

Enhancing the financial sustainability of biodiversity conservation

Conclusions from a review of experience in German development cooperation

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Key messages:

- Financial resource mobilisation needs to go hand in hand with efforts to slow the drivers of conservation costs and to improve effective spending capacity.
- Constraints to financial sustainability of biodiversity conservation are highly diverse and need to be better understood at country level.
- Innovative financing mechanisms can deliver multiple benefits, but only if their design is carefully fitted to context.
- Landscape approaches to conservation broaden the funding base and/or narrow the funding gap and make clear that investing in healthy ecosystems is critical for livelihoods and development.

The financial resources needed for globally implementing the Aichi Biodiversity Targets have been estimated at US\$ 150–440 billion per year (CBD COP11, 2012) – of which perhaps 10% are currently available. Significant efforts have been undertaken in many countries to increase funding for biodiversity conservation. Nonetheless, **this funding shortage remains immense, acute and chronic.**



However, the situation may be more complex than numbers suggest.

Regarding the problem, we do not lose biodiversity and ecosystems primarily for lack of adequate conservation funding. And regarding response options, we must also ask: How should the limited available resources be used? For directly tackling biodiversity threats, for addressing the underlying drivers, or rather for strengthening the financial management and fundraising capacity of implementing organisations? As country contexts differ, so do the likely answers.

We propose the following key messages for discussion. They are based on a short review of experiences with financing biodiversity conservation in protected areas (PA) and their surrounding landscapes. For this, the lessons from German development cooperation in eight partner countries have been examined¹. These findings are not meant to be representative of any group of countries or financing instruments. They nonetheless propose a shift in perspective in the international biodiversity financing debate: **We may need to move from a focus on reducing the funding gap by means of innovative financing mechanisms towards thinking ‘innovation’ more broadly.**

1. Financial resource mobilisation needs to go hand in hand with efforts to slow the drivers of conservation costs and to improve effective spending capacity.

Rather than the total additional amounts made available, it is the capacity for overcoming various constraints which shapes the degree to which funds meet needs and

¹ The full study and a more comprehensive list of conclusions and recommendations can be made available upon request.

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deliver conservation outcomes. These constraints refer e.g. to an enabling governance environment, the stability of funding flows, the flexibility with which they can be used, the quality and reliability of financial planning, and the capacity and motivation to effectively conduct conservation tasks on the ground. A focus on filling the ‘funding gap’ does not capture these more complex requirements for sustaining conservation.

Furthermore, this gap is not fixed per se: It is significantly increased by drivers of biodiversity loss that increase conservation costs, including local, national and international demands for natural resources. Here, the market and policy incentives which stimulate the unsustainable use of these resources need to be addressed.

On the other hand, the gap can be narrowed by improving effectiveness on the spending side. It is unrealistic to assume that in many countries there are management instruments and implementing structures in place that only need additional funding to turn conservation commitments into a reality on the ground. In fact, where big funding meets difficult contexts, conservation becomes expensive, first of all. It can stimulate conflict, corruption and investments in over-ambitious technology or infrastructure.

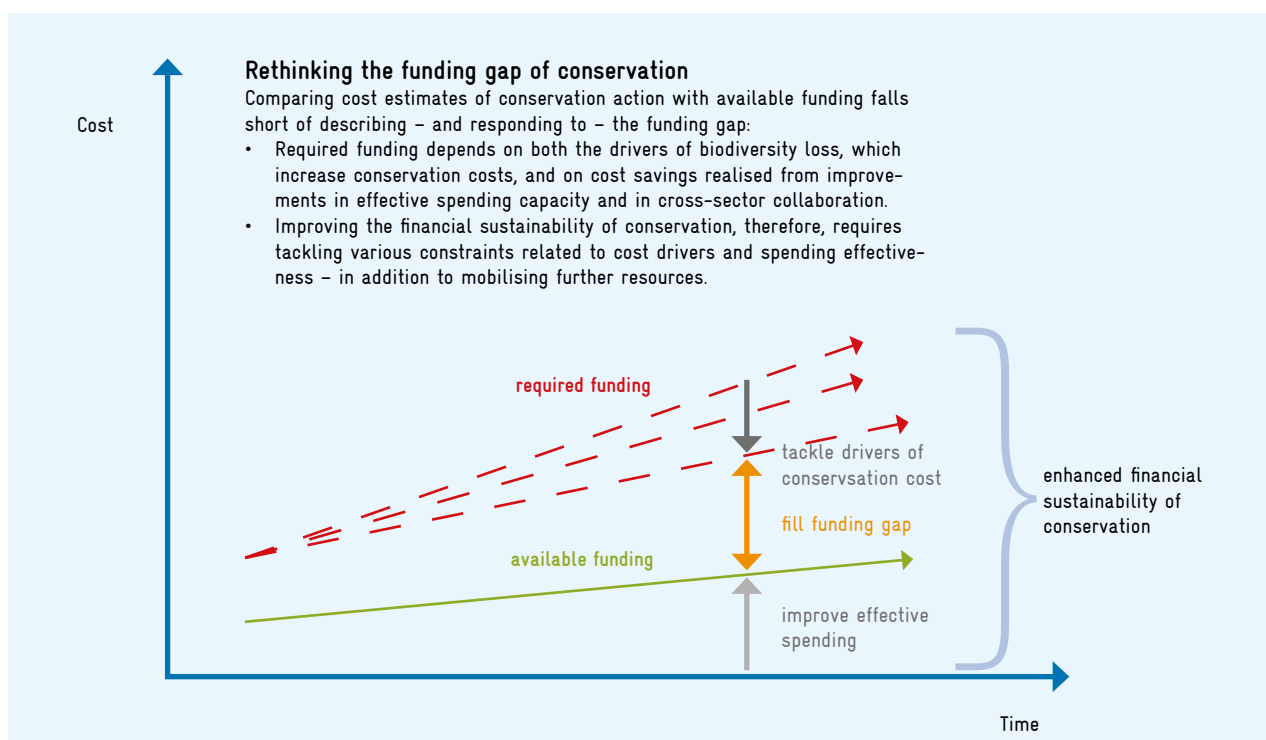
Improving the capacity for effective conservation spending is an under-estimated opportunity in biodiversity financing. There is a menu of options, including:

aligning systems for budget allocation and operational planning; increasing the transparency in spending flows; enhancing management effectiveness; diversifying governance towards co-management and delegated management regimes; setting incentives for inter-sectoral collaboration. Depending on country contexts, these activities can have significant potential to ensure better conservation outcomes for the funding available.

Therefore, development cooperation should take a holistic approach and provide financial as well as technical assistance, in order to tackle the various constraints to financial sustainability of biodiversity conservation.

2. Constraints to financial sustainability of biodiversity conservation are highly diverse and need to be better understood at country level.

The international debate on mobilising additional financial resources should reflect more closely the diverse (sub-)national contexts of conservation. The political, economic, financial and capacity-related constraints differ substantially from country to country, and also within countries. Therefore, the systematic analysis of these constraints is a key phase for mobilising financial resources as part of a more comprehensive financing strategy for biodiversity. However, capacities and resources for systematic analysis and strategy development are often limited.



One example for such systematic analysis offers the BIOFIN initiative, developed in view of targeted resource mobilisation for National Biodiversity Strategies and Action Plans (NBSAPs). The BIOFIN conceptual model encompasses a spectrum of issues. It facilitates examining contexts, estimating conservation costs, and assessing the means of financing them.

What is needed now is the further grounding of such efforts: Adaptation of the analytic framework to the varying knowledge gaps and knowledge needs in different country contexts; cross-checking for further synergies with strategy developments in other sectors, or at other policy levels; support and incentives to apply the solutions identified. When done as a collaborative exercise, such analysis can build critically needed capacity and generate momentum. It promotes a shared understanding across sectors of what needs to be done and where to start.

3. Innovative financing mechanisms can deliver multiple benefits, but only if their design is carefully fitted to context.

In many countries the bulk of conservation funding comes from regular government allocations and ODA. ‘New’ mechanisms, such as optimized entrance fees, conservation trust funds, payments for ecosystem services (PES), biodiversity offsets, or green bonds have received a lot of attention in the hope that they generate additional funding, also from the private sector.

New mechanisms can in fact deliver multiple benefits, beyond additional funding. For example, careful design of disbursement procedures of conservation trust funds, paired with regular audits, have been found to improve the quality, efficiency and accountability of conservation management.

While there are important successes, new mechanisms have in some places either failed or not taken off, even if funding was made available for their initial set-up. The main reason: New mechanisms tend to require new skills, institutions, partnerships, and regulations – this takes years to decades to develop. Therefore, careful adaptation of a mechanism’s design to its operating environment is required. The site-specific pre-requisites are rarely fully anticipated. It appears therefore promising to first focus on improving the design and functioning of existing financing mech-

anisms. For new mechanisms, experts and decision makers benefit from jointly exploring and comparing alternative design options to find a suitable fit for their specific socio-economic and institutional setting.

4. Landscape approaches to conservation broaden the funding base and/or narrow the funding gap and make clear that investing in healthy ecosystems is critical for livelihoods and development.

A landscape approach encompasses protected and sustainably managed areas and aims at accommodating conservation and sustainable development objectives. Several models of integrated approaches exist, such as biosphere reserves or ecological corridors. In practice, collaboration between agencies and across sectors is often hampered by institutional barriers and lack of incentives. Furthermore, different sector programmes, e.g. for rural economic development, water security, climate adaptation, build on concepts and terminology which are not always mutually understood/used across sectors. (Subnational) NBSAPs can act as potent catalysts to intensify cross-sector coordination and collaboration.

From a financing point of view, managing biodiversity conservation as part of a wider landscape approach has substantial advantages: if conservation action is fine-tuned and implemented with reference to other policy objectives, costs can be lowered (from preventing counter-productive parallel programmes in different policy areas), and costs can be shared (among two or more sectors in joint programmes).

More fundamentally, such linking up with other policy objectives can help to show that investing in biodiversity and in the maintenance of healthy ecosystems is not a luxury: It directly contributes to securing livelihoods,



and increasing (sustainable) development options. A focus on ecosystem services can deliver the evidence and arguments of why and where in the landscape this makes particular sense. For example, it can reveal the dependence of an urban area on a well-conserved upstream watershed, or it can pinpoint the probable loss in agricultural productivity in case natural habitats for insect pollinators are being destroyed.

The landscape approach underlines: No country can afford to lose functioning ecosystems – inside but espe-

cially also outside protected areas – at large scale. The associated losses in benefits from nature will come at high societal cost. This is evident in cases where coastal development has replaced mangrove belts, resulting in increased exposure to floodings. It is less obvious, but equally critical, where ecosystem degradation results for example in the gradual loss of erosion control or local climate regulation benefits. Considering such linkages holds important potential, both, for targeting conservation spending and for mobilising funds and political backing for biodiversity conservation.

Examples of biodiversity financing in German development cooperation

- In **Namibia**, Germany supports the NBSAP process and the application of the BIOFIN assessment methodology. Also, strategic environmental planning efforts lay the ground for integrated conservation in a landscape approach. Furthermore, a new trust fund is being supported explicitly geared to building management and negotiation capacities for community conserved areas.
- In **Madagascar, Mauretania, Cameroon**, and other countries, Germany supports conservation trust funds with a range of adapted governance structures, funding portfolios, and disbursement procedures. Trust funds stabilise funding flows for protected areas and multi-party governing structures guide future conservation investments.
- In **Côte d'Ivoire**, Germany invests in the effective spending capacity and consolidation of several national parks, and supports sustainable livelihoods in their surrounding landscapes. Equipped with up-to-date management plans and an analysis of ecosystem service benefits from parks to the agricultural sector, national partners now invite companies to co-finance conservation.
- In **Vietnam**, Germany supports forest protection contracts and PES schemes that have been found to provide critical income to forest holders and communities in regions surrounding protected areas, thereby compensating for park-related local opportunity costs. These additional income streams to the inhabitants of surrounding landscapes critically complement government allocations to PAs core activities.
- In **Mexico**, Germany supports the development of the ecological corridor Sierra Madre Oriental as a model for integrated landscape approaches. Stretching across five states the corridor brings together public and private sector actors and NGOs who now jointly plan and coordinate their investments into spatial planning, sustainable agriculture or sustainable tourism programmes in support of biodiversity conservation.

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