Regional Case Studies

Colombia

Financial Strategy for Colombia’s National Parks System (SPNN) ¹

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Introduction

Colombia has been defined as a megadiverse country, both biologically and culturally. Three factors help to explain this diversity: the country’s location in the tropical zone, the existence of the Andes mountain chain and two oceans. The country has been catalogued as one of the world’s most representative in terms of species. It possesses the greatest amount of bird species in the world, is ranked second in amphibians and flowering plants, third in reptiles and fourth in mammals. Colombia also has a large number of ethnic groups, with very different conceptions of their habitat. There are 84 officially recognized indigenous peoples, distributed in 1500 communities, with a population of approximately 800 thousand people. These indigenous communities inhabit those areas of the country with richest biodiversity.

This megadiversity is protected by the National Protected Area System of Colombia (SINAP), which includes private and public areas throughout the country. 10.3 million hectares are distributed in 49 areas. The National Parks System (SPNN), which belongs to the Ministry of the Environment, Habitat and Territorial Zoning, contains five protected area categories. The National Parks System possesses 70% of the biogeographic districts of the country, 12% of the humid and dry refuges of Latin America, and two of the world’s most important biological hotspots: Chocó and the Amazon Basin.

From the outset, efforts were made to fund the UAESPNN but available resources were insufficient to meet demand and the problems of armed internal conflict and fiscal crisis. A new strategy had to be found to fund the System. Since 1998 one of the Unit’s policy objectives has included the structuring of a funding strategy, and today the first fruits of this can be seen.

Basis of the Strategy

1. Social crisis in rural areas

The problem of landownership in rural areas has had a specific effect on conservation areas managed by National Natural Parks system (SPNN), with problems of extraction of resources, loss of biodiversity and deforestation. Under-utilization of farmland for crops and over-utilization for cattle-breeding have created conflict in land-use. In many cases SPNN

¹ Based on the document “Basis of a funding strategy for the SPNN”, 2001
areas are located in agricultural frontier areas for the processes of colonization, with disastrous side-effects.

In these areas the battle is for control of resources – land or the subsoil – either in specific locations or in general for territorial control for political reasons. Also, in the last 15 years the agricultural frontier has been occupied by subsistence farmers and businesses growing coca leaf and opium-poppy. Armed conflict and illicit crops have overlapped into many protected areas, sometimes due to the presence of armed groups in places where they find it easy to hide from the forces of law and order or because those places are corridors between strategic areas.

The strengthening of the black and indigenous communities can be seen in the legislation which recognizes community reserves for the indigenous groups, and on a smaller scale, collective lands for the black communities on the Pacific watershed.

Most of these areas are rich in natural resources and biodiversity: the indigenous reservations overlap with 19 SPNN areas and those of the black communities with 5.

The administration of the Parks needs tools to empower the local communities. This approach by UAESPNN with its “Policy of Social Participation in Conservation” means that funds invested in conservation there may become a form of social investment which will improve the lives of the communities related to the Parks (environmental investment to complement social investment).

\section*{II. The Fiscal Crisis}

Since 1994 Colombia's debt has significantly increased and in 1999 over 40% central budget funds was destined for debt servicing. This has, meant sharp reductions in expenditure, tied to commitments made to the IMF.

The government's commitment to fiscal adjustment is reflected in budget programs, restricting them to the operating priorities of the government, debt servicing and some priority investment. Environmental investment has been affected by this, and indeed it has been cut by 81% between 1995 and 2000. Also, State investment on protected areas has had to compete with other environment-related projects.

\section*{III. The Financial Situation of UAESPNN}

Government allocations have mainly served to pay for the functioning of the Parks (payroll and operating expenses), and only a very small part of them has been available to provide counterpart funds for international technical cooperation projects. With the fiscal crisis this allocation has suffered also, with cutbacks of 63% in operating expenses and 55% in counterpart funds. Investment is the worst affected since allocations are likely to drop further in the future, given the economic situation of the country. As a result, the capacity to control, manage and administer the Parks and maintain the infrastructure of protected areas, amongst other things, has been limited.

The government allocates some US$5.2 million (10% are own funds) equivalent per year, compared to a requirement, if management plans are to be implemented, of some US$12.5 million equivalent; and the minimum operating requirements total US$7.5 million equivalent.

UAESPNN has US$4.2 million equivalent of assets, 40% in infrastructure and 60% in movable items. With the extreme climates prevalent in SPNN areas, maintenance costs are high and the assets have a short useful life. The accumulated deficit of funding for investment in infrastructure suggests that the deficit will continue and will lead to significant deterioration in the assets.
IV The Presence of SPNN and the Social Participation Policy

The Presence of SPNN today is insufficient to guarantee ecological stability in Colombia. At present, 9% of the country is covered by SPNN areas but many ecosystems have not been covered. One policy objective is to cover new protected areas, and this will increase operating costs.

In addition, there is UAESPNN’s Social Participation policy. This involves obtaining a consensus between different levels of perception and interest as an exercise in social interaction with appropriate articulation and collaboration with all sectors of society and the State. Such processes require more funds, since they have also entailed the adoption of new working methods and an advance towards a wide approach to in situ conservation strategies in order to strengthen the potential of ecosystems and society in those tasks.

V. The Economic Benefits of the SPNN Areas

SPNN has attempted to make use of the environmental benefits offered by the SPNN areas, mainly for recreation through ecotourism and support for the development of economic and financial instruments which will use environmental services such as water regulation and climate.

Ecotourism has been an important source of income for the Parks, which has also supported social development. In the last four years this income has formed about 89% of UAESPNN’s own funds. Although there has been a sharp drop since 1999, there has been a recovery in the last two years as part of a collection strategy which has extended to other areas, and of control over the entry-points for those areas.

Outline of the Strategy

A diagnosis of the current situation of SPNN shows to financial needs to be satisfied. First, the Unit needs to be strengthened as an institution since some weaknesses have appeared, and the Unit has grown with the social participation policy; and second, the Management Plans need to be funded. These two aspects are the basis for the strategy proposed.

I. Complementation, Coordination and Co-management of access to functions of administration and management in the Parks.

The investment budget required to implement the management plans or annual operating plans for the Parks SPNN through alliances with social sectors and NGOs. There are alliances of this kind or with grass-roots organizations in 14 of the 49 protected areas, in research, institutional strengthening, financial sustainability, environmental education, sustainable farming systems, ecotourism, management plans, etc.

In coordination of the management of ethnic matters in overlap areas, UAESPNN has worked jointly with a number of indigenous organizations which represent the reserve areas. In particular, there are three cases of agreements to coordinate management of the protected areas in Cahuinari, Sierra Nevada de Santa Marta and Catatumbo. A new protected area in the Piedemonte of the Amazon is being advanced with an indigenous organization.

Among the services required by ecotourism are accommodation, parking, sale of articles, restaurant and cafeteria and recreational services such as diving, rental of canoes and bicycles and guided tours along paths. In this SPNN has attracted private participation such as rentals or free loans of space for these services, with a high transaction cost to
In order to improve the efficiency and quality of offer of these services and to increase revenues while reducing costs, new mechanisms such as operating concessions have been considered. It is expected that in this way organized communities may provide the services associated with ecotourism, thus helping themselves and contributing to local and regional development.

II. **Orientation of State social investment.**

Since biodiversity has an important part to play in Colombia’s development in farming and other forms of production, the conservation of the protected areas runs across a number of development sectors. UAESPNN has been leading the effort to make strategic alliances which will channel investment from the Ministry of Trade and Tourism, and agricultural fund - DRI, and alternative crops program PLANTE to replace illicit crops and the municipal agricultural units UMATA, into participative conservation projects in buffer zones and areas on influence on the edge of SPNN areas. In this way we hope that funds earmarked for uses other than environmental ones will indirectly help to protect protected areas by strengthening the communities that live in the buffer zones.

III. **Development of Instruments which will generate own resources**

Law 99/93 brought significant changes to environmental management in Colombia. The creation of the Ministry of Environment was accompanied by that of the National Environmental System, formed basically by 33 Regional Development Corporations responsible for all environmental functions, with their own funds and acting as autonomous bodies. Simultaneously the UAESPNN was created to supervise the administration, management and protection of the National Parks.

Since SPNN is an important generator of water, the Unit is negotiating with the Regional Development Corporations for the investment of possible important transfers from the electricity industry in SPNN areas in Paramillo, Farallones and Chingaza, with Corantioquia, CVC and Corpoguavio.

Some of the SPNN areas include the highest peaks in the country, and another source of revenue has been a charge for the installation of communications antennas. Agreements have been made with private and public organizations since 1991 for the erection of antennas, and this accounts for US$64,000 a year of revenues (11% of the total). A census needs to be made and analyzed to see whether these agreements should be renewed or terminated.

IV. **Funds Management**

The Unit is the implementing agency for the Ministry’s International Cooperation Strategy, and has strengthened its activities with bilateral and multilateral cooperation.

The chart below show the results of this effort, which have led to a greater concentration of funds in the Andes and on the Caribbean coast. The Unit is therefore now working to obtain funds for the Amazon and Orinoco Basins, through the creation of an Environment Fund, designed to manage twelve parks and two nature reserves. Its scope could subsequently be broadened to other parts of the country.
## V. Cost Reductions and Greater Efficiency

The Unit has not only worked in obtaining new funds but also reshaped its structure for greater efficiency.

Following Presidential Directive 1124/98 there was a major restructuring and decentralization of certain functions. Regional Offices were strengthened to give greater efficiency, with benefits from independent decision-taking and funds management. Today, many projects start in the regions, requiring more technical personnel for specific needs.

With more efficient procedures and austerity in purchases, the restructuring has reduced costs without sacrificing efficiency.

### Projections and Actions

The strategy has produced satisfactory results and has shown that a diversification of sources of revenue and joint work with other organizations are necessary in order to make progress with the funding of the UAESPNN (See chart below). We need to make projections and propose actions for further consolidation of protected areas.

<table>
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<th>Source</th>
<th>Agencies</th>
<th>Funding US$</th>
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<tr>
<td>MULTILATERAL</td>
<td>Interamerican Development Bank (IDB), Europe Union (EU), World Bank GEF, World Food Program UN</td>
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<tr>
<td>BILATERAL</td>
<td>Dutch Embassy, US Congress USAID, AECI, Organismo Autónomo de Parques de España</td>
<td>17.791.000</td>
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<tr>
<td>Total</td>
<td></td>
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I. Mid-term projections
This projection required a list of revenues and expenditures to fund the 49 Management Plans based on realistic estimates and approved international cooperation. The balance between needs (Management Plans) and sources (Central budget, NGOs, Sector Investment, International Cooperation and Revenue-Generating Instruments) has a deficit of US$4,588,000 in 2002 and US$11,266,000 in 2006.

II. The Implementation of the Financial Strategy
The National Parks Unit has implemented the Financial Strategy during the last two years, with support from the Dutch Government. Albeit incipient, the implementation of the Financial Strategy in Colombia has rendered important results:

- 74% of the National Parks System is financed with resources different from the government budget
- Modifications of the entrance fees have increased projected yearly revenues from this source by 44%.
- Four agreements have been signed or are in the process of legalization with Regional Autonomous Corporations and local authorities to protect watersheds and coordinate financial resources.
- By the beginning of next ecotourism facilities in four parks will be managed by the private sector, in an effort to increase revenues and efficiency.
- Several articles were included in the Fiscal Tax Reform to create incentives for ecotourism and protected area management.
- A law currently in Congress includes several articles which will allow the National Parks System to charge for several environmental services it provides. This includes a percentage of water fees, energy surcharges etc.

In addition, the Strategy identified the creation and startup of an Environmental Trust Fund for the Conservation of the Protected Areas in Colombia as critical for the long term sustainability of the System. This proposal seeks to consolidate the National System of Protected Areas - SINAP- by creating a mechanism to finance Management Plans.

The Parks Unit – UAESPNN -, WWF Colombia and The Nature Conservancy created a technical secretary in 2001 to design, validate and manage the proposal. Thus far, the team has been working on the design of the Trust Fund, its legal framework, and different financial scenarios. The US Government recently approved the Tropical Forest Conservation Act for
Colombia, equivalent to US$7 million, which will partially be used to finance the Fund. The Fund will also be presented to the GEF for financing.

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