



Briefing Paper No. 9: Sustainable Park Financing

The Kayan Mentarang National Park (KMNP) has a size of +/- 1,360,500 Ha and was established by virtue of the Decree of the Minister of Forestry No. 631/Kpts-II/1996, dated October 7, 1996. Of the 50 national parks in Indonesia, KMNP is the only park holding a legal mandate to be managed collaboratively, through the Decree of the Minister of Forestry Number 1211/Kts-II/2002. The collaborative management model developed for the KMNP is already fully advanced and implementation is ongoing. The park has an enormous value due to its still intact condition, high biodiversity and almost complete absence of illegal logging. To safeguard the park's future, additional funds for its management are imperative. Therefore, a strategic business plan was developed during 2009 to serve as a fund raising document, aiming to ensure the sustainability of the collaborative management model agreed by all parties. The activity is a part of the FORCLIME-GTZ Program, an Indonesian-German cooperation on climate change and forestry, component 3, sub-component Kayan Mentarang National Park, which is implemented by WWF Indonesia.



Figure 1. Natural potential in one of areas of the KMNP

Strategic Location of the KMNP Area

The park's strategic location amidst Borneo Island unites the vision of the three countries Indonesia, Malaysia and Brunei in biological diversity conservation, as indicated in the multinational "Heart of Borneo" program. This initiative makes the park's position increasingly strategic, not only on the national scale, but also internationally, resulting in increasing attention of various international institutions and individuals to KMNP.

Realizing the increasing opportunities and challenges in managing KMNP collaboratively, it is important to develop a long term financing strategy, contained in a business plan. The in 2009 developed KMNP business plan basically (i) describes KMNP management tasks referred from the 25-year Kayan Mentarang National Park Management Plan (2002-2027) and the 5-years Medium Term Management Plan (2007-2011), (ii) identifies

required and available funding per period in a financing plan, (iii) and develops options to overcome the existing financial gap through various activities. The additional funding shall ensure that the park's collaborative management model and its conservation value are sustainably secured.

KMNP Business Purpose

KMNP business plan is intended to obtain financing based on functions and benefits of the national park to the local, regional, and global level by establishing a credible and accountable institution able to utilize this funding for conservation purposes.

Business Characteristics in the Conservation Area

Business development in national park management is different from commodity-based business development,

Table I. Total (existing) Budget Allocation of KMNP

No	Source of Budget	Average Budget Allocation per Annum (Rp)	Remark
1.	Funding of the Ministry of Forestry to the park management office (DIPA)	3,528,801,000	Average budget allocation of 2007 and 2008
2.	Park Supervisory Board (DP3K)	0	The current contribution is in kind in nature
3.	GTZ-Germany	4,410,000,000*)	Elaborated in 5 outputs in the GTZ project, which is implemented by WWF
4.	GERBANGDEMA Village development Program in Malinau District (in the park's buffer zone)	3,150,000,000	Not all supported sub-districts and villages are located in the park's buffer zone. It is assumed that 30% of all villages in Malinau District are categorized as KMNP buffer zone villages. Therefore, only 30% of the overall GERBANGDEMA budget are considered
5.	Buffer Zone Development Program in Kabupaten Nunukan	0	Data is not collected yet, particularly on budget allocation for developing the sub-districts Krayan Induk and Krayan Selatan.
	Total Budget Allocation per annum	11,088,801,000	Note: This total budget allocation excludes contributions by the DP3K and the District Administration in Nunukan.

Note:

*) Between 2006-2009, GTZ supported KMNP via the KMNP Management Project, which became part of the FORCLIME Programme in 2010

because national park business has the following specific characteristics:

- Sustainable conservation of the area is the core orientation and the main purpose of management.
- The management is oriented to non-direct uses, development of intangible benefits, as well as contributions to the economic development of the adjacent communities and regions.
- Physical exploitation must consider the biological resource balance and conservation principles.
- Community welfare and regional income improvement needs to be balanced against possible damage to the ecosystem.
- Since the KMNP area is managed collaboratively, benefit sharing must be clear, transparent, fair, and accountable. Inappropriate benefit sharing can result in management conflicts involving many parties.
- Return of investment is hard to calculate due to limited business activities that can be offered, so the investors are less interested, particularly banking institution.

Considering that business characteristic in conservation areas tend not to attract investors easily, the business plan development needs to identify a break-through situation, which still fulfils the applicable regulations, is economically beneficial and socially acceptable to all parties, as well as technically manageable.

Financing Gap of the KMNP Management

The calculation of the financing gap is made by listing the total funding needed for the collaborative management of the KMNP in one year, and comparing it with the total available budget allocation contributed by the parties.

Total Budget Allocation

The total budget allocation constitutes the contributions of the parties in the context of the collaborative management of the KMNP. See Table 1.

Required Budget for KMNP Management Activities

Based on the Medium-term Plan of KMNP 2007-2011, total budget required for the various management activities for 5 years amounts to 214,958,500,000,- or averagely Rp. 42,991,700,000,- per annum.

Of the total budget, 34% is for facility development, 18% for institutional development, 4% for natural resource development, 3% for area arrangement, 7% for community participation, and 10% for community economic development. The budget distribution envisaged for 2007-2011 is outlined in Figure 2.

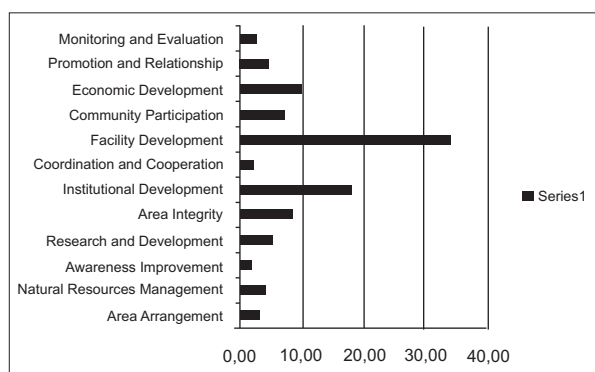


Figure 2. Required KMNP Budget Distribution of 2007-2011¹

Existing Financing Gap

Comparing the total budget allocation in relation to the required budget, there is a quite big gap. The gap is 42.991.700.000,- – Rp. 11.088.801.000,- = Rp. 31,902,899,000,- (Thirty one billion nine hundred two million eight hundred ninety nine thousand rupiah). To reduce this gap, alternative funding sources must be found.

Financing Strategy

KMNP business plan funding strategy is made by maintaining the routine governmental sources of funding and the current sources of third party funding as much as possible, while aiming at funds originating from parties concerned to conservation, either on an unbinding corporate/private basis, or from international funding mechanisms related to global issues of conservation. The current funding strategy applied by the park management is a short term strategy to furnish the government routine



Figure 3. KMNP Park Supervisory Board (DP3K) Meeting

funds allocated for KMNP management. The long term funding strategy developed aims at jointly obtaining public and private funds concerned with conservation, where the profit obtained from the management further serves as long lasting funding source. Such funding is collected through investment strategies aimed at improving the government and private parties' contribution to KMNP management. To increase the government contribution, particularly by the regional government, the development of benefits of the KMNP management must bring a positive impact on rural and regional development.

Envisaged Sources of Funding

Based on the strategic funding plan, KMNP management for the next 5 years (until 2014) shall originate from:

1. Commitments to increase the funding from National Budget lines, starting from 2011, and Regional Budget lines, starting from 2014.
2. Grants, particularly from GTZ and/or Heart of Borneo, which must be maintained and increased. The application thereof must be efficient and in accordance with identified priority issues.
3. Corporate partnership funds from private companies concerned with environmental conservation.

Actual funding of the KMNP management originates from: approved central Budget (DIPA) of the park's management office, Regional Budget I and Regional Budget II as secondment funds, Special Allocation Funds, Reforestation Fund, and direct contributions by GTZ, WWF Germany, as well as in-kind contributions of the park's supervisory board (DP3K). Since the direct contributions by GTZ and WWF can not be maintained permanently, alternative funding sources are required, such as: development of a *trust fund* via a grant making institution, and the development of a *Corporate Social Responsibility (CSR)* program or a KMNP partnerships program, etc. The specifics of such sources are described in Table 2.

The business plan outlines a roadmap how to secure additional funding for the park. The document is publicly available and will be sent on request.

¹Source: Anonymous. 2009. East Kalimantan Kayan Mentarang National Park Business Plan. Cooperation between the Ministry of Forestry, GTZ, WWF Indonesia. Malinau. (Table 8, page 42, processed data).

Table 2. Identification of Sources and Funding Mechanism

No.	Source of Fund	Funding Mechanism							Remark
		Central Government Agency	Regional Government Agency	National Park Management	Private/ Consultant	NGO	Community Organization/ Group	Grant Making Institution	
1.	National Budget	√	√	√		√			Regular but limited.
2.	De-concentration Fund (National budget)		√						There is no standard yet, depending on ministry/institution. Focus on conservation is generally weak.
3.	Regional Budget		√		√	√	√		Regular but limited. Focus on conservation is weak.
4.	Non Tax State Revenues	√	√	√					The allocation depends on the amount of revenues from the relevant sector.
5.	Grants	√	√	√	√	√	√	√	Offered by the state or donor institutions through bilateral or multilateral mechanism depending on lobbying and the capacity and of the park management.
6.	Loans	√							Special mechanism is required, secondment fund from the Government need, usually through bilateral or multilateral cooperation.
7.	Partnership Fund		√	√	√	√	√	√	Voluntary in nature and the responsibility of the parties providing the fund, and their interest in conservation.
8.	Other Public Funds (GEF, etc)			√	√	√	√	√	Either as single programs or combined through the trust fund mechanism
9.	Private/corporate Funding			√	√	√	√	√	Voluntary in nature, can be channeled through partnership program or the trust fund, or philanthropy mechanism.



Figure 4. Cultural event at Long Berini village, one of the villages in KMNP buffer zone.

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