

MPA managers face a major challenge in managing funds efficiently and developing a sustainable financing basis for the MPA. Good financial planning (comparing expected costs with the projected income) is essential in order to determine which activities have sufficient resources and which need additional funding. This sheet provides general advice on preparing a long-term financial or business plan.

Recent studies have shown that the greatest recurrent cost for MPAs is wages, followed by operational expenses (e.g. fuel and maintenance) and compliance (especially if the MPA is large). Monitoring, general administration, visitors, education and attendance at meetings and events also generate significant expenses. Few MPAs in the WIO spend money on capital investments (e.g. property, visitor facilities, major equipment) unless there is donor assistance. In many countries the core operational budget of an MPA is provided by central or local government as management of marine and coastal resources is seen as a public service. However, few governments in the WIO are able to provide such support and most MPAs face severe financial constraints.

It is unlikely that any single source of financing will be adequate and several will probably be required. Spergel & Moye (2004) describe over 30 mechanisms for funding marine biodiversity conservation, many of which are suitable for MPAs, including:

- Governments;
- User fees and direct revenue sources (see sheet E3);
- Environmental trust funds (see sheet E4);
- Donors (see sheet E5).

FINANCIAL PLANS

A long-term financial plan or business plan should be prepared to complement the MPA management plan. Business plans are used in the private sector to attract investors, inform stakeholders and improve management, and thus are relevant to MPAs. The plan is usually for 5-10



years and should demonstrate to potential donors, government personnel and others how the finances will be aligned to the objectives and ensure they are implemented. It should incorporate scenario planning, evaluate the costs of operating the MPA, and identify potential cost reductions. The plan can be used to help identify new revenue sources and a sustainable financing strategy and to ensure that the management plan is feasible. It also guides fundraising efforts but, unlike a budget, it will be subject to change, given its longer duration. Quirimbas National Park in Mozambique, and Masoala National Park in Madagascar (see case study) have prepared business plans.

The term 'integrated strategic and financial planning' is sometimes used for the combined process of developing a long-term management and financial plan. Priority activities for funding will be a combination of those that are essential for ensuring compliance within the MPA, those that can be implemented in the current circumstances (e.g. some activities may have to be reduced if there is insufficient capacity), and opportunism (e.g. taking advantage of a donor opportunity or particular situation in which a specific activity can be implemented).

The plan will also look at the different sources of income, project these and assess the probability of receiving them. Funding sources should be matched with activities according to the type and duration of funding needed. Managing a newly gazetted MPA is expensive, requiring funds for equipment and infrastructure, baseline assessments, training and research, which may best be met through a donor. Subsequent management costs are lower, involving recurrent operational and administrative support, patrolling, maintenance of equipment, monitoring, community outreach and education. Government subventions, Trust Funds and revenue from user fees can go a long way to meeting these. It is important to remember that obtaining funds from donors can be slow, often taking six months to two years from the time of initial contact to actually receiving the funds. Potential financing mechanisms should also be checked to ensure that they are legal in the country concerned and do not conflict with the objectives of the MPA; for example, if user fees are being considered, it is important that user numbers do not increase to the point that they cause damage to the MPA.

ESTIMATING COSTS

This is a key component of good financial planning and should involve administrative staff, technical staff and others involved in conservation activities, and the central management agency. There are two kinds of costs:

- **Management or programmatic activities** (e.g. surveys, monitoring, patrolling). In well-established MPAs, figures for on-going or recurrent activities should be readily available from the accountant. For occasional activities, it is worth looking at previous budgets to see if costs have been estimated before. Quotes should be obtained for new equipment and for work that may need to be contracted out. The cost of the time of the MPA manager and support staff spent on an activity should be factored in, as well as that of those directly involved.
- **Administration** (known as overheads, fixed costs, indirect costs or operating costs), e.g. maintenance of infrastructure and equipment, personnel, and utilities. These costs should be estimated by the administrative personnel, with the manager. Administration (or a certain component of it) is sometimes expressed as a percentage of the overall budget and it is generally considered reasonable to charge 10-15%. This often has to be negotiated as donors may not want to pay such costs, or will only pay a portion. Nevertheless these costs must be fully estimated and accounted for, as they are real costs.

KEY POINTS FOR THE MPA

- If there is no long-term financial plan for the MPA, initiate a process to prepare one, ideally when revising the management plan.
- Encourage the development of a financial sustainability plan for the whole MPA system.
- Ensure that a range of sources of funding are assessed; do not rely on a single donor or financing mechanism.

Sources of further information

Boyd, C. & Inamdar, A. 2001. *Sustainable Financing of Coastal Management Activities in Eastern Africa*. Report to SEACAM. www.synergy-global.net/documents/Sustainable-Financing.pdf

Conservation Finance Alliance 2003. *The Conservation Finance Guide*. Prepared by Nature Conservancy (TNC). Available on CD-ROM and at: www.guide.conservationfinance.org. Includes:

TNC 2001. *Long-term Financial Planning for Parks and Protected Areas*. The Nature Conservancy. 40pp.

The following are available direct from TNC:

Mcleod, P., Leon, P. & Esquivias, P. 2001. *Integrated Strategic and Financial Planning for Non-governmental Organisations*. Vol. 3, Resources for Success Series, TNC /US-AID. 64pp.

Morris, B. 2002. *Transforming Coral Reef Conservation in the 21st Century: Achieving financially sustainable networks of marine protected areas*. Report to TNC.

Humphrey, S. 2003. Module 7. Financial Management. In: Francis, J., et al. (eds.) *Training for the sustainable management of Marine Protected Areas: a training manual for MPA managers*. CZMC/Univ. Dar es Salaam, WIOMSA, The World Bank.

SEACAM, 1999. *From a Good Idea to a Successful Project: a manual for development and management of local level projects*.

SEACAM, Maputo, Mozambique.

Spergel, B. & Moye, M. 2004. *Financing Marine Conservation: a Menu of Options*. Center for Conservation Finance, WWF, Washington D.C., USA.

www.worldwildlife.org/conservationfinance

CASE STUDY

Business plans for Madagascar's protected areas

Madagascar, with assistance from the GEF, World Bank, US-AID and international NGOs, is developing a long term financial sustainability strategy for its entire protected area system. A task force has developed a model to calculate the cost of each protected area as well as that of the national protected area agency, ANGAP. A financial projection of the costs over a 10-year period was generated, covering three main components:

- Operational expenses for the main programmatic activities at each site e.g. ecotourism, education, and conservation;
- Investment expenses for major acquisitions, maintenance and renovation of infrastructure;
- Management expenses for running ANGAP's headquarters and coordinating units.

In a separate but related initiative, a business plan was prepared for Masoala National Park with assistance from the Wildlife Conservation Society and US National Parks Conservation Association. The Park is large (2,300 km²) and comprises seven different units, three of which are marine parks covering 100 km². Annual operating expenditure for 2002 was US\$263,000 of which 38% was spent on resource management and protection, 22% on management and administration, 17% on community development and outreach, 17% on facility operations and maintenance and 6% on public use. Additional investment expenses of US\$180,000 was spent on construction work and technical assistance for setting up Park management systems.

The business plan estimates that US\$555,000 is required to operate the park effectively, indicating a financial shortfall of US\$292,000. Over half the current funding comes from three NGOs (WCS, WWF and Zurich Zoo), 30% has come from a GEF project, 12% from the government (salaries and park operations) and the remainder from other foreign donors. The government will be unable to increase support in the near future and the remoteness of the Park means that tourism will not provide significant revenue immediately (although this is being developed). The business plan therefore proposes building on the Park's international partnerships with NGOs. Its innovative relationship with Zurich Zoo, in particular, may provide a stable source of revenue as a result of an exhibit at the Zoo which raises funds through entrance fees. A Trust Fund is also being developed.

www.masoala.org

www.conservationfinance.org/WPC/WPC_documents/Tools_BusinessPlan_MasoalaNP_presentation.pdf