

DEA RESEARCH DISCUSSION PAPER

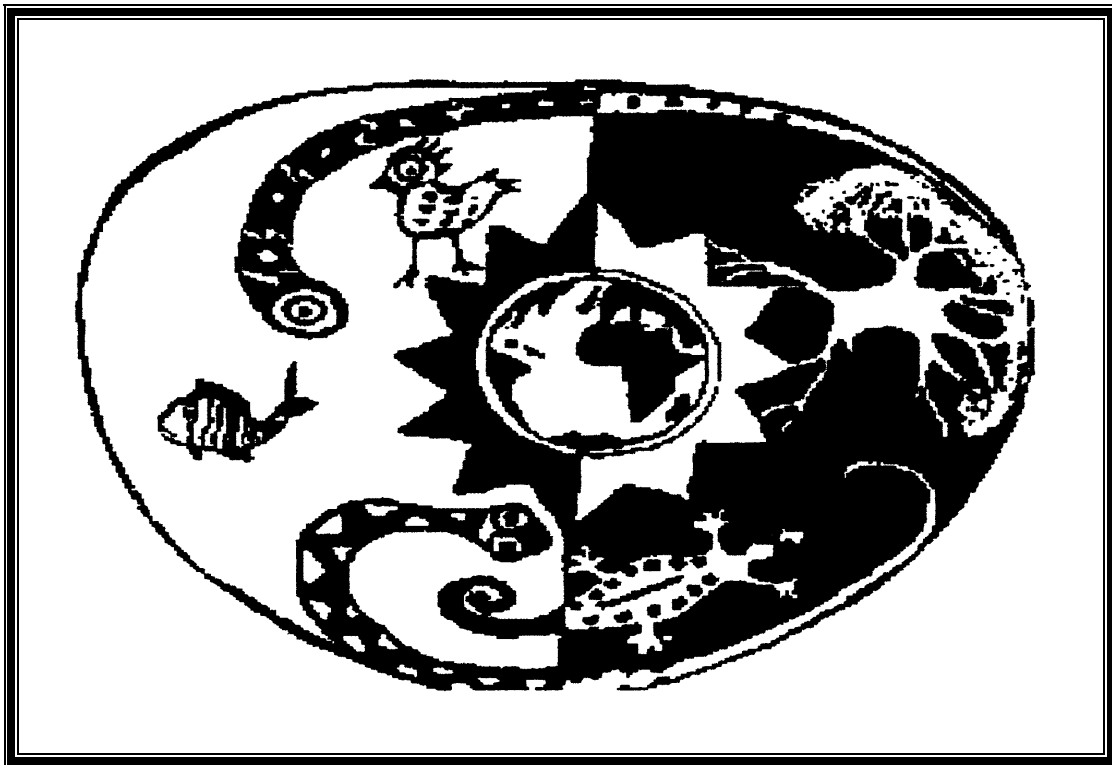
Number 38

December 1999

THE ENVIRONMENTAL INVESTMENT FUND

**An Initiative for the Conservation and Protection of the
Environmental and Natural Resource Base of Namibia**

Joseph A. McGann¹



¹EIF Co-ordinator
Directorate of Environmental Affairs
Ministry of Environment and Tourism
Private Bag 13306, Windhoek
Namibia

Directorate of Environmental Affairs, Ministry of Environment and Tourism, Namibia

This research discussion paper is closely adapted from the series of workshop reports ***TOWARDS THE ESTABLISHMENT OF AN ENVIRONMENTAL INVESTMENT FUND IN NAMIBIA*** and the ***EIF CONCEPT PAPER*** and is intended to bring the discussion of the EIF to a wider audience. -- Editor.

This Research Discussion Paper forms part of the continuing process towards the establishment of an Environmental Investment Fund in Namibia. USAID/Namibia, the WWF/LIFE Project and the Directorate of Environmental Affairs supported this work. The views and opinions expressed herein are those of the author and do not necessarily reflect the views and opinions of USAID/Namibia, the WWF/LIFE Project or the Directorate of Environmental Affairs. Cover artwork designed by Jacquie Tarr. Special thanks to Dr. Peter Tarr, Dorett Tennyson, June Horwitz, Carol Roberts and Connie Klassen for reviewing the drafts. The author bears full responsibility for any errors in this document.

DIRECTORATE OF ENVIRONMENTAL AFFAIRS

Research Discussion Papers available in this series

1. **Ashley, C. 1994.** Population growth and renewable resource management: the challenge of sustaining people and the environment. *DEA Research Discussion Paper 1.* 40 pp.
2. **Ashley, C, Barnes, J and Healy, T. 1994.** Profits, equity, growth and sustainability: the potential role of wildlife enterprises in Caprivi and other communal areas of Namibia. *DEA Research Discussion Paper 2.* 25 pp.
3. **Quan, J, Barton, D and Conroy, C (Ashley, C ed). 1994.** A preliminary assessment of the economic impact of desertification in Namibia. *DEA Research Discussion Paper 3.* 150 pp.
Northern commercial areas: Okahandja, Otjiwarongo and Grootfontein. 33 pp.
Communal and commercial areas of southern Namibia. 42 pp.
Northern communal areas: Uukwaluudhi. 35 pp.
4. **Ashley, C and Garland, E. 1994.** Promoting community-based tourism development: why, what and how? *DEA Research Discussion Paper 4.* 37 pp.
5. **Jones, BTB. 1995.** Wildlife management, utilisation and tourism in communal areas: benefits to communities and improved resource management. *DEA Research Discussion Paper 5.* 37 pp.
6. **Barnes, JI. 1995.** The value of non-agricultural land use in some Namibian communal areas: a data base for planning. *DEA Research Discussion Paper 6.* 21 pp.
7. **Ashley, C, Müller, H and Harris, M. 1995.** Population dynamics, the environment and demand for water and energy in Namibia. *DEA Research Discussion Paper 7.* 37 pp.
8. **Barnes, JI and de Jager, JLV. 1995.** Economic and financial incentives for wildlife use on private land in Namibia and the implications for policy. *DEA Research Discussion Paper 8.* 21 pp.
9. **Rodwell, TC, Tagg, J and Grobler, M. 1995.** Wildlife resources in Caprivi, Namibia: The results of an aerial census in 1994 and comparisons with past surveys. *DEA Research Discussion Paper 9.* 29 pp.
10. **Ashley, C. 1995.** Tourism, communities and the potential impacts on local incomes and conservation. *DEA Research Discussion Paper 10.* 51 pp.
11. **Jones, BTB. 1996.** Institutional relationships, capacity and sustainability: lessons learned from a community-based conservation project, eastern Tsumkwe District, Namibia, 1991 - 96. *DEA Research Discussion Paper 11.* 43 pp.
12. **Ashley, C and Barnes, JI. 1996.** Wildlife use for economic gain: the potential for wildlife to contribute to development in Namibia. *DEA Research Discussion Paper 12.* 23 pp.
13. **Ashley, C. 1996.** Incentives affecting biodiversity conservation and sustainable use: the case of land use options in Namibia. *DEA Research Discussion Paper 13.* 21 pp.

continued overleaf.....

Other Research Discussion Papers in this series (continued).....

14. **Jarvis, AM and Robertson, A. 1997.** Endemic birds of Namibia: evaluating their status and mapping biodiversity hotspots. *DEA Research Discussion Paper 14.* 103 pp.
15. **Barnes, JI, Schier, C. and van Rooy, G. 1997.** Tourists' willingness to pay for wildlife viewing and wildlife conservation in Namibia. *DEA Research Discussion Paper 15.* 24 pp.
16. **Ashley, C, Barnes, JI, Brown, CJ and Jones, BTB. 1997.** Using resource economics for natural resource management: Namibia's experience. *DEA Research Discussion Paper 16.* 23 pp.
17. **Lange, GM, Barnes, JI and Motinga, DJ. 1997.** Cattle numbers, biomass, productivity and land degradation in the commercial farming sector of Namibia, 1915 to 1995. *DEA Research Discussion Paper 17.* 28 pp.
18. **Lange, GM. 1997.** An approach to sustainable water management using natural resource accounts: the use of water, the economic value of water and implications for policy. *DEA Research Discussion Paper 18.* 39 pp.
19. **Lange, GM and Motinga, DJ. 1997.** The contribution of resource rents from minerals and fisheries to sustainable economic development in Namibia. *DEA Research Discussion Paper 19.* 32 pp.
20. **Ashley, C and LaFranchi, C. 1997.** Livelihood strategies of rural households in Caprivi: implications for conservancies and natural resource management. *DEA Research Discussion Paper 20.* 96 pp.
21. **Byers, BA (Roberts, CS, ed). 1997.** Environmental threats and opportunities in Namibia: a comprehensive assessment. *DEA Research Discussion Paper 21.* 65 pp.
22. **Day, JA (Barnard, P, ed). 1997.** The status of freshwater resources in Namibia. *DEA Research Discussion Paper 22.* 46 pp.
23. **O'Toole, MJ (Barnard, P, ed). 1997.** Marine environmental threats in Namibia. *DEA Research Discussion Paper 23.* 48 pp.
24. **Jones, BTB. 1997.** Parks and resident peoples. Linking Namibian protected areas with local communities. *DEA Research Discussion Paper 24.* 39 pp.
25. **Environmental Evaluation Unit, University of Cape Town (Tarr, JG, ed). 1998.** Summary report of a retrospective study of the environmental impacts of emergency borehole supply in the Gam and Khorixas areas of Namibia. *DEA Research Discussion Paper 25.* 27 pp.
26. **Auer, C. 1998.** Water availability and chemical water quality as important factors for sustainable wildlife management in the Etosha National Park and for domestic stock in farming areas of Namibia. *DEA Research Discussion Paper 26.* 30 pp.
27. **Barnes, JI. 1998.** Wildlife conservation and utilisation as complements to agriculture in southern African development. *DEA Research Discussion Paper 27.* 18 pp
28. **Blackie, R and Tarr, P. 1998.** Government policies on sustainable development in Namibia. *DEA Research Discussion Paper 28.* 21 pp.

continued overleaf.....

Other Research Discussion Papers in this series (continued).....

29. **Blackie, R. 1998.** Communities and natural resources: trends in equitable and efficient use. *DEA Research Discussion Paper 29*, in press.
30. **Tarr, P. 1999.** Environmental assessment in southern Africa: is there a need for a regional approach? *DEA Research Discussion Paper 30*. 13 pp.
31. **Simmons, RE, Barnes, KN, Jarvis, AM and Robertson, A. 1999.** Important bird areas in Namibia. *DEA Research Discussion Paper 31*. 66 pp.
32. **Environmental and Geographical Science Masters Students, University of Cape Town (Blackie, R, ed). 1999.** A preliminary environmental assessment of Namibia's resettlement programme. *DEA Research Discussion Paper 32*, in press.
33. **Jarvis, AM and Robertson, A. 1999.** **User manual for the Avifaunal Database.** *DEA Research Discussion Paper 33*, in press.
34. **Tarr, P and Figueira, M. 1999.** Namibia's Environmental Assessment framework: - the evolution of policy and practice. *DEA Research Discussion Paper 34*. 20 pp.
35. **Margules, CR (Barnard, P, ed). 1999.** Biodiversity planning and monitoring in Namibia. *DEA Research Discussion Paper 35*. 27 pp.
36. **Directorate of Environmental Affairs 1999.** The State of Namibia's Freshwater Environment (Executive Summary and Indicators) Edited by Vence Uisso and Protasius Nghileendele *DEA Research Discussion Paper No. 36*
37. **Directorate of Environmental Affairs 1999.** The State of Namibia's Socio-Economic Environment (Executive Summary and Indicators) Edited by Vence Uisso and Protasius Nghileendele. *DEA Research Discussion Paper No. 37*
38. **McGann, Joseph A. 1999.** THE ENVIRONMENTAL INVESTMENT FUND: An Initiative for the Conservation and Protection of the Environmental and Natural Resource Base of Namibia. *DEA Research Discussion Paper No. 38*. 56 pp.
39. **McGann, Joseph A. 1999.** TOWARDS THE ESTABLISHMENT OF THE ENVIRONMENTAL INVESTMENT FUND: Opportunities, Constraints and Lessons Learned. *DEA Research Discussion Paper No. 39*. 30 pp.

For further information, contact:

**DEA Publications Department, Directorate of Environmental Affairs
Ministry of Environment and Tourism, Private Bag 13306, Windhoek, Namibia**
Tel: + 264-(0)61-24-9015, Fax: + 264-(0)61-24-0339,
e-mail: pb@dea.met.gov.na

List of Acronyms and Abbreviations

BT FEC	-	Bhutan Trust Fund for Environmental Conservation
CBNRM	-	Community Based Natural Resource Management
CBO	-	Community Board Organization
CEO	-	Chief Executive Officer
CITES	-	Convention on the International Trade in Endangered Species
DEA	-	Directorate of Environmental Affairs
EEZ	-	Exclusive Economic Zone
EIF	-	Environmental Investment Fund
ENR	-	Environment and Natural Resource
FUNBIO	-	Brazilian Bio-diversity Fund
FY	-	Financial Year
GDP	-	Gross Domestic Product
GEF	-	Global Environmental Facility
GPTIF	-	Game Products Trust Fund
GTZ	-	German Development Corporation
GRN	-	Government of the Republic of Namibia
HKIA	-	Hosea Kutako International Airport
Km²	-	Square kilometer
LIFE	-	Living in a Finite Environment Program
MBIFCT	-	Mgahinga and Burindi Impenetrable Forest Conservation Trust
MET	-	Ministry of Environment and Tourism
NDPI	-	First National Development plan
NGO	-	Non-Governmental Organization
OECD	-	Organization for Economic Cooperation and Development
PACT	-	Protected Areas Conservation Trust
RSA	-	Republic of South Africa
SRF	-	State Revenue Fund
TAP	-	Technical Advisory Panel
UNCED	-	United Nations Conference in Environment and Development
UNDP	-	United Nations Development Program
USAID	-	United States Agency for international Development

TABLE OF CONTENTS

	List of DEA Research Discussion Papers	ii
	List of Acronyms and Abbreviations	v
	Abstract	1
1.0	Introduction	2
	1.1 Geography	2
	1.2 Natural Resources	2
	1.3 Demography	3
	1.4 Definition of EIF	3
	1.5 Historical Background of EIF	4
	1.6 Government Support for ENR Management and the EIF	4
	1.7 Limited Government Budget for ENR	5
	1.8 Funding of the EIF	6
	1.9 Mission of the EIF	6
	1.10 EIF and GRN	7
2.0	Natural Resource and Environment Development in Namibia	7
	2.1 Natural Resources in Economic Development	7
	2.2 Inefficient Resource Allocation and Use	8
	2.3 Requirement for Sustainable Economic Growth in Namibia	9
	2.4 Poverty Reduction and ENR Management	9
	2.5 Inequitable Income Distribution	10
	2.6 The Economic Sectors	11
	2.6.1 Agriculture	11
	2.6.2 Fishing	11
	2.6.3 Mining	12
	2.6.4 Tourism	12
	2.7 Economic Rents	13
3.0	Establishment and Management of the EIF	14
	3.1 The Type of Fund	14
	3.2 Legal Basis of the EIF	14
	3.3 The Objectives of the EIF	14
	3.4 The EIF Beneficiaries	15
	3.5 The Board of Directors	15
	3.6 The Technical Advisory Panel	17
4.0	ENR Funding in Namibia	17
	4.1 The Financial Requirements for ENR	17
	4.2 Development Assistance to ENR	18
	4.3 Amounts to be raised by the EIF	19
	4.4 Proposed Cash Flows and Investments	20
5.0	Projects and Activities to be Funded by the EIF	20
	5.1 Guidelines for the Allocation of Funds	21
	5.2 What will be funded by the EIF	22
	5.3 Source of Funds for Projects and Activities	22
6.0	Receipt and Disposal of Funding Proposals	23
	6.1 Solicitation of Proposals for Funding	23

6.2	Review of Proposals	24
7.0	Local Revenue Sources for the EIF	24
7.1	The need for Local Revenue Generation	24
7.2	Authority to Raise Funds in Namibia	25
7.3	Form to be decided by Namibians	25
7.4	Strategy for Local Fundraising	25
7.5	Categories of Local Revenue Sources	26
7.6	Tourism Related or Derived Revenue Sources	27
	7.6.1 Tourist Conservation Fee	27
	7.6.2 Entrance Fees to National Parks	29
	7.6.3 Trophy Hunting Levy	29
	7.6.4 Hotel Occupancy Levy	30
7.7	Natural Resource User Fees	30
7.8	Pollution Fines	32
7.9	Voluntary Donations and Gifts	32
7.10	GRN Donation	33
7.11	Interest and other Income form Investments	34
7.12	Fuel Levy	35
8.0	Foreign Revenue Sources	37
9.0	Fund Control and Accountability	38
9.1	Assets of the Fund	38
9.2	Internal Accounting	38
9.3	Accounting Records	38
9.4	External Audit	39
10.0	Reporting Requirements of the EIF	39
10.1	Legal Requirements	39
10.2	The Technical and Administrative Report	40
10.3	The Financial Report	40
10.4	The Auditor's Report	40
11.0	Some Environmental Trust Funds Elsewhere	41
11.1	Bhutan	41
11.2	Belize	42
11.3	Philippines	42
11.4	Uganda	42
11.5	Brazil	43
11.6	Indonesia	43
12.0	Factors Essential for the Establishment of an Environmental Trust Fund	44
13.0	Conclusions	47
14.0	References	48
15.0	Annexes	51
Annex 1:	Existing and Prospective Environmental Funds 1990 to 1995	51
Annex 2:	Factors Important for Successful Establishment and Operation	54
Annex 3:	Comparison of Environmental Funds by Governing Structures	56

Abstract

In 1991, the Directorate of Environmental Affairs of the Ministry of Environment and Tourism was authorized by the Cabinet of Namibia to be responsible for the prudent management of the Namibian environment. This mandate was formalized in the Mission Statement and Mandate of the MET and the 12-point plan of the DEA. The DEA was to:

- (a) protect biological diversity and life support systems in partnership with other ministries, organizations and individuals; and
- (b) initiate and/or participate in the development of the natural resource base and methods of utilization so that people obtained maximum benefits from their use.

Namibia prepared and submitted its “Green Plan” to the UNCED conference in 1992. This plan proposed to accomplish a number of actions to protect the environment while ensuring economic development and social progress. It was recognized however that the government did not possess the resources required to fulfill all the actions necessary to achieve the objectives of the plan. An alternate source of financial resources to complement government’s resources was required. Government and its partner agencies decided to establish an environmental trust fund and so the idea of the EIF was born. The EIF would be established by an Act of the Parliament of Namibia and would raise funds within country and from international sources. The funds realized would be invested in long-term instruments that would yield stable returns that could then be used to finance projects and activities for the prudent management of natural resources and for environmental protection.

The First National Development Plan for the period 1996-2000 was approved by Cabinet in 1995 and included the establishment of the EIF as one of the tasks. Work commenced on the development of an entity that was autonomous and independent of government but which would fit into the government’s development policies and programs. The EIF was to become a tool for national economic development while securing resources to protect Namibia’s fragile environment. It would complement but not substitute for government in the protection of the environment.

The process of development was consultative and involved a broad range of stakeholders and partners, including government, private sector, academia, non-governmental organizations and community based groups. The stage is now set for presentation of the proposals for establishment to Cabinet and Parliament. A draft Act is now in its final stages and an operations manual to guide the operations of the fund has been prepared. Relationships have been established with international agencies that can provide experience and support for the future. Local organizations and institutions have pledged their support for and are expecting the EIF to take its rightful place in the development of the country.

The purpose of this research discussion paper is to identify some of the developments that have taken place over the last four years and to examine how these can be utilized by the EIF. It highlights some of the proposals made during the consultative phase and examines briefly some of the experiences of other environmental funds around the world. The conclusion is drawn that there exists within Namibia enough organizational and institutional support within the public and private sectors for the establishment of the EIF. This will make into reality the dream of finding alternate and innovative source or sources of funding for environmental and natural resource management and protection activities to complement the GRN. The Environmental Investment Fund is indeed an initiative for the conservation and protection of the environmental and natural resource base of Namibia.

1.0 INTRODUCTION

1.1 Geography

Namibia is situated on the south-west coast of Africa between latitudes 17.5° and 28.51° South and between longitude 12° and 25° East. The country covers an area of 824,269 km² and shares boundaries with Angola, Zambia, Botswana and South Africa (Ministry of Wildlife, Conservation and Tourism, 1992). Two major deserts are present, the Namib, along the west coast, and the Kalahari in the east stretching into southern and central Botswana. Average annual rainfall ranges from less than 50 mm along the coast to 700 mm in the far north-east, with evaporation levels generally in excess of 80%. Droughts are frequent and most rivers are ephemeral, flowing only during periods of rainfall. The only perennial rivers are found on the country's borders: the Orange River on the southern border with South Africa and the Kunene, Okavango, Kwando and Zambezi Rivers on the northern borders with Angola, Zambia, and Botswana.

1.2 Natural Resources

The country possesses a wide variety of mineral and biological natural resources. Minerals are found in commercial and exploitable quantities. These include uranium, diamonds, gold and other base metals, such as silver, tin, lead, zinc and copper. Industrial minerals such as granite, marble and salt also exist in relative abundance. Offshore, a large gas field with estimated reserves at over five trillion cubic feet, was recently discovered (Namibia Development Co-operation Report, 1997). There is the possibility that economic deposits of crude oil exist. The exploitation of these minerals and other resources play a significant role in the economic development of the country.

The landscape and topography ranges from expanses of desert of sand dunes and rock formations in the south, contrasting starkly with the savannah and woodlands of the central regions and the forested landscape of the north-east. Namibia is home to a variety of plant and animal species, some of which are endemic to the country and the

southern Africa region. Wildlife forms part of the natural resource base, the potential for which is now being realized through industries such as fishing and tourism and with untapped potential in pharmaceutical, chemistry and genetics.

1.3 Demography

The 1991 census recorded Namibia's population at 1.4 million and growing at some three percent per year. Such population growth will put pressure on the natural resource base and the environment (land, water and air), as well as the infrastructure and social services.

The estimated population for 1997 was 1.67 million. An overall population density of 2.0 persons per km² makes Namibia one of Africa's least densely populated countries, but population densities vary enormously from one area to another. Approximately two-thirds of Namibians live in the northern regions where population densities exceed 100 persons per km² whilst in the southern regions population densities are as low as 0.5 per km². (National Development Co-operation Report, 1997).

1.4 Definition of the EIF

The Environmental Investment Fund (EIF) is an investment fund to be set up under the laws of Namibia, with the expressed purpose of raising financial resources for direct investment in environmental protection and natural resource management activities and projects which support the economic development of Namibia (EIF Concept Paper, 1998). The EIF is not just a fund for financing conservation activities. It will pursue a broader investment portfolio by providing economic opportunities and a stake in the use of natural resources to the poorest sectors of the society. The ultimate objective is to improve the economic well-being of this sector and therefore reduce the possibilities of them pursuing activities that degrade Namibia's fragile environment and waste its natural resources.

1.5 Historical Background of the EIF

In 1992, His Excellency President Sam Nujoma presented Namibia's Green Plan to the United Nations Conference on Environment and Development (UNCED) at Rio de Janeiro in Brazil (Brown, 1997). A broad-based group representing government, non-governmental agencies and the private sector prepared the document. During the development of the Green Plan, it became evident that Namibia had not invested adequately in the protection of its environment during the pre-independence years. This led to degradation and the creation of an environmental debt. It was also recognized that the issues of poverty, the environment and sustainable development in Namibia were integrally linked and could not be viewed separately or sectorally.

High-level consultations have continued after UNCED with a view towards the development of mechanisms and the identification of resources required to finance the commitments made in the Green Plan. As a result of these consultations, it was proposed that an environmental investment fund be established to assist with the financing of the environmental debt (Brown, 1997). This proposal was accepted by the Government of the Republic of Namibia (GRN) and included as part of its first National Development Plan (GRN, 1995). The Directorate of Environmental Affairs (DEA) of the Ministry of Environment and Tourism (MET) was charged with the responsibility to lead the establishment of this fund. Work commenced on this project about five years ago and is now well advanced towards establishment.

1.6 Government Support for ENR Management and the EIF

Since independence, the GRN through its various policies and programs has manifested its support for the environment. The Constitution of the country recognizes this through Article 95 (1) which states the following:

“The State will actively promote and maintain the welfare of the people by adopting policies aimed at the maintenance of ecosystems, essential ecological processes and biological diversity of Namibia and

utilization of the living natural resources on a sustainable basis for all Namibians.”

The mandate of the MET was expanded from just responsibility for wildlife and parks in 1991 by Cabinet decree. The broader mandate included environmental sustainability, pollution management, environmental impact assessments, combating desertification, monitoring and implementing obligations under ENR treaties and conventions and gathering and providing sound environmental information among other programs, (Republic of Namibia, 1994). The work plan to implement this broader mandate formalised as the DEA Environmental Management Plan (Brown, 1993). Government budgetary allocations have increased over the years, especially in the area of capital development.

Honourable Gert Hanekom, then Minister of Environment and Tourism, at a high level seminar to launch the process towards establishment of the EIF in November of 1997, stated the following:

“The Ministry of Environment and Tourism, in accordance with the Constitution, has adopted, implemented and will continue to develop policies to protect and enhance our fragile environment while producing economic benefits for Namibians in the present and in the future.”

The Cabinet and Government, through the approval of NDP1 (GRN, 1995), implicitly gave the approval for the establishment of the EIF. His Excellency President Sam Nujoma, in his April 1998 State of the Nation Address (Republic of Namibia, 1998), reiterated the GRN commitment to the establishment of the EIF. A number of key government ministries have individually and officially given their written support and approval for the establishment of the EIF. With this level of support for its establishment, the DEA and the MET is obligated to ensure that the process is carried through to completion.

1.7 Limited Government Budget for ENR

The MET and its partner organisations recognised that the government’s budgetary resources are limited and are sought by a large and varied constituency. These agencies have concluded that

the financing of ENR activities cannot be met solely from the public coffers. The NDP1 therefore identified the need for new and innovative financing outside of government control.

The NDP1 specifically made provisions for the establishment of an EIF. This Fund would secure long-term financial support for the activities and programs designed to protect Namibia's fragile environment while contributing to its economic development. It would complement but not substitute for GRN expenditures on the environment.

1.8 Functions of the EIF

The EIF will invest in and support projects and activities which support the national development strategy of the GRN but for which the GRN is unable to provide the required financial investments. Poverty alleviation is one of the targets of the national development strategy. Poverty is in itself directly linked to inaccessibility to and/or skewed distribution and ownership of natural resources (Namibia's Green Plan, 1992). This eventually leads to degradation and inefficient use of those resources and an unending cycle of poverty and natural resource destruction. The EIF is not the panacea for this larger societal problem but could play an important role in assisting the society to protect its natural resource base while providing economic development and reducing poverty.

In general, the EIF will provide Namibia with a secure source of long-term funding for environmental and natural resource projects and activities with Namibian control, direction and priority setting. It will support the conservation and protection of ENR, preserve the national biological diversity and provide economic support to the poorest sectors of society. In addition the EIF should provide flexibility in response to requests, should have the ability to support small scale and informal initiatives and should provide long-term financial commitments to projects and activities.

1.9 Mission Statement of the EIF

The Mission of the EIF is to promote the sustainable economic development of Namibia through investment in and promotion of

activities and projects that protect and maintain the natural and environmental resources of the country.

1.10 The EIF and the GRN

The development of the EIF is being led by the DEA, a government institution. The EIF is not however a fund for the DEA or the GRN. It must be established as a national mechanism to support all sectors, institutions and individuals who have good projects and activities that promote good environmental management and sustainable development. The EIF will be independent of government institutions and control and will not substitute for the provision or delivery of those goods and services, which are rightly the function of government. The EIF will only perform those functions as defined specifically in the Act that establishes it and will complement government's programs. It must be an investment in Namibia's future.

2.0 NATURAL RESOURCES AND ECONOMIC DEVELOPMENT IN NAMIBIA

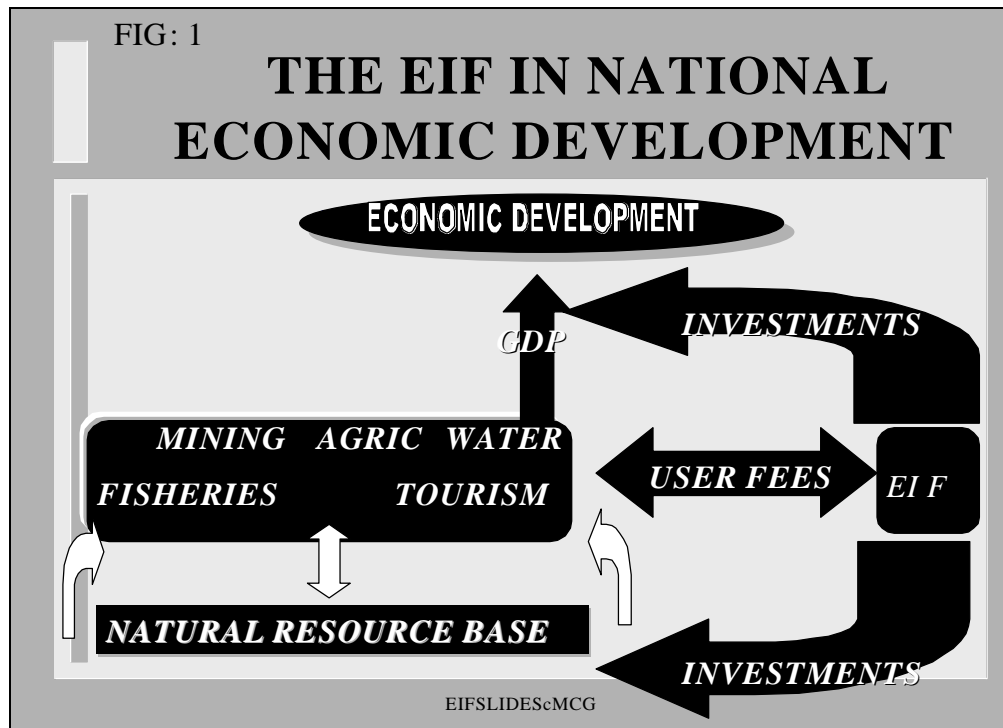
2.1 Natural Resources in Economic Development

The environment and natural resources are integrally linked to economic development (Fig. 1) and the EIF is designed to facilitate a positive flow of benefits from this relationship.

The economic development of Namibia is almost totally dependent on its natural resource base. The main users and beneficiaries of the natural resources are the wealthy, generally white. At independence, five percent of the population generated more than seventy percent of the GDP (Namibia's Green Plan, 1992). They accessed and acquired the rights of ownership by questionable means to say the least.

The main economic activities supporting growth and development are in mining, fishing and marine enterprise, livestock production, commercial and communal/subsistence agriculture and tourism. These are all natural resource based and/or dependent on the

exploitation of natural resources. For continued and sustained economic growth, these must be exploited in an orderly and rational manner. The protection and preservation of the environment and natural resources must however be an integral part of this development process. The EIF should only provide support to projects and activities that actively demonstrate and support this concept.



2.2 Inefficient Resource Allocation and Use

Most Namibians have little or no access to and do not benefit from the exploitation of these resources. This skewed distribution of access and rights to natural resource use has resulted in wastage, inefficient utilization and degradation. The continued inefficient use and degradation of natural resources will ultimately result in their depletion and reduced or negative real economic growth. People living on the economic margin are forced to degrade the environment and natural resource base for survival. Those with access to these resources but who do not pay the full economic cost of these resources

will waste these resources. This inefficiency undermines sustained economic growth and results in further underdevelopment and inequity.

2.3 Requirement for Sustainable Economic Growth in Namibia

The improvement of the wellbeing of all Namibians can only be guaranteed by sustainable and equitable economic growth. Sustainable economic growth requires the protection of the environment and prudent use of natural resources for the benefit of all members of society. Natural resources such as minerals, fish and other marine resources, forest products, water, land and wildlife can be depleted and/or degraded as a direct result of their use for economic and social development.

It could be expected therefore that as a user of renewable resources (such as wildlife, fisheries and marine products, forests and biodiversity), the tourism, fisheries and forest industries could normally be expected to contribute towards the maintenance of these resources. Similarly, the mining, energy and agricultural sectors, which mainly utilize non-renewable resources, could be expected to contribute towards the development of other economic activities as replacement of these resources. This is a requirement for economic growth. The EIF would be just one of the mechanisms through which these unsustainable industries could make their contribution to natural resources protection and management and ultimately sustainable economic growth.

2.4 Poverty Reduction and ENR Management

Namibia is considered as a "limited scope" country by international development agencies. It has basically sound social and economic policies and political stability but is limited by a small domestic market. Most investments are in the areas of exploitation and export of raw materials (Namibia Development Co-operation Report, 1997). The main thrust of the government's economic development policy since independence has been the rapid development of the human resource base leading to poverty reduction through economic growth. This is a pro-active intervention to achieve social relief and equity. These objectives are directed at the economic heritage of the poor

who were subjected to the extreme income and asset inequalities that were the result of apartheid policies. The prudent management and protection of the environment and natural resource base of the country will help to facilitate the achievement of the objectives of poverty reduction and economic growth. The EIF will finance activities and projects that support these objectives.

2.5 Inequitable Income Distribution

Namibia's Gross Domestic Product (GDP) was estimated at N\$ 15,115 million or US\$3,285 million (current prices) in 1997. This gave it a per capita income of N\$ 8,921 or US\$ 1,939 and status as a middle income developing country (Table 1). This is very misleading however as Namibia has one of the most unequal income distributions in the world. The most affluent 10% of the society receive 65% of income while the remaining 90% receive 35% of the national income. The EIF should as a matter of policy direct the major proportion of its flows of benefits towards redressing this imbalance. Priority should be given to those groups and individuals that have been previously disadvantaged.

Table 1: Gross Domestic Product 1988 to 1997 by Activity (Current Prices in millions of N\$)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Primary Sector										
Agriculture & Forestry	487	514	525	603	449	466	869	920	1029	981
Commercial	366	374	364	393	327	318	562	554	650	565
Subsistence	122	140	161	210	122	148	308	366	379	416
Fishing	70	89	128	168	232	281	340	365	391	435
Mining & Quarrying	1144	1382	1084	1104	1112	851	1268	1146	1654	1764
Diamonds	611	715	554	722	775	598	872	763	1169	1236
Other	533	667	530	381	337	253	396	383	485	529
	1701	1984	1738	1875	1793	1598	2478	2608	3074	3180
Secondary Sector										
Manufacturing	524	620	748	796	983	1195	1441	1611	1552	1854
Meat processing	33	43	44	57	64	70	77	85	87	87
Fish processing	111	114	161	120	221	341	484	536	354	519
Other	381	463	543	619	698	784	880	989	1111	1248
Electricity & Water	79	82	106	105	160	110	192	279	373	405
Construction	111	133	139	145	215	259	304	346	405	329
	714	835	993	1045	1358	1564	1937	2236	2330	2651
Tertiary Sector										
Wholesale & retail trade; repairs	314	373	420	470	581	640	724	833	916	1054
Hotels & Restaurants	71	90	78	96	123	129	178	223	226	271
Transport & Communications	216	246	282	305	357	398	423	496	509	609
Finance, Real Estate & business services	354	427	495	570	692	779	871	979	1127	1275
Community, social & personal services	44	56	64	77	86	101	110	127	143	159
Government services	931	1055	1277	1617	2041	2182	2404	2755	3177	3521
Other producers	102	121	138	156	188	210	238	267	294	319
	2033	2368	2753	3291	4068	4439	4947	5680	6392	7207
All industries at basic prices	4449	5187	5484	6212	7219	7602	9362	10347	11796	13038
Import duties	187	234	291	299	346	387	426	425	454	483
Other taxes on products	378	488	547	608	793	932	1131	1327	1462	1594
GDP at market prices	5014	5905	6323	7119	8358	8921	10919	12099	13712	15115

Source: Namibia Yearbook No. 6, 1998/1999

2.6 The Economic Sectors

The major sectors of the economy are Manufacturing (14.2%), Mining (13.5%) and Financial Services and Real Estate (9.8%). Government services account for more than a quarter of the economy (27%). The economy is service dominated with services making up some 55% of GDP, Agriculture 7.5%, Mining 13.5% and Fishing (including Fish processing) 7.3%. A brief description of those sectors/industries directly utilizing natural resources is given below.

2.6.1 Agriculture

The expropriation of land from the black majority by a small number of white settlers, coupled with the apartheid policies, which among other things, denied blacks the right to buy land, have resulted in an unequal distribution of land. Approximately 44% of the total land is held under freehold by some 4,500 commercial farmers, almost all white (Namibia Development Co-operation Report, 1997)). The commercial farmers operate average land holdings of 8,260 ha. The communal areas in the north accommodate approximately 60% of the total population on 41% of the land. The title to communal lands belongs to the State.

Over time, some 12% of total land area (Barnard, 1998) or 25% of the arable land (Namibia Development Co-operation Report, 1997) have been invaded by bush, whose encroachment negatively affects agriculture. The potential exists for greater contribution of agriculture to GDP if this threat can be reduced. The main environmental constraints for development in agriculture are limited land capability due to poor soils, drought and the desertification processes such as bush encroachment, soil erosion and salinization. A financing mechanism like the EIF could play a positive role in finding solutions to some of these problems.

2.6.2 Fishing

Namibia's fisheries resources have traditionally been exploited by foreigners, with marginal benefits to the majority of the Namibian people. Over-fishing by foreign-owned vessels resulted in severe

depletion of fish stocks by the end of the seventies. The government has, since 1990, adopted a 200 nautical mile exclusive economic zone (Barnard, 1998), and introduced controls on the annual amount of fish harvested. These are measures designed to protect the fish stocks from over-fishing.

The contribution of fishing to GDP has grown steadily, despite the decline in total landings. Fish processing has grown in line with fishing since independence, raising its contribution to GDP. The EIF could assist research leading to scientific and economic allocation of marine resources as well as exploitation of fresh water fish.

2.6.3 Mining

Mining has traditionally been one of the most important sectors in the economy, and it continues to be a major contributor to foreign exchange earnings and state revenues. There are over forty (40) operating mines and quarries, and the sector produces a wide range of precious metals and minerals: diamonds, uranium, gold and silver, semi-precious stones, base metals and industrial minerals (Namibia Development Co-operation Report, 1997). The sector is, however, subject to substantial swings in production, reflecting demand and price fluctuations on the world market.

The Ministry of Mines and Energy has made efforts to accommodate small-scale mining by adopting simplified licensing procedures in order to facilitate individual prospecting. The small scale and informal sub-sector still suffers from a lack of technical expertise, financial assistance, managerial skills, and administration and it will be some time before informal mining plays any significant role in the economy. The EIF could play a role in facilitation of this process.

2.6.4 Tourism

The development of the tourism industry during the pre-independence era was limited to the provision of recreational facilities for the German and South African visitors. This can be seen by the adhoc and non-systematic approach to rest camps in national parks and nature reserves within government control as well as the privately

owned game farms. Laws were in place that actually prohibited the development and use of wildlife and recreational facilities by the occupiers of the communal lands while allowing access to the same resources on the private lands.

Since independence tourism has developed into a vibrant but inadequately planned industry. It is now the third largest foreign exchange earner and is considered the fastest growing sector of the economy (Namibia Holiday and Travel 1999). The exploitation of wildlife, bio-diversity and natural features are the base upon which this industry is being developed. Tourism contributed between 8.1% and 9.5% of the GDP between 1996 and 1998. Projected contribution of tourism to GDP is 11.6% by 2010 (World Tourism Council, 1999).

Community-based natural resource management (CBNRM) and tourism is now being developed by the MET and its partner organizations. This sub-sector, along with the now emerging conservancies, will play a vital role in the economic transformation of the rural communities populated by the previously disadvantaged groups. The EIF should target this area and work to provide assistance to interested parties who are supporting this transformation.

2.7 Economic Rents

The economic rents to be captured from the above natural resource uses should be invested in capital projects or activities that generate a future stream of income in perpetuity. This is already being implemented in some ways by mechanisms such as the diamond export levy, the fish quota fees and the sea fisheries fund levy. The EIF is being developed as one of the mechanisms to generate such a stream of income. This will be realized from its direct investment portfolios, from its financing of sustainable economic development activities and from its investment in human capital development over the long run. The EIF Board should therefore work closely with the natural resource owners and users to ensure that part of the economic rents from resource use is invested in the EIF. In doing this the EIF will become one of the investment mechanisms available to the GRN for long-term economic development of the country.

3.0 ESTABLISHMENT AND MANAGEMENT OF THE EIF

3.1 The Type of Fund

The EIF will be established as a “Grant Type” of fund. Grant type funds generally provides benefits to target groups such as NGOs, CBOs and other institutions for projects in conservation and sustainable development, including management of national parks. “Park Type” funds on the other hand are specifically designed to support national parks or protected area systems (GEF, 1997).

3.2 Legal Basis of the EIF

The EIF is being designed to perform functions of a national nature. This coupled with the need to raise local revenues via the introduction of statutory fees, determined that the EIF should be established by an Act of the Parliament of Namibia as a statutory and independent entity outside the public service. It will have clear and separate roles and will function independently from any GRN body or entity. The proposal to establish the EIF is being presented to Cabinet and Parliament for approval and enactment respectively. The draft EIF Act was thoroughly reviewed by the interested parties via a series of consultations, both formal and informal as well as workshops. The objective was to ensure that the final product reflected the interest of those concerned.

3.3 The Objectives of the EIF

The objectives of the EIF are to procure funds for the maintenance of an endowment that will generate a permanent stream of income for use in the protection of the environment and prudent management of natural resources.

The EIF will establish endowment(s) from the capital raised from local and international donors. The proceeds or income generated from these endowments will be utilized to finance projects and activities that support its objectives through the provision of grants and loans to recipients. A loan programme would expand the capacity of the EIF to provide benefits by ensuring that those projects and

individuals that are able to repay do so. It will be operated on a revolving basis. The Board may subsequently determine that a portion or all of a particular loan could be converted to a grant in order to achieve the objectives of the EIF.

3.4 The EIF Beneficiaries

In general, the EIF will provide benefits to all Namibians without regard to age, race, sex and region of origin. Individuals, organizations and institutions who subscribe to and conduct or participate in activities that promote and enhance the objectives of the EIF are potential beneficiaries. Organizations and institutions include governmental agencies, the private sector, the non-governmental organizations and community based organizations.

Specifically, EIF benefits are to be distributed to help reduce the problems of poverty and population pressure and the threats these pose to Namibia's fragile environment. To this end, those persons living in rural communities who are on the economic margin and are traditionally disadvantaged are to be given priority in the receipt of benefits. The EIF should provide them with direct economic support or channel support through their representative organizations or mechanisms such as NGOs, conservancies and CBOs.

Activities and projects that target the protection of fragile ecosystems and the preservation of bio-diversity should receive priority attention from the EIF. These areas are threatened by continuing human incursions and encroachments either for the harvesting of biological species or for land settlements. Research, documentation and protection of these ecosystems should be supported by the EIF.

3.5 The Board of Directors

Upon coming into force of the EIF Act, the Minister of Environment and Tourism, acting under the Interim Provisions of the Act, will appoint an interim Board of Directors for the EIF. This interim Board will have tenure for four months and will have all the powers and authority vested in the permanent Board. The major function of the interim Board would be to facilitate the appointment of a

permanent Board of Directors in accordance with the provisions of the Act. The Minister of Environment and Tourism at the expiration of the tenure of the interim Board, and as required under the EIF Act, will formally appoint the permanent Board of Directors for the EIF. The first Board of the Fund will consist of nine (9) members (Box 1):

BOX 1: The proposed EIF Board of Directors

- Ministry of Environment and Tourism - two members, being the Head of the Directorate of Environmental Affairs and the Director of Resource Management
- Ministry of Finance - one member
- Private sector tourism - one member
- Private sector mining - one member
- NGOs - one member
- CBOs - one member
- Donor agencies - one member
- Other Private sector (agriculture, fisheries, etc.) - one member

The Permanent Secretary of the MET and the Chief Executive Officer of the EIF could be ex-officio members of the Board. All members of the Board, except the ex-officio members, will have voting rights and the chair will have a casting vote. During the first meeting, a permanent chair will be appointed from among the membership to serve for the duration of the tenure of the Board. The tenure of Board members is three years but they are eligible for reappointment.

The powers and authority of the Board of Directors are detailed in the Act. Specifically it mandates the Board to be responsible for the following (Box 2):

BOX 2: Responsibilities of EIF Board of Directors

- Management and administration of the Fund assets
- Allocation of the Fund
- General administrative matters
- Accountability, Books of Accounts and Auditing
- Appointment of the technical advisory panel

The Board shall appoint a Chief Executive Officer (CEO) whose duty it will be to manage the day to day affairs of the EIF. The Board could also appoint an executive management committee consisting of two voting members and the CEO who will also serve as secretary to the Board. The executive management committee shall be responsible for any Board functions that need to be determined during the period between Board meetings.

3.6 The Technical Advisory Panel

The Board of Directors will appoint a Technical Advisory Panel (TAP) whose primary function is to serve as advisors to the Board on technical matters related to the objectives of the Fund. Specifically the TAP will appraise, assess, evaluate and monitor proposals, projects and institutions applying for or receiving EIF funding. The TAP will make technical recommendations to the Board but will have no policy or implementing function. The tenure of the TAP shall not exceed that of the Board, which appointed it. The members of the TAP may however be re-appointed by a subsequent Board.

4.0 ENR FUNDING IN NAMIBIA

4.1 The Financial Requirements for ENR

The MET has estimated that capital investments of N\$69 million was required during the 1998/1999 financial year to adequately fund ENR programs (DEA, 1998), including CBNRM activities (Table 2). The GRN provided N\$15 million in its budgetary allocations.

International donors were expected to provide N\$21 million for a total of N\$36 million. The deficit on required capital would therefore be N\$33 million. In the 1997/1998 budget year the GRN provided N\$6 million as capital investment and approximately N\$1 million for recurrent expenditure. International donors provide approximately N\$19 million.

Although there was a significant increase in the level of GRN capital contribution between FY1998 and FY1999, it is unlikely to further increase significantly over the short to medium term. Donor

contributions will more than likely be reduced or at best remain constant. The EIF would provide support to partially reduce this deficit.

Table 2: Required Public Investment in Environmental Capital

(N\$ millions)

	FY 1998*	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Capital GRN	6	48	50	53	57	58	61
Capital Donor	19	21	21	21	21	21	21
Capital Total	25	69	71	74	78	79	82
Recurrent GRN	2	12	5	5	5	5	6
Total Investment	27	81	76	79	83	84	88

FY = Financial Year of GRN * = Actual Budget Expenditure for FY 98
 Source: Ministry of Environment and Tourism (1997)

4.2 Development Assistance to ENR

Development assistance to the ENR sector has been provided by a number of donors since independence. The total amount of assistance committed to the country for the period 1990-2000 is approximately US\$91 million (Table 3). The bulk of the assistance (44%), US\$41 million is dedicated to the water resources planning sub-sector while US\$32 million or 35% of the assistance is to the environmental preservation and rehabilitation sub-sector (Namibia Development Co-operation Report, 1997). The USAID/LIFE Program (US\$15 million), makes up almost half (47%) of the amount for this sub-sector.

Actual disbursements between 1994 and 1997 have fluctuated between a high of US\$29.5 million, including US\$21 million for water infrastructure, to a low of US\$3.7 million in 1996.

Disbursement for 1997 was US\$8.5 million while planned disbursement for 1998 was US\$6.2 million (Table 4). Most of the projects in the inventory have either been terminated or are due for closure in the year 2000 (Table 4). A number of these have been extended at no additional cost to the donors so as to utilize unexpended funds.

Projects and activities initiated as a direct result of these interventions do not and will not end with the cessation of project funding. For example, the conservancies, CBNRM, preservation of biological diversity and attempts to combat desertification are long-term in their scope. The EIF should be in place to take over the financing of some of these projects and activities when donor support and contributions are terminated.

Table 3: Inventory of Development Assistance Projects in the ENR Sector 1990-2000.

Sub-sectors	Duration	No. of Projects	Amount (US\$,000)	Percent
Cartography	1992-1998	2	3,999	4.4
Policy/Planning	1994-2000	2	9,485	10.4
Water Resources	1990-2000	9	40,625	44.7
Env. Preservation	1991-2000	9	31,673	34.8
Mineral Resource Exploration	1990-1998	2	5,193	5.7
TOTAL		24	90,975	100

Source: UNDP Country Report 1997.

Table 4: Disbursements from Development Assistance Projects in the ENR Sector 1994-1998 (US\$,000).

Sub-sectors	1994	1995	1996	1997	1998 (planned)
Cartography	944	1,091	103	941	571
Policy/Planning	37	8	42	0	0
Water Resources	2,705	20,885	1,223	3,795	2,127
Env. Preservation	828	6,087	1,984	3,240	3,363
Wildlife/Nat. Park	0	272	310	148	142
Mineral Resource Exploration/Exp.	1,511	1,117	3	353	13
TOTAL	6,025	29,460	3,665	8,477	6,216

Source: UNDP Country Report 1997.

4.3 Amounts to be raised by the EIF

The EIF proposes to raise N\$15-20 million on an annual basis from local sources through conservation levies and fees. An endowment of US\$20-30 million, to be funded by international donors on a one-time basis, is being proposed. This could yield approximately US\$1- 2 million in annual income. Total annual income from combined local and foreign sources could range from N\$20 to 30 million (Table 5).

4.4 Proposed Cash Flows and Investments

Until the final decision is taken on the sources of local revenues and a portfolio of foreign endowments is established, it will be difficult to accurately state the levels of investment and cash flow for the EIF. However, based on current proposals and plans, the EIF could generate locally up to N\$15 million during its first three years of operation and up to N\$20 million per annum by the end of year 5 of its operation. If the targeted foreign generated portfolio of US\$20-30 million of foreign endowments is achieved, another N\$5–10 million could be generated from these investments from year 4 onwards (see Table 5).

Table 5: EIF Projected Revenues, Operating Expense and Project Investment 2000 to 2005

(N\$ millions)

	FY 2000*	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Local Revenue	4	15	17	18	19	20
Foreign Revenue	0	0	0	5	5	10
Total Revenues	4	15	17	23	24	30
Operating Expense	1	4	3	3	3	4
Reserves (Cumulative)	3	14	10	12	13	15
Investment (Projects/Activities)	0	0	18	18	20	24

FY = Financial Year Jan to Dec

* = Assumes EIF approved in FY 2000

The EIF will not grant significant amounts for projects during years 1 and 2 but instead would use revenues generated to set up its operations and build up its reserve. By the start of year 3 it should have N\$20 to 25 million in reserves. At the start of year 4 N\$22 to 27 million should be available, including the first returns from the foreign endowment portfolios. The Fund should not grant more than 60 percent of its reserves for project activities in years 3 to 5 as it continues to build up a good reserve base.

5.0 PROJECTS AND ACTIVITIES TO BE FUNDED BY THE EIF

The objectives of the EIF will require the Fund to procure and allocate funds for those activities, which promote the following (Box 3):

BOX 3: The Activities to be promoted by the EIF

- sustainable use/management of natural and environmental resources
- maintain the natural resource base and ecological processes
- maintain bio-diversity

5.1 Guidelines for the Allocation of Funds

In the allocation of EIF funds for a particular activity or project the Board of Directors should follow the guidelines established under the EIF Act. These guidelines are summarized as follows (Box 4):

BOX 4: Guidelines for Allocation of EIF Funds

- utilise reviews and recommendations of TAP
- priority to be given to previously disadvantaged groups and individuals
- bio-diversity and conservation focus to be maintained
- complement not substitute environmental expenditure of GRN
- not to replace GRN operations nor fund operational cost of public service activities
- priorities and criteria for funding to be made public and consistent with EIF objects
- earmark or reservation of funds for a particular activity or sector is permitted
- maintain balance between large and small grants and between categories of recipients

The TAP should be tasked to draw up and recommend to the Board for its approval a list of priorities and criteria for the funding of projects and activities. This list will be reviewed periodically as determined by the Board and once approved must be made public and available to all interested parties at all times.

5.2 What will be Funded by the EIF

The following activities or projects can be financed with EIF funds (Box 5):

BOX 5: Activities and Projects that can be Funded by the EIF

1. conservation, protection and management of natural resources
2. conservation of biological diversity and maintenance of ecosystems
3. economic improvements in the use of natural resources for the benefit of its users especially those whose livelihood depends directly upon this use
4. development and promotion of diversified sustainable rural development
5. training and education of Namibians in sustainable economic development as it relates to use of natural resources
6. promotion of public awareness of the environment and environmental issue
7. development and implementation of environmental policies and strategies
8. improving and broadening the knowledge base of Namibia's environmental resources
9. the production, monitoring, management, use and sharing of environmental information
10. any other project or activity whose purpose relates to or promotes the principal objective of the fund and which the Board may approve

5.3 Source of Funds for Projects and Activities

Activities and projects to be funded under the EIF will be financed mainly from the interest from endowments and investments as well as revenues raised locally from levies or other sources. The EIF will have provision for special earmarks from international donors for specific activities. The use under exceptional circumstances of portions of the endowments could be permitted. In this case, there has to be a demonstrated need for and benefit to be derived from such expenditure. The amount of endowment that can be utilized for this purpose in any one year should be limited to not more than ten percent of the endowment.

The EIF will need to use its funds to finance the administration of the Fund. The extent of the use of funds for this purpose is limited to not more than fifteen (15) percent of the total annual disbursements from year two onwards. During the first year of operation, expenses for setting up the office and for capital purchases will be proportionately higher than in subsequent years when much of these expenditures will

not be required. Unless a significant endowment or special earmark grant is received early in the life of the Fund, it is not anticipated that many grants or loans will be made in the first two years since the capital base will be small. This situation will also contribute to the high proportion of administrative costs during the first two years.

6.0 RECEIPT AND DISPOSAL OF FUNDING PROPOSALS

6.1 Solicitation of Proposals for Funding

The EIF should be pro-active in its efforts to effect interventions that will preserve and protect the Namibian environment and natural resource base. To this end it shall solicit proposals for funding from Namibian organizations, institutions and individuals through advertisements in the local media and the network of GRN, private sector agencies, NGOs and CBOs. Requests for funding from non-Namibian entities should not be considered.

The solicitation package provided to prospective clients must include documentation on the priority areas for funding as well as the criteria that will be utilized to evaluate proposals. It should also include clear instructions in English on the requirements for the completion and submission of response to the proposals. A reasonable time period for the actual preparation and submission of proposals should be given.

Assistance should be provided to those individuals and organizations that might be disadvantaged in any way to prepare their proposals. This assistance could include workshops on proposal writing or the provision of technical assistance during the preparation process.

Completed proposals should be returned to the office of the Chief Executive Officer whose responsibility it will be to forward bids to the TAP for review and evaluation. The CEO has no responsibility in the acceptance or rejection of proposals but may carry out initial screening before submission to the TAP. He/she may make suggestions for improvements to the proposer.

6.2 Review of Proposals

The TAP shall normally receive and review bids twice per year or as directed by the Board. They shall make their review/evaluation of proposals and recommendations for acceptance or rejection using only the published criteria. The recommendations will be passed on to the Board with the necessary supporting documentation such as project summaries and/or notes of the evaluation.

The Board will review the recommendations and normally accept them. Should the Board require further information on the recommendation or differ with the conclusions upon which the recommendations were made, they may consult further with the TAP. The ultimate decision on the allocation of funds to a particular activity or project shall rest with the Board as stipulated in the EIF Act.

7.0 LOCAL REVENUE SOURCES FOR THE EIF

7.1 The Need for Local Revenue Generation

Most Environmental Trust Funds were set up using capital donated by international donor agencies. The amounts raised have been limited by the level of donor contribution, the conditions of use attached, or because they were earmarked for special activities or projects. This not only limited the scope of the work that could be financed but it also removed or reduced the flexibility of Funds to respond to national priorities.

A recent study of environmental trust funds by the Global Environmental Facility (GEF, 1997) found that most Funds were unable to raise capital over and above the initial donor levels. This did not provide the Funds with the security or the degree of flexibility needed to achieve their long-term goals and objectives. The study concluded that in setting up these Funds, consideration should be given not only to donor capital contributions but also to government policies and actions that enable funds to flow from local sources. The Belize Protected Areas Conservation Trust is one such fund with local sources of funding (McCalla et. al., 1996 and PACT, 1997).

The EIF in its design has always identified the need for a local revenue generation component in its structure. The correctness of this design is now borne out by the findings of the GEF study.

7.2 Authority to Raise Funds in Namibia

The EIF Act, when it is passed into law, will authorise the EIF to raise funds within Namibia. The quantum and/or particular types of resource levies that could be imposed has been reserved as a prerogative of the Minister of Environment and Tourism acting in concert with and after consultations with the Minister of Finance and other relevant Ministers, and based on the recommendation of the Board of Directors. The enabling nature of the draft legislation would permit the quantum and types of levies to be proclaimed through statutory instruments to be published in the Government Gazette.

7.3 Form to be Decided by Namibians

This paper will not make any recommendations on the sources of local revenue to be exploited by the EIF. Suffice it to say that whatever sources are finally decided on must reflect the norms, culture and political reality that is Namibia. What works elsewhere may not work here and so while learning from other countries' experience Namibia must at the same time develop models that will work in Namibia. The following paragraphs are therefore only suggestions meant to be guidelines and are not cast in stone.

7.4 Strategy for Local Fundraising

The EIF Act will provide for the Fund to raise revenues within Namibia from a variety of sources. Potential local revenue sources include conservation fee for foreign tourists, conservation fee for users of national parks, game reserves and wildlife etc., a hotel room occupancy levy, user fees for natural resources, a fuel levy, pollution fines, voluntary donations and gifts as well as income from investments made locally. Any number of or combination of these could be utilized. The strategy to be adopted in the generation and collection of local revenues for the EIF should be guided by the following principles (Box 6).

BOX 6: Guiding Principles for Local Revenue Generation

- target those most able and willing to pay (foreign tourists and resource users)
- avoid those already making contributions through income taxes (Namibians)
- not to compete with GRN for revenues locally or from abroad (new sources)
- no net decrease in demand for tourism or other products and services (not punitive)
- easy and cost effective collection processes and mechanisms
- capture direct rent from users of natural resources for recreational or other purposes

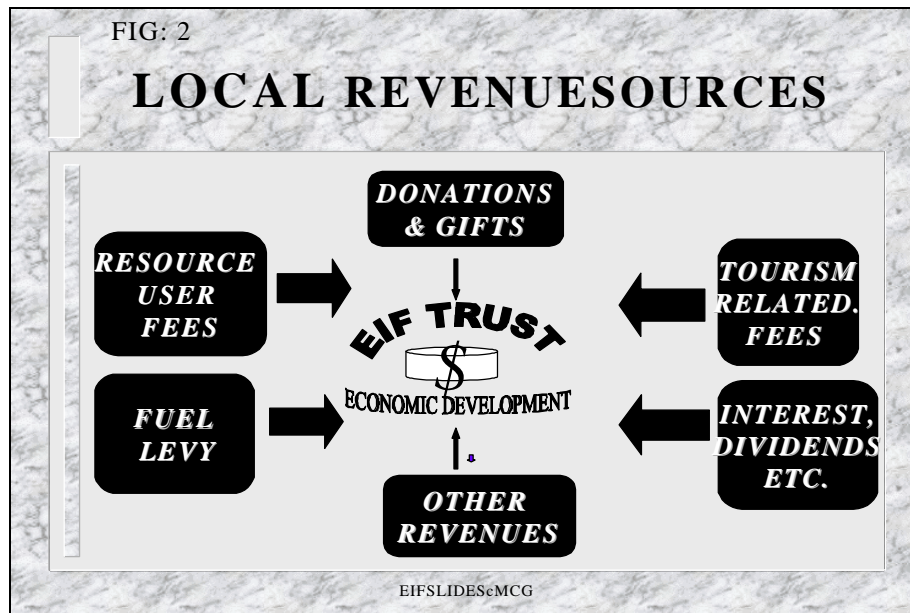
The EIF must seek to raise approximately N\$15-20 million locally on an annual basis. The following sections contain suggestions as to how these amounts can be raised. These are meant to be guidelines.

7.5 Categories of Local Revenue Sources:

Revenues could be generated from a number of sources within Namibia. At least six (6) major and distinct categories of local revenues offer potential for the EIF (Fig 2 and Box 7).

BOX 7: Potential Local Revenue Categories

1. *tourism related (with four sub-categories)*
2. *natural resource user fees*
3. *other revenues (pollution fines)*
4. *voluntary donations and gifts*
5. *interest and other income from investments, and*
6. *fuel conservation levy*



These potential sources of revenues are being suggested for consideration as options that can be pursued by the EIF without prejudice. The most promising sources are those to be derived from or related to tourism. The category with least promise of being adopted is that of the fuel levy. This is a very controversial option and does not meet most of the principles stated in Box 6. The EIF should therefore avoid expending energy and time on this option.

7.6 Tourism Related or Derived Revenue Sources

7.6.1 Tourist Conservation Fee

The EIF will require foreign tourists to pay a conservation fee at some stage during their visit to Namibia. This conservation fee will be similar to that charged by the environmental fund in Belize (PACT 1997) and is potentially the main source of local revenues to be exploited by the EIF and its implementation will require careful planning. The fee could be collected on arrival or at the time of departure.

Total tourist arrivals in Namibia for all purposes increased by an average annual rate of ten percent (10%) between 1996 and 1998 (Table 6). Total estimated arrivals for 1998 was 559,700 (MET 1998).

Table 6: Tourist Arrivals* in Namibia 1993 through 1998
(Arrivals in ,000s)

Area of Origin	1993	1996	1997	1998**
Africa	196.6	351.4	383.5	429.5
Europe	50.3	93.9	101.2	111.1
Rest of the World	8.1	15.9	17.3	19.0
World Totals	255.0	461.3	502.0	559.7

* Arrivals in 000s **Estimated

Source: Ministry of Environment and Tourism (1998)

More than seventy-five percent (75%) of the visitors entered through the Hosea Kutako International Airport (HKIA), Eros Airport, two road border crossing points for the Republic of South Africa (RSA) and Ngoma. The strategy to collect the conservation fee from foreign tourists should therefore focus on the HKIA, Eros, the two RSA border crossings and Ngoma.

Namibia does not at this time collect departure fees at points of exit and therefore the EIF should seize this opportunity to collect the conservation fee from foreign tourists at the time of departure. This is an untapped source of conservation directed revenue of which the EIF must take advantage.

A suggested conservation fee of N\$30 for visitors leaving through the HKIA and N\$25 for those leaving through the other points of exit would gross approximately N\$9-12 million per year using 1998 arrival figures. Namibians, permanent residents and accredited diplomats would be exempt from this conservation fee.

Implementation of this revenue raising mechanism will be authorised under the EIF Act. The EIF should enter into co-operative agreements with partner agencies such as the Immigration Department and the Airport Management Company. The co-operating partners would be designated as collection agents for the Fund and would therefore be authorised to collect revenues at the points of departure on its behalf.

The EIF would pay an agreed service fee to its partners on a regular basis in return for them collecting the conservation fee.

7.6.2 Entrance Fees to National Parks

There are some twenty-one (21) national (state-owned) parks, game reserves and recreational areas covering over 112,000 km² or 13.6 percent of the country. Almost 200,000 visitors entered the parks during 1995. Based on a willingness to pay survey conducted by the DEA (Barnes et. al, 1997), it was established that tourists were willing to pay a park user fee of up to N\$19 per day. The EIF could benefit from this by collecting N\$20 per person entering the park, regardless of the duration of their stay. This one-off park user fee of N\$20 per person would generate approximately N\$4 million for the EIF on an annual basis. Children under 12 would be exempt from this fee.

The administration and collection of this fee could be done by the relevant sections of the MET and the Namibia Resorts Management Company. These agencies would also have cooperative agreements with the EIF that will authorize them to collect funds on its behalf.

7.6.3 Trophy Hunting Levy

Trophy hunting is a very selective use of wildlife whereby locally registered hunters sell their skills and knowledge of the local wildlife environment to foreign hunters. Currently, there are some four hundred registered hunters in Namibia and they market their services through agents in Europe and North America. During 1998 – 1999 budget year, local hunters contributed N\$2.3 million to the State Revenue Fund (SRF) in the form of registration fees (N\$37,000) and sale of trophies (Republic of Namibia, SRF 1999).

This is a potentially useful revenue source for the EIF and could realize approximately N\$500,000 to N\$1,000,000 annually. Based on the current range of prices for trophies, a fee of N\$5,000 per hunter per year is being proposed. These charges could be spread over the number of trophies taken and should therefore not negatively impact the decision to take a trophy from Namibia. Each registered professional hunter would be obligated under the law to pay these fees

periodically to the EIF. Appropriate cooperative agreements could be negotiated with the Tour and Safari Association, the Professional Hunters Association and other agencies with respect to the collection of the fees.

7.6.4 Hotel Occupancy Levy

Both the government and private sector provide hotel accommodation for tourists within Namibia. Data available indicate that in 1994 the private hotels sold approximately 450, 000 room nights while the public or government owned establishments sold 97,000 room nights for a total of 547,000 room nights (MET, 1996).

Except for a small number of private agreements between operators of community tourist facilities and the communities in which they operate, there are no levies on bed occupancy per night. The amount paid by the operator to the community is not really a bed night levy. It is more realistically a payment or rental for the right to use the community land to conduct the operation. The collection of a bed night levy should therefore be viewed as an important and potentially lucrative opportunity.

Consultation and negotiation with the various interested parties such as the proposed Namibian Tourism Board (NTB) and the Hotel Association of Namibia (HAN) should help to develop this revenue source. The DEA, the Tourism Policy and Planning Unit of the MET and the private sector tourism industry should have a coherent and unified approach to the development and implementation of a levy.

A levy of N\$20 per person per night spent in accommodation would gross approximately N\$12 million per year, shared N\$6 million each between the EIF and the proposed NTB.

7.7 Natural Resource User Fees

It has been well established that the users of natural resources such as minerals, marine products, forest products, water, land and wildlife seldom pay the full economic cost of the resource used in their enterprises. These resources can be depleted and/or degraded as a

direct result of their use for economic and social development (Lange and Motinga, 1997). Sustainable use requires that the cost of replacement (in the case of non-renewable resource) and maintenance (in the case of renewable resource) be included in the economic costing of production processes as is the case for physical capital such as buildings and equipment. Physical capital and other assets are replaced and maintained with depreciation costs in regular accounting.

Documentation exists that indicate at least one mining company has established a trust fund as a sort of liability insurance against damage claims made as a result of degradation of resource or pollution. This fund (mining companies' fund), could also be used for restoration and rehabilitation of mined out areas as well as to provide support to the small scale mining sector to help them undertake environmentally acceptable practices. This is a positive development that should be the standard within the industry.

The Chamber of Mines, representing the mining companies, has indicated a preference for this approach rather than to pay fees into the EIF for use of mineral resources. A memorandum of understanding between the Chamber, the Ministry of Mines and Energy, the DEA/MET and the EIF could be used to formalize a partnership for the protection of the environment while contributing to economic development.

The GRN has embarked on the process of developing natural resource accounts for specific resources such as mining, fisheries, water, energy, land use and wildlife (Lange and Motinga, 1997). This would be an avenue to address the issue of full economic cost of resource use. As a matter of policy, permits and licenses to utilize resources should be issued on a competitive basis with the bids being awarded to the highest bidder all other factors remaining equal. The reserve price for bids should be set using the principles of natural resource accounting so as to capture the social and other costs of resource exploitation. This would ensure more efficient use and conservation of resources such as fish, water, minerals, forest products and wildlife. Inefficient use or wastage of resources would result in increased cost and lower profits for the user. The increased rents would accrue to the

owners of the resource and these could then be used in economic and social development projects.

Part of the rents captured from natural resource use should be invested in capital projects or activities that generate a future stream of income in perpetuity. The EIF is designed to generate such a stream of income from its direct investment portfolios, from its financing of sustainable economic development projects and from investing in human resource development. The EIF should become a partner in this process to ensure that part of the economic rents from resource use is invested via the EIF. In this way it will become one of the investment mechanisms available to the GRN for long-term economic development of the country.

7.8 Pollution Fines

As industrialisation becomes more and more established in Namibia, the possibility increases that accidental and/or negligent acts of pollution will occur. The proposed Pollution and Waste Management Control Act will make provisions for preventative and mitigative actions to be taken to protect the environment. In cases where it was established that the pollution occurs due to negligent or deliberate action by individuals or companies, provision will be made for compensatory and punitive fines. These fines could be levied by a court of law or by the authorized regulatory agency.

The compensatory fine should be paid to the aggrieved party or parties for the loss or damage to life or property as a result of the pollution. The punitive fine is normally used to punish the guilty party for negligent or careless action in the operation of their business. The possibility should be explored to determine whether all or part of the punitive fine could be paid to the EIF for furtherance of its work. This would have to be built into the proposed pieces of legislation i.e. the EIF Act and the Pollution Control and Waste Management Act.

7.9 Voluntary Donations and Gifts

This category of revenue is totally dependent on the goodwill of the public and their perception and determination of the value and

usefulness of the work of the EIF to the country. No realistic estimate of the value or the predictability of flows of voluntary donations and gifts can be made at this time. Dependent on the need and priority attached to this source of funding, the Board may establish a local fund-raising entity such as a foundation whose job it will be to develop and utilize mechanisms for realizing targets set. Mechanisms that can be utilized include incentives/awards for different levels of contributions, annual public fund-raising campaigns and direct solicitation of endowments and other gifts from the local private sector. This would involve a wide cross section of the Namibian populace in providing material support to the EIF and participating in environmental protection at the same time.

7.10 GRN Donation

There is no requirement or obligation on the part of the GRN to make donations to the EIF. The Board of Directors should however view the GRN as a possible donor to the Fund. Donations made by the GRN could be one time contributions and not of the regular or periodic type.

The GRN holds on behalf of the Namibian people a number of tourism related assets. Some of these assets will generate more net returns to the national economy and are more efficiently run if they are commercialised. The Namibia Wildlife Resort Company (NWRC) currently manages the state-owned tourism-related assets that were transferred to it in 1999.

The Board should explore the possibility of the GRN granting one or two of these properties to the EIF. This would require some legal changes to be made by the GRN to the NWRC. Although the GRN is the only shareholder in NWRC, the assets were transferred and are now legally owned by the company separate from the shareholder.

If a deal could be worked out and a grant made, the terms and conditions of such a grant should require the EIF to keep the properties (the capital) for perpetuity and lease them to the private sector to generate a stream of revenue on an annual basis (annuity).

Alternatively, the conditions could stipulate that the EIF could sell all or some of the properties but the proceeds from the sale (the capital) would become an endowment and invested in a secure investment.

The Game Products Trust Fund (GPTF), established in 1997, is a fund designed to use the proceeds from the sale of wildlife products from the State resources to finance community-based developments in the rural areas. The main source of revenues for the GPTF is from the sale of ivory under the CITES regulation and control. As currently set up, the GPTF is supposed to be managed and implemented by the MET staff. Due to other GRN obligations, the staff is not necessarily equipped to dedicate themselves to the efficient management of the GPTF. The MET might want to consider the option of incorporating the GPTF into the EIF either as a full component of the EIF or purely as a mechanism for administering and disbursing the funds.

7.11 Interest and Other Income from Investments

The EIF Board of Directors will be required to invest all endowment principals in secure low-risk investments that will generate a steady stream of income for the Fund over time. Investments recommended include local treasury bills and utility bonds, real estate and certificates of deposit. These are investments that guarantee the principal amounts and are therefore to be preferred for the bulk of the investment portfolio. The rates of returns may be lower but the risk of loss of principal is reduced and/or eliminated. To guard against losses due to fluctuations in market and exchange rates, only a small portion of endowments should be in stock, currency or commodity markets.

The amount of revenue earned from investments will be dependent on a number of factors. These include the size of the endowments, the volume of local reserves held in any year, the current rate of return on individual investments and the portfolio mix of investments. With local reserves of at least N\$10 million from year 2, income earned (assuming current rates), should be at least N\$1 million per year.

To properly manage its investment portfolio the Fund should employ an experienced financial controller or portfolio investment manager.

This function could be out-sourced during the first years of the Fund and then become an in-house position as the Fund grows.

7.12 Fuel Levy

The proposal for a fuel levy was developed directly from the inputs of participants during the consultative process. It was felt that the local base of EIF revenue should be broader than total dependence on tourism. It was suggested that fuel and water could be brought into focus and users asked to make a contribution to the Fund. This would ensure that Namibians made a contribution to the EIF revenue base.

The potential for revenue generation from a levy imposed on the use of selected petroleum products was promising. Products such as diesel, gasoline, jet fuel and heavy furnace oils were examined as they are utilized in high volumes and hence have the potential to provide a reasonable volume of revenue with a low level levy.

Based on a proposed fuel levy of N\$0.01 per liter of product, the potential gross revenue of N\$8 million is possible (Table 7). Certain products are however of low volume use and would generate revenue that might be difficult or uneconomic to collect. If the focus was placed on diesel, gasoline, jet fuel and heavy furnace oil, revenue could be in the order of N\$7 million. If only half of this amount is realized approximately N\$3-4 million in revenues could go to the EIF.

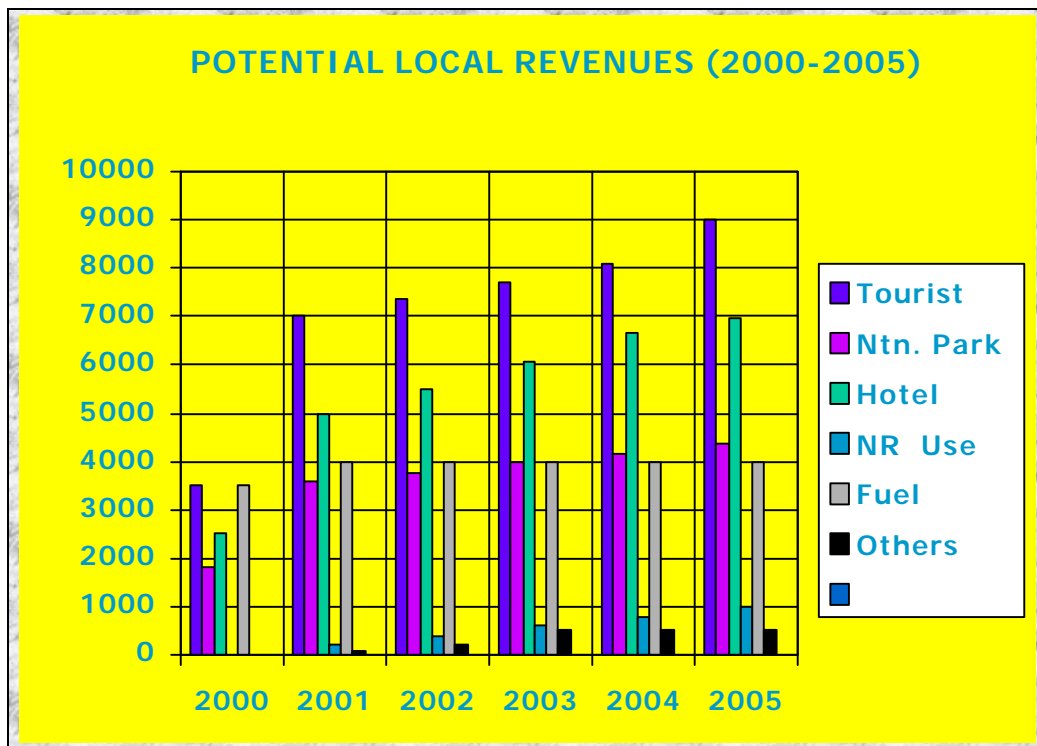
Table 7: Potential Revenue from Use of a Fuel Levy

PRODUCT TYPE	SALES 1996	FUEL LEVY	FUEL LEVY
	(Volume)	(N\$)	(N\$)
	(<u>'000 Liters</u>)	(<u>1 cent/liter</u>)	(<u>2cents/liter</u>)
DIESEL	384,963	3,849,630	7,699,260
GREASE	319	3,190	6,380
AUTOMOTIVE OILS	12,014	120,140	240,280
AVIATION GASOLINE	4,203	42,030	84,060
BENZINE	588	5,880	11,760
BITUMEN	6,094	60,940	121,880
GASOLINE 91	164	1,640	3,280
GASOLINE 93	268,431	2,684,310	5,368,620
GASOLINE 97	5,121	51,210	102,420
HEAVY FURNACE OIL	27,494	274,940	549,880
ILLUMINATING PARAFFIN	17,383	173,830	347,660
INDUSTRIAL OILS	3,523	35,230	70,460
JET FUEL	59,826	598,260	1,196,520
LIQUID PROPANE	11,745	117,450	234,900
MARINE DIESEL	1,367	13,670	27,340
MARINE FUEL OIL	<u>16,201</u>	<u>162,010</u>	<u>324,020</u>
TOTAL	819,436	8,194,360	16,388,720

There is a school of thought which suggests that a fuel levy should be avoided as a source of revenue for the EIF. The argument was that a fuel levy was not part of the original intent of the EIF and therefore outside of its terms of reference. Secondly, a fuel levy would affect all Namibians by increasing the cost of living. The third and strongest argument was that the GRN used fuel as a source of revenue for the SRF and since the EIF was created to seek out innovative revenue sources it should avoid competing with the GRN for revenues. It should complement and not compete with or replace the GRN. The need to maximize local revenue sources should be balanced and realistic and must not become an obstacle to the establishment of the EIF. In the present circumstances, the EIF should not pursue the use of a fuel levy as a local revenue source.

Figure 3 illustrates the potential sources and amounts of local revenues that could be available to the EIF on an annual basis.

Fig. 3: EIF LOCAL REVENUES



If all the above revenue generation options were pursued to the fullest extent possible, by year 5 of its operation, the EIF could be generating in excess of N\$26 million per year. It is highly likely that the fuel levy option will be abandoned and very possible that natural resource user fees might not be realized in the short to medium term. It would be more realistic to expect the EIF to generate N\$15-20 million per year in local revenues.

8.0 FOREIGN REVENUE SOURCES

The EIF Act will mandate the Board of Directors to raise revenues for the Fund from sources outside the borders of Namibia. Most environmental trust funds established elsewhere were initiated with endowments from international donor agencies such as USAID, GTZ, OECD countries and the GEF. Funds have been established in Bolivia, Uganda, Dominican Republic, Belize, South Africa and other countries. So far the GEF and USAID have given verbal indication of their willingness to participate in the Namibian EIF.

Raising international donor funds and setting up an endowment is a time consuming and complex matter. It is not anticipated that the EIF will be able to establish an endowment within its first year of operation but a target for the fund should be US\$20-30 million within the first five years. This should generate more than US\$1million in annual income for funding projects and activities.

International donors to environmental trust funds have strict criteria and guidance on the establishment of such trusts and the use of funds from the trusts. The OECD countries have some guidelines that must be in place before they will donate to environmental trusts (Box 8).

BOX 8: OECD Guidelines for Environmental Trust Funds

- the trust must raise or have access to local counterpart funds
- control of the trust should rest with non-governmental entities
- the programme of the trust must be linked to or be supportive of national and international environmental and economic development strategies
- the activities of the trust should not serve as a replacement for governmental functions and responsibility
- the trust should be located in a country that is eligible for donor funding

The proposed EIF of Namibia is being designed to meet all the above guidelines. Specific donor countries may however have more specific criteria and/or policy guidelines for contribution of their funds to trusts. For example, the USAID is restrained by the US Government laws and more specifically by the Policy Determination (PD-21) of July 1994 (USAID 1994).

9.0 FUND CONTROL AND ACCOUNTABILITY

9.1 Assets of the Fund

As an investment fund the main assets of the EIF will be the funds that it will collect from various sources and hold in trust before disbursement for the protection of the environment and management of natural resources. Significant amounts of cash will be collected from various local sources on a regular basis as designated by law. International donors will normally make their donations to endowments and may have specific guidelines to protect the funds they donate to the trust. It is essential that the EIF design and implement mechanisms that will ensure full protection of all its assets regardless of source of origin. These should include mechanisms for receipt and deposit of funds, disbursements, accounting and reporting and must be in place before the Fund starts operation.

9.2 Internal Accounting

The Fund should establish and maintain a proper internal accounting system that ensures control and responsible use of the finances and assets of the EIF. One of the first activities for the Fund should be the procurement of the services of a public accounting firm to set up an accounting system that conforms to both Namibian and internationally accepted standards of accounting. This should, among other things, deliver an accounting manual, a suitable and easily maintained software package and oversight service for the first year of operation.

9.3 Accounting Records

The specific types of records and accounting documentation should be detailed in the accounting manual to be delivered by the public

accounting firm. The Fund should at a minimum maintain the records and documentation listed in Box 9.

BOX 9: EIF Accounting Records and Documentation

1. Annual budget - derived from required expenditures to finance annual work plan and projected revenues from the various sources.
2. Quarterly budget performance - this should show the actual performance of budget items against plan.
3. Cash receipt books - in duplicate to record all cash received for and on behalf of the Fund. Original receipts should be issued for all payments made to the Fund.
4. Cash book - to record cash collections, deposits and disbursements.
5. Consolidated collection reports - derived from the periodic reports from collection entities.
6. Bank reconciliation statements - prepared monthly to reconcile checks issued with those actually clearing the bank account by the end of the reporting period.
7. General ledger
8. Monthly financial statements - these include balance sheet as well as income, expenditure and cash flow statements.
9. Fixed assets register - recording the fixed assets of the Fund including depreciation and insurance.
10. Annual financial report - incorporating the external audit report performed by a public accountant.

9.4 External Audit

The accounts of the EIF should be subjected to an annual external audit. An experienced and reputable public accounting firm or individual must perform this audit and should be duly licensed and/or registered to conduct such audits in Namibia. The Board should develop a short list of such qualified firms and individuals from which it can choose on an annual basis.

10.0 REPORTING REQUIREMENTS FOR THE EIF

10.1 Legal Requirements

The EIF, as a public Fund with national scope for its activities, should be subjected to the highest standards of accountability and transparency. This requires that the Board, through mandatory provisions in the law, put in place mechanisms for tracking performance and accountability. This can be done through a system

of annual technical and administrative, financial and external auditor's reports. These reports are to be tabled on an annual basis at the start of the financial year of the Fund. The Board should approve the reports before they are forwarded, as will be required by law, to the Parliament and various GRN ministries and agencies. Distribution should also include donors and other interested parties such as grantees, libraries and partners.

On a five-yearly basis, the Board should also commission an evaluation and strategic analysis of the performance of the Fund. The report should include the five-year strategic plan that would guide the actions of the Board and the Fund over the next five years.

10.2 The Technical and Administrative Report

This report shall be prepared by the CEO and shall contain sectional reports on the technical performance of the Fund through the projects and activities of its grantees, staffing, revenues received from various sources and expenditure by type of activity. Also to be included is an analysis of the impact of the Fund on the environment and natural resources within the country, a comparison of planned versus actual achievements, a proposed program of activities for the next year and recommendation for Board actions. In the period between annual reports the CEO shall prepare quarterly reports for the Board.

10.3 The Financial Report

The financial report should be prepared by the Financial Controller and presented to the Board. It will include but is not limited to financial statements of income and expenditure, balance sheets, report on the status of the assets of the Fund, budget performance, proposed budget for the new financial year and recommendations for investment of the Fund's financial resources. Quarterly financial reports should also be presented at regular Board meetings.

10.4 The Auditor's Report

The appointed auditors for the Fund will prepare the annual audited financial report. This report will be independent of the staff of the

EIF except for the provision of required documents and information. The details of the contents of this report have been spelt out elsewhere. This along with the selection process for the auditors should be included as an integral part of the operations manual of the Fund.

11.0 SOME ENVIRONMENTAL TRUST FUNDS ELSEWHERE

There are now more than twenty environmental trust funds established world-wide with a capital base of close to US\$900 million (Inter-Agency Planning Group, 1995b). These have been funded by bilateral and multilateral donor agencies as well as by private foundations and individuals. The donations include direct grants, debt for nature swaps, bilateral debt conversions, direct contributions from national budgets, grants from private individuals and companies as well as in-country levies for use of natural resource and related assets. The following paragraphs give brief summaries of six of these Funds.

11.1 BHUTAN: Bhutan Trust Fund for Environmental Conservation (BT FEC)

The BT FEC was established in 1991 as the first environmental endowment. A Board of Directors consisting of government, non-government and international donor representatives governs the Fund. By 1996, five years after its establishment, the BT FEC had a perpetual endowment of US\$20 million yielding over US\$1 million in annual income (Bhutan Trust Fund, 1996). The donors to this endowment include GEF, WWF-US, and the Governments of Switzerland, Norway, Denmark and Finland.

The activities funded by this trust include training of natural resource management professionals, development and implementation of protected areas management plans, institutional support, environmental education and public awareness campaigns.

11.2 BELIZE: Protected Areas Conservation Trust (PACT)

The PACT was established in 1996 by an Act of the Belize Parliament. A Board of Directors comprising government, non-governmental and private sector representatives governs the PACT. The main source of funding for the PACT comes from conservation fees charged to foreign tourists including cruise ship passengers, part of national parks entrance fees, recreational licenses and permit fees, concession fees and fines (TNC, 1996 and WWF-US, undated).

Activities to be funded under the PACT generally fall within the framework of its five-year strategic plan. These include but are not limited to training and hiring of national park staff, infrastructure developments in national parks and archaeological reserves, environmental education and public awareness, management of buffer zones around national parks and the funding of small to medium sized community-based or private sector eco-tourism projects.

11.3 PHILIPPINES: Foundation for the Philippine Environment

The Foundation and its Board of Trustees were established through the enactment of Philippine law. The Board of Trustees is made up of representatives from NGO's business groups and the government supported regional representatives. The endowment exceeds \$US21 million made up mainly of two debt for nature swaps and grants from private banks (USAID 1996 and WWF-US, undated).

Activities that are funded by the Foundation include conservation of biological diversity, training, community-based natural resource management, protected areas management, development of environmental database, environmental education and public awareness.

11.4 UGANDA: Mgahinga and Bwundi Impenetrable Forest Conservation Trust (MBIFCT)

The MBIFCT was established as an autonomous trust by Deed under the trust laws of the Republic of Uganda in 1994 (Annon. undated).

Its specific purpose is the conservation of biological diversity in the two parks while providing compensatory economic benefits to the communities surrounding the parks. The Board of Directors is made up of representatives from government, local NGOs, an international NGO, the private sector and the local communities. It was established with a US\$4 million capital base from the GEF plus US\$4.3 million funding from USAID for its initial operation costs.

The activities funded are divided between those proposed by community groups for conservation of bio-diversity (60% of income), and research activities and park management activities (20% each of annual income).

11.5 BRAZIL: Brazilian Bio-diversity Fund (FUNBIO)

FUNBIO was created in 1995 as a private autonomous foundation whose purpose was to contribute to the conservation and sustainable use of biological diversity in Brazil. Its Governing Council consists of representatives from government, NGOs, private sector and academic institutions. FUNBIO was established with US\$20 million (in two tranches) from GEF and US\$5 million from private donors. Funds are invested and interest used to finance projects (IUCN, 1996).

The activities being funded must meet the criteria set by the Governing Council. Grants are made to only those projects that demonstrate clear public and environmental benefits with participation of local groups. Priority is also given to projects which foster co-operation among institutions representing government, private sector and NGOs.

11.6 INDONESIA: Indonesian Bio-diversity Foundation (KEHATI)

KEHATI was established in 1994 as a non-governmental, non-profit, independent Indonesian Foundation to develop and implement a co-ordinated program for bio-diversity. KEHATI has a Board of Trustees selected based on personal capacities and not as representatives of any organization or government agency. Members of the Board serve for six years (Indonesian Bio-diversity Foundation

(1996). The Foundation was capitalised by a USAID endowment of US\$16.5 million. Other sources of income were used to finance operations and grant making during the early years of the Foundation. Activities funded include natural resource management and conservation (focus on forest and non-timber utilization and marine eco-systems), microbial and genetic research, development of legislation and policy for bio-diversity and networking compliance for the Convention on Biological Diversity.

12.0 FACTORS ESSENTIAL FOR THE ESTABLISHMENT OF AN ENVIRONMENTAL TRUST FUND

The GEF is one of the leading and most experienced international donor agencies providing support for environmental trust funds. They provided support for the establishment of the Bhutan Trust Fund endowment and have continued to provide assistance to many newly established funds. To date the GEF has committed over US\$60 million to six conservation trust funds. This level of co-operation and experience has provided the GEF with lessons learned in the establishment and operation of these funds. They have therefore been able to develop over time a set of factors that they have concluded are essential for the establishment of these funds. These four factors are described below in Box 10. The following paragraphs will examine how far the EIF process is towards meeting these essential conditions for establishment. There are also other factors that are classified as important but not essential for the establishment and operation of environmental trust funds. These are presented in Annex 2.

Namibia possesses a rich bio-diversity including several endemic plant and animal species. Although its natural environment is rated as fragile in some areas, it is not considered under serious threat at this time. It will however require research as well as management and protection to ensure it is not lost. The resources will need to flow in the form of annuities to support activities in this regard over the long run.

Throughout its development process, the EIF has been promoted as an autonomous and independent fund outside the control and operation

of the public service. This has been manifested in the concept paper, the draft Act and briefing papers prepared for Ministers, Permanent Secretaries and other senior public officials. To date there has been no negative responses to that concept. Letters of endorsement and support have been received from the Ministries of Finance; Mines and Energy; Works, Transport and Communication; Lands and Resettlement and Rehabilitation; and Agriculture, Water and Rural Development.

BOX 10: Essential Factors for Establishing Environmental Trust Funds

1. A valuable, globally significant bio-diversity resource whose conservation is politically, technically, economically, and socially feasible. Absence of major threats requiring urgent mobilization of large amounts of resources (i.e., the conservation action required is long term and addressable with the flows a trust fund could produce).
2. Government support of the concept of a fund outside government control, that involves both the public and private sectors. The support should be active and broad-based, from senior political leaders to regional and local bodies, extending beyond environmental ministries and departments to include ministries of finance and planning. A reasonable financial contribution from government, if not directly to the fund, then to project activities.
3. People with a common vision – from NGO's, the academic and private sector, and donor agencies – who can work together despite their different approaches to conservation. The support and involvement of business leaders is crucial to bring in private sector management skills, especially skills in financial management.
4. A basic fabric of legal and financial practices and supporting institutions, including banking, auditing, and contracting, in which people have confidence.

The initial development of the idea for the EIF came from a conglomeration of NGOs, government, private sector and academia during the preparation of the Namibian Green Plan for the UNCED conference. This co-operation has continued over time and has been utilized in the consultative approach to the design and development phases of the EIF. The establishment and implementation of the Fund will see the continuation of this close working relationship. Being a grant type of Fund, the main beneficiaries of the EIF will be NGOs, CBOs, government agencies and other institutions. These entities and the EIF will therefore have to develop and maintain a close working relationship.

Namibia is a democratic and open society. It has developed since independence a network of financial and other institutions supported by the necessary legal infrastructure and regulations. The financial sector is closely linked to that of South Africa as represented by a number of institutions and standard practices from that country. There is also a local stock exchange in operation. The public sector is regulated by an independent Auditor General while the private sector is regulated by a number of international and reputable public accounting firms and other financial institutions.

The above discussion seems to indicate that the Namibian EIF will fulfil all the essential requirements, as stated by the GEF, for its establishment. The process should therefore be continued with the aim of realizing establishment within the next twelve months.

13.0 CONCLUSIONS

- Namibia has since 1992 recognised that the State is not able from its limited resources to undertake all the necessary actions required to protect its environment for generations yet unborn. The need for alternate sources of financing, independent of government control and operations was identified as one solution to reduce the environmental funding deficit. The establishment of the EIF will signal the realization of the development of an alternate source of funding for environmental projects and activities.
- There is enough organization and institutional support within the public and private sectors to make the establishment of the EIF a reality within the next year. In order to achieve that objective however there is need to have the full political support and backing via approval of the Cabinet Agenda Memorandum and enactment of the required legislation by the National Assembly.
- The EIF is being designed as a grant type Fund to be pro-active in the protection and management of Namibia's fragile environment and natural resource base while promoting economic development. The maintenance of ecological processes and the preservation of biological diversity will receive priority attention in the use of EIF funds. The reduction of poverty in rural communities will assist this process.
- The EIF will develop strategies to generate revenues from local and foreign sources. Local revenue sources will include a conservation fee to be charged to foreign tourists, natural resource user fees and voluntary donations and gifts. These sources should generate N\$15-20 million per year. The foreign revenue strategy will target donors who will participate through the establishment of an endowment fund whose capital will be preserved while its income would be used to fund projects and activities.

14.0 REFERENCES: (Cited)

- 1. Annon. – Mgahinga and Bwindi Impenetrable Forest Conservation Trust, Undated Mimeograph.**
- 2. Barnard, Phoebe (Ed) – Biological Diversity in Namibia: A Country Study. Namibian Biological Diversity Task Force. Windhoek, Namibia. 1998.**
- 3. Barnes J.I. et.al. – Tourists’ Willingness to Pay for Wildlife Conservation in Namibia. Research Discussion Paper No. 15, Directorate of Environmental Affairs, Ministry of Environment and Tourism. March 1997.**
- 4. Bhutan Trust Fund for Environmental Conservation - Annual Report 1995-1996, Thimphu, Bhutan. 1996.**
- 5. Brown, CJ – Opening Remarks and Overview of the Environmental Investment Fund. Speech delivered at the First EIF Workshop, Windhoek, Namibia. 1997**
- 6. Directorate of Environmental Affairs – Capital Investment and Sustainable Development for the Environment and Tourism Sector. Ministry of Environment and Tourism 1998.**
- 7. Directorate of Environmental Affairs – Concept Paper – Towards the Establishment of Environmental Investment Fund in Namibia. Ministry of Environment and Tourism March 1998.**
- 8. Government of the Republic of Namibia – First National Development Plan 1995/1996 to 1999/2000. Published by the National Planning Commission.**
- 9. Global Environmental Facility – GEF Evaluation of Experience with Conservation Trust Fund: Monitoring and Evaluation Program of the GEF Secretariat. December 1997.**
- 10. Global Environmental Facility – Factors Important for Establishing a Trust Fund. Undated from GEF website.**
- 11. Hanekom, Gert K. – Keynote Address on the Environmental Investment Fund. Speech delivered at the First EIF Workshop. Windhoek, Namibia. 1997.**
- 12. Indonesian Bio-diversity Foundation – Annual Report 1996. Jakarta, Indonesia, 1996.**
- 13. Inter-Agency Planning Group – Environmental Funds: A New Approach to Sustainable Development. A report for the Interested Members of the OECD/DAC Working Party of Development Assistance and Environment, Paris, France. April 1995.**
- 14. Inter-Agency Planning Group – Environmental Funds: The First Five Years – Issues to Address in Designing and Supporting Green Funds. A Preliminary Analysis for the OECD/DAC Working Party of Development Assistance and Environment, UNDP/GEF April 1995.**
- 15. Lange, Glenn-Marie – Designing a Sustainable Future with Natural Resource Accounts: The Experience in Namibia and the Implications for Southern Africa. Directorate of Environmental Affairs, Windhoek, Namibia. 1997.**
- 16. Lange, Glenn-Marie and Daniel J. Motinga – The Contribution of Resource Rents from Minerals and Fisheries to Sustainable Economic Development in Namibia. Research Discussion Paper No. 19, Directorate of Environmental Affairs, Windhoek, Namibia. 1997**

17. McCalla, Winston, Barry Spergel and Bernard Palacio – Report on an Operational Plan for the Protected Areas Conservation Trust. Natural Resource Management and Protection Project, Belmopan, Belize. April 1996.
18. Ministry of Environment and Tourism – Mission Statement and Mandate. Policy Document, Windhoek, Namibia. May 1994.
19. Ministry of Environment and Tourism – Annual Visitor Arrival Statistics 1997. The Policy Planning and Management Unit 1998.
20. Ministry of Wildlife, Conservation and Tourism – Namibia’s Green Plan (C. J. Brown ed.). Republic of Namibia., circa 1992.
21. Namibia Development Co-operation Report 1997. UNDP, Windhoek, Namibia 1997
22. Namibia Holiday and Travel 1999 – (Rieth van Schalkwyk ed.) 1999.
23. Namibia Yearbook No. 6, 1998/1999 – (Clive Cowley ed.) Guidebook Press, Windhoek, Namibia 1999.
24. Protected Areas Conservation Trust – Strategic Plan 1997 – 2000. Belize. July 1997.
25. Republic of Namibia – The Constitution. Ministry of Information and Broadcasting. Windhoek, Namibia. December 1991.
26. Policy Document: Mission Statement and Mandate of the Ministry of Environment and Tourism. 1994
27. Republic of Namibia – Statement by His Excellency President Sam Nujoma on the Occasion of the State of the Nation. Windhoek, Namibia. April 1998.
28. The Nature Conservancy – Regional Consultation on National Environmental Funds in Latin America: Case Studies on In-Country Resource Mobilization, Cartagena, Colombia. June 1996
29. US Agency for International Development – Endowments as a Tool for Sustainable Development: USAID Working Paper No. 221. Center for Development Information and Evaluation, USAID, Washington DC, USA. July 1996.
30. US Agency for International Development – Policy Determination PD-21. USAID, Washington DC, USA. July 1994.
31. World Conservation Union (IUCN) – Regional Consultation on National Environmental Funds in Latin America: Final Report and Profiles of National Environmental Trust Funds, Cartagena, Colombia. June 1996.
32. World Travel and Tourism Council – Southern African Development Community’s Travel and Tourism. Economic Driver for the 21st Century. London, England. 1999.
33. World Wildlife Fund-US – Foundation for the Philippine Environment, Undated Mimeograph, Washington D.C USA.
34. World Wildlife Fund-US – Belize: Protected Areas Conservation Trust (PACT), Undated Mimeograph, Washington D.C USA.

REFERENCES: (Not Cited)

- 1. Ashley, Caroline, Hansjorg Muller and Martin Harris - Population Dynamics, the Environment and the Demand for Water and Energy in Namibia. Research Discussion Paper No. 7, Directorate of Environmental Affairs, Windhoek, Namibia. September 1995.**
- 2. Brown, CJ – Namibia’s 12 Point Plan for Integrated and Sustainable Environmental Management. Directorate of Environmental Affairs, Windhoek, Namibia. April 1993**
- 3. Directorate of Environmental Affairs – The Establishment of an Environmental Investment Fund in Namibia. Ministry of Environment and Tourism. May 1995.**
- 4. McGann, Joseph A – Financial Mechanisms for Protected Areas Management. Paper presented at the Second National Symposium on the State of the Belize Environment, Belize City, Belize. October 1995**
- 5. Ministry of Environment and Tourism – Conservation of Biotic Diversity and Habitat Protection. Policy Document, Windhoek, Namibia. May 1994.**
- 6. Ministry of Environment and Tourism – Towards the Establishment of an Environmental Investment Fund in Namibia, Workshop Report No. 1 (Ed. J. McGann). November 1997.**
- 7. Ministry of Environment and Tourism – Towards the Establishment of an Environmental Investment Fund in Namibia, Workshop Report No. 2 (Ed. J. McGann). April 1998.**
- 8. Ministry of Environment and Tourism – Towards the Establishment of an Environmental Investment Fund in Namibia, Workshop Report No. 3, A Review of Some Local Revenue Generation Options (Ed. J. McGann). June 1999.**
- 9. Ministry of Environment and Tourism – Towards the Establishment of an Environmental Investment Fund in Namibia, Workshop Report No. 4, A Draft Operations Manual (Ed. J. McGann). July 1999.**

15.0 ANNEXES

Annex 1: Existing and Prospective Environmental Funds (1990-1995) REGION: Asia and The Pacific

Name	Principal Donor(s)
Bhutan Bhutan Trust Fund for Environmental Conservation	GEF (UNDP), Netherlands, Norway, WWF-US
Indonesia Indonesian Bio-diversity Foundation (IBF)	USAID, Japan
Lao PDR Lao PDR Wildlife and Protected Areas Conservation Project	GEF (World Bank)
Mongolia National Biodiversity Conservation Plan	GEF (UNDP)
Papua New Guinea National Conservation Trust Fund for Papua New Guinea	Government, GEF (UNDP), WWF-US
Philippines Foundation for the Philippine Environment (FPE)	USAID, WWF-US
Sri Lanka Wildlife Trust of Sri Lanka	U.S. Fish and Wildlife Service

REGION: Africa

Name	Principal Donor(s)
Congo Congo Wildlands Protection Project	GEF (World Bank)
Madagascar Activities Conservation Trust (ACT)	USAID, Conservation International
Seychelles Seychelles Island Foundation	GEF (World Bank)
Uganda Mgahinga and Mbwinda Impenetrable Forest Conservation Trust	GEF (World Bank), USAID

REGION: Latin America and Caribbean

Name	Principal Donor(s)
Argentina Fondo de las Americas	EIA
Belize Belize Protected Area Conservation Trust	Tourism Taxes
Bolivia Fondo Nacional Para El Medio Ambiente (FONAMA)	Multiple donors with separate subaccounts, including EAI, GEG (World Bank), Switzerland, World Bank.
Brazil Brazil Biodiversity Sinking Fund Brazil Rainforest Trust Fund National Environmental Fund (FNMA)	Government, GEF (World Bank), private sector European Commission, World Bank Government, IDB
Chile Corporacion Ecofondo	EAI, CIDA
Dominican Republic Fondo Integrado Pro Naturaleza (PRONATURA)	Puerto Rico Conservation Trust, MacArthur Foundation, TNC/USAID
El Salvador Fondo Ambiental de El Salvador (FOANAES)	EIA, Canada
Guatemala El Fideicomiso para le Conservacion en Guatemala (FCG)	U.S. Private Bank, U.K. Foundation, WWF-US
Honduras Fundacion Hondurena de Ambiente y Desarrollo "Vida" (Fundacion Vida) Honduras-Canada Environment Management Fund	Government, USAID, UNDP CIDA
Jamaica Environment Foundation of Jamaica (EFJ) Jamaica National park Trust Fund (JNPT)	EAI USAID, Conservation Trust of Puerto Rico, TNC
Mexico Fondo Mexicano Para la Conservacion de la Naturaleza (MNCF)	Government, MacArthur Foundation, USAID, WWF-US
Nicaragua Nicaragua-Canada Environment Management Fund	CIDA
Panama Fundacion Natura	Government, USAID, TNC
Peru Fondo Nacional para las Areas Protegidas por el Estado (FONANPE) / PROFONANPE	GEF (World Bank), GTZ (Germany), CIDA
Uruguay Fondo de las Americas	EIA

REGION: Europe/Economies in Transition

Name	Principal Donor(s)
Belarus/Poland Belovezhskaya Primeval Forest Foundation	GEF (World Bank)
Bulgaria National Environmental Fund*	Government (pollution fines, taxes, etc.)
Czech Republic National Environmental Fund*	Government (pollution fines)
Eastern Carpathians (Poland, Slovakia, Ukraine) Foundation for Eastern Carpathian Biodiversity Conservation	GEF (World Bank), WWF, MacArthur Foundation
Hungary National Environment Fund*	Government (taxes and pollution fines)
Poland The EcoFund Foundation National Environment Fund*	France, Switzerland, USAID Government (pollution fines)
Slovak Republic National Environment Fund*	Government (budget and pollution fines)
Ukraine Ukraine Danube Delta Biodiversity Project	GEF (World Bank)

*largely or exclusive “brown” funds to combat air and water pollution

Donor Key:	CIDA	Canadian International Development Agency
	EAI	Enterprise for the Americas Initiative (US)
	GEF	Global Environment Facility
	IDB	Inter-American Development Bank
	TNC	The Nature Conservancy
	UNDP	United Nations Development Programme
	USAID	U.S. Agency for International Development
	WWF-US	World Wildlife Fund

Source: Inter-Agency Planning Group – Environmental Funds: The First Five Years (1995)

ANNEX 2: FACTORS IMPORTANT FOR SUCCESSFUL ESTABLISHMENT AND OPERATION OF TRUST FUNDS (Source: Global Environmental Facility)

- Mechanisms to involve a broad set of stakeholders during the design process, and willingness of stakeholders to use these mechanisms.
- A legal framework that permits establishing a trust fund, foundation, or similar organization. Tax laws allowing such a fund to be tax exempt, and providing incentives for donations from private contributors.
- Availability of one or more mentors – a donor agency with good program support, a partnership with an international NGO, “twinning” with another, more experienced trust fund – who can provide both moral and technical support to the fund during the start-up and program implementation phases.
- Realistic prospects for attracting a level of capital adequate for the fund to support a significant program while keeping administrative costs to a reasonable percentage. In most cases this means having clear commitments from other donors beyond the GEF, or debt swap mechanisms established, before starting the fund.
- An effective demand for the fund’s product, i.e. a client community interested in and capable of carrying out biodiversity conservation activities on the scale envisioned, and sufficient to achieve significant impact.
- Clear and measurable goals and objectives. A “learning organization” mentality and environment, orientated towards results and achieving 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 board and other governing bodies, indicated by members’ commitment of time, engagement in policy and leadership, and building support of the fund with varied constituencies.

- Linkage between the trust fund and the leadership of any national biodiversity strategy or environmental action plan.
- Ability to attract dedicated, competent staff, particularly a strong executive director. Harmonious and productive board/staff relationships.
- Basic technical and other capabilities that permit the fund to become a respected and independent actor in the community. Access to, and constructive use of, training, mentoring, and technical assistance programs to build capacity itself.
- Constructive relationships with relevant government agencies, with intermediary organizations that provide services to grantees, and with other organizations in the community. The fund should avoid becoming an executing agency itself.
- Financial/administrative discipline combined with program flexibility and transparency; and procedures that support this and are consistently applied.
- Mechanisms for continuing to involve a wide range of stakeholders in the fund's programs and direction. Enough clear vision and leadership to avoid program fragmentation and being pulled in many directions.
- Asset management competitively selected; diversified portfolio of investments; financial expert to provide regular reporting; and oversight by fund boards comparing actual performance to benchmarks.
- A supportive, nurturing implementing agency task manager, able to bring in the resources and expertise needed.

Source: GEF website (undated)

Annex 3: Comparison of Fund Governing Structures (from IPG, 1995)

Funds Associated with a Government Agency

<i>Advantages:</i>
<ul style="list-style-type: none"> • Can be a tool for implementing national environmental strategies and effecting policy changes. • Can provide a way to organize and coordinate official development assistance for the environmental sector. • Can provide support for underfunded governmental responsibilities, such as park guard salaries, protected area infrastructure, ad so on. • Can be a recipient for earmarked taxes, fines, and permit fees. • May be better suited than NGO funds for pollution management and restoration of degraded resources because of the large financial and management resources required.
<i>Disadvantages:</i>
<ul style="list-style-type: none"> • Personnel, programs, and policies can be subject to sudden political changes. • Can be top-down in approach and insufficiently responsive to local needs. • Can be bureaucratic and restricted by civil service rules and government pay.

Funds with a Governing Board Composed Entirely of NGO's

<i>Advantages:</i>
<ul style="list-style-type: none"> • Likely to be responsive to local needs, based on popular participation. • Promotes values of democratization and local participation. • Able to integrate grass-roots economic and social development with environmental programs. • Well suited for institution strengthening of local NGO's and providing support to local grass-roots projects. • Independent of changes in government, thus offers institutional continuity. • Can serve as a vehicle for private donations (individual, corporate, and foundation)
<i>Disadvantages:</i>
<ul style="list-style-type: none"> • May be difficult to reach consensus on issues. • May be hard to influence national policy and strategy on the environment. • Unable or uninterested in funding governmental responsibilities, eg. parks and protected areas. • Generally unable to serve as recipient for government levied taxes, fines or permit fees.

Funds with a Mixed Government/NGO Governing Board

<i>Advantages:</i>
<ul style="list-style-type: none"> • Can institutionalize cooperation between the public and private sectors, replacing previous patterns of confrontation. • Combines most of the advantages offered by both of the other two types of funds, while avoiding many of their limitations. • Likely to result in projects that are sustainable in the long run, by combining local initiative with government support.
<i>Disadvantages:</i>
<ul style="list-style-type: none"> • Citizens of the country may be confused about whether or not to regard the fund as an official government organization. • Likelier to suffer from lack of focus than the other two if purposes and project criteria are not clearly specified at outset. • If the NGO side always has a clear majority the government may not take the fund seriously or commit resources as it would to a government fund. • If the government side always has a clear majority, the NGO's may be taken for granted and the government may simply focus on getting near-term funding for their own projects.



**PROTECTING THE ENVIRONMENT
INVESTING IN ECONOMIC
DEVELOPMENT**