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# GENERATING INCOME IN YOUR BACKYARD: A Worthy Approach to Financing Biodiversity

by  
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**Overview.** *While local revenue generation cannot be expected to always raise the millions required to set up vast protection programs, it can at times provide the operations money for changing a paper park into a real operational protected area, or a desirable conservation concept into an applied regulation or specific program for sustainable use. This however, calls for innovative thinking, and for carefully designed applications of the "user/benefactor pay" and "cost recovery" principles. It also calls for perceiving the private sector as a partner of sort and not as an enemy, neither as an almighty driver as is sometimes the case with the tourism industry in protected areas. In addition, it can mean that Environmental Non-Governmental Organisations (ENGOS) should become learned about, and involved with, the above. This may enable them to suggest the viable fiscal solutions when recommending new governmental initiatives/programs. In doing so, ENGOS can more efficiently attempt to defuse the financial questions before they are even posed. The paper addresses issues such as: a) user fees and other forms of revenue generation for parks - including partnership with the tourism sector, b) user fees for other governmental conservation programs (with examples/cases from the review of potential cost recovery for Environment Canada - this study has permitted to identify a number of areas with significant cost recovery potential), and c) on the risks of poorly designed/applied revenue generation programs, d) the dangers with unpredictable public/media perception and reaction, e) the potentially significant management related side benefits which includes cost recovery and local revenue generation.*

## 1. Introduction

There are times when I feel that major agencies in the world of conservation have a somewhat distorted vision of the value of money. The problems with nature conservation are so complex and so important that we tend to always think in terms of very complex and costly solutions.

At Parks Canada, where I was a manager for more than 20 years, I have experienced first hand how the perception of the value of money can vary depending on the level of the organisation at which you work; local, regional and national. As a superintendent in a historic site, I found that \$5,000 was a lot of money and had quite an impact. Later, as a National

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Park superintendent, I started to think more in terms of tens of thousands of dollars. Then, I became a manager at the regional level, where issues were often discussed in terms of hundreds of thousands. Finally, I moved to the national level and soon realised that I was surrounded by people juggling with millions of dollars, who were not easily distracted from their major concerns by anyone waving issues involving "only" a few hundreds of thousands or less.

Admittedly, there is a degree of exaggeration in this story, but there is truth also. When one works in a big organisation and deals with large amounts of money, it is too easy to forget how smaller amounts can often make a big difference. Indeed, a few thousand dollars in a developing country can make the difference between a paper park and an operational one, or between a distant concept for sustainable use and an actual environmental programme. A few thousand dollars from the right source, under the right control and used for the right purpose, can at times achieve results that huge international grants have in some cases not yet permitted. Such dollars can be expected from donations or other forms of ad hoc contributions, but they will more likely and more sustainably come from user fees, from cost recovery programs and other fiscal processes, or their equivalent non monetary value will be obtained from formal processes that call for contributions in kind. My purpose is to demonstrate that it is feasible to generate revenue in "one's backyard", so to speak, and that ground level initiatives are a worthy approach to financing conservation and sustainable use.

This is not to say that I disregard the importance of major funding initiatives, or that I underestimate the horrendous costs that the world has to face in order to green itself. I simply submit that "financing biodiversity" also works at community level, where a range of lesser sources of funding involving a broad mix of contributors can enable local or regional initiatives that will make a difference. I might add that such an approach is in perfect tune with new thinking in the world of biodiversity conservation. As recently stressed by Frank Vorhies, IUCN's environmental economist, in a press release issued just before the 1996 IUCN World Conservation Congress, "it is not possible to get the job done solely through government systems (...) and through funding allocations from ever-shrinking government budgets. (..) The right of use and benefits of use, as well as the responsibility to conserve, must be shared more broadly and integrated into all economic sectors." In many ways, the recent decades of major subsidies for nature conservation have enshrined a grant-government focused culture, with the credo that environmental concerns are for governments only to address. Communities and the private sector have virtually been left outside of the process. They often do not feel concerned, and have little

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consideration if any for environmental costs. AS a result, such costs have not been made a part of the current economic processes, hence the need for "greening" national accounts in ways that are in most cases theoretical, not to say purely academic.

In this context, I propose a line of thinking that can help reach two sets of objective: on the one hand, generate funds locally or regionally for operating conservation programs, without having to ask for and to wait for external grants all the time; and, on the other hand, involve those with the "right of use and the "benefits of use" in sharing the burden of costs and responsibilities for environment conservation, thus making some categories of environmental costs an intrinsic part of the economic process. Indeed, there are numerous means already for achieving this. In recent years, the conservation community has heard a lot about environmental subsidies and reconstruction funding, at>out trust funds, debt swap and equity markets. But traditionally, these have been broad sweeping, have involved huge amounts of money, and have been managed solely by governments and international agencies with little if any involvement by the private sector and the communities.

More recently, we hear more and more about tradable resources shares and development rights, about pollution taxes and impact fees, about environmental performance bonds, and others. Some of these concepts are being addressed at length during the present Global Biodiversity Forum. They are more focused and relate to more specific targets and areas of activity. While each of these individual approaches may yield loss money respectively, their integration into multifaceted programs may yet result in sizeable funding, with the key side benefit of involving a broader range of stakeholders. On the other hand, they may still prove quite complex, and call for the design and implementation of potentially heavy processes.

For my part, I wish to focus on the somewhat less complex and, some would say, more humble set of initiatives that I group under the generic terms of "user fees" and "cost recovery", as referred to above, and of "duo contribution" where appropriate in some cases of privileges granted.

Recreational user fees are already well known, and their application is extensive enough. Everyone has heard about entry fees and service fees in parks, for example. Those have been around for quite a long time now, even if, surprisingly, they do not appear to be catching on the way I believe they should. But there are a number of other possibilities. Let me outline a series of examples:

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- I was enjoying an expensive tour in a national park in Costa Rica, in 1992, I learned with surprise that neither the government nor the park derived any fiscal benefit from the private company operating the tour. There has to be a price and a control for the privilege of exploiting for profit the unique attraction that protected areas offer.
  - There is an island in the Caribbean where the national park holds and protects the fresh water reserve for the capital city and its surroundings, at a cost to the park but with no fiscal return. If the costs were applied where the benefit stands, or accounted for through some form of fiscal compensation, the park would have more money for other conservation mandates, and the national or municipal accounts would be “greened” accordingly, not in theory but in practice.
  - During the recent IUCN World Conservation Congress, in Montreal, I was told by a former colleague from Environment Canada, who does business with "for profit" nature film agencies, about the number of such companies that are surprised not to have to pay rights for filming in national parks and reserves. These companies add that they would pay if asked, or contribute in other ways as appropriate.
  - In 1992, I did a corporate review of Environment Canada Conservation programs, with the goal of identifying potential areas for cost recovery. Allow risk to list a few of my findings:
    - a) a plan for controlling the import/export of hazardous waste across the border with the United States, a multimillion dollars program that the Canadian taxpayers would be paying for without any cost applied to the originators (municipalities, industries and/or others) or to the "for profit" freight companies;
    - b) a constant flow of hydrological data provided free to "for profit" enterprises, while the government agency responsible can hardly find the money for sustaining the appropriate level of data collection and management;
    - c) hundreds of thousands of dollars of forfeitures (from guns to four wheel drive vehicles) sleeping in warehouses while officers in the field sometime lack the proper equipment; and,
    - d) freelance consultants making piles of money just by rewording and reformatting information gathered from free government publications and from free interview with highly qualified civil servants.

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In the world of parks and of nature conservation, the private sector smiles its way to the bank. All in all, I have identified a potential to recover 7,5 million Canadian dollars in government expenditures for Environment Canada conservation programs, just by proposing that cost be applied where costs belong, through various feasible means of ensuring proper fiscal return. You know what? I am told that most if not all of my recommendations have yet to be applied. Not because they were impractical, but because they call for a new way of doing things, for a new culture that "(...) is not there yet".

Essentially, this is what I am talking about: changing the culture. To quote Frank Vorhies once again, "As we become less dependent on government budgets and more dependent on private financial flows, we must learn the skills of business. We must learn about finance, marketing and strategic planning."

I submit that we must move from an attitude of "What am I gonna do and how much is it gonna cost me (or the taxpayers or international contributors)?", to the "Who is gonna benefit and what is *the* market value" approach. We must evolve from homing to the all powerful and at times feared private sector towards a "Let's talk business" mentality. We must convince ourselves that our palace is the marketplace, and that taking steps to hold this place will constitute an effective modern instrument for advancing sustainability, both in terms of financial resources and in terms of involving in a tangible way all of those who share the advantages but too often leave the costs to others.

I am quite certain that some of you may already be thinking at this moment, and have done so in the past, of potential revenues in their field of activity, or would at least consider conducting a review of "user fees and cost recovery potential". But you are also likely aware that changing a mentality is not easy, as exemplified in Environment Canada, and for that matter in Parks Canada, where a 1988 recommendation that entry fees to national parks be changed from a "per vehicle" fee to a "per person" fee - for the purpose of both enhanced equity and revenue - was implemented in 1995 only. Or that about this program manager in Parks Canada's Western Regional Office who argued many years ago that Parks should stop collecting fees in one of their western parks because, he said, "Collecting a dollar casts us half a dollar." I asked him to name a private company in his area that would turn down a 200% return on their money.

Also, let's face it, exploring new avenues can be risky if it is not done right. There is the story of Parks Canada's increase of golfing fees in 1986. They

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doubled the fees, lost half of their users, and ended up with exactly the same revenue, plus thousands of very unhappy citizens. If improperly "marketed" and applied, or if they result in questionable social costs, user fees and cost recovery processes can result in decreased public support for the very programs that one wants to preserve, or in negative reactions from the private sector, with the usual political backlash.

There also exists a notable challenge with legal and/or regulatory frameworks in many cases. Laws and regulations that relate directly and indirectly to the environment have often been conceived before user fees and cost recovery were even considered a possibility in government circles, with the result that user fees and cost recovery programs cannot be legally implemented, or see their extent and impact significantly limited.

On the other hand, as indicated above, when and where applicable, small successful programs can have multiple positive effects. By starting many years ago to charge a significant guiding fee for bringing people to a mountain gorilla area, an African national park has: a) achieved full desirable control over such visits, b) generate money to equip and pay appropriately its conservation and law enforcement staff, and c) gained in this way significant credibility and support in the conservation community. And laws and regulations can at times be circumvented. Think about these groups of outdoor lovers in North America that take over the responsibility of maintaining, for their benefit and under some form of contractual agreement, outdoors facilities and nature programs scheduled for closure - because of decreased use - by governmental agencies hit by severe budget restrictions.

Wisely and widely used, user fees and cost recovery programs, and other processes for ensuring that those with the right of use and with the benefit of use pay their fair share, will work if we give it a chance. To achieve due extensive application, there has to be extensive awareness and education, capacity building, and sharing of success" and disaster stories. This evidently calls for some degree of financial assistance, but such support must be seen as an investment, not as an expenditure. Where government and funding agencies support financially the development of revenue generation processes at local and regional level, they invest for long term sustainability and fiscal autonomy. Also, they promote and apply greater equity in allocating to those who need them most the ever insufficient resources dedicated to nature conservation. In effect, if all government and para-government programs that can generate revenues actually did so, they would need less downstream funding, thus leaving more money for initiatives that need it more.

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As a general conclusion, I call on all international development and funding agencies to set a favourable, and somewhat coercive, context for the extensive application of "backyard revenue generation". One way would be for such agencies to require that revenue potential be reviewed as part of each application for project funding. Financial and professional assistance should be made available for conducting such reviews, and the funds required downstream for designing and implementing user fees and cost recovery processes where applicable should be made an essential component of the overall project funding agreement. Currently, in Canada, the Treasury Board requires that reviews for cost recovery potential, and other revenue potential, be documented for any submission by a department or agency for a new program. Partly because of this, the federal government has seen this category of government revenue more than double in recent years, even if implementation is still rather uneven.

If everything goes as currently designed, I will be in Haiti next mid-January, contributing to a conference on "Alternative Financing for Parks and Protected Areas", where the opportunity of applying the ideas outlined above will be reviewed. This is a project of the Washington based Biodiversity Support Program, a USAID supported initiative of the Nature Conservancy, the World Wildlife Fund, and the World Resources Institute. May there be many more similar projects. I reiterate that this is not only a question of finances, it is equally, if not more, a question of equity in allocating decreasing assistance funding, and of economic integrity in ensuring that environmental costs be applied where environmental costs belong.