

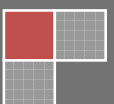


# Financial Strategy and Business Plan

## Sečovlje Salina Nature Park, Slovenia

Barriers to sustainable funding; analysis of income, expenses, costs and financial gaps; financial mechanisms; economic impact, management and staffing; implementation plan and measuring progress.

WWF Mediterranean Programme  
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## Acronyms

BP	Business plan
CGS	Corporate Green Seal
COGS	Cost of goods sold
EU	European Union
HVAC	Air conditioning, heating & refrigeration
IEDC	International Economic Development Council
IT	Information technology
ITF	International Trust Fund (ITF)
IUCN	World Conservation Union
MBA	Master's in Business Administration
MoESP	Ministry of the Environment and Spatial Planning of Slovenia
MoU	Memorandum of Understanding
NPTF	Nature Parks Trust Fund
PA	Protected area
FPI	Financial performance indicator
SC	Steering committee
SSNP	Sečovlje Salina Nature Park
TS	Threshold of Sustainability
UNDP	United Nations Development Programme
VAT	Value added tax
WWF-MedPO	World Wildlife Fund Mediterranean Programme Office

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## Director's Foreword

We, the management team in the Sečovelje Salina Nature Park, are engaged in an enterprise of unprecedented importance—conserving part of our nation's heritage and culture and protecting the best of our landscape for the use and enjoyment of present and future generations of people. We have the enviable responsibility of being stewards of public land and keepers of our national heritage. We take great pride in doing that here at Sečovelje Salina Nature Park—a jewel of Slovenia's heritage.

We feel fortunate to have been selected as one of the parks to participate in the WWF Protected Areas for a Living Planet, Dinaric Arc Ecoregion Project this year. The formulation of the Sečovelje Salina Nature Park's Business Plan under this project represents a unique undertaking in the history of nature parks in Slovenia.

The development of a Business Plan is an important step in helping to carry out our public trust. Analyzing how we utilize our current staff and funding, developing standards to improve the park's operations and evaluating future needs based on those standards will help us to professionalize how we manage businesses in the Park. The Business Plan will also help to prioritize operational and investment needs, and identify potential financial and marketing strategies to secure sustainable long-term funds. This business plan provides us a clearly marked and fully justified path.

Andrej Sovinc  
Head, Sečovelje Salina Nature Park  
May, 2010

## Executive Summary

### Executive Summary

The Sečovlje Salina Nature Park (SSNP) covers 6.5 km<sup>2</sup> (of which 0.98 km<sup>2</sup> dry land). It is part of the Piran Salinas (salt flat lands) which comprise the still active Strunjan Salina and abandoned Lucija Salina. It is situated on the Adriatic coast, at the mouth of the Dragonja River in the southernmost stretch of the coastline of the Piran Bay. The area has been designated a Nature Park by the Government of Slovenia in 2001. The Sečovlje salt flats are the northernmost salt flats of the Mediterranean. The salt is produced in the traditional way, based on a 700-year-old method that harmonizes man and nature. Over the centuries, a unique habitat has formed for halophytic plants and animals and migrating birds. The cultural heritage, which reflects centuries of work by salt makers, is very rich. There are no human settlements in the park.

The long-term conservation objectives of the SSNP aim at protecting the rich natural biodiversity of the Salinas and the preservation of the cultural heritage of the coastal landscape of the Slovene Istria. The management plan of the SSNP includes five core programs:

- i) Conservation and protection
- ii) Valuation and public awareness
- iii) Contribution to the sustainable use and benefits
- iv) Operations and maintenance, and
- v) Effective management and administration

Although SSNP's current funding is sufficient to carry out basic conservation operations based in above indicated programs, the parks still requires additional funding to reach the optimal conservation level. To address this critical issue, a business plan (BP) was completed in May 2010. The BP includes a detailed analysis of the park's income, expenses and financial gaps (by programs) and a selection of financial mechanisms to fill the identified gaps.

During the business planning process, a number of barriers to improve the financial sustainability of the Park were identified: these are related to funding gaps, shortfalls in the legal and regulatory framework governing nature parks finance, institutional aspects and leadership. Nevertheless, the SSNP is making significant progress towards the elimination of such barriers. The barriers are discussed in Section 3.

SSNP's annual income is estimated at €1,010,440 and the total estimated needs are: €965,469 per year for the basic conservation scenario and €1,414,864 per year for the optimal conservation scenario. Mobitel, a phone company, is the most important source of funding, providing €357,421 per year. Although the SSNP meets the funding levels for the basic conservation level (the current annual surplus is estimated at €44,970), the financial analysis revealed that the aggregate financial gap for the optimal

level is €404,427 per year. This gap is significant as it represents 29% of what is needed for achieving optimal conservation in the SSNP.

The financial strategies for the SSNP have been selected with the purpose of filling the financial gaps and creating an optimal funding scenario for the park. However, it is recognized that the full implementation of the selected strategies requires, in some cases, significant regulatory reform, and this can take time. Therefore, it is anticipated that the implementation of the business plan will be progressive and that the business plan will be updated annually.

Market and non-market based financial revenue options and cost-saving strategies have been selected to fill the existing financial gap of the SSNP. It is estimated that the selected mechanisms, in an optimal situation, could mobilize over €500.000 annually, and that income will continue to grow over time. It is also expected that-with this support-the SSNP will be on track to achieving financial sustainability within the next 5 to 7 years.

### **Market-based mechanisms**

The BP will promote three types of market-based mechanisms: an improved park entry fee system, concession fees and an off-site mechanism based on royalties from the sale of biodiversity-related postal stamps (through a proposed partnership with Pošta Slovenije).

The SSNP will introduce a new tourism management strategy that will take into consideration the carrying capacity of the park. It is estimated that revenue from tourism can be increased by: i) improving the entry pass systems through the introduction of a smart card to improve sales and revenue collection (increasing the numbers of visitors paying the fee), and ii) introducing a strategy to manage visitation during peak seasons and improve services.

Further, three **concession opportunities** will be assessed: a) A mud-bath spa concession to a local hotel in Portorož, b) An accommodation (bed & breakfast) facility in rehabilitated historical buildings, and c) A camping and parking facility.

Taking the opportunity of 2010 being the International Year of Biodiversity, the **issuing of a stamp series** is proposed. In partnership with Pošta Slovenije, the stamp will combine this special occasion and a charitable purpose and could be available throughout 2010-2011.

### **Non-market based mechanisms**

In addition to the above-mentioned market-based mechanisms, the BP will promote four non-market based options. First, **tax deductible donations** linked to a **Corporate Green Seal**. This mechanism will be based on Slovenia's Corporate Tax Law and several public-private partnerships that will attract corporate sector donations to support conservation.

Second, a **Nature Parks Trust Fund (NPTF)** managed by an existing private financial institution (to be determined). It is expected that the proposed fund will support, in its pilot phase, an initial cluster of parks (3-4 selected parks) including the SSNP. The Fund may include three different types of funds:



endowment fund, sinking fund, and a revolving fund; or a combination of these. It is also proposed that the NPTF is established once two or more capitalization mechanisms are available to support an endowment fund.

Third, the BP proposes the assessment of opportunities to create **green-venture capital**. This may include an investment fund managed by the NPTF which will provide support for small- and medium-sized businesses that contribute to economic development in local communities around protected areas. To this end, in addition to seeking public and private sector grants, this strategy will explore the mobilization of capital from mechanisms linked to the "Polluter-pays" and "Sinner-pays" principles.

Fourth, **spare currency donation boxes**. This is a relatively inexpensive mechanism that could generate significant revenue during the tourism season in the Piran and Portorož areas. Donation boxes can be placed in strategic places such as banks, shopping centers, hotels and restaurants, shop chains (including the Piranske Soline Gift Shops in SSNP, Portorož, Piran and Ljubljana), bus stations, tourism information bureaus and airports.

### **Cost-saving strategies**

In addition to financial mechanisms, the BP will promote cost-saving strategies to reduce costs in both services provision functions and conservation programs. These include the following strategies:

**Green labor month.** Although it is recognized that students should have access to protected areas free of charge, it is important to identify indirect financial mechanisms to ensure that the costs of the significant number of student visits are fully covered so that current and future generations of students can continue to enjoy the services and safety provided. This initiative will be designed in collaboration with the Ministry of Education of Slovenia to strengthen students' awareness of biodiversity conservation, cultural heritage and to mobilize funding for supporting conservation in protected areas. Students will be assigned the sale of park entry tickets during a period of 3 to 4 weeks at the beginning of the spring season. Students will receive compensation (in free park passes) according to the number of passes sold.

**Business Planning Partnership.** Led by SSNP, a strategic partnership to develop the business planning capacities in the network of protected areas (PA) in Slovenia will be assessed. Potential partners include the MoESP of Slovenia, the Business School of the University of Ljubljana, UN Global Compact-Slovenia, IEDC-Bled School of Management and WWF. The core element of the strategy is to create a MBA volunteer program at national or EU level to support the formulation and implementation of protected area business plans. To this end, advanced MBA students will be located at Ad-hoc Business Planning Units in selected nature park to support the implementation of business plans and provide innovative business advice to park teams.

Other cost-reduction opportunities related to improving management and administration of the SSNP will be tested. For example, volume purchases, extending the useful life of goods and equipment (emphasis on preventive maintenance), balance staff time: full time, part time, consultants and

volunteers, analysis of savings in main expenditure items and strategic adjustments in programs and activities.

The above indicated market and non-market based mechanisms and cost savings will support the SSNP's most important areas for investment in the next five to ten years. These areas include the reconstruction of the embankment and sea defense walls, construction of the new visitor's infrastructure and interpretation center, and the progressive establishment of a business development unit to support the implementation of the business plan.

### **Contribution to the local economy**

SSNP is becoming a very important source of jobs for the local community. No less than 70 jobs are expected to be offered in the areas of park management and salt production by the end of the year 2010 (at present more than 50 employees). Other opportunities for generating income for the local community (related to transport, part-time jobs in the park, guides, local products, accommodation, etc.) have not been assessed, but are expected to be significant. The park's cooperation with local communities includes tourism activities and the provision of interpretation services to local schools.

Finally, a new communications strategy will be proposed in collaboration with the MoESP, the Ministry of Tourism, the Regional Tourism Bureaus in Primorska and Notranjska Regions and the Slovene Tourism Organization. The strategy will include nature parks and other attractions in the region. It will serve not only to promote the parks, but to strengthen inter-institutional and inter-park collaboration.

### **BP cost**

The eventual cost of implementing the Business Plan is estimated at 179,000 Euros. It is recommended that the implementation of the BP is carried out using a phase-based approach to distribute costs throughout implementation, and to be able to use funding generated by new financial mechanisms to support the implementation of the BP. However, it is critical that seed funding is mobilized for the initial implementation phase.

## 1. Background

The Sečovlje Salina Nature Park (SSNP) covers 6.5 km<sup>2</sup> (of which 0.98 km<sup>2</sup> is dry land). It is part of the Piran Salinas (salt flat lands) which comprise the still active Strunjan Salina and abandoned Lucija Salina. It is situated on the Adriatic coast, at the mouth of the Dragonja River in the southernmost stretch of the coastline of the Piran Bay. The area was designated a Nature Park by the Government of Slovenia in 2001. The Sečovlje salt flats are the northernmost salt flats of the Mediterranean. The salt is produced in the traditional way, based on a 700-year-old method that harmonizes human activity and nature. Over the centuries, a unique habitat has formed for halophytic or salt-loving plants and animals, and migrating birds. The cultural heritage, which reflects centuries of work by salt makers, is very rich. There are no human settlements in the park.

Map 1. Location of the Sečovlje Salina Nature Park



In 2003 the salt-making company (Soline d.o.o.) was bought by the telecommunication company Mobitel d.d. in order to safeguard the area's natural and cultural heritages and surrounding landscape, and to maintain the traditional salt-making process. This new model of business-community relationship proved to be successful because it provided initial investments for both, the reconstruction of salt-making practices and development of a park infrastructure that resulted in direct economic benefits for the business company and the community nearby the SSNP; it also improved conditions for preservation of the natural and cultural heritages and local traditions. Further, the public image of the telecommunications company improved because many potential customers appreciate private sector investments in protection of nature and culture. This resulted in new subscriptions to Mobitel<sup>1</sup>.

The park has more than 40,000 annual visitors, mostly in the summer season. Income generated from visitors is seen as an important source of funding for maintenance of the salina ecosystem. The Park is

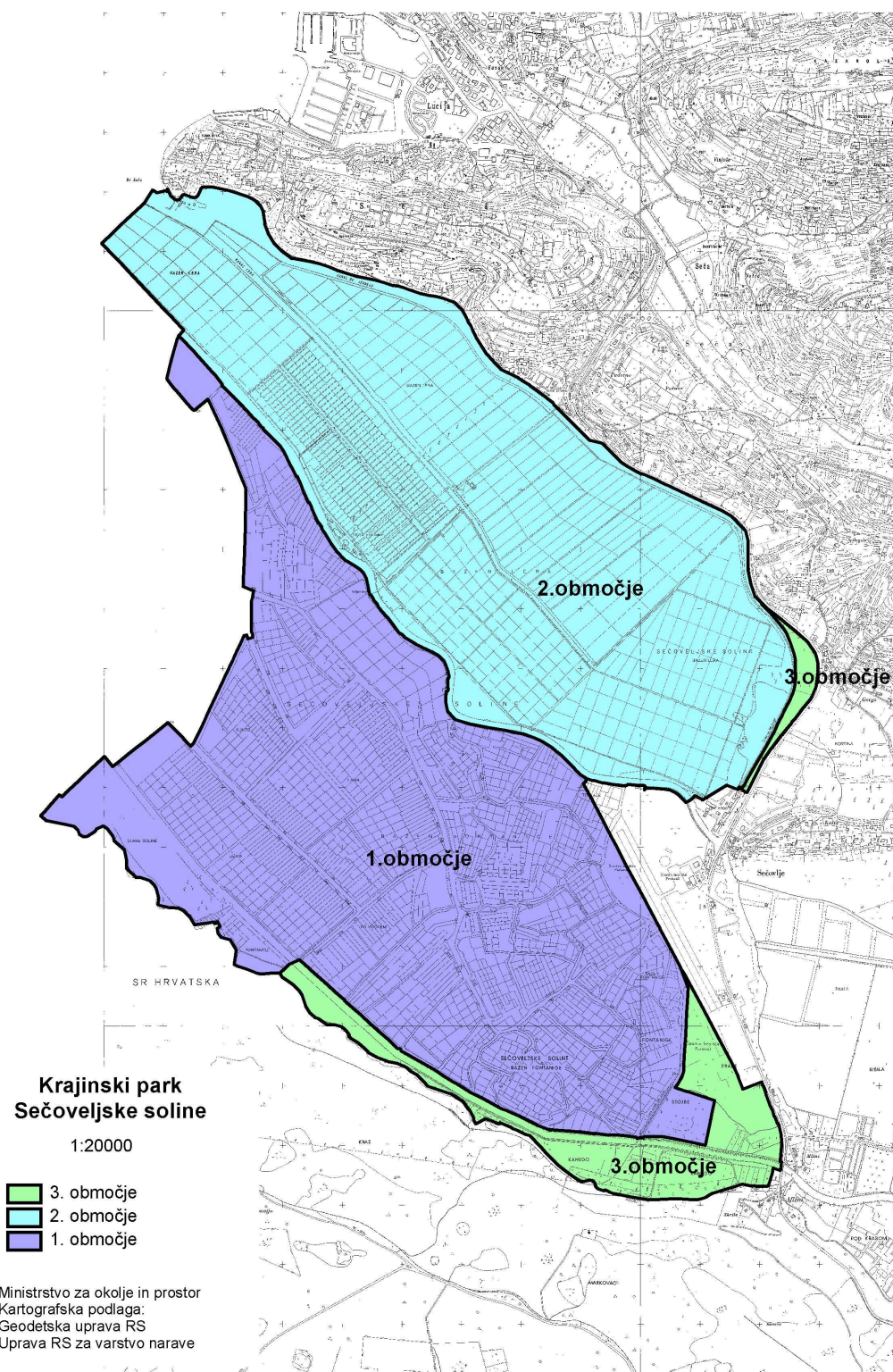
<sup>1</sup> Global NEST (2009). Journal, Vol 11, No 1.

open for visitors throughout the year. Opening hours for visitors are one hour before sunrise until one hour after dusk.

The Park is accessible from various points, as illustrated in Map 2 below. The road that leads to the main entrance of the park diverts from the road Lucija – Sečovlje. At the top of the hill in Seča the paved road leads to the bridge over the Sv. Jernej channel where the entrance point is located. To reach the Fontanigge area, where the Museum of Salt Making is located, visitors must use the tarmac road just before the Dragonja river bridge, after crossing the Slovene border control point. Currently, there is no public transport available to travel to the park from the surrounding towns of Piran and Portorož. In addition, there are two entrances to the park by boat. Organized groups with guides come by boat from Piran (and other coastal towns upon prior agreement) to the piers along the Giassi or Grande – Drnica channels. Upon arrival, a leaflet with basic information on the park and visiting rules is provided at the entrance points. Walks in the park are permitted in designated paths only.

Group visits require advanced arrangement and are supported by guided tours, which (according to the season) can also offer a presentation on salt harvesting and opportunities for bird watching. There are no accommodation facilities within the park yet; however, there are plenty of hotels, private rooms, and restaurants in the vicinity of the park (Piran and Portorož areas).

Map 2. Sečovlje Salina Nature Park and surrounding areas



Tourists can visit the Museum of Salt Making at Fontanigge. It presents a comprehensive exhibit on how salt was produced in medieval days. The museum is open throughout the spring, summer, and fall, but closed in the winter.

A new multi-media visitor center and projection room is located in the Lera area. There is also a gift shop, which offers a great variety of salt products (cosmetics and salt-based foods), typical products from the region, and park merchandise such as publications, CDs, educational toys, and souvenirs. The shop includes an art gallery where works by local artists are permanently available. Rest rooms and vending machines are also available at Lera.

Celebration of the arrival of salters – seasonal salt workers – to the saltworks (during the last weekend in April) marks the salt season with salt harvesting beginning the first weekend in July. The departure of salters back to their homes in the last weekend in August is celebrated as The Festival of Salters. The local community and the town of Piran organize special cultural and folklore events during these days.

The wider area of Sečovlje Salina is embedded into the typical cultural landscape of the Istra Peninsula. The area is bounded to the Dragonja River Valley with mosaic landscape composed of arable land, vineyards, and grasslands, and with interesting villages such as Krkavče and Koštabona. Local tourist attractions are common in these towns and there is a well established network of walking and cycling paths and “wine-roads.” The practice of “*osmice*” is well known in this area: farm houses in this region open their doors for visitors and offer them traditional food and excellent wines.

## 2. Conservation goals, objectives, operations, & investments

The long-term conservation objectives of the SSNP management plan and use of the natural values of the Sečovlje Salina aim at protecting the rich natural biodiversity of the Salina and preserving the cultural heritage of the coastal landscape of Slovene Istria. To this end, the SSNP has defined the following general objectives:

- Preserve the traditional salt-making (production) process and technology within the region;
- Conserve the salt-pan ecosystem, habitat types, and biodiversity;
- Promote cooperation with local and regional stakeholders, particularly with local civil society groups; and,
- Promote participatory processes to support the SSNP's management and financing.

The specific objectives of the SSNP management plan include five core programs: i) Conservation and protection; ii) Valuation and public awareness; iii) Contribution to sustainable use and benefits; iv) Operations and maintenance; and, v) Effective management and administration. Table 1 below provides an overview of the core programs and subcomponents. Annex 1 provides a summary of the SSNP's management approach.



Table 1. SSNP Management programs and key subprograms

Programs	Subprograms					
	1	2	3	4	5	6
1. Conservation and protection	Water regime management	Wild species and habitat management	Cultural heritage sites management	Patrolling and enforcement	Scientific research	Monitoring
2. Valuation and public awareness	Valuation and contribution to production	Education and awareness	Political outreach and decision making support	Public outreach and constituency support		
3. Contribution to the sustainable use and benefits	Traditional salt making	Tourism and recreation	Agriculture and aquaculture			
4. Operations and maintenance	Access and secondary road maintenance	Zoning and boundaries				
5. Effective management and administration	General administration and management	Administrative and financial management systems	Staff training	House keeping		

Source: SSNP's Management Plan 2008 (It is expected that Management Plan will be approved by the Government in 2010).

### 3. Financial background

This section highlights the financial situation of the SSNP and identifies existing barriers to achieve the park's financial sustainability, providing a detailed assessment of the park's financial needs and gaps, which is based on the cost of core programs and subprograms.

The actual income and expenses of the SSNP in 2008 were €1,010,440 and €650,677 respectively, as shown in Table 2. The budget indicates, on one hand, that SSNP resources are well managed (no overspending). On the other hand, this budget overview does not provide information on funding shortages and how they affect the level of implementation of the park's conservation programs. It does not indicate what the component programs' financial needs are and how the funding gaps are distributed across programs. Consequently, this budget information alone, although useful from an accounting standpoint, is not sufficient to understand the park's financial situation; therefore, the budget alone it is not a tool to fully support a strategic decision-making process at SSNP. To address this critical issue, a detailed analysis of the park's income, expenses, and financial gaps (by program) was completed in November 2009. This analysis provides the foundation on which this business plan (BP) has been developed. The results of the analysis are summarized in Section 3.2.

Table 2. Sečovelje Salina Nature Park 2008 budget

Budget execution 2008	
<i>Income Sources</i>	<i>Amount (in €)</i>
Entrance fees, incomes from renting boat peers	90,000
State budget contribution	265,256
Contribution from the State Budget	197,763
Projects (EU funding)	90,000
Sponsorships	10,000
Mobile phone company contribution	357,421
<b>Subtotal Income</b>	<b>1,010,440</b>
<i>Expenses</i>	
Material costs and outside services	254,000
Salaries with taxes	396,677
Investments*	
<b>Subtotal Expenses</b>	<b>650,677</b>
<b>Total income after expenses</b>	<b>359,763</b>
* A major challenge in managing public-private partnership of state owned and state designated protected areas in Slovenia is defining investment cost and depreciation of infrastructure. The infrastructure in the SSNP is not owned by park management authority (the company) therefore is not included. However, it is important to mention that the Soline d.o.o. provided approx. 200,000 EUR for different investments in the park area.	

Source: SSNP (2008).

### 3.1. Barriers to sustainable funding

During the business planning process a number of common barriers were identified and found to be related to several aspects: funding gaps, shortfalls in the legal and regulatory framework governing the nature park's finance, institutional factors, and leadership. Nevertheless, the SSNP is making significant progress toward the elimination of such barriers, which include, for example, a solid partnership with the private sector and the development and implementation of this business plan. The SSNP Business Plan will also serve as a pilot and generate lessons that will be applied in developing additional business plans in nature parks in Slovenia and in the Dinaric Arc Ecoregion.

- **Financial barriers.** In Slovenia, as in many developed and developing nations, the government and ministries of finance tend to favor investment in economic development and export-led growth. The environmental sector is, generally, in a weak bargaining position relative to other sectors. In addition, many countries must overcome low levels of political support for the protection of nature. Ministries of finance tend to allocate national resources to various ministries and departments according to political priorities. Protected areas (PAs) systems and nature parks often rank low in the institutional pecking order (Bovarnick, 2008)<sup>2</sup>. Moreover, the contribution of protected areas and nature parks to economic growth in Slovenia is still both poorly documented and poorly understood and, therefore, under-valued by decision makers;

<sup>2</sup> Financial Sustainability Scorecard for National Systems of Protected Areas, UNDP, 2008.



conservation is thus viewed as a *cost*, rather than an *investment*. This leads to a situation where financing streams are inadequate to both sustain the ecological qualities of many ecosystems and to preserve the cultural heritage of the SSNP and many other parks in Slovenia. However, although the park's current available funding meets the funding needs for basic conservation, the park has only two thirds of what is needed for the optimal conservation level. This is discussed in the next section (3.2). The most important sources of funding are the state budget annual allocation estimated at €265,256, resources from the agriculture fund €197,763, private sector support from Mobitel of approximately €357,000 annually (which is scheduled to be discontinued in 2023), and tourism-based revenue estimated at €90,000 annually. Other sources such as short-term projects and donations are unpredictable. The bulk of the current funding goes toward covering the costs of salaries and priority operations.

- **Structural barriers.** Nature parks in Slovenia are still poorly integrated into national development policies and are discouraged from generating or retaining revenues. The existing administrative systems and structures are still overly bureaucratic and not conducive to cost-efficient operations. There is limited division of responsibilities between different institutions that share the responsibility of funding nature parks (e.g. MoESP, ministries responsible for tourism and culture). The accession of Slovenia to the EU in 2004, however, has resulted in significant opportunities for improving protected areas management and finance. For example:
  - ✓ Access to EU's Natura 2000 Programme funding and standards, in particular the LIFE+ Programme.
  - ✓ Other EU-funding programs in the framework of the European Regional Development Fund and others.

However, the legal and regulatory framework governing the financing of nature parks is still insufficient. Nature park authorities are not able to adopt new mechanisms and diversify their revenue sources. Furthermore, participation of the private sector, at PA systems-level, is still minimal. For example, the lack of design and implementation of taxation relief schemes to support PAs conservation has not been tapped yet. The central budget is allocated in a piecemeal manner with financial decisions based on fund availability rather than on strategic economic and financial data. In addition, there is resistance to adoption of new approaches within government. An overview of the current legal framework governing nature park finance and related issues is provided in Annex 2.

- **Leadership barriers.** SSNP's managers have not been fully equipped with the tools needed to provide leadership to further diversify funding sources or adopt more cost-efficient protected areas operations. For example, these leadership tools would include:
  - ✓ Business planning, financial analysis and feasibility assessment tools.
  - ✓ Financial sustainability scoring tools.
  - ✓ Authority to promote the development of income-generating mechanisms at site and system-level.

- ✓ National level legislation that allows the establishment and capacity to retain funding from site-level revenue mechanisms.
- ✓ Staff with the appropriate skills to manage the implementation of financial strategies and business plans.

The SSNP started preparation of a business plan in mid 2009. Participation of the SSNP's Head has been instrumental but implementation of the BP will require broader engagement of the MoESP and SSNP staff. Further, engagement of the private sector in the SSNP has been critical to advance funding. Funding from Mobitel has been instrumental (but not sufficient) to improve conservation in the area and could open new opportunities to engage other potential donors from the private sector. Finally, only limited information on SSNP economic values, priorities, and investment opportunities has been available to the park's leaders.

- **Knowledge and information gaps.** Although many of the services required to develop and implement a BP can be outsourced, the understanding and the capacity to implement the BP is still a responsibility of SSNP managers. In this context, the SSNP lacks staff on key functions or skills needed for cost-efficient business planning (i.e., dedicated staff to oversee the development, implementation, and updating of the BP including managerial, financial, and marketing skills). In addition, improving knowledge management in relation to financial analysis, selection and implementation of financial mechanisms, and sharing lessons will need a significant boost. Finally, the information on SSNP economic values, priorities and investment opportunities should be made permanently available, not only to the park's leaders, but to prospective donors and investors.

### 3.2. Financial situation: current funding, needs and gaps

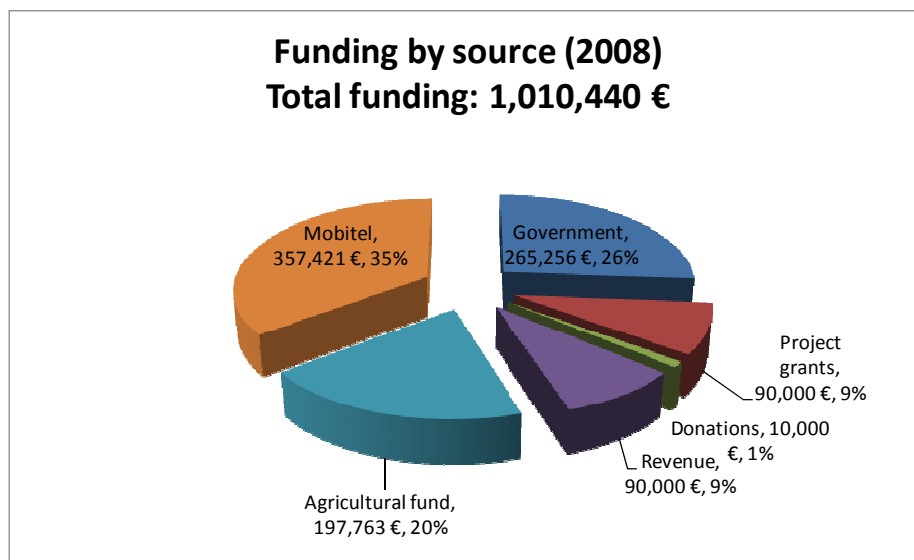
As indicated, the current annual operating budget of the SSNP is estimated at €1,010,440, and the total estimated needs are: €965,469 for the basic conservation scenario and €1,414,864 for the optimal conservation scenario<sup>3</sup>. Consequently, current funding of the SSNP meets the aggregated funding levels for a basic level of conservation. However, out of the five core programs of the SSNP, two appear underfunded for the basic level. The Conservation and protection program and the Sustainable use and benefits program have deficits of €63,714 and €112,641 respectively. These shortfalls might be partly caused by the lack of information on each of the program's financial needs. Currently, only one program, Valuation and awareness, meets the levels of funding required for basic and optimal needs. The Valuation and awareness program now has a significant surplus at the basic level that can be reallocated to other programs in deficit.

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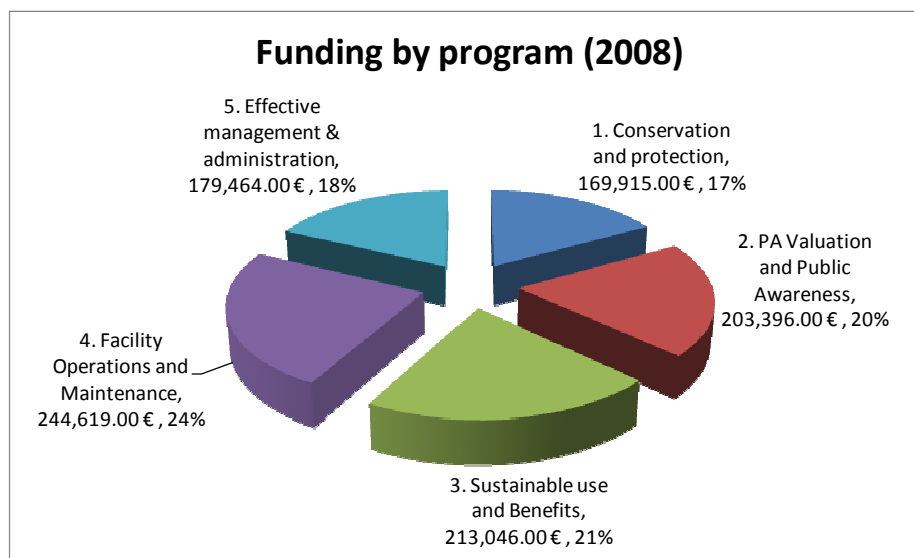
<sup>3</sup> The basic management scenario (basic level) describes the minimum level of funding required to operate key conservation programs while meeting basic program requirements to sustain functions of ecosystems in protected areas. The optimal management scenario (optimal level) describes the ideal level of funding required to operate all programs to reach and sustain optimal functions of ecosystems in protected areas. 'Optimal' describes the ideal state of the program if all necessary funding, personnel, equipment, and other resources were available to achieve that state (CPM, 2002). This ensures achievement of short-, medium-, and long-term goals for the protected areas, in accordance with the highest environmental, social, and economic standards (Flores et al., 2008).

The phone company Mobitel is the most important source of funding, €357,421. Graphics 1 and 2 provide an overview of the existing funding and gaps per program.

Graphic 1. Funding by source



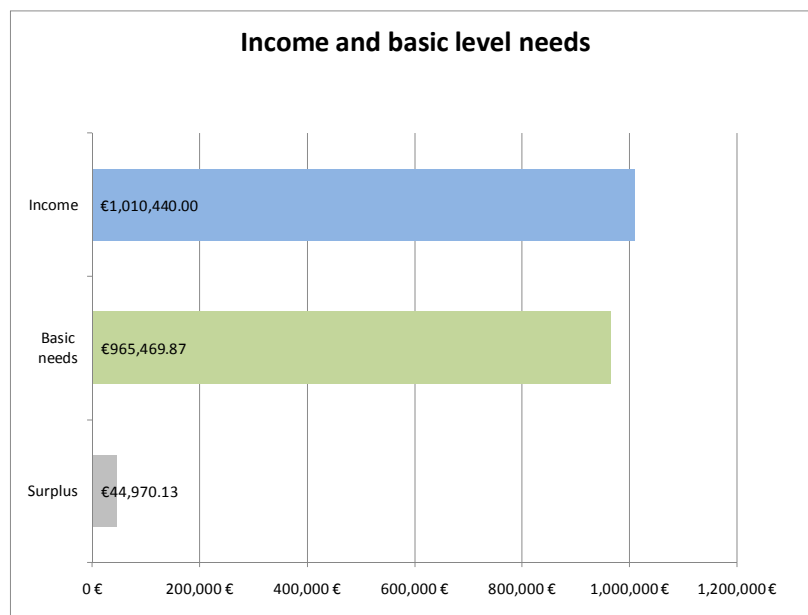
Graphic 2. Funding by program



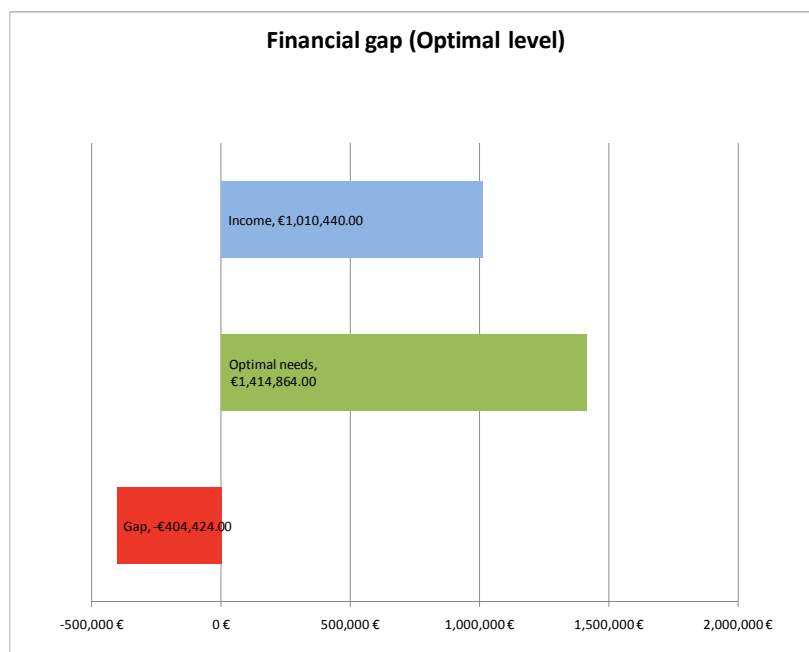
Although the SSNP meets funding levels for the basic conservation level (the surplus is estimated at €44,970), financial analysis reveals that the aggregated financial gap for the optimal level is €404,427. This gap is significant, representing 29% of what is needed for achieving optimal conservation in the

SSNP. Graphics 3, 4, and 5 show the level of income for the basic level, the aggregated financial gap for the optimal level, and the gaps per program, respectively.

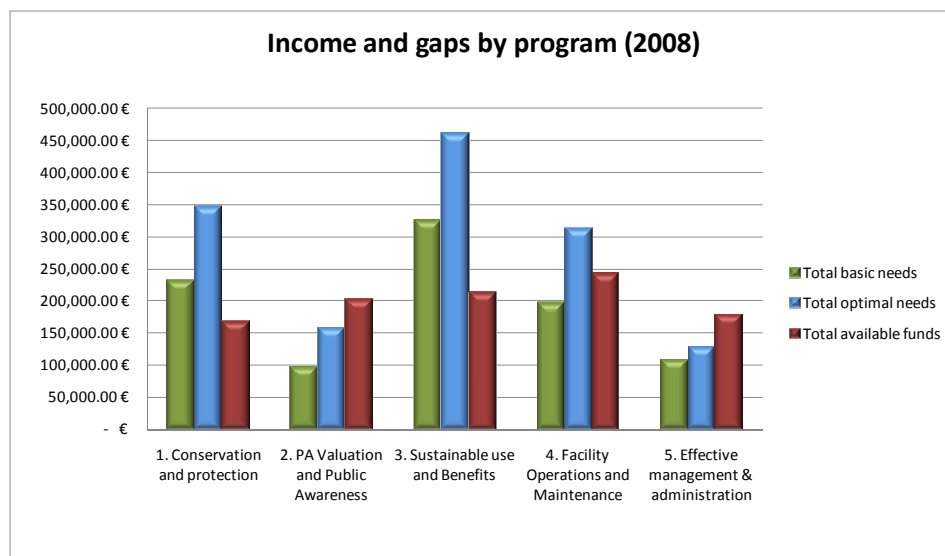
Graphic 3. Basic level surplus (2008)



Graphic 4. Aggregated gap optimal level (2008)



Graphic 5. Financial gaps by program (basic and optimal levels)



Based on the above information in these graphs, a selection of financial mechanisms will be implemented in order to fill the identified financial gaps. These mechanisms and other potential strategies are discussed in the next chapter.

## 4 Financial strategies

Financial strategies for the SSNP have been selected with the purpose of filling the financial gaps and creating an optimal funding scenario for the park. However, it is recognized that the full implementation of the selected strategies requires, in some cases, significant regulatory reform; this reform can take time. Therefore, it is estimated that implementation of the business plan (BP) will be progressive and that the BP will be updated annually.

Market and non-market based financial revenue instruments<sup>4</sup> (mechanisms) have been selected to fill the existing financial gap of the SSNP. It is expected that the selected mechanisms, in an optimal situation, will mobilize over €500.000 annually, and will continue to grow over time. It is also expected that the SSNP will be on the road to achieving financial sustainability in the next 5 to 7 years<sup>5</sup>, with support of the selected financial mechanisms and cost saving strategies of this BP. The potential annual

<sup>4</sup> **Market-based instruments** refer to a wide variety of ways to “match up” buyers and sellers through price rationing. **Non-market based instruments** refer to transactions that generate revenue without market intervention. However, in some cases, non-market based instruments could be indirectly related to markets (e.g., endowment funds and the stock market)

<sup>5</sup> Protected area “financial sustainability” refers to the ability of a country to meet all costs associated with management of a PA or a system of PAs. This implies a funding “supply” problem of generating more revenue, but just as importantly, this could also imply a “demand” side challenge of managing PA financing needs (at site and at system levels). Bovarnick, UNDP, 2008.

contribution of these mechanisms is illustrated in Table 3. These numbers could vary depending on the level of implementation and the political will of involved institutions and stakeholders. Nevertheless, the selected financial strategies have the full potential to ensure funding for the SSNP's basic needs and beyond; the selected strategies will set the financial foundations required for when Mobitel discontinues financial support in 2023.

Table 3. Estimated annual revenue from the key financial mechanisms

Proposed financial mechanisms	Estimated additional annual revenue in € (Thousands)
Entry fees & passes	121,829
Mud-bath concession (25% of estimated revenue)	17,903
Biodiversity postal stamp	286,350
Trust fund (10% of estimate. Option A: 1.1	100,000
Donation boxes	25,000
<b>TOTAL</b>	<b>551,082</b>

There are limitations, however, to what the selected financial mechanisms can deliver. For example, one year, there could be resources to support a high level of expenses due to, for example, large private donor support, a capital injection from the government or a multilateral source, or a boom in international tourism. A robust financial year will not necessarily secure the financial future of the park. Therefore, in order to sustain funding levels at the desired level, it is important that a dedicated unit within the park permanently analyzes funding opportunities and incorporates new green business to support the park. Chapter 7 includes details on management and staffing needs to implement the BP.

The operational models for the proposed financial mechanisms are presented in the next sections.

#### 4.1 Market-based mechanisms

The BP will promote entrepreneurial incentives for producers and consumers to support SSNP's management programs. Market-based mechanisms are critical to ensure that management of the SSNP continues to invest in improving the quality of the goods and services they provide. The BP will promote three types of market-based mechanisms: an improved park entry fee system, concession fees, and an off-site mechanism based on royalties from the sale of biodiversity-related postal stamps (though a proposed partnership with Pošta Slovenije).

#### 4.1.1. Improved entry pass sales and fees collection

There is significant revenue generated by tourism in the SSNP. The park uses a single entry fee model (€4,6) that generates €90,000 annually. There are over 40,000 visitors<sup>6</sup> annually; however, not all visitors are charged with the fee (approximately 18,000 pay). This is resulting in significant losses estimated at €100,000 annually.

The SSNP will introduce a new tourism management strategy that will take into consideration the carrying capacity of the park and will improve the following: visitation services and attractions, visitor safety, caps on the number of visitors and a related visiting strategy (to deal with high levels of visitation during peak seasons), and optimal financial management of revenue. It is estimated that revenue from tourism can be increased by:

- i) Improving the entry pass systems through introduction of a smart card to improve sales and revenue collection (increasing the numbers of visitors paying the fee).
- ii) Introducing a strategy to manage visitation time tables during peak seasons. To this end, a critical aspect will be diversification of types of entry passes/fees.

It is expected that use of a sustainable tourism management approach and diversification of entry passes will produce a tolerable increase in the number of visitors. Nevertheless, there are several enabling conditions for this strategy to be successful. These conditions include, but are not limited to:

- Assessment of the potential carrying capacity under improved visitation facilities and a strategic visitation program;
- Systematization of the entry fee system by developing a visitor smart card that can store information regarding visit patterns, type of entry, service, number of people, and duration of pass; and establish smart access points to the park main entrances (where smart cards will be read)<sup>7</sup>;
- Developing a strong partnership with the Ministry of Tourism, MoESP, and the private sector (IT companies, banks, hotels, transport companies, etc.);
- Agreeing with the MoESP that the new park entry system will be piloted at SSNP;
- Improving the SSNP investment policy on tourism facilities, services, and visitor safety (pedestrian areas);
- (Finding a way how to set aside areas for new concessions<sup>8</sup> such as: historical sites, camping, and parking areas near SSNP main entrances;

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<sup>6</sup> Sovinc, 2009.

<sup>7</sup> Access to SSNP include: The main entrance from the Lucija – Sečovelje road, the bridge over the Sv. Jernej Channel, the Dragonja River Bridge, and the two piers along the Giassi or Grande – Drnica Channels.

<sup>8</sup> According to the Decree on the concession for the use of a valuable natural feature Sečoveljske soline and on the concession for the management Sečoveljske soline Landscape Park, the company is not allowed to transfer the concession of any part of the area to another concessionaire without a prior consent of the government.

- Place information on tourist facilities that are financed and maintained with revenue from entry fees. This is critical for the success of a new entry fee system: it is important that tourist clearly see where their money goes;
- Public transport to the park is made available through a partnership with the local government and the local public transport company; and
- The SSNP will introduce the “Threshold of Sustainability” (TS) approach to manage its tourism program. The TS is the minimum level of investment required in tourism management to ensure that the protected area’s natural capital does not decline. The TS is reached by ensuring adequate investment in key management programs such as: impact monitoring (carrying capacity), basic infrastructure, visitor safety, and interpretation and information<sup>9</sup>.

With support of a systematized smart card system, different options, from those in Table 3, or a combination of options will be assessed.

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<sup>9</sup> Drumm, A. (2008). Available at: [www.conserveonline.org/workspaces/tnc/ecotourismprogram/publications](http://www.conserveonline.org/workspaces/tnc/ecotourismprogram/publications).



Table 3. Diversification options for entry pass types in the Sečovelje Salina Nature Park

Passes and services	Duration of pass	Point of purchase
<ul style="list-style-type: none"> <li>• General admission to SSNP</li> <li>• General admission to several national parks (regional cluster, including SSNP)<sup>^</sup></li> <li>• General admission to all nature parks in Slovenia<sup>^^</sup></li> <li>• General admission to all nature parks in Slovenia and Croatia<sup>^^</sup></li> <li>• Camping pass</li> <li>• Special event pas</li> <li>• Overnight pass<sup>++</sup></li> <li>• Guided tour pass</li> <li>• Salt harvesting pass</li> <li>• Photography pass</li> <li>• Bicycle riding pass</li> <li>• Research pass<sup>*</sup></li> <li>• Parking fees<sup>+</sup></li> <li>• Gift cards (for any of the above)</li> </ul>	<ul style="list-style-type: none"> <li>• Daily</li> <li>• Multiple entries</li> <li>• Weekend</li> <li>• Weekly</li> <li>• Monthly</li> <li>• Annual (valid one year from date of sale)</li> <li>• Seasonal (with discounted rates in low seasons)<sup>***</sup></li> </ul> <p><b>Number of people</b></p> <ul style="list-style-type: none"> <li>• Individual</li> <li>• Group</li> <li>• Family</li> <li>• Corporative</li> <li>• Schools (primary and secondary)<sup>**</sup></li> </ul>	<ul style="list-style-type: none"> <li>• SSNP</li> <li>• SSNP Webpage</li> <li>• SS Gift Shops</li> <li>• Banks</li> <li>• Hotels (whole sale, packaged with other local attractions)</li> <li>• Euro Rail /Bus Stations (in Slovenia)</li> <li>• Tourist information centers everywhere in Slovenia (including airport)</li> <li>• supermarkets (gift cards only)</li> </ul> <p><b>Payment type</b></p> <ul style="list-style-type: none"> <li>• Cash</li> <li>• Credit card</li> <li>• Debit card</li> <li>• Electronic (e.g. PayPal®)</li> <li>• Exchange for goods or services</li> <li>• Gift cards</li> <li>• Credit card points</li> </ul>
<p>NOTES:</p> <p><sup>^</sup> South Africa's Wild Card, a smart card that records information on use frequency. See <a href="http://www.sanparks.org/tourism/wild/">www.sanparks.org/tourism/wild/</a>. Also, packaging the SSNP with other attractions in the region such as canoe and rafting at the Soča River, cultural attractions at Piran, Kobarid, Hrastovlje, and Izola.</p> <p><sup>^^</sup> Can be marketed as National Parks Passport (for example, Mexico's Conservation Passport). See <a href="http://www.conanp.gob.mx/pasaporte">www.conanp.gob.mx/pasaporte</a>.</p> <p><sup>*</sup> Paid by academic or research institutions, public or private.</p> <p><sup>**</sup> Annual access pass paid by the Ministry of Education, private schools, and/or private corporations.</p> <p><sup>***</sup> Spring, summer, fall and winter.</p> <p><sup>+</sup> The management of the parking area and other services can be outsourced.</p> <p><sup>++</sup> When B&amp;Bs are available in historic sites.</p>		

Source: Flores et al. (2008), updated Feb. 2010.

It is expected that improvement of the entry fee system will generate a significant increase in tourism revenue to the SSNP; at least, implementing this entry system will duplicate the current gross income, i.e., from €90,000 to at least €185,000 annually (gross income). Based on the assumptions in Tables 4 and 5 this will mean an average annual profit (after operational costs and taxes (20% tax over profit and 8,5% value added tax on the entrance fee) of €106,111 over the next 5 years. The estimated gross sales are indicated in Table 4, with an estimated income statement shown in Table 5. A detailed survey and detailed feasibility analysis (and market study) will be carried-out during the implementation phase of the BP.

Table 4. Estimated entry pass gross sales

Sales location	Payment type	Units	Unit price	Estimated sales (€)
SSNP on site	a, b, c	2500	5	12,500
SSNP Webpage	a, b, c, d	15000	5	75,000
Gift cards in shops	a, b, c	1000	5	5,000
Piranske Soline Shops	a, b, c	500	5	2,500
Hotels (whole sale, packaged with other local attractions)	a, b, c	10000	6	60,000
Euro Rail /Bus Stations	a, b, c	2500	6	15,000
Tourist information centers	a, b, c	2500	6	15,000
Subtotal (gross)		34000		185,000
Payment type: a) Cash, b) Credit card, c) Debit card, d) PayPal®				

Table 5. Estimated income statement from entry passes

Entry fees Sample Income Statement (In Euros, thousand)						
YEAR	1	2	3	4	5	NOTES
Sales	185.000	194.250	203.963	214.161	224.869	Year 1 estimated at 34.000 tourist, paying € 5-6.
Variable cost (labor & consumables)	27.750	38.850	40.793	42.832	44.974	20% of sales
<b>Gross Profit</b>	<b>157.250</b>	<b>155.400</b>	<b>163.170</b>	<b>171.329</b>	<b>179.895</b>	<b>Sales - Cost of Gross Sales</b>
OPERATING COSTS (OC)						
Capital amortization and interest	5.000	4.500	4.000	3.500	3.000	Assumed that SSNP borrows € 50,000 to introduce smart card)
Utilities	500	535	572	613	655	7% increase
Advertising	10.000	11.000	12.100	13.310	14.641	10% increase
Miscellaneous	3.000	3.300	3.630	3.993	4.392	10% increase
<b>Total OE</b>	<b>18.500</b>	<b>19.335</b>	<b>20.302</b>	<b>21.416</b>	<b>22.688</b>	
PROFITS & TAX						
Profit Before Tax (PBT)	138.750	136.065	142.868	149.913	157.207	Profit Before Tax
VAT Tax (8,5%)	10.870	10.659	11.192	11.744	12.316	Reduced value added rate 8,5%
<b>Neto profit</b>	<b>126.956</b>	<b>124.499</b>	<b>130.724</b>	<b>137.170</b>	<b>143.844</b>	
<b>Tax on profit (20%)</b>	<b>25.391</b>	<b>24.900</b>	<b>26.145</b>	<b>27.434</b>	<b>28.769</b>	20% tax on profit
<b>Profit after tax (PAT)</b>	<b>101.565</b>	<b>99.599</b>	<b>104.579</b>	<b>109.736</b>	<b>115.075</b>	
<b>Average annual PAT</b>					<b>106.111</b>	

#### 4.1.2 Concessions

As defined in the Conservation Finance Alliance (2002)<sup>10</sup>, concession fees in PAs are typically collected from companies ("concessionaires") that are granted "concessions" for providing a service to visitors within a PA. Concession contracts between the concessionaire and appropriate legal authority include specific provisions specifying the pricing of the fee, the collection mechanism, and other logistical, financial, and legal details. The most common services provided through concession contracts include: lodging, food and beverage services, recreational equipment rentals, guided tours and boat transportation, and gift/souvenir shops.

For example, in the US, the National Park Service (NPS) administers the 385 areas contained in the National Park System. There are three principal categories of parks: natural areas, historical areas, and recreational areas. The 270 million visitors annually to these US national parks make a significant contribution to the economy of the nation. The principal economic beneficiaries of this enormous visitation are vendors in the food, lodging, and travel sectors. Other local and national firms benefit by providing services or supplies required for operating, maintaining, and sustaining individual parks and the entire National Park Service<sup>11</sup>.

Concessions are appropriate when PA administrators do not have the expertise or the investment capital needed to provide such services in a cost-efficient and professional manner. The most common concession options are based on: a) the number of people a concession serves during a given year, b) a percentage of the gross or net profit of the concessionaire, and c) an annual fixed fee. Also typical is a combination of these options. Depending on the level of investment required for the concession to be operational and profitable, park administration may consider granting an initial grace period where the concessionaire will not pay the agreed concession fee. Regardless of the concession option selected, in order to be feasible, returns of the concession need to be sufficient so that the concessionaire is able to pay the agreed fee, recuperate the investment capital (in the long-term), and make a profit. Thus, a concession usually requires a long-term binding agreement (e.g. 10 years or more).

Three concessions opportunities will be assessed: i) a mud-bath spa concession to a local hotel in Portorož, ii) accommodation (bed & breakfast) facilities in rehabilitated historical buildings, and iii) a camping and parking facility. A basic break-even analysis and a 5-year income forecast for the mud-bath spa is presented below to illustrate its feasibility (Annex 3 includes a rapid feasibility analysis guideline). These sample analyses indicate that the proposed mud-bath spa, based on the indicated assumptions and estimates, can generate an average € 78,449 and €71,612 in annual profits (after taxes) and concession fees respectively. A 25% of this revenue could bring €17,903 annually to the SSNP.

It is recognized that according to the national legislation the concession fee is to be paid for the use of natural resources in PAs for commercial purposes. The commercial company Soline d.o.o. (not the park management authority) is paying the above-mentioned concession fee (included in the overall fee that

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<sup>10</sup> [www.conservationfinance.org](http://www.conservationfinance.org).

<sup>11</sup> NPS: <http://www.nps.gov/legacy/business.html#commodity>.

the company is paying) to the Republic of Slovenia. Commercial activities are not listed among the tasks that are allowed to be performed by the park management authorities in Slovenia; only the public service of nature conservation is permitted. This prohibition includes the direct implementation of a mud-bath spa by SSNP. Consequently, it is critical that SSNP reaches an agreement with Soline d.o.o. in order to benefit from the potential revenue of the mud-bath spa.

Detailed analyses will be carried out throughout implementation of the BP. The proposed locations for the indicated concessions are shown in Map 3 below (green areas).

Map 3. Existing and proposed tourism activities (green areas indicate proposed locations for mud-bath spa concessions).

### REKREACIJSKE DEJAVNOSTI, TURIZEM



### Box 1. Breakeven analysis mud-bath concession and sample income statement

#### **Breakeven Analysis**

The breakeven point is the Euros of revenue or units of sales that will be necessary to cover both the fixed and variable expenses. In order to find the breakeven point, the PA business unit needs to find where:

$$TR = VC + FC$$

Where, TR = Total Revenue

VC = Variable Costs

FC = Fixed Costs.

At the point where  $TR = VC + FC$  this is the breakeven point (Q). The breakeven value can be determined by solving for Q.

#### **Example: Mud-bath concession**

The new mud-bath entry pass is set at €25 each. Their fixed costs (e.g. infrastructure, utilities and marketing) are expected to be €200,000 and the variable cost of their product is expected to be €5 per unit (20%), which is composed mainly of labor expenses and consumables. Then, the breakeven point is:

$$Q = €200,000 / (€25 - €5)$$

$$Q = 10.000 \text{ units}$$

This means that when the new PA Mud-bath pass sales are higher than 10.000 units, the concessionaire will start making a profit. So it is critical that if the PA is going for the Mud-bath concession, expected sales exceed 10,000 within a reasonable period of time, e.g. the first 3 years of a 10 year concession to ensure the sustainability of the mechanism. Therefore is critical to realistically assess the level of demand (seasonal), the service capacity of the facility (# of clients per day) and the fixed and variable costs (and cost saving alternatives).

Table 6. Illustrative income statement for the mud-bath

Mud-bath SPA Sample Income Statement (In Euros, thousand)						
YEAR	1	2	3	4	5	NOTES
Sales	270.000	283.500	297.675	312.559	328.187	Year 1 estimated at 10 bath units, operating 6 hours a day, 5 days a week, 9 months: 10.800 units 2 @ €25 each; and 5% increase the following years
Variable cost (labor & consumables)	54.000	56.700	59.535	62.512	65.637	20% of sales
<b>Gross Profit</b>	<b>216.000</b>	<b>226.800</b>	<b>238.140</b>	<b>250.047</b>	<b>262.550</b>	Sales - Cost of Gross Sales
OPERATING COSTS (OC)						
Capital amortization and interest	30.000	29.500	29.000	28.500	28.000	Assumed that Concessionaire borrowed € 200K to built SPA)
<b>Concession fees</b>	<b>64.800</b>	<b>68.040</b>	<b>71.442</b>	<b>75.014</b>	<b>78.765</b>	30% of gross profit
Utilities	5.000	5.350	5.725	6.125	6.554	7% increase
Advertising	5.000	5.500	6.050	6.655	7.321	10% increase
Miscellaneous	3.000	3.300	3.630	3.993	4.392	10% increase
<b>Total OE</b>	<b>107.800</b>	<b>111.690</b>	<b>115.847</b>	<b>120.287</b>	<b>125.032</b>	
PROFITS & TAX						
Profit Before Tax (PBT)	108.200	115.110	122.293	129.760	137.518	Profit Before Tax
VAT Tax (20%)	21.640	23.022	24.459	25.952	27.504	Value added tax, rate 20%
Neto profit	86.560	92.088	97.834	103.808	110.014	
Tax over profit (20%)	17.312	18.418	19.567	20.762	22.003	
<b>Profit After Tax (PAT)</b>	<b>69.248</b>	<b>73.670</b>	<b>78.268</b>	<b>83.046</b>	<b>88.012</b>	
<b>Average Annual concession fees</b>					<b>71.612</b>	
<b>Average annual PAT</b>					<b>78.449</b>	

#### 4.1.3 Postal stamp

Taking the opportunity of 2010 being the International Year of Biodiversity, the SSNP will immediately initiate dialogue with Pošta Slovenije leading to the issuing of a Special/Charity commemorative stamp to support the SSNP. It is estimated that the stamp could be issued in late 2010 or early 2011.

Postal services around the world (public and private) regard the issuing of stamps as a special national and social responsibility; consequently, there are specific policies governing the issuing of postal stamps. Such policies encompass, for example, a principle of versatility, which means that a postal authority aims to ensure that each year's production reflects as many different aspects of the country as possible. Thus, stamps issued are representative of themes such as: history, art, culture, nature, the environment,

and the present day. Stamp themes are of broad general interest in the issuing country and, it is expected that, themed stamps will serve as good "ambassadors" for the country in overseas mail. Commonly, stamps are issued in the following categories: permanent stamps, and special and charity stamps (stamps with a surcharge).

Permanent stamps are produced in a small, handy format with its value clearly indicated. Special stamps (including commemorative stamps) follow different key issuing guidelines. For example<sup>12</sup>:

- Special stamps are issued to raise revenue for post services on a revenue-need basis.
- Special stamps are printed in large quantities (from approximately 1 million to over 50 million copies each).
- An emphasis on publishing stamps in series provides greater continuity and better graphic description of the selected theme.
- Commemorative stamps are normally issued on centenaries, bicentenaries, etc.

Charity stamps (stamps with an additional surcharge) are issued on behalf of charitable national organizations and/or funds that operate for charitable purposes, such as fighting poverty, disease, supporting the disabled, and may include supporting conservation of natural lands, etc. These stamps can simultaneously serve two purposes. Firstly, these stamps raise money for the postal service and, secondly, raise money for natural parks.

A hybrid stamp series is proposed to commemorate 2010, The International Year of Biodiversity. The proposed stamp could combine a special occasion (event) and a charitable purpose, and will be available throughout 2010-2011. Revenue from the stamp will be collected by Pošta Slovenije and a percentage transferred to a charitable fund such as the Nature Parks Trust Fund discussed in Section 4.4. The proposed stamp series may include, eventually, the entire network of natural parks of Slovenia, but will be piloted in the SSNP. The initial theme-topic, therefore, will include SSNP biodiversity and salt-making images in the proposed stamps. This series will help to enhance the social responsibility of civil society in Slovenia to conserve and fund its natural parks.

It is proposed to develop with Post Slovenia a two million issue of special stamps, at €0.30 each with a total value of €600,000, out of which 50 percent (€229,080, after expenses) could be used for conservation purposes. This revenue could partially contribute to raise the initial capital needed to establish an endowment fund at the Nature Parks Trust Fund (NPTF), which is discussed in section 4.2.2, or could be transferred to support conservation programs in the SSNO through a sinking fund, also established in the NPTF. Table 7 illustrates the potential income from such a postal stamp issue in the proposed 2-year scheme.

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<sup>12</sup> From the Royal Danish Post

Table 7. Postal stamp income statement

Postal Stamp: Sample Income Statement (In Euros, thousand)			
YEAR	1	2	NOTES
Sales	300.000	300.000	1 million stamps sold per year @ Euros 0.30 each
Variable cost (materials, labor & consumables)	0	0	Cost covered by Pošta Slovenije
<b>Gross Profit</b>	<b>300.000</b>	<b>300.000</b>	Sales - Cost of Gross Sales
OPERATING COSTS (OC)			
Advertising	10.000	11.000	10% increase
Miscellaneous	3.000	3.300	10% increase
<b>Total OE</b>	<b>13.000</b>	<b>14.300</b>	
PROFITS & TAX			
Profit Before Tax (PBT)	287.000	285.700	Profit Before Tax
VAT Tax (20%)	57.400	57.140	Value added tax, rate 20%
Neto profit	229.600	228.560	
Tax over profit (0%), tax exempt	0	0	charity is tax exempt
<b>Annual Profit After Tax (PAT)</b>	<b>229.600</b>	<b>228.560</b>	
<b>Total PAT in two years</b>		<b>458.160</b>	
<b>50% tranferred to NPTF</b>		<b>229.080</b>	

Although Post Slovenia has carried out a public tender and is in the process of producing a stamp on the SSNP, it is critical that with support from the MoESP, discussions are initiated to create a broader collaboration that will improve the process, promote the internal regulation reform that will be needed, improve sales of the stamp, and provide access to the revenue.

In addition to market-based mechanisms, the BP will promote non-marked based options, which are discussed in the next section.



## 4.2 Non-market based options

### 4.2.1 Tax deductible donations - Corporate Green Seal

In Slovenia, according to Corporate Tax Law (Article 59), tax relief for corporate donations is permitted. For example, "A taxpayer may claim a reduction in the taxable base for amounts paid in cash and in kind for humanitarian, disabled, charitable, scientific, educational, medical, sports, cultural, ecological and religious purposes (up to an amount equivalent to 0.3% of the taxpayer's taxable revenue in the current tax period)" and "An additional reduction of 0.2% of the taxpayer's taxable revenue is granted for amounts paid in cash and in kind for cultural purposes and voluntary societies incorporated for protection from natural and other disasters."

It is assumed that this resource has not been tapped yet by the conservation sector. Thus, the business plan will promote a public-private partnership to attract the corporate sector to donate money to support conservation in Slovenia; the SSNP will pilot such partnership. It is proposed that the SSNP (with support from the MoESP) will establish a strategic partnership with the local government at the county level (Primorska Region) to introduce a "Corporate Green Seal" (CGS) which will be awarded by the MoESP and the Regional Government of Primorska to corporations or business that conduct their business using sound environmental practices and contribute with cash or in-kind resources to support conservation of biodiversity and other environmental issues in the region. The CGS could be based on similar principles of the Green Seal® program<sup>13</sup>. It is expected that the combination of tax exemptions and "greening" corporate profiles with a visible CGS symbol will be more attractive to corporations. Initial strategic action will include:

- Map potential corporations (hotel chains, transport, IT, auto industry, etc.)
- Prepare Terms of Reference (ToR) and contract study to prepare the CGS program
- Form a steering committee
- Develop CGS MoU
- Defining needs: Determine the PA funding needs of the programs that donors could support.
- Identification of donors: Prepare a list with profiles of potential donors.
- Prepare promotional information package
- Research to become familiar with prospective donors
- Start donor cultivation
- Adopt standards to prepare a proposal

Caveat: The existing contract with the Salt Company may be an obstacle to this cultivation of a broader corporate donor strategy. This problem could be partly solved if the contribution from Mobitel is used exclusively to support one or two core programs of the park, leaving other core programs available for additional corporate support. Alternatively, private donations under the CGS program could be instrumental to support capitalization of the NPTF. This is discussed in the next section.

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<sup>13</sup> <http://greenseal.org>.

#### 4.2.2 Nature Parks Trust Fund (NPTF)

A Nature Parks Trust Fund (NPTF), managed by an existing private financial institution (to be determined), is proposed. The establishment of a new dedicated institution to manage the fund will be assessed at a later stage of the process. It is expected that the fund could support, in its pilot phase, an initial cluster of parks (3-4 selected parks) including the SSNP, which will lead the implementation of the NPTF. The fundamentals for creation of the NPTF include:

- Improve funding flows to the nature parks system and reliable long-term financing;
- Improve financial management of the SSNP and other nature parks in Slovenia: instruments to include strict financial control, efficiency, transparency, accountability, and external auditing;
- Improve and expedite procurement systems for services required by nature parks;
- Improve government support and broad-based participation from a range of public and private organizations who share the responsibilities of nature park management costs;
- Contribute to fill the existing financial gaps by creating a mechanism for governmental and non-governmental organizations to work together to address nature park financing;
- Confirmation that Slovenia's legal and financial practices and supporting institutions are reliable and ensure confidence domestically and internationally; and
- Improve monitoring of PA financing and priority investments at site and system levels.

The NPTF may include three different types of funds: an endowment fund, a sinking fund, and a revolving fund; or a combination of these. The **Endowment** fund spends only income from its capital, preserving the capital itself as a permanent asset; the **Sinking** fund disburses its entire principal and investment income over a fixed period of time, usually a relatively long period; and the **Revolving** fund receives new income on a regular basis (e.g. proceeds from special taxes, royalties from sales, user fees, etc.) to replenish or augment the original capital (IUCN, 2005). It is proposed that the NPTF in Slovenia is established once two or more capitalization mechanisms (discussed in previous sections) are available to support an endowment fund; and, in addition, a sinking fund can be established with a project grant. Additional trust fund terminology is provided in Annex 4.

#### Capitalization

The NPTF can be capitalized by a diversified portfolio of revenue streams, both public and private. On the public side, portfolio elements can include: environmental fiscal policy (taxes and pricing instruments), payments based on environmental services, government grants and annual contributions, environmental compensation payments, offsets, carbon emissions-based-financing (donor based), and donor grants. On the private side, portfolio elements can include: specially-designated fees and royalties, market-based carbon financing, and grants. A stronger focus on private funding and fiscal policy is recommended. The more diversified the pool of revenue mechanisms is, the more likely it is that the NPTF will be successful.

Revenue from these capitalization mechanisms could be entirely allocated to the NPTF or partially allocated (only a percentage of the revenue is allocated to the NPTF). In the case of environmental fiscal regulations, for example, it may be more strategic (politically and socially) that the allocation is partial

and introduced in a progressive manner (an initial low percent with annual increments until the planned ceiling is reached).

One interesting model from which the proposed NPTF can learn is the International Trust Fund (ITF) for De-mining and Mine Victims Assistance, established in Slovenia in March 1998. The ITF raises and manages US\$ 33,999,200 in donations from 31 organizations (such as nongovernmental organizations, civic organizations, philanthropies, and private companies) and 13 donor countries<sup>14</sup>. The proposed environmental trust fund will initially seek to provide more stable long-term financing for a cluster of parks and, eventually, the entire systems of protected areas of Slovenia.

### **Estimated growth**

Two conservative growth scenarios for the NPTF endowment fund, over the 2012-2021 period, are presented in the next tables (Options A and B). Both scenarios assume that the NPTF could be established in 2011.

In Option A, it is assumed that (i) the trust fund is established through an account managed by an existing financial institution, (ii) the NPTF is established with an initial donor contribution of €2.5 million, (iii) there is an annual capitalization of €0.5 million for the first 3 years (2012-2014) and €1 million annually during 2015-2011, and (iv) there will be additional significant donor contributions every 3 years of €2 million in 2014, €2.5 million in 2017 and €3 million in 2020. Annual contributions could come partially from key market-based financial mechanism discussed before; and larger contributions (every 3 years) could come from public and private grants (multilateral agencies and the private sector). The interest rate used in the growth scenario is 5% per year. It is assumed that interest rates, which have been affected by the global financial crisis in 2008-2010, will recover significantly by 2011. In option A, there are no initial start-up investment costs and no operational costs, since it is expected that a suitable existing trust is available to manage the NPTF financial resources for a service fee. It is expected that at the end of the 10-year period, the NPTF has accumulated over €24 million and is disbursing €1.1 million annually to support conservation programs. The returns to the capital in this Option can be increased by using interest generated by a sinking fund established in parallel with internationally funded projects.

In Option B, the capitalization approach is similar to Option A, and uses the same interest rate. In terms of expenses, however, in this option B, it is envisaged that a private institution will be created for this purpose; consequently, it includes an initial start-up investment estimated at €120,000 and an annual operational cost of an estimated €200,000<sup>15</sup>. It is expected that at the end of the 10-year period, the NPTF has accumulated over €20 million and is disbursing €1 million annually to support conservation programs. With respect to operational costs, they can be reduced in different ways. For example, in

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<sup>14</sup> Donors have two options when contributing to the ITF. Donations can be earmarked for a specified project or country or provided without being designated for particular projects. Non-earmarked donations go to projects that the ITF has recognized as high priority. The US Department of State and ITF have an agreement that the United States will match all donations that are made to the ITF by other donors in the Southeastern European region up to the amount authorized by the US Congress for this purpose.

<sup>15</sup> In developing countries where environmental trust funds commonly manage endowment and sinking funds, operational costs can partially/temporarily covered with interest generated by large sinking funds established with internationally funded projects.

developing countries, where environmental trust funds commonly manage endowment and sinking funds, operational costs are partially/temporarily offset by using interest generated by a large sinking fund established with internationally funded projects. Based on these basic financial flow analyses, Option A is the recommended option.

The above-indicated initially estimated growth scenarios for Options A and B are included in Box 2 and 3, respectively.

## Box 2. Estimate growth scenario A

Option A: Proposed NPTF Slovenia: Estimated growth 2012-2021											
Projection of capital (in constant 2010 €million)	Year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Start-up capital (2011) / Capital plus interest (2012-20)	2.50	2.63	3.28	3.97	6.79	8.18	9.64	13.80	15.54	17.37	22.44
Annual capitalization	0.00	0.50	0.50	<b>2.50</b>	1.00	1.00	<b>3.50</b>	1.00	1.00	<b>4.00</b>	1.00
Interest (5.0%)	0.13	0.16	0.19	0.32	0.39	0.46	0.66	0.74	0.83	1.07	1.17
Start-up expenses (e.g. equipment, software) / renewal	0.00					0.00					
Operational expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Program support disbursements (PSD)	0.00	0.10	0.15	0.30	0.30	0.40	0.60	0.70	0.75	1.00	1.10
Accumulated capital after expenses (end-of-year)	2.63	3.28	3.97	6.79	8.18	9.64	13.80	15.54	17.37	22.44	24.61
Program disbursement (as % of interest)	0%	64%	79%	93%	77%	87%	91%	95%	91%	94%	94%

## Box 3. Estimate growth scenario B

Option B: Proposed NPTF Slovenia: Estimated growth 2012-2021											
Projection of capital (in constant 2010 €million)	Year										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Start-up capital (2011)/Capital plus interest (2012-20)	2.50	2.37	2.81	3.27	5.86	7.01	8.15	12.03	13.48	15.00	19.75
Annual capitalization	0.00	0.50	0.50	<b>2.50</b>	1.00	1.00	<b>3.50</b>	1.00	1.00	<b>4.00</b>	1.00
Interest (5.0%)	0.13	0.14	0.17	0.29	0.34	0.40	0.58	0.65	0.72	0.95	1.04
Start-up expenses (e.g. equipment, software) / renewal	0.06					0.06					
Operational expenses	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Program support disbursements (PSD)	0.00	0.10	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.90	1.00
Accumulated capital after expenses (end-of-year)	2.37	2.81	3.27	5.86	7.01	8.15	12.03	13.48	15.00	19.75	21.59
Program disbursement (as % of interest)	0%	70%	60%	69%	87%	100%	86%	92%	97%	95%	96%

### **Suggested steps for establishing the NPTF<sup>16</sup>, Option A:**

1. Define (initial step) general vision – the purpose of the trust fund: Why, who, what (and how). Create (second step) a consultative process involving proponents of the fund and potential individual and stakeholder groups;
2. Create a steering committee (SC), including: trust fund experts, people who can secure the necessary high-level engagement of government ministries, international donors, private sector leaders, policy makers, key politicians, and stakeholder representatives;
3. Seek and secure financial support for this planning/development phase, to cover the cost of consultant and legal fees, meeting expenses, and related travel (lead by the SC). Estimated €60,000;
4. Identify potential revenue sources (included in SSNP BP), carryout rapid financial feasibility and political viability assessments, and begin meetings. Decision makers should be approached by most influential members of steering committee;
5. Identify existing Trust to manage the financial resources of the NPTF;
6. Update strategy and develop draft proposal for creation of the NPTF (lead by the SC) in consultation with stakeholders; base draft on consultations with government officials and private sector leaders who will support establishment of revenue streams to help capitalize the fund. Include: National context with linkages to national sustainable development strategies, private sector, donor community, etc.; proposed legal structure (type of trust, various accounts in an existing fund, separate foundation, etc.); governance structure and composition; targeted activities and impact; criteria and selected parks in the initial cluster, conservation programs to be funded; updated financial projections for at least 10 years;
7. Develop a Memorandum of Understanding (MoU) among stakeholders to support development of the NPTF; commission the drafting of papers of incorporation and statutes or by-laws (including the processes for electing the governing body) and draft an investment policy;
8. Incorporate the fund and elect the governing body (which should include primarily people who have served on the steering committee); draft operating and procedures manuals; and
9. Create trust fund accounts and start receiving funding.

Note: The estimated time for establishing the NPTF is two years.

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<sup>16</sup> Based on the *IPG Hand Book on Environmental Funds* (1999), adapted by Marlon Flores, 2010.

### 4.2.3 Green venture capital

This strategy will promote an investment fund to be managed by the NPTF to provide support for small- and medium-sized businesses that can contribute to conserving ecosystems and improving well-being. To this end, in addition to seeking public and private sector grants, this strategy will explore the mobilization of capital from mechanisms linked to the "Polluter-pays" and "Sinner-pays" principles<sup>17</sup>. For the first principle (polluter), the strategy will explore options such as: environmental compensation, a local fuel tax, and local pollution fines (e.g. port usage fees) and incentives that reduce corporate carbon footprints. The second (sinner), strategy will assess opportunities related to local taxes on cigarettes, alcohol, and gambling (there are well known casinos in the near-by coastal area). This strategy will be developed in collaboration with local governments and the Ministry of Environment and Spatial Planning.

Revenue from applying these principles and instruments could be allocated to create the sinking fund within the NPTF. Funds will be used to support risk investment in green business in protected areas in the region and could be matched on a one-to-one basis, i.e., for every euro paid by polluters and sinners, the local government and/or private sector sponsors could contribute with one euro. This mechanism will be fully assessed during the implementation phase of the BP.

### 4.2.4 Spare currency donation boxes

This is a relatively inexpensive mechanism that could generate significant revenue during the tourism season in the Piran and Portorož areas. Donation boxes can be placed in strategic places such as banks, shopping centers, hotels and restaurants, shop chains (including the Piranske Soline Gift Shops in SSNP, Portorož, Piran, and Ljubljana), bus stations, tourism information bureaus, and airports. Assuming that 50,000 tourists out of the over 500,000 tourists that visit the Piran and Portorož areas every year contribute with €0.5 each, revenue could be significant (€25,000). Donation boxes need to be eye-catching and display compelling messages, and located in highly visible places that are both safe and popular. The target is to have 50 donation boxes strategically placed before the tourism season 2011. The project will require a transparent collection system and, possibly, a fund transfer agreement with the establishments where the boxes are located. A detailed project scoping analysis will be carried out in the tourism season of 2010: survey, mapping of potential places, developing the concept note, identification of sponsors, drafting MoUs, box design and "branding, " procurement, etc.

## 4.3 Cost-saving strategies

A critical element of this BP is the identification and implementation of strategies to reduce costs in both: i) most or any portion of the management functions of the SSNP, particularly in areas related to the services provision area, and ii) cover costs of conservation programs. A two- year phase is proposed to assess and implement validated cost-saving options discussed below.

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<sup>17</sup> .....

#### 4.3.1 Green labor month

Although it is recognized that students should have access to protected areas free of charge, it is important to identify indirect financial mechanisms to ensure that the costs of having this significant number of visits is fully covered to ensure that current and future generations of students enjoy the services and safety provided. This initiative will be designed in collaboration with the Ministry of Education of Slovenia to strengthen student awareness of biodiversity conservation and cultural heritage and also mobilize funding for supporting selected conservation programs in protected areas. The project could eventually involve over 500 pre-higher education schools at the national level. However, it will be initially piloted in the City of Ljubljana only or at regional level with fewer schools. The project could also benefit the Škocjan Caves Park; and, if entry fees are established in other PAs, the project could potentially benefit a cluster of PAs in the South West corridor (50% of the PAs in Slovenia): Ljubljansko Barje Landscape Park, Radensko Polje Landscape Park, SSNP, Notranjski Regional Park, and Strunjan Landscape Park. A detailed feasibility analysis will be carried out to validate the project. The project can progressively be expanded from regional to national coverage and benefit a larger number of parks.

Students will be assigned the sale of park entry tickets during a period of 3 to 4 weeks, at the beginning of the spring season. Students will receive compensation (in free park passes) according to the number of passes sold to family, friends, and neighbors (see examples in Table 8).

Table 8. Examples of sales and compensations

1 free single entry pass per 5 tickets sold
1 family pass (for 4 people) for every 20 passes sold.
1 single annual national pass per 50 passes sold
1 national family annual pass per 100 or more tickets sold.

Alternatively, all students of participating schools will have an annual free entry pass to the targeted parks. It is estimated that in this scheme, 50,000 passes are sold at €5 each annually and generate €250,000 in the pilot phase (2011). A percentage of this revenue could be earmarked for SSNP, though the PA Trust Fund.

#### 4.3.2. A business planning partnership

Lead by SSNP, a strategic partnership to develop the business planning capacities in the network of PAs in Slovenia will be assessed and if feasible, proposed. Potential partners include the MoESP, the Business School of the University of Ljubljana, UN Global Compact- Slovenia, IEDC-Bled School of Management, and WWF. This partnership will not only create robust capacity on business planning and ecosystems valuation, it will also contribute to increasing the capacity of the MoESP to communicate its financial status to Parliament and other primary stakeholders. The core element of the strategy may include:



- Create a MBA volunteer program at a national or EU level to support formulation and implementation of PA business plans and ecosystems. To this end, advanced MBA students will be located at Ad-hoc Business Planning Units in selected nature parks to support the implementation of business plans and provide innovative business advice to park teams;
- Volunteer program details: MBA graduates will volunteer at a selected nature park for a period no less than six months. A successful internship of no less than six months will receive appropriate credits that students can apply toward their degrees;
- Volunteer stipend and living: a MBA volunteer's financial compensation will be provided by the program sponsors, and parks, such as SSNP, could provide accommodation;
- Establish a Steering Committee with the purpose of preparing the concept document and, then, seeking and securing financial support for the planning/development phase, to cover the cost of consultant fees, meeting expenses, and related travel. Estimated €30,000; and
- Develop a MoU among stakeholders to support the development of this business planning initiative.

#### 4.3.3. Other cost reduction opportunities

Throughout implementation of the business plan, additional opportunities to save costs will be assessed in the SSNP. These strategies will generate lessons for the rest of the parks in the network and beyond.

Cost-saving opportunities<sup>18</sup> may include:

- a) Volume purchases (where appropriate)
- b) Extending the useful life of goods and equipment (emphasis on preventive maintenance)
- c) Balance staff time: full-time, part time, consultants, and volunteers
- d) Analysis of savings in main expenditure items
- e) Strategic adjustments in programs and activities
- f) Increasing efficiency of the financial-administrative system
- g) Contracting out services that are not deemed necessary to keep in-house
- h) Re-assess visitation patterns and develop self-guided tours to reduce staffing needs in low visitation seasons
- i) When PA entry fees are optimized, promote the use of alternative fee-collection mechanisms to reduce full-time staff assigned to this task
- j) Optimization of the vehicle fleet through vehicle sharing to reduce vehicle needs and maintenance costs
- k) Lease underutilized infrastructure (including historic sites)
- l) Use of more cost-effective equipment: HVAC (air conditioning, heating & refrigeration) systems, higher efficiency lighting, auto-off lighting, solar power, and hybrid and electric vehicles; and,
- m) Corporate in-kind contributions. Promote SSNP to become a demonstration site for vendors of energy efficient equipment. E.g. car manufacturers/dealers (e.g. Renault of Slovenia) may donate energy-efficient vehicles for park use and get exposure to thousands of park visitors annually. Similarly, donation of computer equipment through agreements with Comtron and Hewlett-Packard; and other energy efficient products such as heating and insulation.

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<sup>18</sup> Strategies commonly used by the US National Park Service and numerous parks in Latin America and around the rest of the world.

- n) Corporate in-kind contributions (and/or local government contributions) to provide public transport to the SSNP in peak seasons. e.g. extending one or two bus lines (those running from Piran-Portorož) all the way to the park entry at least during the tourism season and weekends.

## 5. Funding priorities

The most important areas for investment in the next 5 to 10 years include:

- Reconstruction of the embankment and sea defense walls to secure control over water regimes;
- Construction of the new visitors infrastructure, including a new main entrance from the area of the old coal-mine, a new access road to the parts of Lera and Fontanigge along the Drnica channel, and the introduction of public transport for the area of Fontanigge;
- Setting up a new visitors and interpretation center in the part of Fontanigge (Stojbe); and
- Progressively establish a business development unit to support implementation of the business plan, business partnerships, and other funding opportunities.

## 6. Economic impact

SSNP is becoming a very important source of jobs for the local community. No less than 70 jobs are expected to be offered in the areas of park management and salt production by the end of the year 2010 (at present, more than 50 employees). Other opportunities for generating income for the local community (related to transport, part-time jobs in the park, guides, local products, accommodation, etc.) have not been assessed, but are expected to be significant. The park's cooperation with local communities includes tourism activities and the provision of interpretation services to local schools.

The main investments in the park (see section 7) in the following years aim at providing control over flooding (both from the sea and from the rivers), which will provide direct benefits for biodiversity, protection of cultural heritage and traditions, and also for flood protection for settlements and lands in the vicinity of the park area. Other investments are aimed at providing enhanced visitors infrastructure and interpretation tools, which will consequently provide more opportunities for local economic involvement (more tourism-related activities). Both these main areas of investments will also provide for securing good ecological status for species and habitats, first, by controlling flooding and, second, by managing the impacts of visitor flows.

The indirect benefits arising for better protection of biodiversity are demonstrated in the provision of even more ecological goods and services. Among these ecosystem goods and services, a reduction of carbon footprints, provision of micro climatic services, and storage of flood waters.

## 7. Management and reporting

A new Business Development Unit will be incorporated progressively into the management structure of the SSNP. It could be housed together with the Valuation and public awareness program section. This strategic unit will require, at least, the following key staff:

1. MBA or economist with a highly developed sense for business and exceptional public relations skills): Part-time adviser (contract)
2. Communications and marketing officer
3. MBA volunteer
4. Administrative support (volunteer)

The unit will periodically prepare the following reports:

1. Bi-annual financial statement
2. Annual business report (included in the SSNP annual report)
3. Annual external audit reports
4. Sustainable finance scorecard (every two years).

In addition, the unit will prepare a 10-page “Summary Business Plan” for marketing and communication purposes. This brief publication will be permanently available to public and private decision-makers, donor agencies, and the public in general. This brief summary BP will be updated every two years.

All cost related to the operation of this new unit could be covered by one or more of the mechanisms proposed in this BP. It is expected that the establishment of this unit will take place within the next two years.

## 8. Communication strategy

A new communication strategy will be proposed in collaboration with the MoESP, the Ministry of Tourism, the Regional Tourism Bureaus in the Primorska and Notranjska regions, and the Slovene Tourism Organization. The strategy will include nature parks and other attractions in the region. It will serve not only to promote the parks, but to strengthen inter-institutional and inter-park collaboration.

The ability to communicate is essential to the success of the Business Plan (BP). When undertaking a BP that is expected to achieve good results, it becomes imperative to disseminate its objectives and results periodically. A successful communication strategy will enhance the value of the BP considerably. The communication strategy allows park leaders to exercise better control over the BP, and to frame any issues that may arise during implementation. The definition of the communication strategy will be a participatory process. In addition to pooling expertise, a participatory approach (all stakeholders) is critical to building inter-institutional links among stakeholders. The following aspects will be considered during the preparation of the strategy:

- Objectives

- Products (financial mechanisms and expected impact of these mechanisms)
- Other elements of the BP that need to be known
- Target audiences (groups or stakeholders interested in the BP): For the direct targets of the BP: government and political decision-makers, private sector executives, potential multilateral donors, individual donors, community organizations and leaders, and research institutions
- The needs of target audiences
- Communication tools to be used for these various target audiences
- Timeframe, responsibilities, and an implementation plan
- What need to be periodically updated and how?
- Financial (cost) and human resources needed (in-house and consultants).

The strategy will be developed following these suggested steps:

- Establish the communications team, including a leading expert consultant
- A preliminary outline is prepared by the communications team and key stakeholders
- The outline is submitted to stakeholders for comments and revisions. Stakeholders can be consulted individually, in groups, or in ad-hoc workshop
- Lead by the communications expert, based on comments and reviews, the team finalizes the strategy
- Implementation and periodical updating.

## 9. Implementation plan, cost and performance indicators

A draft implementation plan is included in Annex 5. It includes financial strategies and key cost-saving opportunities. Annex 5 also includes a guide to develop financial performance indicators (FPI) and a sample.

The eventual cost of implementing the Business Plan is estimated at 179,000 Euros (see details in Table 9 below). It is recommended that the implementation of the BP is carried out using a phase-based approach to distribute costs throughout implementation, and to be able to use funding generated by new financial mechanisms to support the implementation of the BP. However, it is critical that seed funding is mobilized for the initial implementation phase.

Table 9. Tentative cost of implementing the BP.

<b>Tentative cost of BP (€) (Selected financial mechanisms / cost reductions)</b>	
Entry fees sales and fees collection	50,000
Mud-bath spa**	-
Accommodation facilities assessment	3,000
Camping and parking facility assessment	3,000
Postal stamp	5,000
Tax deductible donations-Corporate Green Seal	5,000
Nature Parks Trust Fund (NPTF)	60,000
Green venture capital	5,000
Spare currency collection boxes	15,000
Green labor month	5,000
BP partnerships**	-
Assessment of other cost savings and implementation	3,000
SSNP Business unit	10,000
Communications strategy	15,000
Monitoring & evaluation / PI**	-
BP updating	-
<b>TOTAL ESTIMATED COST (€ )**</b>	<b>179,000</b>
<b>** Cost to be covered by: partner organization or company, or staff time</b>	

## Annexes

### Annex 1. SSNP management approach (Sovinc, A., 2009)

Soon after the designation of the Sečovelje Salina for the Nature Park (2001), the Republic of Slovenia has given the rights and obligations for management of the park and thus salt production to the private company. The Sečovelje Salina Nature Park is therefore the first state-designated protected area in Slovenia where the concession for its management has been given to a business company (Soline o.o.), which is owned by the national biggest mobile phone company (Mobitel d.d.).

The company Soline d.o.o. has a specific status in terms of management of the state protected area – Sečovelje Salina Nature Park. The company has been given a concession, issued by the Government of the Republic of Slovenia, by which the company is responsible for the management of the state designated Nature Park and use of its natural resources. The company also has a specific duty in provision of public services in terms of protection of nature in the state owned Sečovelje Salina Nature Park. In return, the Republic of Slovenia provides partial funding for the management of the protected area. The rest of the funding is provided through a significant annual contribution from Mobitel d.d., estimated at €357.000 (29 % of the budget) and additional funding generated by the SSNP from tourism. According to the concession contract, all the assets and investments in the SSNP's infrastructure will remain property of the Republic of Slovenia, after the concession contract expires in 2023.

In this business/conservation model, where a company is given responsibility to manage a state designated protected area, is based on the presumption that the management of the area is carried out in accordance with the specifications included in the Decree on the establishment of the Nature Park and other legal background legislation and is put into practice through the management plan, approved by the Government of Slovenia. This management model presents an innovative form of protected area and salt making management. It is founded on the presumptions that the land in the park remains state property and that management of the area should strictly follow legal provisions (and is thus not given solely to the hands of the business company). In return for the efforts and investments into protection and management of the heritage of the area, the private sector management body (Mobitel d.d., who owns the salt making company Soline d.o.o.) has been granted the possibility to exploit part of the income generated from salt making, tourism and other activities carried out in the area.

Mobitel d.d. has decided to invest in Sečovelje Salina Nature Park because of direct benefits, such as income from sale of salt and salt related products, part of the income from the visitor's revenues and also due to potential investments into the tourism infrastructure in the surrounding area which has benefited a lot by the restored image and attractions of almost deserted Salinas. But perhaps even more important for the business company are indirect benefits: it was demonstrated that Mobitel d.d. company has secured a much better corporate reputation among mobile - phone customers in Slovenia due to the investments into protection of natural and cultural heritage and restoration of traditional salt

making process in the Sečovlje Salina. In addition, the company has been given an exclusive right to use the Park (its images) as means of promotion. Motives from Sečovlje Salina have been successfully used in the Mobitel d.d. promotion campaign. The opportunity to protect and restore part of the national cultural heritage was probably a big incentive for Mobitel to decide to invest in the "revival" of Sečovlje Salina.

## Annex 2. Overview of regulations relevant to financing of protected areas in Slovenia

(Compiled by Jana Kus Veenvliet)

English name of the regulation	Slovenian name of the regulation	Publication N. Gazette (No./Year)	Comments
<b>Tax relief</b>			
<b>Corporate Income Tax act, § 59</b>  <b>Unofficial consolidated text</b>	Zakon o davku od dohodkov pravnih oseb (ZDDPO-2)	117/2006, Amendments: 90/07, 56/08, 76/08, 92/08, 5/09, 96/09	see English translation , page 22: <a href="http://www.mf.gov.si/angl/dav_car/CorporateIncomeTaxAct.pdf">http://www.mf.gov.si/angl/dav_car/CorporateIncomeTaxAct.pdf</a>
<b>Personal Income Tax act, § 142</b>	Zakon o dohodnini (ZDoh – 2)	117/2006	Resident can request that 0,5 % of the income tax is devoted to financing socially beneficial purposes (including “ecological”) and financing of political parties and trade unions. Organizations which can receive such donations have to be established as a non-profit organization and recorded in the registry. In Slovenia only one NGO, having this status is currently managing a nature reserve on the basis of a concession. Other management bodies of PAs cannot receive such funding (they are established by the state/counties and not NGO).
<b>Pre-emptive Right</b>			
<b>Nature Conservation Act § 84</b>	Zakon o ohranjanju narave (ZON – UPB2)	96/2004	According to the act, the state has a right of pre-emption in the purchase of real-estate located in the protected areas for which it has adopted the instrument of protection. Because the state did not ensure finances for exercising this right, this has in practice never been executed. See translation of the act (without the amendments) at:  <a href="http://www.mop.gov.si/fileadmin/mop.gov.si/pageuploads/zakonodaja/okolje/en/ohranjanje_narave.pdf">http://www.mop.gov.si/fileadmin/mop.gov.si/pageuploads/zakonodaja/okolje/en/ohranjanje_narave.pdf</a>



<b>Donations</b>			
			Donation or the form of donation agreement is not determined in any Slovene law. In practice the donation and sponsorship are dealt by the Corporate income tax act. While donation can be used to reduce the basis of the corporate income tax and is exempt of the VAT tax, this is not the case with sponsorship, as this is viewed as a form of service (the recipient should promote the sponsor).
<b>Funds</b>			
<b>Public Funds Act</b>	Zakon o javnih skladih (ZJS -1)	77/2008, 68/2009	A public fund is a legal entity of public law, which manages assets at its disposal dedicated to it by the Republic of Slovenia or a self-governing local community in order to ensure public interests are met. A public fund may be established as a public financial fund, a public real-estate fund or public institution.
<b>Foundations Act</b>	Zakon o ustanovah (ZU-UPB1)	70/2005	Foundation can be established for public utility or charitable purposes. The foundations for public utility can be established for the fields of science, sports, education, health, child, disabled and social care, environmental protection, protection of nature values and cultural heritage, religious purposes and others. The purpose of the foundation is charitable if it is established with the intention to help persons in need.
<b>Environmental compensation</b>			
<b>Nature Conservation Act §147</b>	Zakon o ohranjanju narave (ZON – UPB2)	96/2004	The provisions of the Environmental Protection Act, which regulate the obligation of a person responsible for burden to cover all the costs incurred by environmental burden, shall apply to the payment of costs which are covered by a person responsible for nature degradation in relation to countervailing measures.
<b>Nature Protection Levy</b>			
<b>Nature Conservation Act §148</b>	Zakon o ohranjanju narave (ZON – UPB2)	96/2004	A natural and legal person who, on the basis of a legal title, uses a valuable natural feature owned by the State or local community, shall pay for its use. The same is applied to the use of natural resources owned by the state which are situated within protected areas (this is missing in the English translation of the act!). However, the money collected through nature protection levy goes to the national budget and is only indirectly (and not in any proportion) returning to PAs budget.
<b>Nature Conservation Act</b>	Zakon o ohranjanju narave (ZON –	96/2004	Farmland and Forest Fund of the Republic of Slovenia, which manages state-owned agricultural and forest land in state PAs, should give part of the profit (yearly determined by the state) to PA managers. These resources should be used for

§148	UPB2)		implementation of conservation of biotic diversity in agricultural land and forests; in accordance with a yearly management plan of the PA (this is missing in the English translation of the act). In the last year PAs have still received quite a substantial financing from this source, but for the next year, the negotiations to keep this are still ongoing.
<b>Entrance fees</b>			
<b>Nature Conservation Act</b> §149	Zakon o ohranjanju narave (ZON–UPB2)	96/2004	A natural or legal person who arranges a valuable natural feature for viewing and visiting shall have a right to charge an entrance fee.
<b>Public costs of nature conservation</b>			
<b>Nature Conservation Act</b> §150	Zakon o ohranjanju narave (ZON – UPB2)	96/2004	The State shall guarantee the funds for measures for biodiversity conservation and the protection of valuable natural features, for nature conservation public service and for compensations under this Act. A local community shall guarantee the funds for measures referred to in the preceding paragraph when they relate to the protection of valuable natural features of local importance.
<b>Voluntary contributions</b>			
<b>The Protection of Public Order Act, §5</b>	Zakon o varstvu javnega reda in miru (ZJRM-1)	70/2006	Voluntary contributions can be collected by non-profit legal or natural bodies, which have obtained permission from the administrative unit where they reside. The permission is granted when there are clear grounds, which can be a natural or other disaster, causing large damage to property of the applicant. The permit can also be granted if it can be proven that the collected contributions will be used for humanitarian purposes or general good. I believe that the same act would apply to collection boxes (there was no more specific act). In practice managers of protected areas don't exercise this right. However, they try to raise extra money through donations.
<b>Organization of special events</b>			
<b>Public Gathering Act § 7, § 8</b>	Zakon o javnih zbiranjih (uradno prečiščeno besedilo) (ZJZ-UPB2)	113/2005	In some cases the organizer of an event has to apply for a permit, but the law does not require that for types of events that are likely to be organized in PAs.

<b>Concessions</b>			
<b>Public Utilities Act</b> §29-53	Zakon o gospodarskih javnih službah (ZGJS)	32/1993	One of the possibilities for management of PAs in the Nature Conservation Act is granting a concession. The conditions and procedures for granting a concession are included in the Public Utilities Act. Concession can be granted to a legal or natural person. The granting authority is, depending on the type of public utility, the state or the local community.
<b>Public private-partnership</b>			
<b>Public-Private Partnership Act</b>	Zakon o javno-zasebnem partnerstvu (ZJZP)	127/2006	This Act regulates the purpose and principles of private investment in public projects and/or of public co-financing of private projects that are in the public interest. See the English translation of the act at:  <a href="http://www.mf.gov.si/slov/javnar/53646-ZJZP_EN.pdf">http://www.mf.gov.si/slov/javnar/53646-ZJZP_EN.pdf</a>
<b>Inter-sector cooperation</b>			
<b>Public Administration Act</b> §59	Zakon o državni upravi (uradno prečiščeno besedilo) (ZDU-1-UPB4),	113/2005	Ministries and other administrative bodies have to cooperate on all common issues. For matters where several ministries should cooperate, a working body can be established. For short-term issues the ministries can form working groups or organize other forms of cooperation.
<b>MBA schools</b>			
<b>IEDC Bled School of Management</b>			Cooperation with many MBA schools from other European Countries and North America is established, ongoing exchange of professors (see: <a href="http://www.iedc.si/facultyresearch/">http://www.iedc.si/facultyresearch/</a> ). The school has, in cooperation with several other large Slovenian businesses, established the Slovenian branch of the United Nations Global Compact, which is the world's largest global corporate responsibility and sustainability initiative. Maybe the Slovene members of this association (see: <a href="http://www.ungc-slovenia.si/eng/members/current.html">http://www.ungc-slovenia.si/eng/members/current.html</a> ) could offer a basis for developing some common products/strategies with PAs.

### Annex 3. Rapid feasibility assessment guideline<sup>19</sup>

The feasibility analysis is important because you need to verify if a PA financial mechanism is viable before you spend the time and money into formulating a business plan. The information gathered in this analysis will be indispensable for developing the business plan. Some key framing questions for this analysis include:

- Is there sufficient demand for the PA product or service (entry passes/user fees)?
- Can the product or service be provided on a profitable basis for the PA?
- Are there similar products available or provided by other PAs?
- Overall quality of other similar services provided by other PAs
- Ease to determine level of revenue (or profit) over the next five years?

#### **Feasibility Assessment Template**

Sections	Suggested # of paragraphs
1. Summary (complete this section last)	1 (page)
2. Brief description of the PA and the business opportunities	1-3
3. Product (s) name:	1-3
4. Brief description:	1-3
5. Product development steps	1-3
6. Market considerations	1-3
7. Competitive Advantages	1-3
8. Financials	1-3

#### **Content Development Guide**

##### **1. Summary (complete this section last)**

This section should be no longer than one page, and provide the reader with a good understanding of the major findings of the feasibility analysis. The summary section should be written last.

##### **2. Brief description of the PA and the related business opportunities.**

##### **3. Product (s) name.**

##### **4. Brief description of product (financial mechanisms).**

##### **5. Product development steps**

Include: who will develop the product, which will be in charge of PA entry passes sales, capacity to carry out efficient marketing, selling and distribution strategy.

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<sup>19</sup> Prepared by Marlon Flores for the UNDP Romania, 2009. Includes material from CFA Business Planning Guide (2002), CPM (2002) and TNC Financial Planning Guide (2008), Anatomy of the Business Plan (Pinson, 2009), Feasibility Analysis (Florida State University).

## **6. Market considerations**

Include the health of the industry in the country or region (e.g. tourism). Look at past, present and future growth of the industry (to ensure that you will not be operating in a declining market). Look at PA tourism publications, web, PA data and expected growth rates, World Tourism Organization data.

Include the demand for the product or service. This section states what people will pay to buy your product. It is preferable to conduct a web-based survey of at least 20 people who are randomly selected. Different people (in terms of age, gender, and race). Include a brief description of the product and at least the following questions in the survey:

- a) Would you buy the product or service? Yes / No
- b) If the answer to a) is yes, what would people be willing to pay?
- c) What suggestions would make you want to buy this product more?
- d) Where would you expect to find this product for sale?
- e) If you did not want to buy this product or service, why?
- f) Other comments.

## **7. Competitive Advantages**

This next section is divided into two parts: i) competitive advantages, and ii) strength and weaknesses of your major competitors. With competitive advantages it is important to indicate what really differentiates your product from your competitors. Consider these aspects: quality, features, location (s), service (s) and price<sup>20</sup> (not necessarily an advantage). For the strengths and weaknesses part, list each competitor and their critical attributes on how they relate to your product. A SWOT analysis will help the PA to assess options and determine the competitive advantages.

## **8. Financials**

This final section includes the products' breakeven analysis and forecasted income statement. This section will quantify if the proposed financial option can generate a profit. The section is the heart of the feasibility analysis.

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<sup>20</sup>Price is not a very good competitive advantage for most PAs as it does not generate repeat business. Most PAs want and need to have repeat business (people buying more passes to visit the PA again). By selling on a price basis you do not necessarily generate repeat business.

**Breakeven Analysis.** The breakeven point is the dollars of revenue or units of sales that will be necessary to cover both the fixed and variable expenses. In order to find the breakeven point, the PA business unit needs to find where:

$$TR = VC + FC$$

Where, TR = Total Revenue

VC = Variable Costs

FC = Fixed Costs.

At the point where  $TR = VC + FC$  this is the breakeven point (Q). The breakeven value can be determined by solving for Q.

#### Example

A PA is planning to introduce a new entry pass. The PA business unit hope to wholesale the new entry pass at €12 each. Their fixed costs (rent, utilities, design, investments, and marketing) are expected to be €100,000, and the variable cost of their product is expected to be €2 per unit, which is composed mainly of labor expenses. Then, the breakeven point is:

$$Q = €100,000 / (€12 - €2)$$

$$Q = 10.000 \text{ units}$$

This means that if the new PA pass sales are higher than 10.000 units, the PA will make a profit. So it is critical that if the PA is going for the new entry pass, sales exceed 10,000 passes per year.

The “Forecasted Income Statement” shows the future profitability broken down into revenue and expenses. The revenue will be a function of market research, adjusted for growth rate in sales. For example, in the example above, if the PA forecast that it will generate sales of €300,000 in the first year of the entry pass operations then estimate (this growth rate will be refined in the business plan) the expected growth in sales. So if you anticipated sales of PA entry passes in year 1 to be €300,000 and then grow at the 10% growth rate, the resulting sales levels are shown below.

Year	1	2	3	4	5
Sales (€Thousands)	300,000	330,000	363,000	399,300	439,230

For the estimation of annual expenses, use the elements such as: Cost of Goods Sold (COGS), rent, labor, utilities, office supplies, advertising, administrative and miscellaneous. Apply these costs to the sales estimates to produce an income statement as the one in the table below: If the PAT shows a continuous decline from year 1 to 5, reject or modify the project.

Year	1	2	3	4	5	NOTES
Sales	300,000	330,000	363,000	399,300	439,230	10% increase
CoGS	150,000	165,000	181,500	199,650	219,615	50% of sales
Gross Profit	150,000	165,000	181,500	199,650	219,615	Sales - Cost of Gross Sales
<b>OPERATING EXPENSES (OE)</b>						
Rent	10,000	10,500	11,025	11,576	12,155	5% increase
Labor	35,000	36,750	38,588	40,517	42,543	5% increase
Utilities	5,000	5,350	5,725	6,125	6,554	7% increase
Advertising	40,000	44,000	48,400	53,240	58,564	10% increase
Administrative	10,000	10,500	11,025	11,576	12,155	5% increase
Miscellaneous	3,000	3,150	3,308	3,473	3,647	5% increase
<b>Total OE</b>	103,000	110,250	118,070	126,507	135,617	
<b>PBT</b>	47,000	54,750	63,431	73,143	83,998	Profit Before Tax
Tax	14,100	16,425	19,029	21,943	25,199	Assume 30%
<b>PAT</b>	<b>32,900</b>	<b>38,325</b>	<b>44,401</b>	<b>51,200</b>	<b>58,798</b>	Profit After Tax

## Annex 4. Trust Funds Key Terms

Trust fund (also referred to as a “trust”): a legal structure by which money or other property is held, invested, and spent by a board of trustees or board of directors exclusively for a specific charitable purpose, as defined in a charter or deed of trust. Note: In common law countries, trust funds can also be established for specific individual beneficiaries, and be administered by an individual trustee, rather than by a board of trustees. A trust fund in this general sense can take one of several different legal forms, depending on the legal system of the country involved.

Trustee: the person(s) appointed (according to the terms of a Trust Deed or Charter) to administer a trust. The trustee can be an individual, a Board of Trustees, or a Trust Company (as in the case EFs in Jamaica, Uganda, and Papua New Guinea, which have incorporated themselves as companies under the Companies Act of their respective countries to serve as the trustee of the Fund).

Fiduciary responsibility: the responsibility of a trustee to manage and safeguard the assets of the trust in scrupulous good faith and candor. This includes the responsibility to make prudent investments of the trust’s assets, the responsibility to always keep the trust’s assets separate from the trustee’s own personal assets and the assets of any other trusts which the trustee may administer, a prohibition against personally profiting from serving as trustee (except for being paid an agreed-upon annual fee), and a responsibility to make full disclosure to the intended beneficiaries, as well as to appropriate government supervisory authorities, of all investments of the trust’s assets, as well as to fully disclose any potential conflicts of interest.

Deed of Trust: a legal document which transfers the ownership of a sum of money or other property, from the donor to the trustee, in order for the trustee to administer it for a specific purpose, or for the benefit of specific named individuals. The Deed of Trust usually specifies the exact purposes for which the money can be used, the way in which the money can be invested, the specific responsibilities of the trustee(s), and what will happen to the money if the purpose for which the trust was established becomes impossible to achieve.

Articles of Incorporation (or of Association): a legal document which sets forth the purposes for which a nonprofit corporation or association (or a for-profit corporation) is established; its governance structure; the rights and obligations of its officers, directors, and (if applicable) its shareholders or ‘members’; the sources from which it can accept money, the activities and objectives for which it can spend money, the ways in which it can invest money, and the conditions upon whose occurrence the organization may be dissolved. Whether such a legal document is called a Deed, a Charter, Statutes, or Articles of Incorporation, will depend on a particular country’s legal system, and the specific legal form of the entity that is set up (i.e., whether it is an association, a foundation, a not-for-profit corporation, a common law trust, etc.).

Charter: a legal document similar to Articles of Incorporation or a Deed of Trust, but used specifically in the case of an entity which is established by an act of the country’s legislation or an executive decree of



its President, King, etc. (as opposed to an entity which is set up solely by private individuals or groups in civil society).

Bylaws: Detailed rules and regulations which address issues that are not covered in the basic legal document (the Charter, Articles of Incorporation, or Deed). The Bylaws are usually adopted after the entity is legally set up, and Bylaws can usually be changed at any time by a vote of the Board of Trustees or Board of Directors. The Bylaws commonly address such issues as the place and times of meetings of the Board, the rules for electing new officers and directors, the procedures for making grants, etc. This document in some countries may be called a "Constitution".

## Annex 5. Draft implementation plan and financial performance indicators guideline

### a. Implementation Plan (to be completed by SSNP Team)

SSNP BP Implementation program 2010-2012																																		
Financial mechanisms and key activities	Est. cost (€ 000)								2011 (Month)												2012 (Months)													
		6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12		
Market based																																		
Entry fees sales and fees collection	50,000																																	
Design and costing		?	?	?																														
Negotiations and approval		?	?	?	?	?	?	?																										
Implementation									?	?	?	?	?	?																				
Evaluation															?	?	?	?	?	?														
Mud-bath spa																																		
Design and costing					?	?	?	?																										
Negotiations and approval							?	?	?	?																								
Implementation											?	?	?	?	?	?	?	?	?	?	?	?	?											
Evaluation																							?	?										
Accommodation facilities assessment	3,000															?	?	?	?															
Camping and parking facility assessment	3,000												?	?	?	?																		
Postal stamp	5,000																																	
Design and costing		?	?	?	?	?	?	?																										
Negotiations and approval									?	?	?	?	?	?	?																			
Implementation															?	?	?	?	?	?														
Evaluation																					?	?	?											

SSNP BP Implementation program 2010-2012																																	
Financial mechanisms and key activities	Est. cost (€ 000)							2011 (Month)												2012 (Months)													
		6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	
Non-market based options																																	
Tax deductible donations-CGS		5,000																															
	Design and costing								?	?	?	?	?	?																			
	Negotiations and approval														?	?	?	?	?	?													
	Implementation																				?	?	?	?	?	?	?	?	?	?	?	?	?
	Evaluation																														?	?	
NP Trust Fund		60,000																															
	Design and costing								?	?	?	?	?	?	?	?																	
	Negotiations and approval														?	?	?	?	?	?													
	Implementation																		?	?	?	?	?	?	?	?	?	?	?	?	?	?	?
	Evaluation																														?	?	
Green venture capital		5,000																															
Spare currency collection boxes		15,000																															
	Design and costing					?	?																										
	Negotiations and approval							?	?	?	?																						
	Implementation								?	?	?	?	?																				
	Evaluation																			?	?										?	?	

SSNP BP Implementation program 2010-2012																																	
Financial mechanisms and key activities	Est. cost (€ 000)								2011 (Month)												2012 (Months)												
		6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	
Cost-saving strategies and key activities																																	
Green labor month	5,000																																
	Design and costing								?	?	?	?	?																				
	Negotiations and approval																?	?	?														
	Implementation																						?	?									
	Evaluation																												?	?			
BP Partnership									?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	
Assessment of other cost savings	3,000								?	?	?	?	?	?	?	?	?	?	?	?													
Management and reporting																																	
SSNP Business unit	10,000																																
	Planning, phasing & costing				?	?																											
	Negotiations and approval						?	?	?	?																							
	Phased implementation									?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	
	Evaluation																		?											?	?		
Communications strategy	15,000																																
	Design and costing						?	?	?	?																							
	Negotiations and approval							?	?																								
	Implementation									?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	?	
	Evaluation & updating															?							?							?	?		
Monitoring & evaluation / PI							?	?					?	?				?	?					?	?					?	?		
BP updating														?										?								?	
TOTAL ESTIMATED COST	179,000																																

## b. Financial performance indicators guideline<sup>21</sup>

When designing financial performance indicators (FPI), the details of the indicators determines how we can measure to what extent the objectives have been achieved at different times. Measurements can be:

- **Quantitative**, e.g. number of target protected areas within a national system of protected areas (Qualitative indicators should be measurable as far as possible).
- **Qualitative**, e.g. effective financial mechanisms established.
- **Behavioral**, e.g. manager of PA systems prioritize the development of business plans and establishment of financial instruments.

Direct indicators may need to be supplemented by additional indirect (proxy) indicators. Example of direct and indirect (proxy) indicators:

PURPOSE	DIRECT INDICATOR	INDIRECT INDICATOR
Increased income in the protected area	Entry fees	Purchased park guards' equipment Desks in Park Management offices Treated Word signs in parks trails

Several indicators are better than one. Single indicators seldom convey a comprehensive picture of change.

Indicators specify the performance standard to be reached in order to achieve an outcome or an objective. Therefore, indicators should specify: target group (for whom); quantity (how much); quality (how well); timeframe (by when) and location (where).

### Formulating the FPI

Financial performance indicator should have the following characteristics:

- **Substantial**, i.e. it reflects the essential aspect of an objective in precise terms.
- **Independent**, at the different levels. The same indicator cannot normally be used for more than one objective / output / outcome.
- **Factual**, the indicator should reflect fact rather than subjective. It should have the same meaning for Project supporters and to informed skeptics.
- **Plausible**, i.e. changes recorded can be directly attributed to the proposed activities.
- Based on **obtainable** data. Indicators should draw upon data that is ready available or that can be collected with reasonable extra effort as part of the proposed activities.

The measures provided by indicators should ideally be accurate enough to make the indicator objectively verifiable. An indicator is "objectively verifiable" when different persons using the same measuring process independently one of another, obtain the same measurements. In the early planning

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<sup>21</sup> Source: The Logical Framework Approach (LFA), Handbook for Objectives-oriented Project Planning. NORAD (Norwegian Agency for Co-operation and Development). Sections of this document have been adapted to fit the needs of the SSNP Business Plan.

stages, indicators are just guiding values with which to analyze the project concept. These guiding values must be reviewed again when the project becomes operational, and where necessary replaced by project-specific indicators.

#### Step-by-step formulation

**Select expected outcome:** e. g. "Increased entry fees revenue"

1. **Identify indicator:** e. g. park entry fees.
2. **Specify the target group:** visitors paying entry fee increases to 34.000.
3. **Quantity:** Increase gross revenue from €90,000 to €185,000 annually.
4. **Set quality:** maintaining the 2010 level of protection of its natural habitats and according to the target revenue determined in the 2010 business plan.
5. **Specify time frame:** between January 2011 and December 2015.
6. **Define location:** SSNP
7. **Integrate the element above:**

At least 34,000 annual visitors to the SSNP pay entry fees (€5-€6 ). Annual gross income from entry fees increases from €90,000 to €185,000 between January 2011 and December 2015, according to the target income determined in the 2010 business plan and maintaining the 2010 level of protection to its natural habitats.