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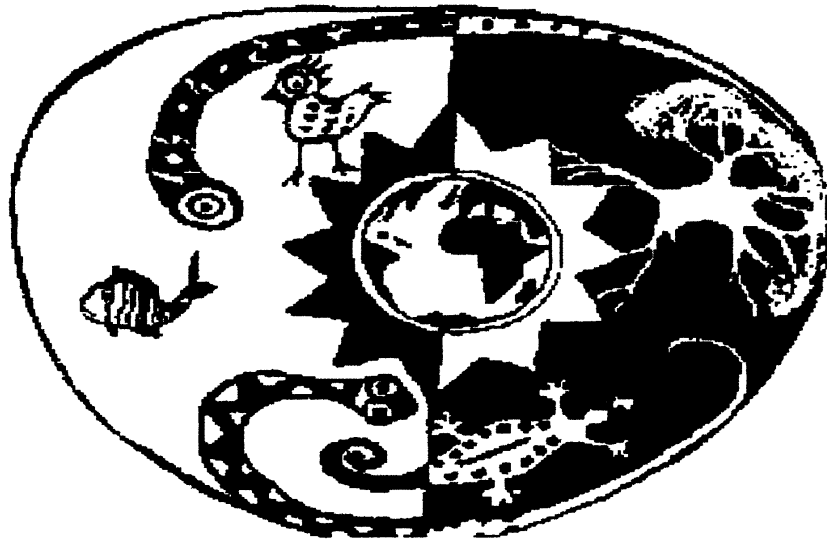
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**TOWARDS THE ESTABLISHMENT OF THE  
ENVIRONMENTAL INVESTMENT FUND**

**Opportunities, Constraints and Lessons Learned**

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

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## LIST OF ACRONYMS AND ABBREVIATIONS

|               |   |  |
|---------------|---|--|
| <b>CBNRM</b>  | - | Community Based Natural Resource Management              |
| <b>CBO</b>    | - | Community Board Organization                             |
| <b>CEO</b>    | - | Chief Executive Officer                                  |
| <b>DEA</b>    | - | Directorate of Environmental Affairs                     |
| <b>EIF</b>    | - | Environmental Investment Fund                            |
| <b>ENR</b>    | - | Environment and Natural Resource                         |
| <b>FENATA</b> | - | Federation of Namibian Tourism Associations              |
| <b>FY</b>     | - | Financial Year   |
| <b>GDP</b>    | - | Gross Domestic Product                                   |
| <b>GEF</b>    | - | Global Environmental Facility                            |
| <b>GPTIF</b>  | - | Game Products Trust Fund                                 |
| <b>GTZ</b>    | - | German Development Co-operation                          |
| <b>GRN</b>    | - | Government of the Republic of Namibia                    |
| <b>HKIA</b>   | - | Hosea Kutako International Airport                       |
| <b>IPG</b>    | - | Inter-Agency Planning Group                              |
| <b>LIFE</b>   | - | Living in a Finite Environment Program                   |
| <b>MAWRD</b>  | - | Ministry of Agriculture, Water and Rural Development     |
| <b>MET</b>    | - | Ministry of Environment and Tourism                      |
| <b>MOF</b>    | - | Ministry of Finance                                      |
| <b>MLRR</b>   | - | Ministry of Lands, Resettlement and Rrehabilitation      |
| <b>MME</b>    | - | Ministry of Mines and Energy                             |
| <b>MWTC</b>   | - | Ministry of Works, Transport and Communication           |
| <b>NDPI</b>   | - | First National Development plan                          |
| <b>NGO</b>    | - | Non-Governmental Organization                            |
| <b>OECD</b>   | - | Organization for Economic Cooperation and Development    |
| <b>PACT</b>   | - | Protected Areas Conservation Trust                       |
| <b>RSA</b>    | - | Republic of South Africa                                 |
| <b>TAP</b>    | - | Technical Advisory Panel                                 |
| <b>UNCED</b>  | - | United Nations Conference in Environment and Development |
| <b>UNDP</b>   | - | United Nations Development Program                       |
| <b>USAID</b>  | - | United States Agency for international Development       |
| <b>WWF/US</b> | - | World Wildlife Fund/US                                   |

## 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 finalised in the Mission Statement and Mandate of the MET and the 12point 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 can 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.

There have been a number of opportunities identified that could prove beneficial to the EIF if properly exploited. These include, a high degree of support and endorsement of the EIF concept by both the public and private sectors, the extensive and integral linkages between the natural resource base and national economic development, a growing tourism sector, a relatively well developed financial services sector and potential support from international donors.

The process of development was consultative and involved a broad range of stakeholders and partners, including government, private sector, academia, non-governmental organization and community based groups. During this developmental process there were a number of constraints and threats which could have negatively affected the establishment of the EIF. These included, reservations and resistance from certain public sector agencies, apathy within the Ministry of Environment and Tourism and competition from other Funds for scarce resources.

This research discussion paper not only identified the opportunities, constraints and threats but also examined the issues surrounding them. It also looked at some lessons that could be learned from these experiences and draws conclusions from them. The major conclusion is that the establishment of an alternative source for financing independent of government control is a viable solution to reducing the environmental and natural resources funding deficit in Namibia. There are indeed opportunities for the establishment of the EIF that must be exploited and there are threats and constraints that must be reduced or nullified.



## 1.0 INTRODUCTION

The main thrust of the government's economic development policy has been the rapid development of the human resource base. This, it is assumed, should lead to poverty reduction through the economic growth associated with the development of human resources. This policy and its implementation are directed at the economic heritage of the poor who were subjected to the extreme income and asset inequalities that were the result of the previous administration's apartheid policies. The Constitution of Namibia (Republic of Namibia 1991) delegates the State as the custodian of all natural resources not legally owned by the private sector. This is by far the majority of the land and the natural resources contained therein and above. The prudent management and protection of the environment and natural resource base of the country will help to facilitate the achievement of the objective of the government's poverty reduction and economic growth.

The government, in carrying out its mandate is doing so in partnership with the private sector, NGOs, international donors and others. It is fully committed to its role but does not have in its possession all the financial and other resources required for national development. The opportunity exists therefore for the establishment of a mechanism to search for and access alternate financial resources not normally available to the government. These resources can then be used to complement the programmes of government as it seeks to achieve its objectives.

The Environmental Investment Fund (EIF) will perform functions of a national nature including the need to raise local revenues via the introduction of statutory fees. It would best perform these functions if established by an Act of the Parliament of Namibia as a statutory and independent entity outside the public service.

The 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 more than just a fund for financing conservation activities. Its ultimate objective is to improve the economic well being of the poorest sectors of society and therefore reduce the possibilities of them pursuing activities that degrade Namibia's fragile environment and waste its natural resources.

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 (Brown ed. 1992) for the United Nations Conference on Environment and Development (UNCED) conference in 1992. His Excellency, President Sam Nujoma presented Namibia's Green Plan to the UNCED at Rio de Janeiro in Brazil. During the development of this plan, it became evident that Namibia had not invested adequately in the protection of its environment and this in turn was leading to degradation. 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 as sectoral issues.

After the UNCED conference, the co-operation continued and has been utilized in the consultative approach to the design and development phases of the EIF. The search began for the identification and development of mechanisms to provide the resources required to finance the commitments made in the Green Plan.

The budgetary resources available to the Government of the Republic of Namibia (GRN) are limited and are being sought after by a large and varied constituency. It was clear to policy makers, other GRN staff and their partners that the financing of environment and natural resources (ENR) activities could not be met solely from the public coffers. A 1998 study submitted to the Ministry of Finance (MOF) by the MET to support its request for increased capital budget during fiscal year 1998/1999, came to the same conclusion (DEA 1998a). It was proposed that an environmental investment fund be established to assist with the financing of the environmental projects and activities. The GRN accepted and included this proposal as part of its first National Development Plan (NDP1). The NDP1, (GRN 1995)

identified the need for a new and innovative financing mechanism for ENR outside of government control. 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 on this project is now well advanced towards establishment.

The NDP1 specifically made provisions for the establishment of an Environmental Investment Fund. The Fund would secure long-term financial resources to support activities and programs designed to protect Namibia's fragile environment while contributing to its economic development. It was perceived that this new financial mechanism would complement but not substitute for GRN expenditures on the environment. It would 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. It would play an important role in assisting the society to protect its natural resource base while providing economic development and helping to reduce poverty.

As 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. The establishment and implementation of the Fund should see the consolidation and continuation of this close working relationship between the partners.

The EIF proposes to raise N\$15-20 million on an annual basis from local sources through conservation levies and fees. 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 (DEA 1998b). An endowment of US\$20-30 million, to be funded by international donors on a one-time basis, is also proposed. This could yield approximately US\$1- 2 million in annual income. 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. Total annual income from combined local and foreign sources could range from N\$20 to 30 million (Table 1).

**Table 1: EIF Projected Revenues, Operating Expense and Project Investment 2000 to 2005**

(N\$ millions)

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

FY = Financial Year Jan to Dec

\* = Assumes EIF approved in FY 2000

The process towards the development and establishment of the EIF is on going. A number of opportunities and constraints have been identified. These opportunities and constraints as well as the lessons learned from the experience will be the focus of this paper.

## **2.0 OPPORTUNITIES FOR THE EIF IN NAMIBIA**

In the context of this paper, opportunities is defined as those factors and variables that are external to an organization but which can exert a positive influence on the organization in the medium to long run (Wheelen and Hunger 1995). Some opportunities identified include public and private sector endorsement and support, natural resource based economic development, growing tourism industry, relatively developed financial sector and international donor support.

### **Endorsement and Support from the Public and Private Sectors**

The concept for the establishment of the EIF requires that it be an autonomous and independent entity outside of direct government control. It is also required that the EIF be allowed to generate revenues locally through the collection of statutory fees and levies on certain economic activities. These proposals are far reaching in scope and are of national significance. For these to become reality, they require the support of the government (political directorate and public service) and the private sector.

Support has already been garnered from line Ministries of the GRN directly connected to management, use and protection of environmental and natural resources. These Ministries include: Ministry of Finance (MOF), Ministry of Lands, Resettlement and Rehabilitation (MLRR), Ministry of Mines and Energy (MME), Ministry of Works, Transport and Communication (MWTC) and Ministry of Agriculture, Water and Rural Development (MAWRD).

Private sector agencies such as the Chamber of Mines and the Federation of Namibian Tourism Associations (FENATA) have endorsed the concept and support its establishment. So too have Mining companies, NGOs and the University of Namibia.

The final steps in the process are for the proposal to go through the required legislative stages before becoming law followed by inauguration of the Fund. This includes presentation of the proposal and the draft Act to the Cabinet and Parliament for approval and enactment respectively. It requires strong political leadership from the Minister of Environment and Tourism.

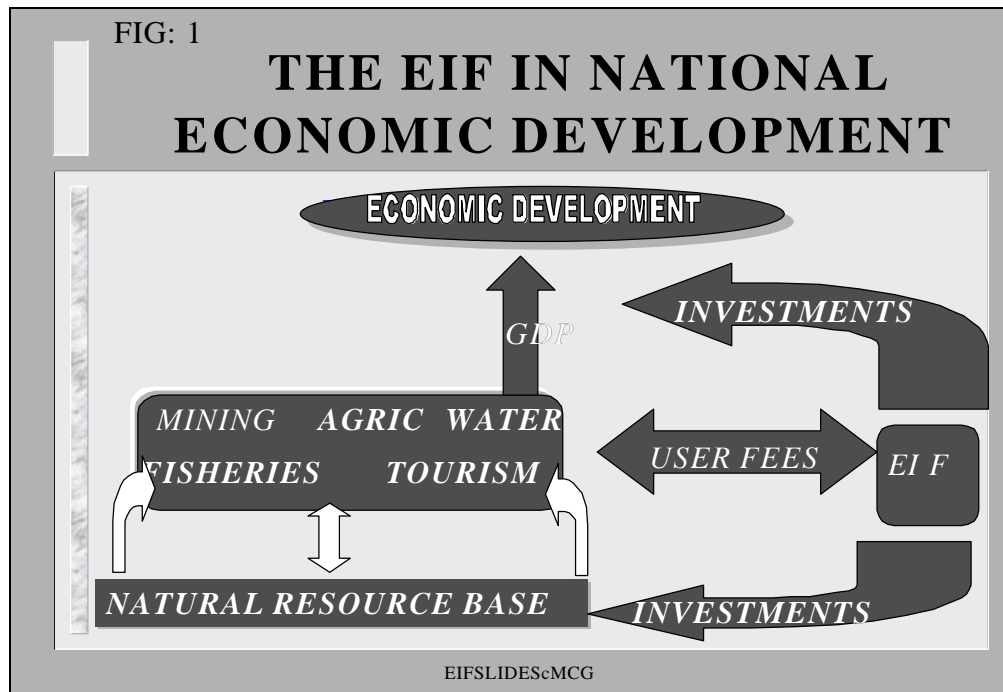
The draft EIF Act was thoroughly reviewed by the interested parties via a series of consultations, both formal and informal, including seminars and workshops. The objective was to ensure that the final product reflected the interest of those concerned. The opportunity to consolidate these gains and progress made must be fully grasped by the MET. The support of both the public and private sector must be converted into establishment of the EIF. The partners and the intended beneficiaries are depending on this being done.

### **Natural Resources in Economic Development**

The environment and natural resources are integrally linked to Namibia's economic development (Fig. 1). In other words, the economic development of Namibia is almost totally dependent on its natural resource base. The main economic activities supporting growth and development are in mining, fishing and marine enterprise, livestock production, commercial and communal/subsistence agriculture and tourism. For the continued and sustained economic growth, there must be orderly and rational exploitation of these

natural resources. 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 (Lange and Motinga 1997).

Sustainable economic growth requires the prudent use and protection of the natural resources for the benefit of all members of the society.



As a user of renewable resources (such as wildlife, fisheries and marine products, forests and bio-diversity), 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.

That portion of the economic cost of resources that should be set aside for the maintenance of resources or for investment into replacement activities for non-renewable resources is referred to as resource rents. This surplus or windfall is enjoyed by the users of natural resource

based industries in the absence of interventions by the State in the form of taxes, royalties and other charges (Lange and Motinga 1997).

Opportunities exist for the EIF to capture part of this resource rent and utilise the proceeds therefrom to make investments that would generate a stream of income in perpetuity. This could be done via resource user fees or levies imposed via statutory instruments or via voluntary co-operative agreements between the EIF and the resource users. The GRN and natural resource based industries could use the EIF as a vehicle through which they can make their contribution to natural resources protection and management and ultimately sustainable economic growth.

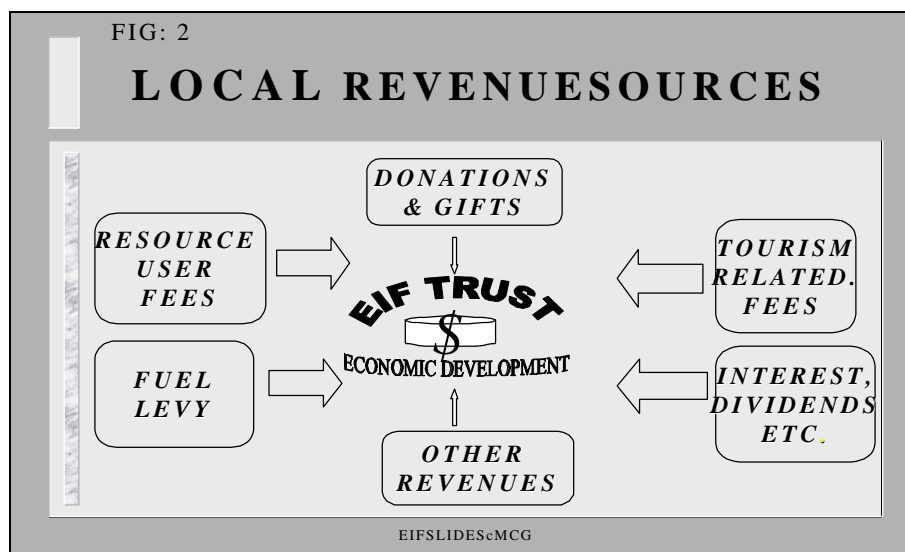
The income generated from the investments can be used to fund projects and activities that will help reduce the problems of poverty and population pressure and the threats these pose to Namibia's fragile environment. Activities and projects that target the protection of fragile ecosystems and the preservation of bio-diversity such as those in the dry desert areas of the northwest and the wetlands of the northeast 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 could also be supported.

### **Growing Tourism Sector**

The design of the EIF will allow it to collect revenues within country. Not many funds established elsewhere have this component in their design. The major advantage of having this ability to raise revenues locally is that the Fund will not be dependent on international donors for its existence or operation nor will it be constrained by the conditions and limitations normally attached to foreign donor funds. This would give the Fund the flexibility to be more responsive to the needs of its clients within Namibia. Additionally, revenues generated locally could be used to leverage support from foreign donors. They could also be counted as counterpart funds by the GRN in cases where such is needed.

Local revenues could be generated from a number of sources within Namibia. At least six (6) distinct categories offer potential and opportunities for the EIF (McGann 1999). These are illustrated in Fig 2:

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 levy for conservation*



The sources offering the best opportunity are those to be derived from, or related to, tourism. Tourism is one of the fastest growing industries in the country (Namibia Holiday Travel 1999). Arrivals have increased an average of ten percent per year between 1996 and 1998 and moved from 255,000 in 1993 to 560,000 in 1998 (MET 1998). The prospects are good for continued growth in the short to medium term.

A willingness to pay study conducted by the DEA (Barnes et. al 1997) indicated that foreign tourists are willing to pay for the conservation, maintenance and upkeep of the resources and facilities they enjoy during their visits to the country providing that their contribution are used for that purpose. This provides the EIF with an ideal opportunity to generate revenues within the country without having to call upon nationals to do so. The Protected Areas Conservation Trust (PACT)



of Belize, under the Law establishing it is allowed to charge a conservation fee to all foreign tourists arriving in that country (McCalla 1996 and World Wildlife Fund). The United States Forest Service has also instituted a similar conservation fee charged to park visitors. These fees are very specific and are paid directly to the account of the authorized institutions and not into the national treasury. Their use of such funds is dedicated to the furtherance of conservation and environmental protection. The draft EIF Act contains a similar provision that would allow the EIF to do the same.

Other types and/or combinations of tourism related fees could be developed and implemented over time. These include park visitor entrance fees, trophy hunting or game use levies and hotel occupancy levies. The EIF must ensure that the tourism derived levy(ies) that it implements do not have any negative impact on the industry. The demand for the tourism product must not decrease as a result of the imposition of a fee or levy. Close collaboration and a good working relationship with the tourism private sector and the industry in general should be a high priority of the Board and management of the EIF. The concept of a single consolidated tourism-based conservation fee should be examined as an alternative to multiple fees.

### **Relatively Developed Financial Service Sector**

One of the essential factors for establishment of environmental trust funds is the presence of a basic fabric of legal and financial practices and supporting institutions, including banking, auditing, and contracting, in which people have confidence (GEF undated). A complete description of these factors is given in Annex 3.

Environmental trust funds are the custodians of significant sums of monies held in trust for investment in environmental and natural resource projects and activities. There is the need to exhibit the highest degree of fiduciary responsibility towards the protection and increase in the value of the assets of the trust.

Laws and regulatory institutions generally guard against fraud and corruption and have punitive actions to counter the same where it

occurs. These include the use of standard and internationally accepted accounting practices, the performance of periodic financial audits and codes of conduct to protect investors and investments. The Institute of Chartered Accountants of Namibia is responsible for the regulation of the accounting profession in Namibia through a code of conduct and other instruments. The criminal justice system acts as a deterrent to fraud, and provides for penalties where criminal or negligent acts can be proved. The criminal justice system includes the fraud and criminal branches of the police force, the judiciary and the courts as well as the correctional institutions.

Investment banks and other financial institutions provide the medium for trust funds to invest their assets. The investment portfolio packages vary depending on the needs of the investor. There are a number of reputable South African and international investment and asset management institutions currently operating in the country. International firms include Price Waterhouse Cooper, Deloitte and Touche, HSBC and ABN – AMRO. South African institutions include Old Mutual, SANLAM and First National Bank. Some of these institutions also provide other services such as auditing, contracting for goods and services, client search and linkages and references to international institutions. The Namibia Stock Exchange, the market and regulatory agency for the exchange of stocks and share offerings is closely linked to the Johannesburg Stock Exchange. The naming of the institutions in this paragraph does not imply endorsement or recommendation of their products or services.

The relatively developed financial service sector with its regulatory and control mechanisms is indeed an opportunity for the EIF. The level of confidence, trust and security that they provide will complement the EIF need to invest its locally generated revenues within country without exchange rate losses and with a relatively higher rate of return than offshore investments. Government Treasury Bonds are floated on a regular basis through the Bank of Namibia and are deemed to be secure investments. Certificate of Deposits from commercial banks also offer good rates of return and are secure. These two instruments can be used for short time period investments. For longer time periods, endowments can be set up with insurance or

other financial asset management companies. These companies also offer advice on investment in other products including real estate.

### **Support from International Donors**

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, other bilateral donors, the World Bank and the GEF. Funds have been established in Bolivia, Uganda, Dominican Republic, Belize, South Africa and other countries. It is not anticipated that the EIF will be able to establish an endowment within its first year of operation. The proposed initial target for the EIF is an endowment with capital base of US\$20-30 million within the first five years. This should generate more than US\$1million in annual income for funding projects and activities.

Based on their experience with trust funds, international donors have established criteria and guidance for the establishment of such trusts and the use of funds from the trusts. The Organization for Economic Co-operation and Development (OECD), representing donor countries, have decided that the following guidelines must be in place before they will donate to environmental trusts.

- 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. The opportunity to access contributions to the endowment should be exploited to the fullest. Raising international donor funds and setting up of an endowment is a time consuming and complex matter. So far the GEF and USAID having given indications of their willingness to participate in the Namibian EIF.

The unique and relatively intact biological diversity within Namibia is an opportunity for the EIF to pursue a relationship with the GEF. The GEF normally provides financial resources to establish endowments, the income from which is used to finance bio-diversity conservation activities. Recent indications are that a positive response will be forthcoming if proposals submitted by Namibia are integrated to show the big picture of the relationships between activities, resource requirements and the providers of those resources.

USAID is currently funding, through its bilateral programme agreement with the GRN, a number of projects and activities. These activities include community-based natural resource management (CBNRM), rural development, bio-diversity protection and ecosystem maintenance. The USAID direct assistance to Namibia is due to terminate in or about 2005. It is in USAID long-term interest to protect their investments in these areas by contributing to the sustainable development of Namibia. Precedents exist in countries such as Costa Rica and Panama where USAID has established endowments or “development legacy” for the continuation of sustainable development activities prior to closure of Mission (USAID 1996).

The opportunity therefore exists for the EIF to assist USAID in meeting this objective. The EIF would ensure long-term support for the continuation of activities initiated by USAID in its current CBNRM and other ENR programs in Namibia. To do this, USAID would be requested to contribute US\$5-10 million to an endowment to yield up to US\$500,000 on an annual basis. The USAID endowment could be conditioned by a specific agreement regarding its use and could be utilized as an incentive to persuade the GRN to continue their level of support to ENR activities. Other donors could also be induced to provide support to the EIF by following the lead of the GEF and USAID and contribute to endowments.

Another opportunity for support to the EIF exists in the form of the Interagency Planning Group (IPG) for environmental trust funds. The IPG was formed in 1993 and consists of international donors, private foundations and international NGOs who have a common interest in providing support to environmental trust funds (IPG 1995a). The

IPG, while not directly providing financial resources to funds, serves as a mechanism for co-ordination of support and the provision of technical assistance to funds. Currently there are sub-groups of the IPG based on geographic area. The EIF has established links with the IPG and its Africa sub-group and these links should be strengthened in the future.

### **3.0 THREATS TO THE ESTABLISHMENT OF AN ENVIRONMENTAL TRUST FUND IN NAMIBIA**

In the context of this paper, threats are defined as those factors and variables that are external to an organization but which can exert a negative influence on the organization in the medium to long run (Wheelen and Hunger 1995). Some threats identified include public sector reservation, resistance and fear, apathy within MET, competition from other funds.

#### **Reservation and Resistance from the Public Sector**

An examination of the present status of the EIF development process would indicate that it has the support of both the public and private sectors. This was not always the case. Sections of the public sector, for whatever reasons, had demonstrated varying levels of hostility and/or fear towards the establishment of the EIF during specific periods of time. Two of these manifestations will be discussed below.

Between 1995 and 1996, the MET requested the MOF to endorse the concept and support the establishment of the EIF. The Finance Ministry felt at the time that “the State, as the representative of the people of Namibia, has a special constitutional obligation to maintain the environment in its broadest sense”. It suggested that the MET did “did not properly justify why this constitutional obligation of the State should be delegated to a Board”. The MOF queried “why a Fund would be in a better position to pursue the proposed objectives than the Ministry itself. It was proposed that “ the consideration of the bill to establish the EIF should not be further pursued” and that a ‘technical solution to devise ways to secure additional resources to be channelled through the budget to strengthen the MET’s hand in

carrying out its assignment more effectively'. This would involve the 'establishment of a technical advisory unit without executive functions'.

It seemed that neither adequate nor clear information on the purpose and objective of the EIF was presented to the MOF at the time and this may have been the foundation upon which the MOF reservations were being expressed. The MOF apparently feared that 'a body separate and independent of the State' could be tasked to perform the 'constitutional obligation of the State'. This coupled with the perception or assumption that the MET might not be able to carry out its assigned responsibilities toward the environment, could have led to the conclusion/proposition to terminate the process of establishing the EIF.

The MET correctly indicated that the EIF was not intended to replace but to complement government's functions. It further explained that the funds to be raised from international donors were funds that would not normally be available to the GRN. For example the GEF, through its policy of incremental funding, only financed environmental projects and activities over and above the funding provided by government or other sources. The rich and unique bio-diversity of Namibia makes it a good candidate for such funding. Other international donors to conservation trust funds normally have windows open only to those funds that are separate or independent of government. These funds would therefore be lost to Namibia since the GRN could not directly access them, as they would not fall within the framework of the normal bilateral agreements.

The above mentioned development process has resulted in an expansion of the number of options examined for local revenue generation. Among the new ideas was a fuel levy of N\$0.01 per litre of fuel and other petroleum products. This would be a fixed amount per litre and could generate approximately N\$4 million per year for the EIF. The proposal was discussed with officials of the Ministry of Mines and Energy (MME), the GRN Ministry with responsibility for energy.

The response from the MME indicated that the authority to impose fuel levies rested with the Minister of Mines and Energy under the Petroleum Products and Energy Act of 1990. It was further stated that the original concept of the EIF limited its local fund raising efforts to fees charged on users of natural resources and national parks i.e “the environmental community and tourism industry”. The MME therefore expressed reservations about offering its endorsement to an EIF that includes a fuel levy.

Subsequent to the MME response, and after further consultations, it was decided that the idea of a fuel levy should not be pursued under the present economic conditions in the country. Market forces outside of Namibia control the cost of energy. Increases in the price of fuel normally have a negative impact on the economy. The proposed one-cent per litre would however have had very little if any discernible impact on the economy.

A future energy levy could be considered as a natural resource user fee if and when the commercial production of natural gas commences. The threat to the establishment of EIF based on a fuel levy has been removed. The MME has since endorsed the EIF and pledged its support.

In the consultative process, the MET and its GRN partners have now come to the conclusion that the GRN does not have the all the required financial and other resources to effectively carry out its ‘constitutional obligations’. The GRN could therefore benefit from the support provided by entities outside of the GRN, including the EIF. It has also been established that the EIF was not an implementing entity and therefore could not carry out tasks assigned to the MET. It was merely a financing mechanism whose purpose is to raise funds and allocate these funds for purposes that support the GRN own programs.

These agreements and common ground on the EIF were developed through a series of consultative workshops, reports and direct briefing sessions with the political leadership and senior management of the partner Ministries. The resistance to and reservations about the

establishment of the EIF have now been transformed into endorsement and support (see Annex 1).

No documentation currently exists that could be used to demonstrate private sector hostility to the EIF. As a matter of fact, the private sector in their responses have welcomed the concept and expressed support for the Fund. Both the tourism and mining industries have however expressed concern about the effect of any proposed levy on their operations as well as a need for accountability and transparency in the operations of the Fund (Annex 2).

### **Apathy Within MET**

As stated before, the DEA/MET is the lead agency in the efforts to establish the EIF. The Ministry and its staff have taken this task quite seriously. There have however been occasions when the leadership provided by the Ministry has been less than optimal. This was not deliberate but may have been due to lack of capacity within the DEA, poor communication between Directorates within the Ministry as well as changes within the political leadership and management of the MET.

The DEA has but five full-time GRN core staff within the technical and professional ranks. All other staff in that category are employed on technical assistance contracts funded by international donor agencies. Staff in the latter category of employment, are generally obligated to work on the specific project or activity that is being funded. The DEA, with its ever-increasing mandate for ENR (MET 1994), did not find it possible to assign a member of its limited core staff to work full time on the EIF. Work on its development has been on an adhoc basis, dependent on donor funding or on availability of other staff. The result has been significant delays and in some cases loss of continuity and the possibility that steps in the process may have been repeated.

The MET has four other technical Directorates apart from the DEA. All will in some way benefit from or be affected by the establishment of the EIF. The Directorate of Resource Management and the



Directorate of Tourism are the two who have participated directly in the development process of the EIF. The Directorate of Specialist Support Services is responsible for the management and administration of the Game Products Trust Fund. This Fund, even though very limited in scope compared to the proposed EIF, shares some of the objectives of the EIF. There has been very little effort to share experiences or assist with the development of the EIF from this Directorate or from the Directorate of Forestry.

Although the EIF is in an advanced state of development, there is still a significant amount of work required to see it to completion. Failure to secure the financial and other needed resources, including active support of senior management within the MET will pose a serious threat to the establishment of the EIF. Communication with and participation of all MET Directorates in the EIF development process would ensure full acceptance and ownership of the final package.

During the last two years, the MET has seen changes in the personnel responsible for the political guidance and management. A new Minister and Permanent Secretary were appointed in early 1998. The new personnel came from Ministries whose portfolios were completely different from those within the mandate of the MET. This loss of 'institutional memory' led to a significant time lag in the understanding, acceptance and ownership of the concept and process of development of the EIF.

Similarly, there was a change in the leadership of the DEA in early 1999. Following the departure of the Head of the DEA and other senior staff, a significant period of time lapsed between the departure and the permanent appointment of a replacement. In the interim period, a degree of uncertainty existed in the leadership and public profile of the DEA. This impacted negatively on movement towards establishment of the EIF which was perhaps regarded as lower in priority than the monitoring of already funded programs and other core DEA activities.

### **Competition from Other Funds**

There are currently in excess of sixty environmental trust funds in varying stages of establishment and operation throughout the world. These funds have been or are being established to take advantage of the resources available to provide alternative funding to protect the ENR in their respective countries.

In addition to the constraints mentioned earlier, Namibia faces the additional problems related to the demand and supply of scarce resources for endowments. There is a finite amount of resources available from which grants for endowments and other purposes can be made. Over time there will be more and more funds demanding a share of the limited pie. Further delays in establishing the EIF will likely reduce the potential amount of funds which it could access. This will negatively affect the ability of the Fund to satisfy the demand for its services.

On the local scene, there is a similar situation taking place. Requests are being made to Cabinet to approve various types of funds whose purpose has nothing to do with protection of the environment. There are limited sources of local revenues that can be exploited and these are more than likely available on a first come first serve basis. For example, Cabinet recently approved the establishment of a science and technology foundation and a health and social services trust fund. These funds plan to source revenues for their operations within Namibia. There is also the proposal to establish a Namibian Tourism Board and its legislation is due to go to Parliament in the near future. The Board plans to raise revenues for its operation from hotel occupancy fees among others. Falling with the same Ministry, the possibility exists that a joint approach with the EIF could be used with regards to local revenue generation. The EIF establishment must not be subjected to unnecessary delay.

## 4.0 LESSONS LEARNED

The experience gained over the period since conceptualisation to now have provided a number of lessons from which the EIF could benefit.

Lesson 1: The Political support of Key GRN Ministries is Essential for the Establishment of the EIF

The support of the political directors and senior management within the affected GRN Ministries is essential for establishment of the EIF. The EIF requires the enactment of legislation to allow it to operate and be able to raise revenues via conservation fees and levies. Enactment of legislation first requires Cabinet approval followed by passage through Parliament. Cabinet normally makes approvals based on consensus or strong majority. If affected Ministries have strong objections to a proposal then it would not likely be approved.

The MET must receive the support of the affected Ministries before the Minister of Environment and Tourism will feel confident to present the proposal to Cabinet. To win support requires lobbying, consultations, preparation and presentation briefing papers and personal tact and diplomacy. Experience with and intimate knowledge of the public service and the key personnel is an advantage. Failure to win support of these key personnel will doom any proposal or project regardless of its merit.

Over the last two years the MET, through the consultative approach, has been able to gain the support and endorsement of the key government Ministries for the EIF. This required in some instances the conversion of resistance and reservations into support. The MET has addressed the concerns raised by the interested parties and is now confident that it has the required political support to take the proposal to Cabinet for approval. This will then be followed by passage of legislation in Parliament.

## Lesson 2: Changes in the Political and Senior Management Personnel within the MET will delay Progress on the EIF

Changes in key leadership and management personnel has resulted in delays and loss of continuity. In the past two years the MET and the DEA have experienced changes in leadership and management personnel. Delays in implementation and uncertainty of direction was evident during the “transition and settling in” periods. Important decisions and actions were not taken and a certain level of frustration was evident. There were times when the project did not move because the critical path for movement was blocked.

Changes in the political leadership are a situation over which the Ministry has very little control. It is possible that more delays could occur as a direct result of the 1999 presidential and national elections. The Minister has however committed himself to give the leadership required to receive Cabinet approval as soon as possible. This combined with the active participation of the top management of the Ministry (Permanent Secretary and Head of DEA) should see the process through to its logical conclusion.

## Lesson 3: The Consultative Process is a Useful Tool to Build Consensus and Flexibility in the Development of the EIF

The use of the consultative process allowed for flexibility and accommodation of the interest of all affected parties in design of the EIF. A consultative committee consisting of representatives from GRN, NGOs, donor agency and an international NGO met on a regular basis to prepare documentation and review progress. A number of workshops were held on various aspects of the EIF with different target audiences and their views incorporated in the reports and other documentation.

Issues surrounding sources of local revenue, management of the Fund, the contents of the operations manual, and revision of the draft Act were at times controversial but they were resolved via consultative process. Several informal meetings were held with interested parties on particular issues of importance to them. Briefing sessions were

held with senior government officials as well as the parliamentary committee on natural resources. The purpose of these consultations was to present the information on the EIF to participants and to receive feedback and inputs into the development process. It can now be said with a high degree of confidence that the most contentious issues raised have been resolved and there is general consensus that the process towards establishment of the EIF should proceed to its logical conclusion.

## **5.0 CONCLUSIONS**

- The State is not able from its limited resources to undertake all the necessary actions required to protect the environment and natural resources of the country. The establishment of alternate sources of financing, independent of government control and operations is a viable solution to help to reduce the environmental funding deficit. The process towards the establishment of the Environmental Investment Fund will lead to the creation 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 MET should try to reduce the possibilities of further delays in the process so as to harness the full impact of the support.
- There are a number of opportunities and constraints that could affect the establishment and operation of the EIF and its operation in the future. The MET/DEA must continue to lead the process bearing in mind and exploiting the available opportunities. Steps must also be taken to minimize the effects of the identified threats and constraints.

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## 7.0 ANNEXES

### ANNEX 1: ENDORSEMENT AND SUPPORT FROM A KEY GRN MINISTRY

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#### REPUBLIC OF NAMIBIA

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### MINISTRY OF FINANCE

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Tel.: (09 264 61) 2099111

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Fax: (09 264 61) 236454

10 John Meinert Street

Telex: 908-3369

Private Bag 13295

Enquiries:...**U.J. Kavari**

WINDHOEK

Our Ref.: ..... Your Ref.:.....

18 **March** 1999

Mr Tangen't Erkana  
Permanent Secretary  
Directorate of Environmental Affairs  
Ministry of Environment and Tourism  
Private Bag 13306  
**WINDHOEK**

Att: Mr Joseph McGann

Dear Colleague

#### **SUBJECT: THE ENVIRONMENTAL INVESTMENT FUND (EIF)**

1. Your correspondence in the above regard refers.
2. The Ministry of Finance takes cognizance of your desire to establish an EIF for use in making investments in the protection and wise management of the environment, promoting sustainable use of natural resources, and conserving biological diversity and ecological life-support functions.

All official correspondence must be addressed to the Permanent Secretary.



3. In principle, we have no objection to the establishment of the Fund per se. However, we would like to seek clarity on a number of issues as propounded in the Draft Act.
4. Section 5.2 of the Draft Act talks about imposing levies on foreign tourist, etc but is silent on the nature and type of levy (ies) that it may impose on activities and resources falling under the jurisdiction of other Ministry (ies). What would that be?
5. If a levy is to be imposed on fuel, the Ministry of Finance would be interested in knowing the size and extent of the levy and its Implication on the cost of fuel. This seems to be an over-utilised source of revenue and the economic implications of tapping this source further should be taken into consideration. Other sources should also be investigated. For example in South Africa a room levy is charged by accommodation establishment, ("SA Tour Levy") which may be a consideration for Namibia.
6. We would require supporting documentation on initial capital investment and medium to long term cash flow projections to establish how sustainable the proposed fund is in the long run.
7. We also propose that, subsection 7.4.4 be amended to authorise the Auditor-General or any other Auditor appointed by the Auditor-General to be the auditors of the Fund's books of accounts. This is the trend with all emerging parastatals and we would like to maintain consistency.

Yours sincerely

**U. MAABERUA**  
**PERMANENT SECRETARY: FINANCE**

All official correspondence must be addressed to the Permanent Secretary

**ANNEX 2: ENDORSEMENT AND SUPPORT FROM THE PRIVATE SECTOR**

**THE CHAMBER OF MINES  
OF NAMIBIA**

23 March 1999

The EIF Co-ordinator  
Directorate of Environmental Affairs  
Ministry of Environment & Tourism  
Private Bag 13306  
Windhoek

**Attn: Mr Joseph McGann**

Dear Sir

In response to your letter and enclosures, dated 3 d March, the Chamber of Mines on behalf of the mining industry of Namibia hereby registers its support for the draft legislation on the establishment of the Environmental Investment Fund.

The main reservation the mining industry had was the possibility of some form of general levy being imposed on the industry. I am sure you would understand such concern in the light of the current economic climate whereby metal commodity prices, in real terms, are at a parlously low level.

It is, however, pleasing to note that no such levies are contemplated, although clause 5.1 e) is a little worrying!

It may interest you to know that the Chamber has now established its own Environmental Committee to look at ways and means to provide for funds for the eventual decommissioning of properties and their complementary rehabilitation.

You are more than welcome to attend the next meeting of this Committee, which will be held at 14:30 on Thursday, 29th April at the new Chamber of Mines offices, 4<sup>h</sup> Floor, Southern Life Tower.

Yours sincerely

J C Rogers  
General Manager

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# Federation of Namibian Tourism Associations

## WINDHOEK

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Mr. Joseph McGann  
EIF Co-ordinator  
Ministry of Environment and Tourism  
Directorate of Environmental Affairs  
Private Bag 13306  
WINDHOEK

6 May, 1999

### **ENVIRONMENTAL INVESTMENT FUND**

Dear Mr. McGann,

We acknowledge with thanks receipt of the revised draft 2/98 of the Environmental Investment Fund Act, forwarded to us via our representative Mr. Wolfgang Schenk.

In your cover letter to this document you requested a letter of support for the establishment of the EIF. This obviously had to be discussed with the members of FENATA, which only could be done at the April 1999 meeting.

At the meeting it was decided that although we would obviously welcome the establishment of the EIF, we would not agree to tourism being a major source for funds, especially not through separate levies. However, levies on fuel consumption and/or packaging material as discussed during the second workshop on EIF by the working group "Fund Raising", would be acceptable as this would apply to both local citizens as well as foreign visitors.

At this very moment we do not know what effect the pending NAMIBIA TOURISM BOARD Bill will have on our industry, but we have agreed, right from the start of our deliberations. that levies would have to be a source of funding of this Board and its' activities, You will appreciate that further levies on visitors jeopardise the funding of the Board, which is of vital importance to us and to the flow tourism into Namibia.

The citizens of Namibia would be the main beneficiaries of activities funded by the EIF, and it would therefore be unfair to collect the funding of the EIF from visitors.

We trust that you will appreciate our views, and remain  
Yours sincerely,

UDO H. WECK  
President: FENATA

**ANNEX 3: FACTORS ESSENTIAL AND IMPORTANT FOR SUCCESSFUL ESTABLISHMENT AND OPERATION OF TRUST FUNDS**

**(Source: Global Environmental Facility)**

**ESSENTIAL FACTORS:**

- A valuable and 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).
- 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.
- People with a common vision – from NGOs, 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 the private sector management skills, especially skills in financial management.
- A basic fabric of legal and financial practices and supporting institutions, including banking, auditing, and contracting, in which people have confidence.

**IMPORTANT FACTORS:**

- 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 star-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
- 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.
- 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.



**PROTECTING THE ENVIRONMENT  
INVESTING IN ECONOMIC  
DEVELOPMENT**