

# Screening Your Options

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## 1 INTRODUCTION

Now that you have at least a general understanding of the finance mechanism options available, the next step is to conduct a *coarse screening of these options*. The purpose of this screening exercise is to quickly and accurately eliminate those options that are *not* viable for a specific site or country, and to help you decide on which potentially viable mechanism(s) should be the focus of your attention -- particularly given limited staff and financial resources.

This section introduces a two-stage screening methodology. Successful use of this methodology will require participation of stakeholders covering a broad cross-section of expertise. Therefore, a first step should be to establish a *Screening Working Group* to assist this exercise. A short (e.g., 2 - 3 day) workshop could be organized to conduct the screening process using the tools provided and referenced below. A facilitator with experience in applying these tools could add significant value to the workshop.

## 2 SCREEN #1: BUSINESS PLANNING – IDENTIFYING “CUSTOMERS” ABLE TO PAY

This first stage in the screening process involves the application of a *business approach* toward financing protected areas (PAs). The publication entitled *Financing Protected Areas: Guidelines for Protected Area Managers* (IUCN, 2000: [www.economics.iucn.org](http://www.economics.iucn.org)) provides an excellent resource on how to apply business planning and the business approach to protected area financing. The business approach uses – quite deliberately – the language of business, employing terms such as “products”, “goods and services”, “customers” and “marketing”. The idea is to encourage PA managers to see their job, in part, as running a business. But it is essential that in so doing they do not lose sight of the basic values represented by PAs. *The business approach is a means to an end: a better, more sustainable protected area.*

In a nutshell, the Business Planning approach entails the following steps:

- identify the most relevant goods and services produced at the site (e.g., scuba / snorkel recreation, fisheries nursery grounds, ecotourism attractions, non-timber forest products important to local economies, and clean and abundant water supplies);
- identify the various stakeholder groups that could be considered “customers” (i.e., beneficiaries) of these goods and services;
- define those customers with high potential to pay for the goods and services at a site; and
- select one or more potential conservation finance mechanisms that could “connect” these targeted “customers” to goods and services, and capture a fair return.

IUCN (2000) provides in-depth treatment of how to carry out a detailed and comprehensive business planning process. If resources and time are available, such an approach is highly recommended. The tools provided below can be used for either a comprehensive business planning process or more of a “*rapid business planning*” (RBP) process.

Below are three worksheets (SCR1 – 3) to support this first-stage screening, along with detailed instructions. These worksheets are intended as generic tools; they will need to be customized to some degree for every site.

### Instructions for SCR1: Worksheet for Identifying / Ranking Key Goods and Services at a Site

SCR1 is designed to begin identifying those goods and services with the highest potential for generating financing for conservation at the site. In this context, *goods* refers generally to products which are frequently sold in markets (not necessarily local markets). *Services* refers generally to nature’s services --

provided by healthy ecosystems -- that typically fall outside markets or are in the very early stages of market development. This division may be a useful way to organize some thinking related to the business planning process.

1. Review the general structure of the worksheet, including data input categories (columns and rows) provided as defaults; modify as needed. In particular, add or modify any goods / services that are of special importance *today* at the site.
2. For each good / service, six criteria are provided to help generate a *relative* ranking, and to identify those with high potential. Work through one column at a time, which should assist in more accurate relative ranking. Starting with "Relative Supply", work down the list of goods / services and input relative ranking scores (1 – 5 scale, 5 being the highest).
3. For "Relative Supply", survey the list of goods / services. Identify – as far as possible -- the good / service with the highest relative existing or potential supply compared with others. For example, for an old growth, moist tropical rainforest, carbon may be the highest. For a site with spectacularly diverse and pristine coral reef systems, scuba diving / snorkeling may be the top-ranked good / service. Enter a 5 in the "Relative Supply" column of the top ranking good / service. Using this good / service as a comparative metric, rank all other goods and services on the 1 – 5 scale. Note: There can be others ranked at five.
4. Conduct similar ranking exercises for the remaining columns. Some issues to consider include:
  - For "Relative Demand": While existing demand is going to be relatively easy to rank, *potential* demand is much more difficult. In considering potential demand, use realistic projections of demand based around likely future scenarios.
  - For "Readily Identifiable Customer Base", the key consideration is whether or not a *discreet* customer base exists. For example, if a nearby municipality relies solely on a forest watershed for its drinking water source, "Watershed Services: Drinking Water" would receive a very high ranking.
  - For "Contributes to Conservation Threat Mitigation Strategy", the key consideration is to what extent a finance mechanism built around a specific good / service would be consistent with conservation objectives of the PA. For example, while timber for commercial sales may be in high supply and have high rankings in other criteria categories, timber operations in the PA buffer zone may simply be incompatible with PA objectives.
  - For "Consistent with Social / Cultural Setting", the key consideration is to what extent a finance mechanism built around a specific good / service would be consistent with the rights of local indigenous peoples, supported by local stakeholders and consistent -- in other ways -- with social and cultural norms and conditions.
5. You may want to "weight" one or more criteria to emphasize its importance. For example, if you thought relative supply and relative demand were by far the most important ranking criteria, you could assign them a weighting factor through an embedded formula in the spreadsheet (e.g., 1.5X or 2X). Finally, an embedded formula will automatically total the score for each row in the column marked "Total Score".

In analyzing this information, the following key analysis questions should be considered:

- Are there one or more goods / services that stand out above all the rest?
- Is there a way to group the total scores to identify *clusters* of goods / services according to their rank? For example, is there a group of, say, 3 – 5 top-ranked items that can be separated from others and given special consideration?
- Are there any goods / services in the highest ranked clusters that are thematically related to each other and might be considered as a group? (e.g., Are there two or more related to water or non-timber forest products)?

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SCR1: WORKSHEET FOR IDENTIFYING / RANKING KEY GOODS AND SERVICES AT A SITE										
		(Relative ranking scale: 1 - 5, with 5 being the highest)								
GOODS AND SERVICES	Relative supply (existing or potential)	Relative demand (existing or potential)	Readily identifiable "customer base"	Contributes to conservation threat mitigation strategy	Consistent with social/cultural setting	Other	Total Score			
<b>Goods</b>										
Ecotourism - general										
Scuba diving/snorkeling										
Sports fishing										
Other recreational activities (hiking, wildlife viewing)										
Timber for local subsistence use										
Timber for commercial sales										
Non-timber forest products: fruits/nuts										
Non-timber forest products: other basic food items										
Non-timber forest products: rubber										
Non-timber forest products: oil/resins										
Non-timber forest products: other										
Seafood for local subsistence										
Seafood for commercial sales										
Other marine products for commercial sales (e.g., pearl clams, sponges)										
Seafood for local subsistence										
Medicinal plants										
Commercially valuable minerals										
Genetic materials for pharmaceutical and biotechnology										
Game species for commercial sales										
Other goods										
<b>Services</b>										
Carbon sequestration										
Biodiversity conservation										
Habitat for endangered or migratory species										
Grazing lands and water to support ranching										
Watershed services: drinking water										
Watershed services: irrigation water										
Watershed services: other water uses										
Nursery for fish and other commercial species										
Storm protection										
Soil and nutrient protection for local agriculture										
Climate stabilization										
Flood control										
Crop pollination										
Scientific research venue										
Ritual or spiritual use										
Cultural significance										
Other services										

### Instructions for SCR2: Worksheet for Identifying “Customers” (Beneficiaries) of Goods and Services at a Site

Having identified top-ranked goods / services at a site using SCR1, SCR2 is designed to identify the key “customers” (beneficiaries) linked to those goods and services.

1. Review the general structure of the worksheet, including data input categories (columns and rows) provided as defaults; modify as needed. For example, you will probably want to insert names of specific local associations, local communities, local governments, private sector companies, etc. in the customer rows.
2. Enter the top-ranked goods / services identified using SCR1 into the column headings.
3. Complete one column at a time. For each column: insert a ranking # (1 – 5) in each customer row to reflect the relative *connection* in terms of direct (or indirect) benefits from that good / service.
4. An embedded formula will automatically total the score for each column in the row marked “Totals”.

In analyzing this information, the following key analysis questions should be considered:

- Are there one or more goods / services that stand out above the others in terms of strong connections to “customers”?
- Is there a way to group *clusters* of customers according to their rank? For example, is there a group of, say, 3 – 5 top-ranked customers that can be separated from others and given special consideration?

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SCR2: WORKSHEET FOR IDENTIFYING "CUSTOMERS" (BENEFICIARIES) OF GOODS AND SERVICES AT A SITE					
		TOP-RANKED GOODS AND SERVICES FROM SCR1			
		(For ranks below: relative ranking scale is 1 - 5, with 5 being the highest)			
	Carbon	Watershed services: drinking water	Nursery grounds for commercial fish species	Ecotourism- general	Other
<b>"Customers" (beneficiaries)</b>					
(broadly defined to include wide range of stakeholders, donors, etc.)					
<b>Local communities</b>					
Local "enclave" communities (living within protected area borders)					
Local communities (living within protected area buffer zone)					
Local farmers					
Local ranchers					
Local fishers					
<b>Commercial businesses</b>					
Tourism industry					
Individual tourists					
Hotels					
Outbound tour operators					
Water recreation companies (scuba, sports fishing, etc.)					
Logging industry					
Energy and utility industries					
Mining industry					
Agriculture industry					
Biotechnology industry					
Manufacturing industry					
Water utility companies					
Commercial filming companies					
Other businesses					
<b>Government entities</b>					
Local governments					
National government					
Donor governments					
<b>Other</b>					
International NGOs					
Research institutes					
Other					
<b>TOTALS</b>					

### Instructions for SCR3: Worksheet for Identifying “Customers” (Beneficiaries) with High Potential to Pay

Having identified top-ranked “customers” (beneficiaries) at a site using SCR2, SCR3 is designed to identify which of these may have the greatest *potential to pay* for conservation at that site, through one or more finance mechanisms.

1. Review the general structure of the worksheet, including data input categories (columns and rows) provided as defaults; modify as needed.
2. Enter the top ranked “customers” -- identified using SCR2 -- in the first column.
3. Complete one customer row at a time. For each customer row, insert a ranking # (1 –5) in each column to reflect the relative ranking for that specific criteria. Some issues to consider include:
  - For “Financial capacity to pay”: Consider factors such as net profits (for private sector companies), per capita income (for municipal residents), scale of existing funding programs (bilateral donor agencies), etc.
  - For “Current or potential willingness to pay”: Consider factors such as: willingness-to-pay survey data (for private sector, tourists), level of support for PA conservation (for local communities and governments), etc.
  - For “Conducive legal framework for payment system”: Do laws and regulations exist that would support a finance mechanism targeting that customer group?
  - For “Relevant precedents exist”: Are there precedents for such payment systems in the country that could help build support for a finance mechanism targeting that customer group?
  - For “Special supportive relationships exist”: Are there key local and national leaders who would support a payment system targeting that customer group?
4. You may want to “weight” one or more criteria to emphasize its importance by embedding a formula (e.g., 1.5X or 2X weighting) in that column. An embedded formula will automatically total the ranking scores of all rows in the column marked “Total score”.

In analyzing this information, the following key analysis questions should be considered:

- Are there one or more customers that stand out above the others in respect to their potential to pay?
- Do any of the criteria have very low scores, possibly indicating the elimination of that customer group as a likely finance source?
- What finance mechanisms could be developed around those customers with high potential to pay (i.e., “high potential finance mechanisms”)?

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<b>SCR3: WORKSHEET FOR IDENTIFYING "CUSTOMERS" (BENEFICIARIES) WITH HIGH POTENTIAL TO PAY</b>						
	<b>CRITERIA FOR RANKING BENEFICIARIES' POTENTIAL TO PAY</b>					
	(For ranks below: relative ranking scale is 1 - 5, with 5 being the highest)					
	<b>Financial capacity to pay</b>	<b>Current or potential willingness to pay</b>	<b>Conducive legal framework for payment system</b>	<b>Relevant precedents exist</b>	<b>Special supportive relationships exist</b>	<b>Other factors</b>
<b>TOP-RANKED "CUSTOMERS" (BENEFICIARIES)</b> (from Worksheet SCR2)						
<b>Tourism industry - individual tourists</b>						
<b>Tourism industry - hotels</b>						
<b>Local buffer zone communities - fishers</b>						
<b>Local water utilities</b>						
<b>GEF / bilateral government donor agencies</b>						
<b>Other</b>						
<b>Other</b>						

### 3 SCREEN # 2: ELIMINATION CRITERIA

Stage 1 above identified high potential customer groups linked to possible finance mechanisms. The worksheet below (SCR4), with accompanying instructions, is designed to support the second-stage screening. It is intended as a generic tool, and will need to be customized to some degree for every site. [Note: SCR4 is still under development; future versions will cover a broader list of finance mechanisms.] Under each finance mechanism, this tool poses a set of broad questions addressing what could be called “elimination criteria”. On balance, one or more “no” responses to these questions indicates the elimination of the finance mechanism as a viable option, although there may be exceptions. Some questions in this worksheet will have a clear yes or no answer. Others will require further research and consultations. The final result should be identification of one or a small set of potentially viable finance mechanisms that could be eligible for feasibility studies.

1. Review the general structure of the worksheet, including data input categories (columns and rows) provided as defaults; modify as needed.
2. Focus on those mechanisms identified through Stage 1 screening as having *high potential*. For each of these high potential mechanisms, as a first step, assess the three criteria listed at the top of the page under “Generic criteria to be applied to all mechanisms”, and record an X in the yes, no or maybe cells. Record any relevant assumptions or other notes as well.
3. Complete one finance mechanism section at a time.
4. For questions with maybe / unknown as a response, carry out appropriate research and consultations to answer these questions as best as possible. To do this, it may be necessary to contact some of the experts referenced in the finance mechanism chapters.

In analyzing this information, the following key analysis questions should be considered:

- Which of these mechanisms have yes responses to all of the questions, suggesting the need for a feasibility study?
- For those mechanisms with one or more responses other than yes, do other factors provide a compelling enough case to go forward with a feasibility study?

SCR4: WORKSHEET FOR SCREENING FINANCE MECHANISM OPTIONS USING "ELIMINATION" CRITERIA				
	YES	NO	MAYBE / UNKNOWN	NOTES
<b>FINANCE MECHANISMS AND ELIMINATION CRITERIA</b>				
<b>GENERIC CRITERIA TO BE APPLIED TO ALL MECHANISMS</b>				
<b>Revenue potential:</b> Potential to generate significant, long-term income.				
<b>Start-up capital:</b> Capital required to assess and start up finance mechanisms is manageable.				
<b>High potential:</b> Identified as having high potential using SCR1.				
<b>DEBT-FOR-NATURE SWAPS (DFN)</b>				
<b>Scale of debt:</b> Is there sufficient debt that would make the DFN option worth pursuing?				
<b>Government support:</b> Is there support or at least openness within the debtor government to explore DFN swaps?				
<b>Available commercial debt on secondary markets:</b> For commercial DFN, if commercial debt is to be purchased (not donated), is there sufficient debt at a significantly discounted price available on secondary markets?				
<b>Likely investors:</b> If the debt is to be purchased, is there a reasonable likelihood of funding?				
<b>Tropical Forest Conservation Act:</b> If pursuing funding through U.S. TFCA, does debtor country meet TFCA eligibility criteria (see DFN chapter)				
<b>CARBON INVESTMENT PROJECTS</b>				
<b>Documented threats:</b> Are there readily documented threats to the forest-based carbon that can be quantified as part of the "without project" baseline?				
<b>Available interventions:</b> Are there readily identifiable interventions that could effectively address those threats?				
<b>Scale of carbon benefits:</b> With such interventions, does there appear to be significant carbon sequestration benefits that could be realized?				
<b>Additionality:</b> Would carbon funding be <i>additional</i> to other funding that could be reasonably expected? Would carbon benefits be additional to those that would otherwise occur under the "baseline" scenario?				
<b>TOURISM-BASED USER FEES</b>				
<b>Tourism volume:</b> Is the current or potential volume of tourists sufficient to make tourism user fees worth pursuing?				
<b>Sustainable tourism:</b> Is it reasonable to assume that sustainable tourism can be achieved, given the ecological and other attributes of the area?				
<b>Access and infrastructure:</b> If major access and infrastructure barriers exist, is it reasonable to assume that these can be overcome with appropriate planning and investment?				
<b>WATER-BASED FINANCE MECHANISMS</b>				
<b>Readily identifiable water services:</b> Are there readily identifiable water services provided by the target watershed?				
<b>GLOBAL ENVIRONMENT FACILITY</b>				
<b>CBD Party:</b> Is the government a party to the Convention on Biological Diversity (CBD)?				
<b>GEF "country portfolio":</b> Does there appear to be room for another GEF project in the country portfolio, or is the portfolio already "fully subscribed"?				
<b>Implementing Agency interest:</b> Is it likely that 1 of the GEF Implementing Agencies will be interested in this project?				
<b>Global biodiversity benefits:</b> Are there clear global biodiversity benefits arising from a potential GEF project?				
<b>BILATERAL GOVERNMENT DONOR AGENCIES</b>				
<b>Donor agency programs:</b> Do any of the major government donor agencies have funding programs in the country, or does any donor have a specific thematic program that would match those of the site?				
<b>RESOURCE EXTRACTION FEES</b>				
<b>Presence of companies:</b> Do any major resource extraction companies have current or planned operations in the vicinity?				

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