

CLOSING THE GAP BETWEEN PARKS AND SOCIETY THROUGH FINANCIAL MODELING

Brazil possesses the largest concentration of biodiversity in the world, much of it contained in hundreds of protected areas. Despite this vast natural wealth, Brazilians seldom visit the parks, with the exception of a few well-known areas such as Iguazu and Tijuca National Parks. While light visitation helps to preserve these areas, it also starves the parks of much-needed revenue for operation. It also means that Brazilian citizens are not taking advantage of the natural beauty they have inherited.

One barrier to increasing park attendance is their lack of developed infrastructure and services. Recognizing this problem, Conservation Strategy Fund (CSF), the Chico Mendes Institute for Biodiversity Conservation (ICMBio), and the United States Forest Service (USFS) joined forces to find a solution. The



Conceição beach, Fernando de Noronha National Park, Pernambuco, Brazil

partnership brought together CSF's expertise of economic analysis, USFS's experience with park concession services, and ICMBio's detailed the knowledge of the country's vast system of national parks.

The partnership began in 2009 when CSF was asked by ICMBio for assistance in resolving a concessions-related problem at Iguazu National Park, the second most visited park in Brazil. The concessionaire at Iguazu was demanding renegotiation of its contract due to inflation-related losses. After detailed analysis of the firm's accounting documents, CSF worked with the concessionaire and ICMBio to come to a mutually-satisfactory agreement.

This situation highlighted the need to improve the technical capacity for economic evaluation of concession contracts negotiated by ICMBio. Improving this capacity is exceptionally important in anticipation of the massive expansion of infrastructure and services in Brazilian parks that will be necessary to accommodate the influx of visitors during the 2014 World Cup

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and 2016 Olympics.

In 2009, two proposals were analyzed for new concessions at the Fernando de Noronha National Marine Park in Pernambuco. One of these, which included heavy investment in basic visitor infrastructure, will significantly improve conditions for visitors at the park. Data were also collected for analysis of diving operations and boat trips.

In addition, CSF developed a financial modeling program for concessions, called CONCESS 1.0.3. It will be used for feasibility analyses of various concessions proposals in order to make planning more flexible and efficient. At Fernando de Noronha, this program was used to help select the firm that is currently setting up concession operations in the park.

Among the primary capabilities of CONCESS 1.0.3 are:

- Easy data entry and calculation of cash flows for three alternative concessions scenarios, for 10, 15, or 20 years;
- Calculation of various feasibility indicators, such as net present value, the internal rate of return, and the simple and discounted payback;
- Calculation of the franchise fee that ICMBio could charge under contract without making the work economically unattractive to firms;
- Consolidated reports with the information necessary for decision making.

CSF has completed or collaborated on evaluations of a large variety of services and products, including boat trips, diving, controlled visits to protected beaches, shops, and a museum. The analyses involved field work and several meetings with



local businesses and organizations. Besides Fernando de Noronha, the evaluations have targeted a number of parks in various Brazilian states, such as Iguaçu Falls (PR), Serra do Cipó (MG), Abrolhos (BA), Lençóis Maranhenses (MA), Tijuca (RJ), and the National Center for Marine Mammal Research and Conservation (PE). The work as a whole has greatly benefitted from collaboration with USFS, which provided CSF and ICMBio the opportunity to learn from North American experiences with concessions in protected areas. CSF complemented this with training for 25 ICMBio analysts and creation of a manual to guide the drafting of concessions feasibility studies.

As unlikely as it sounds, financial analysis is one of the keys to bringing Brazilians into closer contact with their natural heritage. Our experience confirms that it is an important tool for increasing attendance at national parks, which in turn increases the value people place on the environment and boosts the local economy near the parks.

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