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304 East 45th Street
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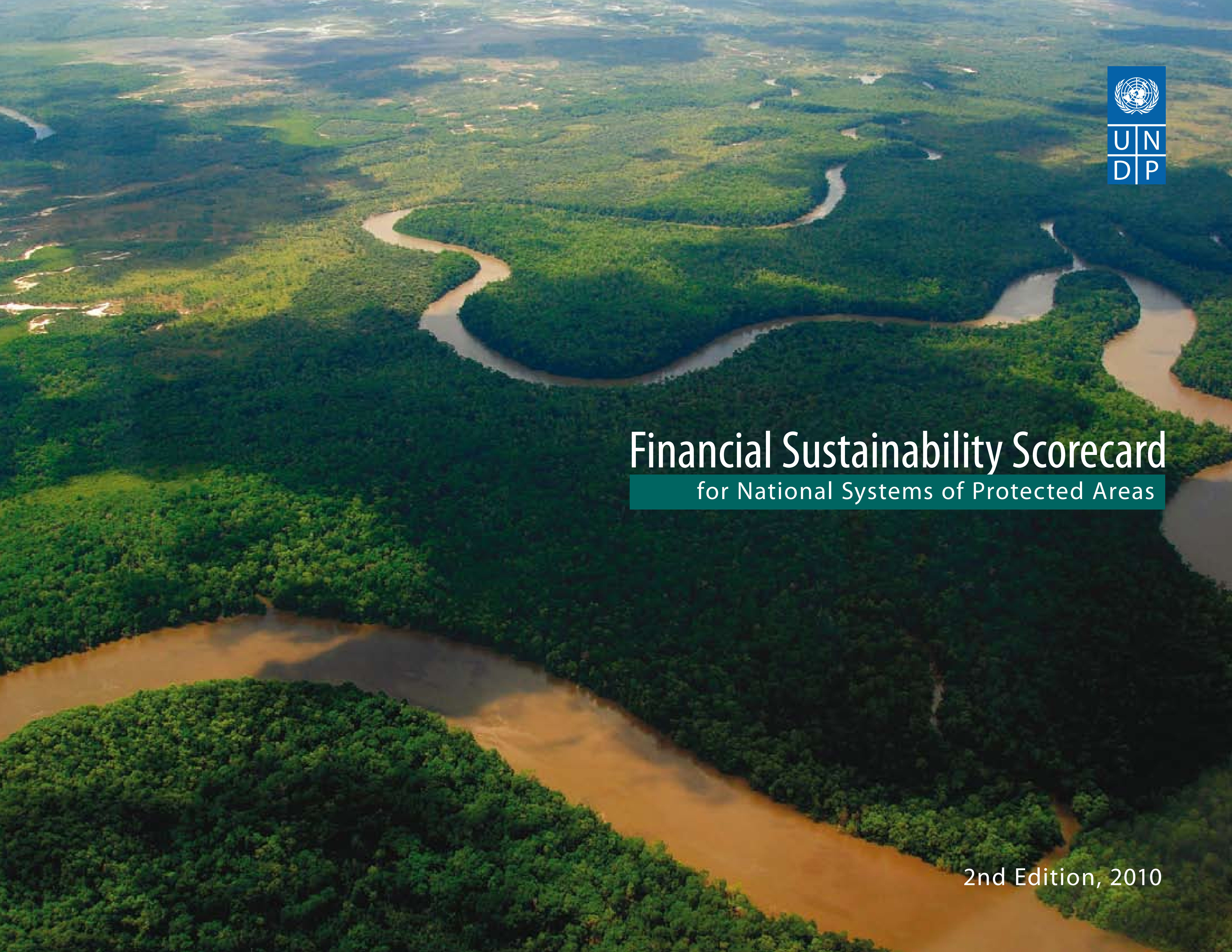

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Financial Sustainability Scorecard

for National Systems of Protected Areas

2nd Edition, 2010

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Financial Sustainability Scorecard:
for National Systems of Protected Areas

Andrew Bovarnick

2nd Edition, 2010

NOTE: This document reflects the views of the author and not necessarily those of UNDP. It is work in progress and all comments and suggestions should be sent to the author at andrew.bovarnick@undp.org

Andrew Bovarnick is the Lead Natural Resource Economist, UNDP

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INTRODUCTION

Context

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

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

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

In addition to cost and revenue concerns, a third area that requires special consideration in order to achieve PA financial sustainability is institutional arrangements. Responsibility for PA management and financing are often shared across various institutions and roles need to be clarified and harmonized for effective financial planning and budgeting. Furthermore, within these managing institutions efficient and transparent mechanisms for collecting and managing PA-related fees are often not in place.

Therefore, UNDP has developed this scorecard to assist project teams and governments track their progress to make PA systems more financially sustainable. The scorecard has been designed at the PA system level and not site level because:

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

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

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

Assessing a PA system's financial sustainability is widely recognized as a key component of effective PA management. The Programme of Work of the Convention on Biological Diversity acknowledges the importance of financial sustainability by including specific recommended actions for countries under Goal 3.4, which focuses on ensuring financial sustainability of protected areas. Specific activities under this goal include: a) conducting a national-level study of the effectiveness of existing financial resources; b) identifying diversified funding mechanisms and options; c) establishing a national-level sustainable finance plan; and d) developing and implementing supportive enabling policies. This financial scorecard covers many of the aspects in Goal 3.4 of the CBD Programme of Work, and can provide the basis for many of the recommended actions.

Purpose

The purpose of this scorecard is to assist governments, donors and NGOs to investigate and record significant aspects of a PA financing system – its accounts and its underlying structural foundations – to show both its current health and status and to indicate if the system is holistically moving over the long-term towards an improved financial situation. The scorecard is designed for national systems of PAs but could be used by sub-national eg state, regional or municipal or networks of Marine Protected Areas (MPAs).

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

These elements in themselves provide guidance on what a framework for a PA financing system should comprise. Assessing each element can help a country identify which areas of its governance structure needs to be improved to enhance its PA financing system.

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

Whilst the scorecard recognizes the importance of cost-effective management in PA financing it does not provide specific guidance on the use of funds.

Results of the financial scorecard can also contribute to the Convention on Biological Diversity's activity 3.4.5 within Goal 3.4: "Providing regular information on protected area financing to relevant institutions and mechanisms, including through future national reports under the Convention on Biological Diversity, and to the World Database on Protected Areas."

Structure

The scorecard has three sections:

Part I – Overall financial status of the protected areas system. This includes basic protected area information and a financial analysis of the national protected area system.
Part II – Assessing elements of the financing system.
Part III – Scoring.

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

Part II of the scorecard is compartmentalized into three fundamental components for a fully functioning financial system at the site and system level – (i) legal, regulatory and institutional frameworks, (ii) business planning and tools for cost-effective management (eg accounting practices) planning, revenue generation, revenue retention and management. Institutional responsibilities must be clearly delineated and agreed, and an enabling policy and legal environment in place. Institutional governance structures must enable and require the use of effective, transparent mechanisms for allocation, management and accounting of revenues and expenditures.

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

Financial planning, accounting and business planning are important tools for cost-effective management when undertaken on a regular and systematic basis. Effective financial planning requires accurate knowledge not only of revenues, but also of expenditure levels, patterns and investment requirements. Options for balancing the costs/revenues equation should include equal consideration of revenue increases and cost control. Good financial planning enables PA managers to make strategic financial decisions such as allocating spending to match management priorities, and identifying appropriate cost reductions and potential cash flow problems. Improved planning can also help raise more funds as donors and governments feel more assured that their funds will be more effectively invested in the protected area system.

COMPONENT 3: TOOLS FOR REVENUE GENERATION AND MOBILIZATION

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