



FINANCING MECHANISMS

For Conservation and Sustainable Management of
Central African Forests

January 31, 2002

*Feasibility Study
Summary Report*

Implementation Document
for the Yaoundé Summit Declaration

SUMMARY REPORT

FEASIBILITY STUDY ON FINANCING MECHANISMS FOR CONSERVATION AND SUSTAINABLE MANAGEMENT OF CENTRAL AFRICAN FORESTS

**Prepared for the attention of the
Conference of Ministers in charge of Forests of Central Africa (COMIFAC)
in the framework of realization of the Yaoundé Summit resolutions**

January 31, 2002

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World Bank/WWF Alliance for Forest Conservation and Sustainable Use
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CONTEXT FOR THE FEASIBILITY STUDY

Central Africa's forests are the second largest block of tropical forests in the world after the Amazon. Recognizing their importance, in March 1999, the Heads of State of six countries of Central Africa - Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon and the Republic of Congo - expressed their commitment to placing conservation and sustainable management of Central Africa's forests at the forefront of their priorities. The Ministers in charge of Forests of Central Africa (COMIFAC), representing the signatory countries, were mandated to implement the twelve resolutions of the so-called "Yaoundé Declaration."

The Feasibility Study on Financing Mechanisms for Conservation and Sustainable Management of Central African Forests was prepared at the request of COMIFAC at their December 2000 Ministerial meeting. Along with the six signatory countries, the feasibility study also covers the Democratic Republic of Congo, which formally announced its adhesion to the Yaoundé Declaration at the December 2000 meeting. In the context of the study, these countries are collectively referred to as the "sub-region."

The feasibility study analyzes opportunities and constraints for introducing new financing mechanisms - at both the national and sub-regional levels - in support of priority actions adopted by COMIFAC in their Convergence Plan and the subsequent Priority Action Plan formulated by experts in the sub-region. The study seeks to match specialized financing mechanisms - such as environmental trust funds, debt relief mechanisms, forestry-based carbon offset projects, user fees, charges and taxes, and private sector initiatives - with the priority actions identified.

A team of consultants consisting of Melissa Moye, team leader, and Brigitte Carr-Dirick conducted the feasibility study. Financing for the study was provided by the World Bank/World Wide Fund for Nature (WWF) Alliance for Forest Conservation and Sustainable Use and the Association for the Development of Environmental Information (ADIE). The study also benefited from financial and technical assistance provided by WWF's Center for Conservation Finance, WWF's Central Africa Regional Program Office (CARPO) and the WWF network in the sub-region.

The study was researched through consultations at all levels with actors and experts involved in the forest sector, located in the sub-region, Europe and North America. The consultants also examined a wide range of reports and internet sites describing conservation financing mechanisms both within and outside the sub-region, and consulted documentation related to implementation of the Yaoundé Declaration resolutions. The Ministry of Environment and Forests in Cameroon, as the designated focal point for the study, was consulted frequently during the course of its preparation. The study's initial conclusions were discussed during the Priority Action Planning workshop in Brazzaville in September 2001.

GENERAL FINDINGS AND RECOMMENDATIONS

Overall, the study concluded that sustainable financing for Central African forests will require the combined implementation of an ensemble of financing mechanisms, rather than the introduction of a single mechanism, such as a sub-regional trust fund. A financing strategy, consisting of different mechanisms adapted to financing priority activities, can be gradually put in place at the national and sub-regional levels. In support of this strategy, there is a real need in the sub-region for reinforcement of knowledge about financing mechanisms and a better appreciation of the different existing mechanisms.

Raising new sources of funding will also be contingent on the governments of the sub-region showing their commitment to the Yaoundé Declaration by consecrating the budgetary resources needed to implement priority actions. In addition, the effectiveness of many of the financing mechanisms will largely depend on the sub-region's improvement of its "brand image" in terms of governance as well as the presence of a climate and institutional setting favorable to private sector investment.

Concrete recommendations for COMIFAC's consideration are highlighted in **bold** type in the text. The recommendations are oriented around two axes: the sub-regional level and the national level. Most of the recommendations concern specific financing mechanisms to be implemented at the national level. The recommendations are linked to the priority actions that could be financed by the mechanisms in a table that is provided as an annex to the Summary Report.

Recommendations At the Sub-Regional Level

The process of introducing a long-term financing mechanism will need to be accomplished in phases. In order to raise resources more quickly and to make progress in the implementation of the Yaoundé Declaration resolutions, the study recommends the establishment of a three-year Pilot Program. The proposed solution will also create a favorable environment for the introduction of sustainable financing mechanisms.

Establish a Pilot Program for the implementation of three-year priority actions identified for the realization of the Yaoundé Summit resolutions and the progressive definition of a long-term fundraising mechanism.

It is recommended that the Pilot Program include national and trans-boundary priority actions, such as those developed by sub-regional forestry experts at the September 2001 Priority Action Planning workshop. The Pilot Program should be designed using a matrix showing the objectives, timetable, responsibilities and respective budgetary commitments of each country. This matrix assumes that the costs for implementation of the different actions will be evaluated. On this basis, the matrix could then be completed by a preliminary analysis of needs relative to existing financing and an indication of the specific financing mechanisms that could be utilized and their potential impact.

It is recommended that the following specific elements relative to sustainable financing mechanisms be included in the sub-regional Pilot Program:

- Commitment by each country to prepare a national sustainable financing strategy.
- Commitment to support capacity building for analysis and establishment of financing mechanisms.
- Commitment by representatives of the concerned countries to promote the creation of a trust fund dedicated to financing the activities of the Sangha Tri-National trans-boundary complex of protected areas. This recommendation supports commitments made in the context of the signature of the Cooperation Agreement by COMIFAC in December 2000.
- Commitment by the representatives of the concerned countries to actively participate in the process of definition of the environmental and forestry component of the Poverty Reduction Strategy Paper (PRSP) and to integrate within it the relevant priority actions.
- Designation of a sub-regional focal point for Clean Development Mechanism projects, responsible for developing expertise in this domain at the sub-regional level, for defining sub-regional standards and for promoting projects with investors.

It is recommended that the Pilot Program be implemented through a cooperation agreement signed by the Ministers in charge of Forests. The cooperation agreement could be reinforced by the formal commitment of the countries to support implementation of the Pilot Program based on institutional modalities to be defined in the context of the institutional study for realization of the Yaoundé Declaration resolutions. The Pilot Program can also serve as a basis for coordinated mobilization of contributions from international partners in the framework of a donor roundtable meeting.

Recommendations at the National Level

It is recommended that each country:

Conduct an evaluation of the costs associated with implementation of three-year priority actions identified for realization of the Yaoundé Declaration resolutions.

As indicated above, this is a pre-condition for designing a Pilot Program.

Reinforce capacity to analyze and put in place financing mechanisms.

One of the most striking conclusions of the study is the lack of knowledge and expertise on the characteristics, eligibility conditions and potential for different financing mechanisms. There is a critical need for sensitization and training at this level.

Develop national sustainable financing strategies matching specific financing mechanisms to financial needs.

The objective of national sustainable financing strategies is to establish a national action plan for financing priority actions by examining the different mechanisms considered in this

study and by implementing recommendations formulated for each specific mechanism. The development of a national sustainable financing strategy cannot be done on a unilateral basis in the context of a study, but must be the product of a participatory process involving all of the concerned actors. A first stage could consist of bringing together about ten representatives of the sectors involved for a seminar of several days. The participation would need to be necessarily limited in order to facilitate discussion. The sectors to be represented would include: the Ministry in charge of forests, wildlife and protected areas, the Ministry in charge of the budget and finances, international partners, local and international non-governmental organizations (NGOs), private sector (forestry companies, tourism operators, oil companies), the academic community and the financial/legal sector.

CURRENT FINANCIAL FLOWS AND TYPES OF ASSISTANCE

Although information about current donor assistance for conservation and sustainable management of Central African forests was difficult to obtain, the study provides detailed information about the level of funding and funding priorities of donors to the sub-region. A summary analysis based on data collected from interviews and available documentation revealed the following trends regarding existing donor financial flows and types of assistance for forests in Central Africa:

Composition

- The most important multilateral donors are the European Union, the Global Environment Facility and the World Bank.
- Few bilateral donors are present in the sub-region, including: Canada, Germany, France, the Netherlands, the United Kingdom and the United States of America (USA).
- NGOs, such as the Wildlife Conservation Society and WWF, are both recipients of donor funding and donors themselves through contributions of their members.
- There are some new funding sources in the sub-region, including: Conservation International, the MacArthur Foundation, United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Foundation and forestry companies.
- Large, multi-donor sectoral programs for forests and the environment are under preparation in Cameroon and Gabon.
- There are no accurate statistics on the level of government spending for protected areas management in the sub-region.

Donor Funding by Sector

- **Protected Areas Management:** Donor funding for protected areas management amounts to about US\$20 million per year.
- **Sustainable Forestry Management:** With donor funding for sustainable forestry management totaling about \$30 million over a ten-year period, available financing for this sector appears to be very limited.
- **Institutional Strengthening and Policy Development:** On an annual basis, there is \$5 million in funding at the sub-regional level and \$10 million at the national level (but only for a few countries).
- **Community-based Natural Resources Management:** \$6 million per year.

Environmental (Conservation) Trust Funds

A trust fund can be broadly defined as money or other assets that (a) can only be used for a specific objective or objectives, (b) must be maintained separate from other financing sources, and (c) is managed and controlled by an independent board of directors. Environmental trust funds have been established in more than 40 countries around the world to provide long-term sustainable financing for the environment, including: protected areas, species conservation and grants funding for NGOs and community groups.

OPTIONS FOR A SUB-REGIONAL TRUST FUND

Arguments exist to support the introduction of a long-term fundraising mechanism in the form of sub-regional trust fund. Such a fund could contribute to greater coordination and raise substantial resources for protection and management of resources that are universally recognized as valuable.

In the course of the feasibility study, several options for the creation of a sub-regional trust fund were considered, including:

- purely regional trust fund,
- offshore fund matched with specific entities at the sub-regional level,
- offshore fund with the establishment of national organizations to select projects at the sub-regional level,
- fund for a pilot entity with progressive extension to other entities/activities,
- flexible financing mechanism leading to the creation of an endowment fund (Central Africa Management of Biodiversity - CAMBIO), and,
- Central African World Heritage Forest Initiative (CAWHFI).

In reviewing the feasibility of these proposed options, the consultants reviewed conditions in the sub-region relative to a Global Environment Facility checklist of factors important in the successful establishment of conservation trust funds. The study found that **a number of factors would need to be further evaluated and reinforced in order for a sub-regional trust fund to be successfully established.**

So far, there has been limited experience with trust funds in the sub-region. None of the countries of the sub-region has a framework to create a trust fund in the strict legal sense of the concept. With its foundation law, Gabon is the only country to have a legal equivalent. In other countries of the sub-region, an alternative may be to create an association and request the authorities' recognition of public utility and tax-exempt status. Although a basic fabric of legal and financial practices and supporting institutions exists in some countries of the sub-region, a history of civil conflict in other countries is a major constraint for the operation of a trust fund at the national level. This is why some of the trust fund initiatives propose the creation of an offshore trust fund.

An important factor in the sub-region is the lack of a tradition of public-private sector initiatives. In establishing a trust fund it may be difficult to convince the governments of the sub-region to accept the principle of "mixed" management where they do not hold the majority position. This is generally an international donor pre-condition for investing in trust funds.

During the study, many actors noted that because of the need to resolve current national difficulties as well as the specific interests of each country, substantial national contributions to a common fund would be unlikely. There is not yet a common vision shared by a critical mass of actors and reinforced by the will to contribute to a common financing mechanism. Although there are a number of sub-regional initiatives that have contributed to building sub-regional cooperation - such as the Regional Environmental Information Management Project (REIMP), which led to the creation of ADIE, and the Protected Areas Network of Central Africa (RAPAC) - the regional approach is still relatively new and experimental. In addition, international partners are not very inclined to contribute to a sub-regional trust fund, notably because of their respective priorities for certain countries of the sub-region and the necessity to first see a "real sub-regional will" emerge.

It should be noted that at the international level regional funds are rare and those that have been established have had a relatively limited impact. The two environmental trust funds that have been established in Africa at the regional level - the Peace Parks Foundation and the West Africa Rural Foundation - are financed primarily through private and foundation donations.

TRUST FUND INITIATIVES AT THE NATIONAL AND SITE-BASED LEVEL

As described below, most of the initiatives that have been undertaken or are in process in the sub-region are for trust funds at the national and sited-based level.

In **Cameroon**, preparatory studies were drafted for the creation of a National Foundation for the Environment. The Foundation's objectives would be to ensure effective management of existing and future protected areas and to serve as a focal point for reflection on protection

and sustainable management of biodiversity. Draft statutes and a draft special decree relative to the status of public utility were submitted to the President's office, but have not resulted in any further action to date.

The Cameroon Mountains Conservation Foundation (CAMCOF) was created at the beginning of 2001 as a national association. CAMCOF's objective is to promote and finance cultural, educational and scientific activities devoted to conservation and sustainable management of biodiversity and natural resources in the geographical zone known by the name, "the dorsal chain of Cameroon" (south-west of Cameroon).

The Foundation for Environment and Development in Cameroon (FEDEC) is legally established as a Dutch foundation (Stichting) and has requested authorization to operate in Cameroon under the law on associations. FEDEC was created in March 2001 by the petroleum consortium Cameroon Oil Transport Company (COTCO) in the context of the Chad-Cameroon oil pipeline as compensation for environmental impacts resulting from the pipeline. FEDEC's objective is to provide grant funding for the establishment and management of Campo Ma'an and Mbam & Djerem protected areas, as well as support to indigenous Bakola populations (in the vicinity of the right of way of the pipeline).

In the **Central African Republic**, a feasibility study was drafted for the creation of a trust fund to finance the management of the protected areas complex of Dzanga-Sangha. With the signature of the Cooperation Agreement for the **Sangha Tri-National** in December 2000, several actors have expressed interest in extending this initiative to the two other protected areas (Lobeke in Cameroon and Nouabalé-Ndoki in the Republic of Congo).

In the **Democratic Republic of Congo**, a project implemented by the Government and NGO partners, with funding provided by UNESCO/UN Foundation for the protection of World Heritage Sites in DRC, envisages the introduction of a sustainable financing mechanism for conservation of World Heritage Sites. The mechanism could be an "international trust fund for the conservation of biodiversity in the Democratic Republic of Congo or a multi-dimensional program including the generation of national revenues."

In the **Republic of Congo**, there is on-going collaboration between the Forestry Ministry, the European Union's sub-regional program on Conservation and Rational Use of Forest Ecosystems in Central Africa (ECOFAC) and Conservation International to study the feasibility of establishing a trust fund to ensure long-term financing for Odzala National Park, which is part of the network of protected areas receiving support from the ECOFAC program.

In **Gabon**, a feasibility study was drafted for the creation of a trust fund for protected areas. A working group consisting of diverse actors from the public and private sectors, under the Chairmanship of the Planning Commissioner, was formed to define a draft profile for the fund, but this stage of the project was never completed.

Recommendation

Promote initiatives linked to the creation and/or implementation of trust funds dedicated to financing specific sites or zones.

This recommendation is based principally on the following arguments:

- Focusing on a specific site or zone increases the potential for mobilizing contributions from bilateral donors based on their specific priorities. This may also be the case for non-traditional partners (e.g., private sector) who want to see concrete results as soon as possible and have well-defined objectives, such as the conservation of virgin zones with an exceptional level of biodiversity.
- The creation of a trust fund is a long and complex task. It is easier to build consensus, to sensitize different actors, to reinforce capacities, etc. if the objective of the fund is focused. This will not a priori prevent a later extension of local or trans-boundary initiatives to other objectives, based on lessons learned.
- Experience in other countries has shown that several funds having different objectives can exist in the same country. The creation of a fund specific to a site can lead to the creation of a national fund and vice versa.

HIPC COUNTRIES IN THE SUB-REGION

Heavily Indebted Poor Countries (HIPC) Initiative

Launched in 1996 and revised in 1999, the HIPC initiative is an agreement by the international community to help poor countries with good policy performance to escape from unsustainable debt burdens by providing comprehensive debt relief. In order to qualify for debt relief, HIPC countries must adopt a Poverty Reduction Strategy Paper (PRSP) through a broad-based participatory process. PRSPs provide a framework for allocating debt relief savings generated by HIPC in the form of government budgetary resources as well as donor assistance. While the initial focus of PRSPs was on the education and health sectors, there is growing recognition that the environment needs to be better integrated into PRSPs.

Five countries in Central Africa - Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Republic of Congo - are classified as HIPC countries and may qualify for debt relief under the HIPC Initiative. So far, Cameroon and Chad have been declared eligible for the HIPC Initiative. PRSPs are in the process of being drafted in all HIPC countries in Central Africa. A review of the interim-PRSPs drafted in the sub-region reveals that the environment has not yet been well integrated into the PRSPs. Environmental and forestry ministries in Central Africa are beginning to take part in the participatory process for elaboration of PRSPs, but so far there has been little involvement of other environmental stakeholders. In order for the PRSP process to yield real funding for the forestry sector, it will be necessary for the PRSPs to include specific indicators and targets relative to actions related to the forestry sector, along with indications of budgetary expenditures needed to implement the forestry sector component of the PRSP.

Recommendation

For HIPC countries, devote efforts to the development and monitoring of the environment and forestry component of the Poverty Reduction Strategy Paper (PRSP) by integrating Yaoundé Summit priority actions linked to poverty alleviation into the PRSP through a participatory process involving all stakeholders in the environment.

Through the participatory process for elaboration of PRSPs, it is important to identify public actions in the forestry sector having the greatest impact on poverty alleviation. Among the priority actions identified, those that could most directly be integrated into the PRSPs of HIPC countries are priority actions that involve local communities in the sustainable management of forest and wildlife resources.

DEBT-FOR-NATURE SWAPS

Debt-for-Nature Swaps

A debt-for-nature swap involves the cancellation of external debt of a developing country in exchange for local currency funding for nature conservation and environmental protection in that country.

To date, there have not been any debt-for-nature swaps or bilateral debt reduction programs for the environment in Central African countries, although there have been some debt-for-development swaps. Even though there is bilateral and commercial debt that could be swapped and transactions have been proposed in certain countries, these transactions have not been concluded for the following reasons:

- Governments in the sub-region have experienced difficulty in mobilizing counterpart funds for debt swaps generally, even when bilateral creditors have proposed swaps involving cancellation of Official Development Assistance loans.
- Normally, in the context of debt conversion one of the advantages for the debtor country is that the foreign currency obligation is transformed into a discounted domestic obligation with payment in local currency rather than hard currency. Because of the link between the CFA franc and the Euro, this incentive does not exist in countries using the CFA franc.
- There has been limited technical capacity in environmental ministries to propose swaps and in debt management offices of Central African countries to implement swaps.
- Since the introduction of the HIPC Initiative, there has also been less incentive for HIPC countries to engage in debt swaps because they can achieve much greater debt relief (up to 90%) through the HIPC Initiative than they can negotiate in debt swaps. In HIPC countries, the debt swap mechanism only makes sense for conversion of debt that is not covered by the HIPC Initiative.

For most countries in the sub-region, debt swaps are not likely to be feasible in the near term. In HIPC countries, there may be limited opportunities for swaps in special cases where a bilateral creditor (e.g., France) proposes additional debt cancellation in exchange for counterpart funding for development projects, but experience so far has shown that governments in the sub-region are not prepared to mobilize budgetary resources for debt swaps for the environment.

In the case of Gabon, there is a greater incentive to consider the debt swap mechanism since Gabon is not eligible for the HIPC Initiative. There is both bilateral and commercial debt that could be eligible for swaps.

FORESTRY-BASED CARBON OFFSET PROJECTS

Clean Development Mechanism (CDM)

Under the CDM, developed countries will be able to obtain emissions reductions credits by investing in carbon offset projects in developing countries that contribute to sustainable development. At the Conference of the Parties 6.2 (July 2001), it was decided that the only eligible land-use, land-use change and forestry (LULUCF) projects under the CDM will be afforestation and reforestation projects. Avoided deforestation projects (e.g., preservation of forests under threat of conversion to other uses) were ruled out. Some forest-based pilot projects have already been developed, but until the definitions and modalities for LULUCF projects are decided in 2003, there will be a high degree of uncertainty regarding these projects.

The amount of new investment flows to the forestry sector in Central Africa that could result from CDM projects will depend on whether investors regard Central Africa as an attractive region in which to invest relative to other potential project sites. Central African countries are currently at a competitive disadvantage vis-a-vis other developing countries, particularly in Latin America, due to high perceived investment risks and the lack of experience and expertise relative to carbon offset projects.

Central African countries are also behind some other developing countries in meeting their obligations under the United Nations Framework Convention on Climate Change (UNFCCC). Although all of the countries in the sub-region have signed the UNFCCC, no countries have yet signed the Kyoto Protocol. All of the countries are in the process of preparing their National Communications.

With the exception of Equatorial Guinea, all of the countries in the sub-region have benefited from Climate Change Enabling Activity Projects financed through the GEF (as the financial mechanism for the UNFCCC) and implemented by the United Nations Development Programme and the United Nations Environment Programme. The projects have assisted countries to meet their communication commitments under the UNFCCC, including the preparation of greenhouse gas inventories (GHG) and other climate change related information. In most countries, this had led to the establishment of a core group of experts on climate change. However, it was beyond the scope of the enabling activity projects to provide capacity building regarding the CDM.

Representatives from the sub-region have benefited from other capacity building activities relative to climate change hosted by WWF and the Institute of Energy and Environment of the “Francophonie” (IEPF). A number of Central African countries are in contact with the Prototype Carbon Fund (PCF) and have initiated formalities to become a host country of the PCF.

Recommendations at the Sub-Regional Level

Create a sub-regional focal point for CDM carbon projects.

The objective of a sub-regional focal point would be to:

- assist Yaoundé Summit signatory countries to develop expertise in the CDM for the forestry sector,
- develop best practice guidelines for evaluation of CDM forestry projects at the sub-regional level, which could then be adopted at the national level,
- conduct research on scientific and policy issues related to carbon offset projects in the forestry sector, and,
- promote forest-based carbon offset projects in Central Africa to developed country investors.

Recommendations at the National Level

Meet requirements under the UNFCCC and ratify the Kyoto Protocol.

A prerequisite for participation in the CDM is that countries fulfill their reporting requirements under the UNFCCC, including submission of their National Communications. In addition, countries will need to ratify the Kyoto Protocol so that when it enters into force they will be in a position to participate in the CDM.

Conduct a baseline inventory of forests.

In line with the Priority Action Plan, it is recommended that a baseline inventory of forests be conducted at the national level. This is important since the amount of carbon sequestered in forests will be measured relative to a baseline inventory of forests.

Build national capacity to rank and select projects and to monitor project implementation at the national level.

To compete with larger and more organized developing countries, Central African countries will need to develop institutional capacity to evaluate projects. In other countries this has taken the form of a national CDM office, established as a government office or independently.

In order to ensure effective project implementation, there will be a need for strengthened capacity to enforce logging laws and to monitor laws on forest use. This enforcement

capacity will have an impact on the quality of carbon projects and the sub-region's attractiveness as a site for forestry-based carbon offset projects.

Develop a portfolio of pilot LULUCF projects that offer the greatest contribution to the realization of priority actions and that are consistent with national development plans.

If countries in the sub-region are to reap the full benefit of CDM flows for LULUCF projects, they will need to be actively engaged in project selection within their own countries, steering carbon offset activities towards those projects that offer the greatest overlap with priorities identified through the Yaoundé Summit process and national development plans.

Although there may be a temptation for governments in the sub-region to monopolize development of projects, over-centralized control of project development may entail high transaction costs and stifle competition in the private sector. Instead, governments in the sub-region may wish to play a policy role to create an enabling environment, by setting broad rules for acceptable project options that generate high social returns and incorporate ecological and social safeguards.

USER FEES AND TAXES LINKED TO TOURISM

Less than 15,000 tourists visit protected areas in the sub-region each year and most visits are to see gorillas and chimpanzees. Several parks in the sub-region (Odzala, Lopé, Dzanga-Sangha) have gorilla habituation programs through which they hope to raise substantial revenues. In the past, Virunga and Kahuzi-Biega parks in the Democratic Republic of Congo also generated revenues from gorilla tourism.

Tourism-Based User Fees and Taxes

- Entry fees
- Concession fees
- Recreational activity fees
- Taxes on fishing and hunting
- Airport taxes
- Hotel room surcharges
- Revenues from commercial ventures of park services

Certain observers have pointed out that it will be necessary to limit the number of sites offering this type of attraction and to diversify tourist offerings to attract a greater variety of visitors. Recent studies of eco-tourism in the sub-region have shown that the most attractive parks can generate a maximum of 30% of their operational costs through eco-tourism. The small number of tourists also limits the potential to raise substantial revenues on the basis of other fees and taxes linked to tourism.

There are a number of constraints to developing tourism in the sub-region:

- high transportation costs,
- insecurity and political instability,
- geographical isolation of the parks and difficult access,
- poor infrastructure and difficulties at borders,
- difficulty in observing charismatic species,
- absence of incentives for investors,
- absence of a service mentality devoted to providing quality service for clients, and,
- well-organized competition in other regions of the continent.

Although the conditions for tourism in the sub-region are not ideal, the study found that tourism targeted on sites with established tourism potential is of interest not only to finance certain costs and to produce indirect benefits for local populations, but also to attract the interest of potential partners at the international level.

Recommendation

Identify through a participatory process protected areas with real tourism potential and revise the system of fees as well as the modalities for allocating these revenues for protected area management.

SPORT HUNTING

Well-established in other regions of Africa and in savanna zones of Central Africa, sport hunting appears to have growing success in forest eco-systems of the sub-region. Since hunters may be ready to pay up to \$60,000 for three weeks of safari, there appear to be good prospects for the sector. The potential impact of hunting is not well known because of the difficulty in obtaining reliable statistics.

Certain countries in the sub-region have already introduced a system of allocating a percentage of hunting receipts to finance conservation and sustainable management. Collaboration is needed between all the actors in the countries concerned in order to collect data on the number and type of hunters, the number of animals killed and the revenues generated. This information could then be used to define in a participatory way how sport hunting can contribute to conservation and sustainable management of wildlife. The promotion of village hunting zones can also provide an incentive for communities to manage wildlife resources in a sustainable way.

Recommendation

Promote cooperation with private operators and the establishment of village hunting zones.

FEES, TAXES AND CHARGES FOR EXTRACTION OF NATURAL RESOURCES

In many countries of the world, a percentage of taxes for extraction of forest, petroleum and mineral natural resources is allocated to financing conservation activities, based on the principle that the extraction of one resource should be compensated for by the conservation of another. This principle is beginning to be applied in the sub-region where revenues that can potentially be derived from exploitation of natural resources are significant. The effectiveness of such mechanisms will depend on maintaining the resource base and ensuring that a real part of the revenues generated are earmarked for conservation and sustainable management of forests in the sub-region.

FORESTRY FUNDS

All of the countries of the sub-region, with the exception of Gabon, which anticipates taking action, have introduced special accounts or funds, hereafter called “forestry funds,” funded by a percentage of forestry taxes (and/or revenues from hunting and tourism). The objective of these funds is to finance activities for conservation and sustainable management of natural resources. Their financing is complementary to classic budgetary allocations. Their effectiveness depends on a good rate of collection of receipts and, above all, strict transparency regarding the management of revenues and their allocation to the assigned goal.

The status of forestry funds appears to be very different from one country to another - not strictly from the point-of-view of the taxes that are theoretically earmarked but also for revenues that are effectively paid and expenditures made. In this regard, it should be pointed out that Cameroon has already earmarked part of the receipts from its forestry fund for the implementation of its Urgent Action Plan, which constitutes the framework for its contribution to the implementation of the Convergence Plan.

Differences also exist relative to management. In the Central African Republic, for example, the forestry fund was dissolved in accordance with the principle of a single “cashier,” which prohibits all national administrative agencies from directly receiving and utilizing public funds without the intervention of the public treasury. As a result, a special earmarked account was created in the general budget and the Ministry of Finance is now involved in its management.

None of the funds currently fulfills its role in the most effective way. Some general guidelines can be formulated to help them to better achieve their mission:

- Ensure that the funds/special accounts benefit from an annual contribution large enough to enable them to achieve their program.
- Reinforce control measures to improve collection rates (securing receipts).
- Define performance criteria for the choice and monitoring/evaluation of projects to be financed.
- Reinforce transparency and collegiality at the level of decision-making: establish a management structure open to all the actors of the sector (including the tax payers and beneficiaries) that defines the annual program, coordinates activities and publishes activity reports.
- Install an internal audit service for regular control of receipts and expenditures.
- Install an external audit.

Success in introducing the guidelines formulated above and to dedicating resources to the financing of priority actions depends in large part on the political will of the countries in the sub-region to move in this direction. If they do not wish to support the functioning of forestry funds, budgetary allocations should be mobilized to raise the funding necessary to finance these actions.

Recommendation

Evaluate in-depth and in a participatory manner the functioning of forestry funds in each country and define the allocation modalities for realization of priority actions, taking into account the specificities of these actions.

TAXES FOR MINING AND PETROLEUM EXPLOITATION

Taxes charged for exploitation of oil and mining also constitute a good potential source of revenue. Regulations already exist in certain countries of the sub-region so that a percentage of mining taxes are allocated to a fund designed to rehabilitate (including reforestation) the environment in the exploited sites. The feasibility of these taxes needs to be evaluated in close collaboration with representatives of the concerned companies. It is also important to ensure that the revenues are paid not only for rehabilitation, but also to finance conservation and sustainable management measures.

WATERSHED SERVICES

Payments for watershed services have been discussed in the sub-region, but the study found that the potential for this type of environmental service payment at the present time is very limited because of low capacity of users to pay.

RIGHTS OF WAY (OIL PIPELINES, COMMUNICATION LINES, ETC)

The concept of payment for a right of way is the basis for creation of FEDEC in Cameroon, which was capitalized with a donation of \$3.5 million from COTCO in the context of construction of the Chad-Cameroon pipeline. The study suggested that the principle could also be studied in the context of extension of communication and electrification systems in the sub-region.

GAS TAXES

The imposition of a gas tax would not be well received in the sub-region because of the limited payment capacity of users. Nevertheless, it was suggested that a gas tax could be imposed on logging trucks and that the resulting revenues could be allocated to the fight against the illegal bushmeat trade.

BIOPROSPECTING

When bioprospecting was first introduced, it was expected to produce significant resources. In practice, the evaluation of the charges to be imposed has proven to be very complex and the effective application of charges to be difficult. In most cases, rights and charges tied to bioprospecting have only reached several tens or hundreds of thousands of dollars, and not the millions expected. Nevertheless, a pilot project being developed in Gabon, "Biodivalor," should prove to be an interesting case to consider in the sub-region.

TAXES FOR PRODUCTION OF FILMS AND DOCUMENTARIES

Certain countries in the sub-region impose fees on the production of films and documentaries and it was suggested that the fee schedule could be reviewed to make it more likely to have an impact on financing conservation activities. This proposal seems somewhat counterproductive to the extent that the sub-region is still not well known and has an interest in seizing all opportunities offered to improve its image at the international level.

POLLUTION FINES

This mechanism has the potential to generate funds in the sub-region and certain countries include pollution fines in their environmental legislation. Its impact will depend on the effectiveness of arrangements in place as well as the allocation of the sums generated to forestry activities and not just to rehabilitation related to the damages caused.

LOTTERY RECEIPTS

Lotteries have been used in some countries to raise substantial amounts for the benefit of conservation. WWF-Netherlands has received the equivalent of US\$10 million from the national lottery of the Netherlands to finance protected areas and biodiversity conservation in developing countries. Lottery revenues could, in the countries where they exist, be used to finance certain forest conservation and sustainable management activities although there is likely to be stiff competition from other priority sectors such as education or health.

PRIVATE SECTOR INITIATIVES: PARTNERSHIPS WITH LOGGING COMPANIES

With 90% of forests in Central Africa designated for economic use, logging companies are the de facto managers of most of the forested lands in the sub-region. Although logging companies have shown increased interest in adopting sustainable forestry management practices, so far a limited number of companies have actually implemented improved management practices.

Current donor and conservation organization financing of sustainable forestry management in the sub-region focuses on:

- partnerships with logging companies operating near protected areas,
- financing of revolving funds for low-cost credit to companies implementing management plans,
- training for logging company personnel,
- adoption of management plans,
- projects that promote reduced impact logging, and,
- projects leading to certification.

There is evidence of increasing dialogue between logging companies, conservationists and governments in the sub-region. A number of actors in the sub-region are exploring partnerships with logging companies to encourage adoption of sustainable forestry management practices and to limit adverse impacts of logging concessions in proximity to protected areas. These partnerships can be replicated in other areas and expanded to

include smaller national operators who are less likely to have financing to engage in sustainable forestry management.

Recommendations

Promote partnerships between conservation organizations, governments and logging companies to adopt management plans for sustainable forestry management, conduct biodiversity assessments and combat bush meat trade.

Provide financing to create cooperatives of smaller national logging companies, providing them with tax and financial incentives to enable them to manage forest concessions on a sustainable basis.

PRIVATE SECTOR INITIATIVES: CONVERSION OF FORESTRY CONCESSIONS

In many countries of the sub-region, forestry concessions have been awarded in areas that contain rich biodiversity. Many of these concessions border protected areas or constitute corridors between areas that already have legal protection. Some of them are also located in areas that are under consideration as trans-boundary protected areas. As biodiversity surveys are conducted, it may become apparent that protection is needed for some of these areas. The following financing mechanisms, which are under experimentation in the sub-region, offer alternative ways to provide protection in areas that are currently designated as forestry concessions.

Renunciation of concession rights without compensation: in recognition of the biodiversity value of a concession area, a forestry company can voluntarily renounce its rights to harvest timber in a certain area. If no compensation is involved, this represents a donation of the rights. A logging company is most likely to consider this option if the biodiversity value is proven through surveys, the cost of renunciation is not too high and the donation will generate significant public relations benefits. In order to provide permanent protection for the area, the government would also need to agree that the legal status of the concession be changed.

Goualogo Triangle

In July 2001, the forestry company Congolaise Industrielle de Bois (CIB) voluntarily renounced its legal rights to harvest forest in the Goualogo Triangle area in northern Congo. This agreement marks the first time a timber company operating in Africa has voluntarily turned over virgin forest in the name of conservation. The Government of Congo has agreed to add the Goualogo Triangle to Nouabalé-Ndoki National Park. The donation reflected CIB's commitment to a partnership with the Wildlife Conservation Society and the Government of Congo to eliminate hunting of protected species, designate no-cut zones for sensitive wildlife areas and minimize the extent and impact of road development in concessions operated by CIB.

In a **buy-back** of a forestry concession, a forestry company is compensated for renouncing its rights. In this case, the compensation is negotiated and is likely to reflect the lost

opportunity cost for the company of not exploiting the timber harvest rights. The buy-back may also entail some sort of compensation for the government who would then provide protected status for the former concession.

The concept of a **conservation concession** has been introduced by Conservation International as an alternative to traditional forms of protection through the establishment of national parks or other protected areas. In a conservation concession, the government or local resource users agree to protect an area in exchange for a steady stream of structured compensation from conservationists or other investors. A conservation concession can be modeled after a timber concession with a limited term where the conservation investor pays the government or other parties for the right to preserve the forest intact rather than harvest the timber in the concession.

The government of Cameroon has recently set aside an area of timber concessions between the reserves of Boumba-Bek/Nki and Dja to create a biodiversity protection zone. Discussions are currently underway to create a conservation concession in this area.

A key feature of these mechanisms is that they all involve some form of compensation for local communities in the area and will also require a financial commitment to fund the management costs of the new protected area or conservation concession.

Recommendation

Explore alternative financing mechanisms for converting forestry concessions to protected status.

Government should maintain its commitment to creating a network of protected areas that contains a representative sample of biodiversity in the country; however in situations where concessions have already been allocated, there may be a need for more flexible financing mechanisms to convert concessions to protected status.

PRIVATE SECTOR INVESTMENT FUNDS

The International Finance Corporation (IFC) invests in private sector projects that are both commercially viable and promote sustainable development. The IFC also finances biodiversity projects jointly with the GEF through the IFC/GEF Small and Medium Enterprises Program. IUCN-the World Conservation Union and the IFC are in the process of developing the Kijani Initiative to invest in sustainable biodiversity businesses in Africa. The IFC is looking for high quality private sector environmental projects and could be a source for development of the forestry sector and eco-tourism in the sub-region.

Recommendation

Identify and secure sources of financing for private sector investments in the forestry sector and eco-tourism.

CONTRIBUTIONS BY PRIVATE SECTOR COMPANIES AND FOUNDATIONS

Oil companies: Oil and gas companies have shown increasing willingness to make social investments to maximize the environmental, social and economic benefits of their operations and to mitigate adverse environmental impacts. This has been the case in the sub-region, where oil companies are present in every country except the Central African Republic. From a corporate perspective, social investments are an important component of these companies' "license to operate" and can also provide public relations benefits for the companies. Typically, oil companies seek to make social investment in the areas where they operate. Contributions can be made at the local level by the local affiliate representing the oil company and/or through company foundations set up to fund philanthropic contributions on a world-wide basis.

Some activities financed by oil companies in the sub-region include:

- Conoco (Congo) financed the construction of the Tchimpounga Sanctuary for chimpanzees in Pointe Noire, Congo.
- Shell donated about US\$1 million to the Smithsonian for research in Gamba (Gabon).
- The COTCO consortium, which includes Exxon-Mobil, contributed US\$3.5 million for the creation of a conservation trust fund for two protected areas in Cameroon.

Private donations: In the past few years, private foundations like the United Nations Foundation and the MacArthur Foundation have introduced new grant programs funding conservation in the sub-region. In order for the sub-region to attract additional funding from a new generation of wealthy entrepreneurs (who often create foundations in the USA), conservation grants invested in the sub-region will need to produce good results and be administered in a transparent way.

In order to attract private donations, it is important that public perceptions of the sub-region be changed. Recent efforts to raise awareness of the need for conservation in the sub-region include:

- MegaTransect, a walk across the Congo Basin jointly sponsored by the National Geographic Society and WCS,
- film documentaries focusing on Odzala National Park in Congo, and,
- WWF's expedition in the Dzanga-Sangha Reserve in Central African Republic.

Zoological societies can also sponsor exhibits that raise the profile of wildlife in Africa and raise funding for species conservation (e.g., the Bronx Zoo Congo Forest Gorilla exhibit)

Recommendation

Encourage private sector companies, foundations and individuals to make donations in support of forest conservation and community development in Central Africa.

SUMMARY OF SPECIFIC RECOMMENDATIONS BY MECHANISM

Recommendations	Priority Actions that could be financed by this mechanism
Environmental Trust Funds Promote initiatives linked to the creation and/or implementation of trust funds dedicated to financing specific sites or zones	<ul style="list-style-type: none"> • B.c. Create new national and/or transboundary protected areas • B.d. Elaborate and implement management plans for national and transboundary protected areas
Debt Relief For HIPC countries, devote efforts to the development and monitoring of the environment and forestry component of the Poverty Reduction Strategy Paper (PRSP) by integrating Yaoundé Summit priority actions linked to poverty alleviation into the PRSP through a participatory process involving all stakeholders in the environment	<ul style="list-style-type: none"> • C.f. Support the development of chains of production and sale and sustainable management of non-timber forest products • D.a. Develop and implement co-management mechanisms for forestry and wildlife resources • D.b. Increase the portion of revenues derived from exploitation of forest and wildlife resources intended for local populations, including pygmies, and develop and implement appropriate mechanisms for benefit sharing (battle against poverty) • D.c. Develop and implement alternative activities, notably in proximity to protected areas • D.d. Define and have adopted a regulatory framework reassuring the populations regarding access and management of natural resources
Carbon Offset <ul style="list-style-type: none"> • Meet requirements under the UNFCCC and ratify the Kyoto Protocol • Conduct a baseline inventory of forests • Build national capacity to rank and select projects and to monitor project implementation at the national level • Develop a portfolio of pilot LULUCF projects that offer the greatest contribution to the realization of priority actions and that are consistent with national development plans 	<ul style="list-style-type: none"> • C. g. Intensify reforestation and regeneration operations for timber and non-timber resources

Recommendations	Priority Actions that could be financed by this mechanism
<p>User fees, charges and taxes</p> <ul style="list-style-type: none"> • Entry fees and other fees linked to protected areas : identify through a participatory process protected areas with real tourism potential and revise the system of fees as well as the modalities for allocating these revenues for protected areas management • Hunting fees : promote cooperation with private sector operators and the establishment of village hunting zones • Fees, taxes and charges for exploitation of forestry resources : Evaluate in-depth and in a participatory manner the functioning of forestry funds in each country and define the allocation modalities for realization of priority actions, taking into account the specificities of these actions 	<ul style="list-style-type: none"> • B.c. Create new national and/or transboundary protected areas • B.d. Elaborate and implement management plans for national and transboundary protected areas • D.a. Develop and implement co-management mechanisms for forestry and wildlife resources • D.b. Increase the portion of revenues derived from exploitation of forest and wildlife resources intended for local populations, including pygmies, and develop and implement appropriate mechanisms for benefit sharing (battle against poverty) • D.c. Develop and implement alternative activities, notably in proximity to protected areas • D.d. Define and have adopted a regulatory framework reassuring the populations regarding access and management of natural resources • B.c. Create new national and/or transboundary protected areas • B.d. Elaborate and implement management plans for national and transboundary protected areas • C.d. Combat fraudulent exploitation and illegal trade in wildlife and forestry resources and products • D.a. Develop and implement co-management mechanisms for forestry and wildlife resources • D.b. Increase the portion of revenues derived from exploitation of forest and wildlife resources intended for local populations, including pygmies, and develop and implement appropriate mechanisms for benefit sharing (battle against poverty) • D.c. Develop and implement alternative activities, notably in proximity to protected areas • D.d. Define and have adopted a regulatory framework reassuring the populations regarding access and management of natural resources • A. b. Conduct baseline inventories • B.c. Create new national and/or transboundary protected areas • C.a. Put in place official norms for elaboration, approval, implementation, and monitoring of management plans, integrating wildlife • C.d. Combat fraudulent exploitation and illegal trade in wildlife and forestry resources and products • C.f. Support the development of chains of production and sale and sustainable management of non-timber forest products • C. g. Intensify reforestation and regeneration operations for timber and non-timber resources • E. b. Establish financing mechanisms for sub-regional cooperation • E. c. Establish capacity building programs • E. f. Ensure coordination, monitoring and permanent evaluation of sub-regional cooperation operations • E. h. Define a national strategy for financing priority actions

Recommendations	Priority Actions that could be financed by this mechanism
<p>Private Sector Initiatives</p> <ul style="list-style-type: none"> • Partnerships with Forestry Companies <ul style="list-style-type: none"> - Promote partnerships between conservation organizations, governments and logging companies to adopt management plans for sustainable forestry management, conduct biodiversity assessments and combat bushmeat trade - Provide financing to create cooperatives of smaller national logging companies, providing them with tax and financial incentives to enable them to manage forest concessions on a sustainable basis • Conversion of Forestry Concessions : Explore alternative financing mechanisms for converting forestry concessions to protected status • Private Sector Investment Funds : Identify and secure sources of financing for private sector investments in the forestry sector and eco-tourism • Private Sector Contributions : Encourage private sector companies, foundations and individuals to make donations in support of forest conservation and community development in Central Africa 	<ul style="list-style-type: none"> • A. b. Conduct baseline inventories • C. b. Subject forest concessions and other affected forests to management planning • C.d. Combat fraudulent exploitation and illegal trade in wildlife and forestry resources and products • B.c. Create new national and/or transboundary protected areas • C. Natural resources are exploited and utilized in a sustainable way • No restriction