

Concept Paper for a Namibia Environmental Trust Fund

DRAFT INTERNAL DOCUMENT

SUMMARY

This paper proposes establishing an environmental trust fund in Namibia in order to provide increased and more secure investment in sustainable resource management. A Trust Fund guarantees long-term funding because of its unique structure and revenue sources: donor contributions are invested in an endowment fund which generates annual interest, while domestic contributions are raised on an on-going basis from those benefiting from Namibia's bio-diversity -- tourists. This offers many advantages over traditional donor or government funding, which is often focused on short-term activities and results.

Environmental Trust Funds have been established in over 20 countries. The need for a Fund in Namibia arises because sustainable natural resources are essential to our economy and future development, yet at present conservation is underfunded. Government funds are squeezed, while there is no mechanism for tourists and other users of the resource base to reinvest in it. At the same time, there is great potential for a successful fund in Namibia: government staff, NGOs, and the tourism sector are supportive; the legal precedent exists; relatively low tourism charges in Namibia provide scope for raising a tourism levy; international donor have prioritised environmental work.

The paper goes on to consider a possible structure and financial operation of a Namibian Fund, and outline some of the many issues that still need to be addressed.

I. A Sustainable Environment needs Sustained Investment

Investing in environmental resources is an investment in the long term. Bio-diversity, soil fertility, and essential resources such as clean air and water provide the foundation for continued economic growth and future welfare. Therefore careful environmental management is essential to prevent their over-use and ensure sustainability. But how can such essential action be funded?

Environmental management is neither quick nor easy. It requires a long-term planning perspective, on-going activities over many years, and strong, adaptable institutions and staff. Many conservation activities may require 10, 20, or more years to have a real impact. With benefits so dispersed across society and across generations, private and individual investment in conservation is bound to fall short of what is needed. Collective investment by governments and communities is essential. However, environmental conservation is not well-suited to traditional national and international funding mechanisms. Governments and international donors often focus on short term projects. They provide funds, implement activities and expect results in just 2 to 5 years. This short-term approach, combined with changes in political priorities and economic climate that lead to funding fluctuations, undermine long term environmental management.

To overcome the problems of unpredictable conservation budgets, many countries have established environmental trust funds. These are mechanisms to guarantee a long-term financial commitment for conservation of biological diversity and sustainable use of natural resources.

II. Environmental Trust Funds in General; the Experience of other Countries

National environmental trust funds have recently been established in almost twenty countries. The funds are set up to last at least 20 years, if not indefinitely. Therefore while providing an annual income for environmental activities, there is also a guarantee of sustained investment. By providing this long-term funding commitment, the trusts aim to improve programme stability, long-range planning, training and recruitment of personnel, and the overall impact of conservation programmes.

Environmental trust funds can be used to finance many things: research and technical studies on biological diversity and resource management; short-term or long term training for park rangers and other conservation professionals; environmental education in the schools and public awareness campaigns; integrated conservation and development projects in areas bordering parks and reserves. In short, the scope of activities can be as wide or as narrow as the founders of the fund wish to

specify in the legal charter establishing the trust fund.

Most environmental trust funds have been set up as "endowments," meaning that only the interest or investment income is spent each year and not the principal, which remains invested. For example, the recently established Foundation for the Philippine Environment has an endowment of more than US \$25 million from outside aid donors. This is invested in Philippine government bonds yielding approximately 17 percent a year (against an inflation rate of around 7 percent). This interest income has been used to finance grants to more than forty separate projects and activities throughout the country. To take another example, the Bhutan trust fund has raised an endowment of almost US \$10 million from outside donors. This is invested off-shore in U.S. and European government bonds, and earns interest which is used to support a variety of projects for research, training, environmental education, and sustainable resource management by local communities.

In some cases, however, an environmental fund is designed so that the entire principal is used up in a fixed period, for example, 20 years. Another alternative is for the trust fund to be set up as a 'revolving fund', meaning that new resources come into the trust fund each year as existing funds are spent. For example, in Belize, WWF helped design a 'Protected Areas Trust Fund' (PACT) which will be funded by a US\$8 Conservation Fee charged to all foreign tourists arriving in Belize. This fee is expected to contribute more than \$1 million in new revenues each year to the trust fund. In Papua New Guinea, the Cabinet has approved a new environmental levy on mining and other natural resource extractive industries which (if it is passed by Parliament) will go to support a biodiversity conservation trust fund. Such a levy or tax would contribute several million dollars each year to the trust fund.

Each of these environmental funds share certain common features. They each have a board of directors composed of a mix of representatives from government agencies, local NGO's, scientific and technical experts, and sometimes also representatives from local business groups and outside aid donors. The Board of Directors is guided and restricted in its choice of what projects and activities to fund by the terms of the charter or other legal document establishing the trust fund. This provides assurance to donors that the money which they contribute to a trust fund will only be used for stated purposes. Clearly, two of the most important decisions in establishing a trust fund are determining the composition and voting structure of the board of directors, and securing agreement on what types of projects and activities can be funded.

National environmental funds ("NEF"s) as described above, have a number of attributes that make them attractive to national governments, to NGO's and to international donors:

Stable Financing: NEF's have the potential for providing long-term stable financing necessary for the effective implementation of conservation programs. They can lessen the dependence on the vagaries of cyclical infusions of donor assistance and fluctuating government budgets, and vulnerability to changes in political or economic priorities at the national or international level.

Absorptive Capacity: NEF's provide an institutional mechanism for disbursing funding amounts appropriate to the absorptive capacity of the beneficiary institution. They can therefore accommodate donors' needs to move large sums of money with minimum overhead cost, while respecting recipients' needs for appropriate investment levels and financial stability.

Diversity and Coordination of Funding Sources: NEF's can be funded from a variety of sources, both national and international. Diversity encourages stability, growth, self-reliance, and independence. Environmental trust funds can also serve as a mechanism for donor coordination in the environmental sector.

Broad Participation: NEF's encourage the participation of a wide range of interested parties (i.e. government agencies, non-governmental and business sectors, and relevant interest groups) through representation on the boards of directors, technical review committees, general assemblies, etc., thus providing necessary checks and balances.

Transparency: Decision-making in NEF's is transparent and subject to public review and critique. NEF's promote democratic values of participation, cooperation, and accountability which have implications beyond the environmental sector.

Support of National Planning Frameworks: NEF's can ensure that national environmental planning frameworks are effective tools for ordering national priorities rather than simply being prerequisites for donor assistance. They do this by putting the environmental action plans on a stable financial footing and ensuring that the priorities are selected by a consensus of relevant players.

National vs. International Priorities: NEF's offer a promising means for balancing the global priorities of external donors with national needs and aspirations.

The following table provides an overview of almost twenty national environmental funds that have been established to date.

OVERVIEW OF NATIONAL FUNDS

COUNTRY AND NAME OF FUND	FUNDS COMMITTED (millions \$)	DATE OF COMMITMENT	ASSETS TRANSFERRED (millions \$)	DATE OF TRANSFER	PURPOSE OF FUNDING	SOURCE OF FUNDING	NUMBER OF GRANTS AWARDED	GOVERNANCE
1. BHUTAN BHUTAN TRUST FOR ENVIRONMENTAL CONSERVATION TOTAL	10.0 1.0 1.0 0.6 12.6	1992 1992 1991 1992	7.0 1.0 1.0 0.6 9.6	1992 1992 1992 1992	ENDOWMENT ENDOWMENT ENDOWMENT ENDOWMENT	GEF DUTCH WWF NORWAY	15	GOV/Local NGO/WWF/ UNDP
2. GUATEMALA GUATEMALA TRUST FOR ENVIRONMENTAL CONSERVATION	0.8	1992	0.8	1992	ENDOWMENT	U.K. FOUNDATION, WWF, U.S. BANKS	12	GOV/NGO NGO Majority
3. PHILIPPINES FOUNDATION FOR THE PHILIPPINE ENVIRONMENT TOTAL	25.4	1990 1991 1992	8.8 0.2 17.1 26.1	March 92 March 92 Aug. 93	ENDOWMENT ENDOWMENT ENDOWMENT	USAID DEBT SWAP BANK OF TOKYO DEBT SWAP USAID DEBT SWAP (ALL 3 SWAPS EXECUTED BY WWF)	41	GOV/NGO NGO Majority
4. BOLIVIA NATIONAL FUND FOR THE ENVIRONMENT ("FONAMA") (numbers rounded) TOTAL	21.8 4.5 4.8 0.5 6.4 0.8 15.0 0.3 6.7 5.4 3.0 2.5 4.0 1.7 0.9 1.0 1.0 80.3	OCT 1991	21.8 4.5 4.8 0.5 1.4 0.8 0.0 0.3 3.5 5.4 0.0 0.0 0.5 0.4 0.9 1.0 1.0 46.8	JUNE 93	GENERAL	EAI GEF WORLD BANK IDB USAID/PL-480 DIFEN/USAID US. GOVT. GOV. OF JAPAN GOV. OF SWITZERLAND GOV. OF CANADA GOV. OF SWEDEN GOV. OF MEXICO GOV. OF GERMANY GOV. OF THE NETHERLANDS TNC-DEBT SWAP WWF-DEBT SWAP GOB-DEBT SWAP MATCH	44	GOV/NGO NGO Majority Govt. Majority Govt. Majority Govt. Majority NGO Majority Govt. Majority Govt. Majority Govt. Majority Govt. Majority Govt. Majority Govt. Majority Govt. Majority Govt. Majority GOV/NGO Equal GOV/NGO Equal GOV/NGO Equal

¹ FONAMA is not an endowment but is an umbrella fund composed of accounts each with different characteristics and objectives as determined by the...

OVERVIEW OF NATIONAL FUNDS (continued)

COUNTRY AND NAME OF FUND	FUNDS COMMITTED (millions) \$	DATE OF COMMITMENT	ASSETS TRANSFERRED (millions) \$	DATE OF TRANSFER	PURPOSE OF FUNDING	SOURCE OF FUNDING	NUMBER OF GRANTS AWARDED	GOVERNANCE
5. JAMAICA JAMAICA PARKS TRUST FUND TOTAL	0.6 0.1 0.7	1991	0.4 0.0 0.4	FEB. 91	ENDOWMENT	AID & P.R. CONSV'N TRUST, TNC EAGLE COMMERCIAL BANK		GOV/NGO NGO Majority
5A. JAMAICA ENVIRONMENTAL FOUNDATION OF JAMAICA	22.0	OCT 1991	2.0	JUNE 1993	ENDOWMENT	EAI	3	GOV/NGO NGO Majority
6. DOMINICAN REPUBLIC PRONATURA	0.6	JAN 1991	0.6	1991	GENERAL	P.R. CONSV'N TRUST		GOV/NGO NGO Majority
7. CHILE	18.7	JUNE 91	3.4	JUNE 1993	GENERAL	EAI		GOV/NGO NGO Majority
8. COLOMBIA ECOFONDO TOTAL	46.0 12.0 0.5 58.5	DEC. 92 1993	4.2 0.5 4.7	JUNE 1993	GENERAL GENERAL TA	EAI CANADA AID/IUCN/INT/WWF		GOV/NGO NGO Majority
9. URUGUAY	7.0	DEC. 92	0.6	JUNE 1993	GENERAL	EAI		GOV/NGO NGO Majority
10. EL SALVADOR SEMA TOTAL	41.2 8.0 49.2	DEC. 92 1993	12.8 12.8	JUNE 1993	GENERAL GENERAL	EAI CANADA		GOV/NGO NGO Majority
11. ARGENTINA	3.1	JAN. 93	0.1	JUNE 1993	GENERAL	EAI		GOV/NGO NGO Majority
12. PANAMA FUNDACION NATURA TOTAL	0.8 8.0 2.0 15.0 25.8	1991	0.8 0.8	1991	TA ENDOWMENT ENDOWMENT ENDOWMENT	AID AID TNC US/PANAMA		GOV/NGO NGO Majority

OVERVIEW OF NATIONAL FUNDS (continued)

COUNTRY AND NAME OF FUND	FUNDS COMMITTED (millions) \$	DATE OF COMMITMENT	ASSETS TRANSFERRED (millions) \$	DATE OF TRANSFER	PURPOSE OF FUNDING	SOURCE OF FUNDING	NUMBER OF GRANTS AWARDED	GOVERNANCE
13. HONDURAS FUNDACION VIDA TOTAL	6.0 1.0 7.0	1992 1993	0.0		GENERAL	GOVT. BOND-DEBT DEBT FORGIVENESS, AID		GOV/NGO NGO Majority
14. INDONESIA TOTAL	5.0 15.0 20.0		0.0		TA ENDOWMENT	AID AID		GOV/NGO NGO Majority
15. MEXICO FONDO MEXICANO PARA LA CONSERVACION DE LA NATURALEZA TOTAL (TA)	.2 20.0 20.2	1993 1993	0.2 0.0 0.2		TA ENDOWMENT	US STATE DEPT., AID, BANKERS TRUST, MACARTHUR, WWF AID		GOV/NGO NGO Majority
16. UGANDA	4.0	1993			ENDOWMENT	GEF		GOV/NGO NGO Majority
17. PERU PROFONANPE TOTAL	1.5 9.0 10.5	1993 1993	1.5 1.5 3.0		TA ENDOWMENT	GTZ GEF		GOV/NGO
18. MADAGASCAR	12	1992			ENDOWMENT	AID		GOV/NGO
19. POLAND-SLOVAKIA- UKRAINE FOUNDATION FOR EAST CARPATHIAN BIODIVERSITY CONSERVATION TOTAL	.3 .3 .6	1993 1993	0.0 0.0		ENDOWMENT ENDOWMENT	GEF MACARTHUR FOUNDATION		3 GOV'T/WWF/ MACARTHUR FOUNDATION
GRAND TOTAL	379.0		111.9					

Abbreviations

EA Enterprise for the Americas Initiative
 GEF Global Environment Facility
 GTZ German Agency for Technical Cooperation, Ltd.
 IDB Inter-American Development Bank
 AID U.S. Agency for International Development

WWF World Wildlife Fund
 TNC The Nature Conservancy
 Note: Other National Environmental Foundations not yet established but in various stages of development include Belize, Papua New Guinea, Republic of Congo, Namibia, Ethiopia, Laos, Belarus. WWF is assisting all of these.

General Funds are available for implementation of projects or endowments.

III. The Need for a National Environmental Fund in Namibia

The need for an NEF in Namibia arises from two key factors: the importance of natural resources to Namibia and hence of using them sustainably; and the current shortage of funds for conservation. A Trust Fund would stimulate international funding for investment in the resource base. But just as importantly, it also provides a mechanism within Namibia for channelling funds from some of the main beneficiaries of natural resources -- tourists -- to the environmental managers, planners and scientists. At present there is no such mechanism, and the gap between the "producers" and "consumers" of bio-diversity may be further exacerbated by the proposed separation of a Tourism parastatal from government conservation activities.

The importance of natural resources

Namibia's unique biodiversity and relatively pristine environment are part of its national heritage. This is recognised in the new Constitution, which commits the government to environmental protection and sustainable resource management.

The economy is built on renewable natural resources. Three of the four main economic sectors -- agriculture, fishing and tourism -- all directly depend on these renewable natural resources. Together these three sectors account for a quarter of national income, one half of Namibia's foreign exchange earnings, and the livelihood of the majority of the population. All economic activities compete for Namibia's scarcest resource -- water. The limits imposed by water scarcity in future will depend on the success of water conservation efforts.

Economic growth will depend on a sustained supply of natural resources. According to estimates for Namibia's First Development Plan, there are only 2 sectors expected to generate an increase in income, jobs and exports between now and 2000. These are fishing and tourism, and both are dependent on sustainable resource management. In the fishing industry, the high cost of over-exploitation in the past and the importance of controlled utilisation today are already evident. If the potential of the tourism sector is to be realised, greater investment in conserving the main tourist attraction -- wilderness scenery and wildlife -- will be needed. As the recent Tourism Study reports:

"It is Namibia's environmental characteristics, its bio-diversity, its fauna and wilderness landscapes, which provide the basis for the country's tourism industry."

Tourism already generates 20,000 jobs and earns the government more revenue than all foreign aid. It is estimated that careful expansion will facilitate a tripling in tourist numbers by 2002, with the high-spending overseas tourists increasing 6-fold. But this will depend on improved management of natural resources, particularly in communal areas, as well as in national parks.

For the majority of the population who depend on subsistence agriculture for their living, their health and wealth are even more directly dependent on their environment. Renewable natural resources supply their food, water, shelter, fuel, medicine, agricultural implements and fencing. Environmental problems, such as water scarcity, soil erosion, bush encroachment, and deforestation already have a major impact.

Inadequate funding for environmental action

Under the South African colonial administration, resource exploitation rather than stewardship was the norm. The legacy of this era was degradation of land, water, flora and fauna, and an environmental protection policy focused only on excluding people from wilderness areas capable of generating tourism revenue. Since Independence, much has been done to reverse this, and the 1992 Green Plan outlines an ambitious programme of work, covering virtually every sector from agriculture and arid regions to waste management, wildlife and wetlands. However, translating the Plan into activities over the decades ahead will require considerable resources -- more than are presently available.

Responsibility for environmental conservation rests mainly with the Ministry of Wildlife, Conservation and Tourism (MWCT). Ministry staff, NGO's and representatives of the tourist industry in Namibia have all voiced deep concerns about the lack of adequate financial and human resources -- including lack of trained staff, and research and planning capacity -- to manage and conserve the natural resource base. In recent years, the area under protection managed by the Ministry has expanded. Furthermore, since Independence and in recognition that conservation goes well beyond mere "protection", the Ministry's mandate has extended beyond park management to broad environmental management and planning. It is now responsible for coordinating environmental issues across government departments, and within both commercial and communal land. However, the Ministry's budget has not expanded in line with this growth in responsibility. Figure 1 illustrates the yawning gap between funding and responsibility.

Other government ministries are also developing roles in environmental management. For example, most Ministries have adopted a procedure for environmental impact assessments. There is growing recognition of the need for environmental planning of water and agricultural development, as these both depend on and determine future resource availability. An environmental commissioner is proposed at the National Planning Commission. However, all these improvements require investment in staffing, training, research, and implementation at a time when central government funds are scarce.

There are three reasons for the shortage of funding for environmental management. Firstly, the nations' unmet needs in education, health, housing and social services command a higher priority for government funding. This is unlikely to change in the foreseeable future. Secondly, money that could be spent on the environment is not available, because there is no mechanism for raising it from those who enjoy using Namibia's natural resources, such as tourists and trophy hunters, and distributing it to those who bear the costs. Thirdly, donor funding for environmental activities are often only available for restricted uses and limited periods of time. They tend to be directed to currently fashionable fields and are generally unresponsive to urgent unplanned needs or long-term programmes.

There is considerable potential for raising money from tourists to invest back in the resource base, but without a financial mechanism, this potential funding remains untapped and conservation remains underfunded. For example, a European family of four can spend a week in Etosha paying just over N\$ 200 to enter and camp there. They could spend that much on a one-day visit to London Zoo. For an equivalent week in Botswana's Parks they would pay over N\$ 2,000 - ten times as much. Meanwhile, Etosha park rangers are cutting their kilometres and working with broken radios to stay within budget. They can only take on new rhino-monitoring responsibilities in Mangetti by cutting their activities in Etosha. The irony is that overseas tourists would be willing to pay more than N\$200, particular if they knew the funds were being ploughed back into conservation. However, under present arrangements, even if prices were increased the funds would go into the central government pot without necessarily leading to any increase in conservation funding or activities. Only if all aspects of Park management (resorts, services and conservation) were within one parastatal or semi-independent board could tourism earnings be automatically re-invested in conservation. In the absence of such an institutional set-up, an environmental trust fund provides an alternative mechanism for re-investing tourism profits.

Outside the government sector there are a range of environmental NGOs promoting conservation, particularly in communal areas, and a growing tendency for other NGOs to incorporate environmental issues into their work. Though these community projects require relatively smaller sums of money, current funding systems are still inadequate in 2 ways: funding must be secure for many years to allow gradual development of projects, and access to donors must be easy, particularly for grass-roots projects. An environmental trust fund offers more security and easier access than traditional donor funding.

IV. Potential for Successful Establishment of a National Environmental Fund in Namibia

Namibia's need for an Environmental Trust Fund is evident. Fortunately, so is the potential for a successful Fund. Perceptions in the tourism industry, legal and financial precedents, and donor priorities combine to make this an opportune moment for establishing a fund.

Support within government and tourism sector

There appears to be very broad support in principle for establishing a national environmental fund in Namibia. In November 1993, two trust fund specialists from WWF-US and WWF-UK visited Namibia in response to an invitation from the MWCT, to discuss the possibility of a fund with government officials, NGO's and tourist industry representatives. Strong support for the concept was expressed by the MWCT, the Ministry of Finance, the Attorney General's office, and by the members of the Federation of Namibian Tourism Associations (FENATA) and the Tourist Association of Southern Africa (TASA). All people with whom the concept was discussed were concerned that any tourist levy should not be paid into central government coffers. Tourist industry representatives, in particular, emphasized that they would only support such a fund (and be willing to contribute to it financially) if it were outside of the government budget.

Namibian Legal Precedents

There are two precedents in Namibia for establishing an independent fund outside of the government budget. The Sea Fisheries Research Fund, renamed the Sea Fisheries Fund by the Sea Fisheries Act of 1992, was originally established in 1973. It is funded by a levy on the catch of commercial fishing vessels, which is payable in addition to royalties otherwise payable to the government. The Sea Fisheries Fund is administered by the Permanent Secretary of the Ministry of Fisheries with the help of the Fisheries Advisory Council, which is made up of representatives from government, industry, labour and two non-governmental bodies (economists and biologists). The fund is used to support research, conservation and management of marine resources. The fund is entirely outside of the Ministry's regular budget, and is not used to pay salaries or other operational expenses of the Ministry.

A second precedent in Namibia is the National Energy Fund, established by the Petroleum Products and Energy Act of 1990. The fund is financed by a levy on petroleum products, which is deposited by the Ministry in a commercial bank account and used to support research into energy conservation and alternative energy sources. The fund is administered by the Permanent

Secretary with the assistance of the National Energy Council.

According to the Attorney General's office, there are no legal or constitutional obstacles to establishing an independent national environmental fund outside of the regular government budget. Article 125 of the Constitution requires that "all income accruing to the Central Government shall be deposited in the State Revenue Fund . . .," but also states that "nothing. . . shall preclude the enactment of any law. . . which provides that: (a) the Government shall pay any particular monies arriving to it into a fund designated for a special purpose." This means that establishment of a fund outside of the central revenues which is funded by monies payable to the government (either in the form of a levy or in the form of outside aid donors) is permissible under the Constitution, but needs to be specifically authorized by an Act of Parliament.

Officials in the Ministry of Finance have also indicated that they would have no objections to establishment of a national environmental fund outside of the regular government budget. They cited both the Sea Fisheries Fund and the National Energy Fund as precedents on which they look favourably.

Regional Precedents for raising domestic funds

Neighbouring countries provide several examples of generating funds for conservation through visitor entrance fees, which are kept outside of the regular government budget. The National Parks Board of South Africa, the Natal Parks Board, and the Bophutatswana Parks Board all follow this approach and represent some of Africa's most successful examples of park management and wildlife conservation. Botswana also constitutes a useful precedent for the idea of increasing national park visitor fees as a way of increasing revenues. Compared to these countries, tourism charges in Namibia are low. This suggests there is scope for raising Namibian charges for at least some categories of tourist, particularly those from overseas.

Opportunities for International Funding

In addition to opportunities for generating new funds for conservation from within Namibia, there are now many new opportunities for raising additional funds for conservation from international sources. The Global Environmental Facility (GEF), a programme jointly administered by the World Bank, the UN Development Programme and the UN Environmental Programme, has made direct grants of more than US \$2 billion over the past three years to environmental projects in developing countries, including financial support for environmental trust funds in Bhutan, Peru, Papua New Guinea, Laos, Congo, Uganda and Eastern Europe. The US government has now targeted environment as one

of its four highest priority areas for development assistance, and since 1991 has donated funds to establish more than a dozen Latin American environmental trust funds under a programme known as the "Enterprise for the Americas Initiative." In addition, it has given tens of millions of dollars to fund environmental endowments in the Philippines and Madagascar. European and Japanese government aid agencies have also increased their grant assistance to the environmental sector in a major way.

V. Possible Operation of a National Environmental Fund in Namibia

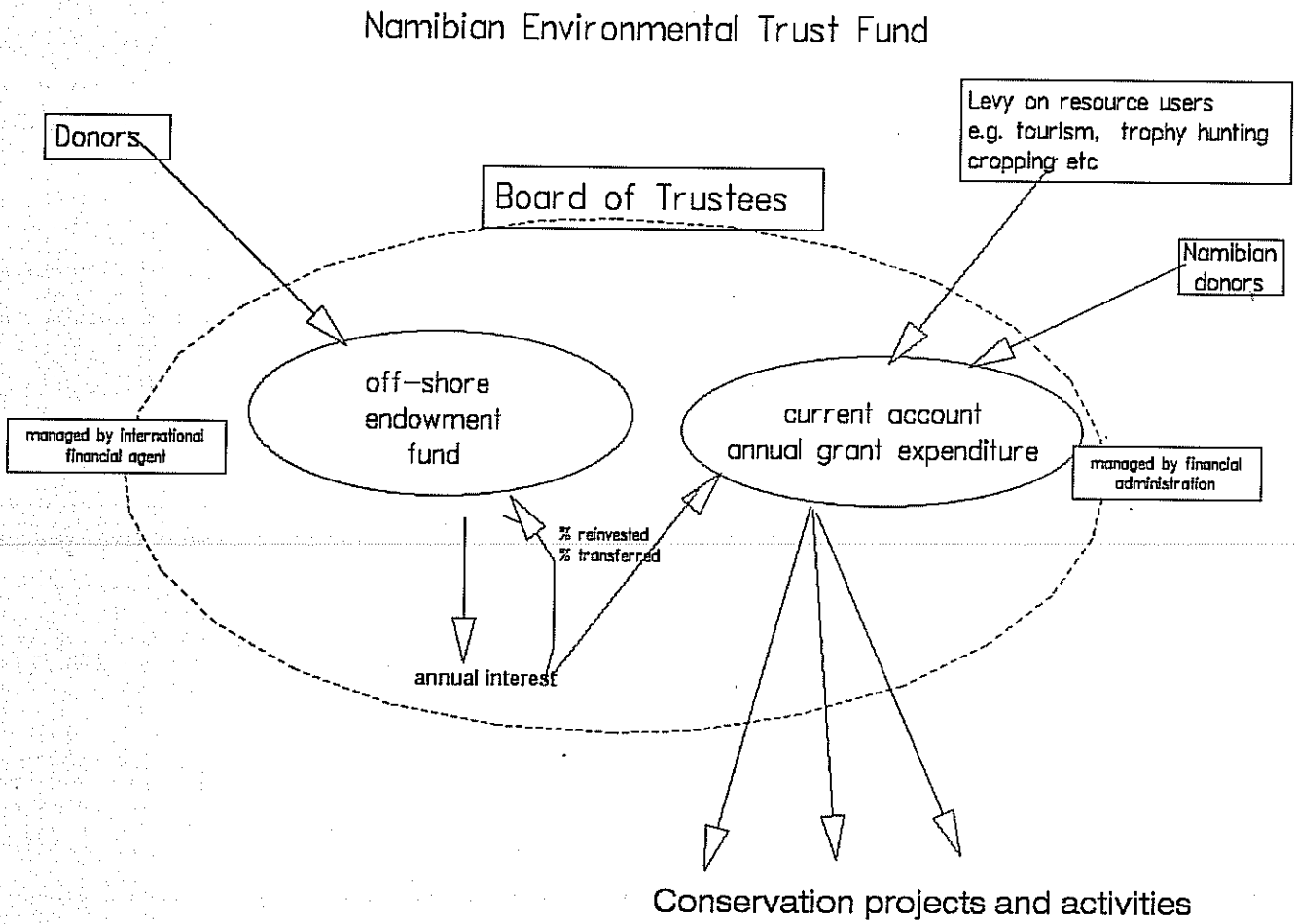
Structure

The concept for a national environmental fund that is emerging from extensive discussions with government officials, NGO's and tourist industry representatives in Namibia, and also drawing on the experiences of other countries around the world, is that of a single fund based on two different sources of revenue: funds raised within Namibia mainly from tourists and other resource users, and funds raised internationally from donors. All in-coming funds and out-going grants would be managed by a Board of Directors in Namibia. The overall structure is shown in Figure 2.

The first source of revenue would be some sort of levy on tourists or tourism activities within Namibia. This would be based on a "user pays" principle, like the catch levy used to finance the Sea Fisheries Fund. The exact form of such a levy needs to be agreed by the tourist industry and government representatives. As shown below, this could generate sums in the region of \$1-3 million per year for conservation. As this income will be continuous rather than a one-off contribution, and given the low real rate of interest in Namibia, the funds would probably be used for annual conservation expenditure, rather than invested to build up an endowment. Other domestic sources of revenue would also be sought, such as from Namibian donors and private sector interests committed to conservation.

A second source of revenue to the environmental fund would be contributions from outside aid donors, hopefully on the scale experienced in other countries where such funds have been set up, amounting to several millions or even tens of millions of U.S. dollars. Donors' contributions would be used mainly to build up an endowment -- a capital sum which is invested in order to generate annual interest for project spending. In order to seek opportunities for high investment returns and to protect the value of the fund in the face of possible devaluation of the Rand, the endowment funds should be deposited in overseas accounts. Financial management of the endowment would be undertaken by a respected international institution. A

Figure 2: Structure of the Fund



percentage of interest generated by the endowment would be reinvested to maintain the real-terms value of the Fund and a percentage transferred annually to the Fund's Namibian account, for project expenditure.

Both sources of revenue -- those generated and kept in-country, and those generated and kept overseas -- would be legally owned and controlled by a single, independent board of Trustees. The Board could be composed of representatives of the MWCT, other ministries involved in conservation, NGOs, the business sector and tourist industry, possibly with international aid donors and scientific and technical experts as well. It could adopt the Bhutanese model, whereby government representatives are in the majority (3 of 5) but cannot alone constitute the majority needed to approve decisions (4 out of 5). The board would meet several times a year to decide on specific projects and activities to fund, in accordance with general guidelines and criteria set forth in the fund's Charter.

In addition to the directors, there would be a financial administration within Namibia, to manage incoming revenue, outgoing expenditure, and accounts from grant recipients.

Scale of Funding

The annual expenditure of the Fund will depend on many factors including not only the availability of international and domestic funds, but also the proposed lifetime of the trust fund, the time taken to build up the endowment, market rates of return, tourism charges and market developments within Namibia, and the absorptive capacity of projects. However, some indicative estimates show the broad scale on which a fund might operate:

(i) International Funding

Total donor contributions to funds in other countries have varied so far from US\$ 0.6 million in Dominican Republic to US\$ 80.3 million in Bolivia. If a Namibian Fund could attract US\$ 10 million for an endowment, if the Fund was managed so that it maintained its value indefinitely in real terms, and if it managed a real return (after allowing for inflation) of 10%, then there would be US\$ 1 million, or over N\$ 3 million, per year available for funding environmental management.

(ii) Domestic Tourism Levy

A tourism levy could take many forms: a bed levy or hotel tax, an additional sales tax on tourist-related facilities, an airport or border crossing tax, an additional or increased fee at parks and reserves, and an additional or increased fee charged to hunters. The important principles

underlying the choice of the form and amount levied are that it should be:

- * targeted on holiday tourists (the beneficiaries of bio-diversity) not business visitors
- * targeted most heavily on those most able and willing to afford it (and on those who are not already supporting conservation in Namibia through income tax): i.e. overseas tourists.
- * small enough to not reduce overall demand for Namibian tourism, diminish Namibia's international price-competitiveness, or destroy the viability of the most marginal tourism enterprises;
- * easy to collect.

An additional park entrance fee or daily fee, with 3 rates for Namibian, African, and overseas visitors, could meet these 4 criteria. For example, there are an estimated 300,000 visitors to parks each year. If one third of these are overseas visitors, one third African and one third Namibian, and if additional park entrance fees are charged as follows:

overseas visitor	N\$ 30 per person per visit
African visitor	N\$ 5
Namibian visitor	N\$ 2

then this would raise approximately N\$ 3.7 million per year.

Alternatively a daily fee could be charged so that those staying longer pay more (however, this involves introducing a new charge rather than simply increasing an existing one). Using guestimates of the number of days Namibian, African and overseas tourists stay suggests that daily fees of:

overseas visitor	N\$ 10 per person per day
African visitor	N\$ 2
Namibian visitor	N\$ 1

would raise N\$ 3 million per year.

Economic research is needed to calculate more reliable estimates, make adjustments such as for market growth and lower rates for children or smaller parks, and confirm that the tourism market can withstand these rates.

However, park fees ignore the private tourism sector, which is dynamic and increasing in importance. A levy that covered both public and private tourism could be a bed-levy: a small additional charge paid by tourists per bed per night, on top of the regular accommodation fee. It would be proportionate to the price or quality of the accommodation and therefore to the tourists' ability to

pay. The difficulty, however, arises in defining which beds are used by holiday tourists and should be levied. Hotels in urban centres serve many Namibian and international business visitors as well as holiday tourists. But if they are excluded, the funding base for the levy is reduced. Another difficulty is setting the level so that the viability of marginal enterprises, such as small guest farms or communal camp sites, is not damaged.

If all urban accommodation is excluded (for ease of implementation, and on the grounds that holiday tourists enjoying natural resources will spend at least some of their time in rest camps, farms and lodges), there are around 600,000 tourists bed nights per year. Therefore an average levy of \$5 per bed-night, would raise \$3 million per year, and an average of \$1.5 per bed-night would raise around \$1 million. These averages would be made up of much smaller levies on camp-sites and simple rooms, and higher levies on bungalows and luxury lodges. They could also be set at lower rates for children and higher for adults.

This suggests that \$1 million could be raised in bed-levies relatively easily. However, as these suggested rates are per person, rather than per room, tent, or family, and as adult rates would be higher if children's rates are to be lower, careful research is needed to assess whether the accommodation market could support levies that raised \$3 million, and if so how they should be scaled between simple and luxury accommodation.

A combination of levies is also possible: a park fee, a bed-levy and a trophy hunting fee for example. Further discussion and economic analysis of the tourism market is needed to determine the optimal form and level of a levy.

These crude estimates suggest that once the Trust Fund is fully operational, its total annual expenditure on environmental management activities could reach N\$ 6 million per year.

This is more than the entire annual research budget of the MWCT, and compares to the Ministry's expenditure on wildlife conservation management of \$20 million per year. It is just over twice the Ministry's total donor commitment per year. The two sources of funding should reinforce each other: a significant Namibian contribution will provide evidence to donors of the Government's commitment to the trust fund in particular and to wise environmental management in general so encourage donor contributions; while the prospect of substantial international funding multiplies the value of the domestically-raised revenue.

Scope of Funding

It is important to define the mandate of the Trust Fund and the criteria for funding from the start. This will require considerable discussion, but already some directions are clear.

A long-term endowment fund offers many advantages over one-off donor funding (see above) and funding criteria should make the most of these advantages. The Trust should, therefore:

- support recurrent costs
- prioritise long-term slow-impact investments such as training, capacity-building, public education, research and planning;
- provide small and flexible grants of the kind that are administratively difficult for most donors but can be vital to grassroots work.

To encourage a coordinated and strategic approach to environmental management rather than a scatter-gun of projects, the Trust should:

- support implementation of priorities already identified in the Green Plan;
- support other activities aimed at assessing environmental needs and coordinating interventions;
- support regional coordination of environmental activities;

However, while funding recurrent costs and supporting Namibia's Green Plan, it is also important that the Trust does not simply displace government environmental work. Funding must strengthen and complement the government's capacity for environmental management, and not just substitute external assistance for internal responsibilities. The significant contribution from domestically-raised levies is one assurance against this. In addition, criteria will be needed for Trust funding of Government activities, to emphasise activities that are exploratory, innovative, building up the financial and human resource base for conservation, or otherwise go beyond the expected core conservation activities. On the other hand, thorough planning, research and training are pointless if there is no money for actual implementation of basic conservation work.

The importance of involving local communities and ensuring that significant funds go to local communities for natural resource management, needs to be stressed. This is important in the Namibian context, as communal areas have in the past often been excluded from conservation efforts, and their environmental problems have been marginalised. A community emphasis is also important for raising international funds, as recent experience in other countries has shown it to be a major concern to donors, particularly the Scandinavian countries, US AID, German GTZ, and the Global Environmental Facility (GEF).

Bearing these considerations in mind, the proposed overall objective for Trust funding is:

invest in bio-diversity and the natural resource base in Namibia, while strengthening long-term commitment and capacity for sustainable management of environmental resources.

The following priority areas are proposed for funding from the Trust:

1. Research:

- studies that increase understanding of the resource base, people's use of resources, the impacts of resource-use on sustainability and bio-diversity, environmental change, problems and solutions.

2. Training and capacity building:

- training for staff already involved in conservation, and for staff in other areas related to the environment;
- developing capacity of institutions: for example, through equipment, networks, new posts, and time for environmental work.

3. Policy development

- research and development of policies for sustainable resource management;
- mechanisms for ensuring effective implementation of policy.

4. Long term planning and coordination

- development and establishment of a national protected area network;
- assessment of priorities and strategies for habitat and bio-diversity conservation at national and local levels;
- collection and analysis of information needed for informed planning;
- mechanisms for coordinating environmental action across institutions.

5. Integration of environmental and other concerns

- integration of environmental considerations in the work of other ministries;
- linking protected areas with regional environmental and economic management;

6. Community involvement

- strategies and projects that benefit both the people and the resource base through sustainable development;

- incorporation of environmental issues into other community activities, such as agricultural development, informal education;
 - small-scale, flexible, grass-roots community projects.
- 7. Resource management**
- implementation of innovative or experimental projects;
 - multi-sectoral projects combining research, management, extension and policy development;
 - projects with particularly high global benefits, or unusually long-term gradual impact;
 - other projects falling outside the normal scope of central government responsibility and funding;
- 8. Education**
- environmental education activities and materials;
 - information and awareness raising among carefully selected target groups to achieve particular, defined objectives.

VI. Next Steps

The next steps to be taken and questions to be addressed in establishing a national environmental fund for Namibia can be briefly summarized as follows:

- 1. Identify who needs to be involved in establishing the fund, check they are all informed and supportive.**
 - who from tourism, NGOs, other Ministries is going to "reach agreement" on the points below?
- 2. Reach agreement on purposes of the fund, particularly goals and funding criteria.**
 - what is the role of the fund in supporting on-going government expenditure; how can it provide needed resources for recurrent costs and resource management without displacing government responsibility?
 - what should the funding balance be between government and NGO activity?
 - how to reconcile international priorities of donors (eg GEF), national priorities of government, and local concerns of communities?
 - how much to focus on encouraging environmental considerations in other activities, rather than support to exclusively conservation work?
 - is the Green Plan the agreed basis for judging conservation priorities?
 - how to deal with donors who want to earmark their money?
 - what is the role of the NNF in administration of the Trust Fund?

3. **Reach agreement on composition and voting structure of trust fund board, and other critical institutional issues.**
 - how many Trustees? which ministries represented? international as well as national NGOs? non-voting advisory members? what balance between government, NGO, private and donor?
 - what majority is needed to agree decisions? any veto power?
 - who appoints the board members? for how long? with what terms of reference?

4. **Reach agreement on financial operation of the Fund:**
 - who does the financial administration in Namibia and how?
 - who administers the investment money off-shore?
 - what percentage of interest is re-invested rather than spent?
 - should any money raised in Namibia be invested rather than spent?
 - should the Fund seek other domestic funds, apart from the levy? what and how?
 - what level of endowment should be built up before any expenditure?

5. **Reach agreement on form and modalities for collecting a tourist levy or fees, and the amount of such a levy, based on market research, economic studies, and intensive consultations with the tourist industry.**
 - how much should it aim to raise?
 - with what scope: private as well as public sector? Namibian as well as overseas tourists?
 - how to enforce and administer collection?
 - how does it relate to other tourism levies planned for the tourism sector, and to potential for increasing central government revenue from tourism?

6. **Draft, present and table legislation to establish the fund.**
 - what information and persuasion is needed first?
 - how long will legislation take and can its passage be assumed?

7. **Formulate and carry out a fund-raising strategy with outside donors.**
 - who to target and how?

Before these actions can be done, responsibilities need to be allocated and a timetable drawn up.