process has completely changed how it thinks about national environmental funds.

I. Background

In 1939 the first national park of Bolivia was established but it was not until 1985 that the national government assigned management responsibility to the Forestry Department. In 1992 all management of protected areas was transferred to the new National Secretariat for the Environment when the first National Environment Law was passed. Under this new law, the Bolivian Congress established the National System of Protected Areas (SNAP) with 18 protected areas. In 1998, the Congress created SERNAP, an autonomous Government agency, to manage SNAP under the new Ministry of Sustainable Development and Planning.

Between 1993 and 1998, the percentage of Bolivia’s territory under protected area status grew from 8% to 17% reaching a total of over 19 million hectares. Unfortunately financial support was unable to keep up. A GEF supported Biodiversity Conservation Project was approved in 1992 and ran until 1998. An independent IUCN evaluation was then carried out in 1998 and its recommendations were incorporated into a new GEF project designed by the World Bank and the Government of Bolivia which was approved in December of 2000. A new 15 year sustainability program is now in place with 3 phases of 5 years each. The first phase now has commitments from all parties concerned for $46 million. Details of these efforts follow below.

II. 1st GEF Project: 1992-1998

The original GEF project approved under the GEF’s Pilot Phase in 1992 obtained co-financing from the Swiss Government. The main goals were to a) support SNAP and its administration; b) finance 6 existing protected areas (PA) and establish 2 new ones; and c) finance alternative management of natural resources in buffer zones. Specific objectives included PA management plans, development of a biodiversity information system, a program of control and enforcement, training of PA staff and the development of a long term funding strategy. Most of these objectives were achieved including the establishment of citizen committees in many areas. The main weakness was financial planning and implementation.

III. FONAMA : a pilot national environment fund

In 1992 the government established one of the world's first national environmental funds, FONAMA, which was intended to provide recurrent cost funding for the SNAP as a complement to the Government's fiscal contributions. Incorporated as a government agency, it initially reported to the President and had considerable autonomy and flexibility with which it was able to successfully fundraise from the governments of Switzerland, USA, UK and Canada. The funds were deposited in a special SNAP trust account with JP Morgan in New York. Unfortunately, under subsequent governments, FONAMA became highly politicized and lost so much credibility, due to mismanagement and lack of transparency, that by 1997 its staff had to be dismissed. As a result, insufficient funds were raised or spent for the SNAP, which became increasingly dependent on international donors and NGOs. Ironically while foreign funds remained available, most of them went directly to just a few selected parks for infrastructure costs. The opportunity was missed to capitalize on FONAMA's initial success in coordinating and motivating donors to address system-wide priorities like recurring costs. In fact, the breakdown of FONAMA led to funding delays even to parks which had money in the fiduciary account. This resulted in key staff members and park wardens having to resign.

FONAMA has now been transformed by the government into a public intermediary between external donors and their intended objectives including brown and green issues. For example, FONAMA has worked with the US government to create the Fundacion Puma, a private broadly focused environmental fund set up to spend the proceeds from a US government PL 480 debt for nature swap carried out under the Enterprise for the Americas Initiative.

IV. Non-Financial Lessons Learned from 1st GEF Project

Additional factors limiting the performance of the 1st GEF project according to one independent evaluation included:

- Lack of transparency in the contracting processes
- Excessive emphasis on programs based in the capital city of La Paz
- The failure to develop a comprehensive ecotourism strategy and an entry fee policy
- The failure to adopt the Biodiversity Law which would have given the park wardens and protected areas themselves a more substantial legal mandate in the face of growing resource exploitation schemes

IUCN also conducted an independent evaluation in late 1998 and concluded that in addition to significantly increasing the number of protected areas, the project had led to the strengthening of the management capacity of national organizations, both governmental and non-governmental. In addition the project contributed to testing innovative mechanisms such as Management Committees and Administration Agreements which permit the incorporation of local people and NGOs in the management of protected areas. Finally, the evaluation team concluded that since the project's problems were quite related to the broader institutional context in Bolivia at that time, the responsibility for these deficiencies should be shared and solved by both Bolivian institutions and the donor community. The recommendations of the evaluation included the following elements for a 2nd GEF project:

- A System Plan formally adopted by the Bolivian legislative and executive branches.
- Differentiation of roles and functions of government and non-government organizations and their capacity to participate in the implementation of the System Plan and contribute to the sustainability of SERNAP.
- Putting SERNAP on a sound basis (boundary demarcation, re-categorization, zoning and derogation).
- Differentiation of jurisdiction of government agencies with responsibility for protected areas.
- A technical and administrative structure fully dedicated to the management of the project, operating in coordination with the national protected areas authority.
- A Project Steering Committee.

- An analysis of the real capacity of the national authority of protected areas to administer the GEF funds.

V. New Bolivian Biodiversity Conservation Program: 2001-2015

As mentioned above, the major failing of the 1st GEF project was the lack of a healthy fiduciary fund and new revenue sources, such as fees, to fund the recurring annual operating costs for the SNAP amounting to about $5M per year. However the 1st GEF project also showed that establishing an effective SNAP is a long-term process requiring the gradual development of the commitment and capacity of various constituencies. If the purpose of a second program is to ensure that Bolivia's biodiversity is to be conserved and sustainably managed through a national system of protected areas then that cannot happen with just another five year project. This time all parties have agreed that a new, 15 year, Biodiversity Conservation Program is required made up of 3 phases, each 5 years:

- Phase I (2nd GEF project) would consolidate core functions to allow for the long-term management and sustainability of the SNAP including appropriate policies, regulations, incentive structures and institutional strengthening.
- Phase II will expand the social and economic support to the SNAP through the implementation of market-based cost recovery mechanisms and community-based, conservation-related, income-generating activities in buffer areas; it will also complete the demarcation and address land tenure issues in the protected areas.
- Phase III will strengthen the autonomous management of protected areas, including the possibility of providing concessions for their operation and maintenance to communities, NGOs and the private sector.

Phase I, which corresponds to the 2nd GEF project, aims to improve the capacity of the National Service for Protected Areas to plan, implement and monitor an effective system of protected areas including filling the gaps in representativity of ecosystems within the current protected areas. A second goal is the consolidating of the legal and regulatory framework for protected areas and a third goal is to pilot sustainable, biodiversity-related, income-generating activities in and around protected areas. Finally, Phase I intends to increase the financial capacity of the SNAP through a Trust Fund managed by an independent foundation (FUNDESNAP).

A critical piece in the preparation of this Biodiversity Conservation Program was the preparation of a detailed financial analysis of the protected areas system's long-term financial needs and a plan to fundraise for those needs. SERNAP has now carried out such a 10 year plan for each one of the top 20 protected areas of Bolivia. The projected annual minimum costs per park range from $16,000 to $80,000 with an average of $41,000. Costs for the Central Parks Unit are anticipated to be about $185,000 per year.

VI. FUNDESNAP: the new protected areas foundation

Design

Political meddling undermined one of the world's first national environmental funds, FONAMA, which resulted in its failure to obtain even the rest of the pledges that had initially been made by international donors. In 1999 the Park Service (SERNAP) launched a participatory process to design and create a new financial management structure just for the national system of protected areas. A design team of more than 20 representatives from government, national and international NGOs, academic institutions, independent professionals, the private sector and donors all were invited to help determine the main features of an a new financial instrument for Bolivia's parks. While SERNAP played a key role in the process, it participated in the Design Team on equal terms with the other members. The result of the design process was draft bylaws and regulations for FUNDESNAP, the Foundation for the Development of the National System of Protected Areas. Important to mention is the significant technical assistance provided by a senior consultant, Silvia Charpentier, under a grant to The Nature Conservancy from the World Bank-World Wildlife Fund Forest Alliance Program. Ms. Charpentier visited La Paz 7 times over a 12 month period and used her background as one of Costa Rica's chief debt negotiators and former Executive Director to the World Bank to assist Bolivia in the discussions with bilateral donors, and World Bank staff on the terms of the 2nd GEF grant as well as the complex structuring of the legal relationship between SERNAP and FUNDESNAP.

Legal Structure

FUNDESNAP was legally created in December 1999 as a private non-profit organization under Bolivian Civil Code law and other applicable national legislation. Its main purpose is to contribute to the development and sustainability of the SNAP through fund raising and financial management of resources aimed at implementing SNAP programs with the involvement of various sectors of Bolivian society. While FUNDESNAP is operationally linked to SERNAP, it is not subsidiary to the government nor is it a policy-making organization. The relations between the two are governed by an agreement which clearly establishes the respective roles and responsibilities, and transparent procedures for the disbursement of SNAP funds.

Governance

FUNDESNAP is governed by an Assembly of Founders and a Board of Directors. The Assembly is a representative body of 9 members, 3 of which come from government agencies, 2 from the donor community, and 4 members represent the NGO community, academia, the PA management committees and the business community. The Assembly meets once a year to elect the members of the Board of Directors, approve the annual report and hear reports from the internal auditor.

FUNDESNAP's Board of Directors is in charge of general policy and, as its maximum authority, controls, manages and represents the Foundation. The Board is composed of 7 members serving in their personal capacity. Only one member of the Board can be a civil servant or public officer at any time with the exception of university docents. The Executive Director is responsible for the administration, legal representation and executive operation of FUNDESNAP, and serves as the Secretary to the Board of Directors.

Initial Capitalization

FUNDESNAP has been designed to manage several accounts simultaneously including the Trust Fund (TF) for the recurrent costs of the protected areas. As a result of the preparation of the GEF project, the Government of Bolivia agreed to transfer $4.6 million of donor funds previously managed by FONAMA to the new TF account managed by FUNDESNAP, in close coordination with the donors (Canada chose to withdraw its contribution of about $1 million in principal and accrued interest). FONAMA has been now been transformed by the government into a public intermediary between external donors and their intended beneficiaries. Each of the remaining original donors (US, Switzerland and the UK) will have separate sub-accounts as will the new $5.17 million GEF endowment grant but they will share a common Asset Manager and common rules for the use of these funds. Each donor has agreed to be bound by common clauses established in the GEF-FUNDESNAP Trust Agreement through separate Memoranda of Understanding.

In addition to the TF account, FUNDESNAP can also manage other types of funds for donors who might be unable to devote resources to endowment funds, but who are willing to finance recurrent costs and/or investments in the protected areas. In these cases, FUNDESNAP provides the administrative services and charges cost-based fees.

Annual TF income is estimated based on an investment plan of 6.5% annual net return (total return less amount re-invested to grow the fund) and additional endowment resources of $1 million per year during the 5 years of the GEF project that FUNDESNAP has pledged to raise as part of its match to the GEF project. The recurring costs of 10 priority areas will be funded at first with other areas being added as additional funds are raised by FUNDESNAP. An umbrella agreement between SERNAP and FUNDESNAP allows for a maximum of 10% of the annual income of the Trust Fund to be allocated for FUNDESNAP administrative expenses according to a budget submitted to its board and to the World Bank/GEF.

Disbursements to SNAP

FUNDESNAP is responsible for managing and disbursing the funds to cover SNAP programs based on an agreed annual work plan in accordance with procedures described in detail in its Operational Manual. The park service, SERNAP, will be responsible for executing the agreed conservation programs either directly or through partner executing agents such as NGOs, local community organizations, and management committees.

VII. Summary of GEF, Government and Donor Financing

The total project costs for the next five years is $43.69 million of which $15 million is the GEF grant ($5.17 million to the FUNDESNAP Trust Fund).

The Government of Bolivia

During the preparation of this project, the Government of Bolivia committed to provide SERNAP with increased funding during 1999-2002 ($.5 million/1999; $.6 million/2000; $.7 million/2001 and $.8 million/2002). Continuing the annual increase of $.1 million during the 5 years of the project implies a total government counterpart of $4.5 million. Revenues generated from the protected area system would provide one source estimated at $1.5 million and the remaining $3 million would come from general revenues. It is assumed that protected area revenue would be used to fund the management of individual areas while the general budget contribution would cover central unit costs. The agreement with GEF is that 10% ($.9 million) of all goods purchased during the project would come from Bolivian Government counterpart funding.

FUNDESNAP Endowment and Donor Disbursements

As described above, the initial endowment of $9.61 million for the protected areas trust fund will come from $5 million from the GEF grant and $4.6 million from previous donors to the FONAMA trust account. At a spending rate of 6.5% and assuming no disbursements in year 1 to allow the fund to begin accumulating interest, the Trust Fund is projected to disburse a total of $2.29 million over the final 4 years of the project. The non-endowment portion of the GEF grant of $9.8 million will be spent on protected areas in declining amounts: 85% in year 1; 70% in years 2 and 3; and 40% in years 4 and 5. FUNDESNAP and Government of Bolivia funds will make up the difference: FUNDESNAP with 30% in years 2 and 3 and 50% in years 4 and 5; Government of Bolivia with 15% in year 1 and 10% in years 4 and 5.

Parallel Financing

Significant additional financing has been committed by bilateral donors and NGOs. The Netherlands will provide $5.37 million over the five years for both recurring and investment costs, approximately 80% for individual protected areas and 20% for central office costs. Germany has committed $11.37 million from GTZ and KfW for programs in natural resource management, buffer zone communities, land titling and other consolidation activities.

Sources:

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