

# International Conference on Biodiversity Conservation in Transboundary Tropical Forests

Quito, 21–24 July 2010

## Working Group 2 Sustainable financing for TBCAs



# What is Sustainable Finance ?

## Definition

*“Ability to secure stable and sufficient long-term financial resources, and to allocate them in a timely manner and appropriate form, to cover the full costs of protected areas (direct and indirect) and to ensure that protected areas are managed effectively and efficiently”.*

## Two elements:

- A) Securing sufficient financial resources over the long term
- B) Allocate financial resources effectively, efficiently and in a timely manner

# A) Securing sufficient long-term financial resources

Best practices in design and planning:

1. **Identify problems and prioritise financial needs** → funding available shall be based on a realistic assessment of needs

- What is the current level of PA financing, its sources, how it is spent, and how efficiently and effectively funds are used?

2. **Develop a financial plan** → *“an iterative and broadly owned plan to attract sufficient and sustainable financial resources to effectively manage the protected area system.”*

- It's based on an assessment of available funding and funding gap
- It determines priorities for filling funding gaps
- It should diversify sources of income

3. **Explore and make the most out of the different funding opportunities**

- Developing countries do not make full, timely and appropriate use of the resources that are allocated to them → GEF funding for protected areas is US\$ 700 million (58% of total GEF availability) but many countries only use a fraction of their allocation
- Climate funding is – potentially - a new and additional source of funding
- But there are other sources of funding:

Permits, taxes and fees	Taxes and surcharges	From sectors that hurt the environment
		Hotel, airport, VAT surcharges
	Permits, fees and licenses	Park entrance fees (site, system)
		Compensatory legal fees
		Permits, licenses (bioprospecting, energy, recreation, logo use)
National and international public funds	National budgets	
	Multi-lateral donors	
	Bi-lateral donors	
	Trust funds	
Donations, volunteers, cost-sharing	Donations	Corporate
		Personal
		Foundation
		Drop-box
	Volunteer work	
	Cost sharing	
	Voluntary surcharges (hotel, license plates)	
	Lottery proceeds	
Sale of goods and services	Protected area products, PES	

4. **Explore diverse financial mechanism** → to identify the one(s) that are best suited to the proposed implementation (e.g. is PES replicable in this context?)

5. **Value biodiversity and other ecosystem services** → making an economic case for biodiversity and other ecosystem services is crucial to secure sufficient resources

- How much money is directed to PAs? And how much do the PAs contribute to a country's GDP?

- **! But determining the economic value of ecosystem services can be a difficult exercise with high level of subjectivity** → necessary to make consistent and systematic use of existing methodologies (TEEB)

- **! Another problem is that abstract valuations of ecosystem services do not always translate in immediate material benefits for those depending on the exploitation of natural resources** → necessary to implement necessary policy responses to avoid bartering long-term economic sustainability for short-term (and short-sighted) profit

## B) Allocate financial resources effectively and efficiently

The financial plan of a TBCA should aim to become **economically sustainable** and therefore **less reliant on external funding** → avoid risks of dependency from volatile external sources

Best practices in implementation

1. **Collaborate regionally** → Important to share information on best management practices between countries
2. **Use available funds strategically** → build capacity, develop economic sustainability

The case of REDD:

- If REDD rewards inaction it is bound to become increasingly expensive → protecting forests in the face of increasing demand for land, food and wood
- IPAM (Brazil) estimates that in just 30-40 years other mitigation actions can be more cost-effective than REDD → what happens when REDD funding withers away?
- REDD money should be used to develop sustainable economic alternatives at national and local levels that lower the opportunity cost of conservation

**The same applies to all funding for conservation!**

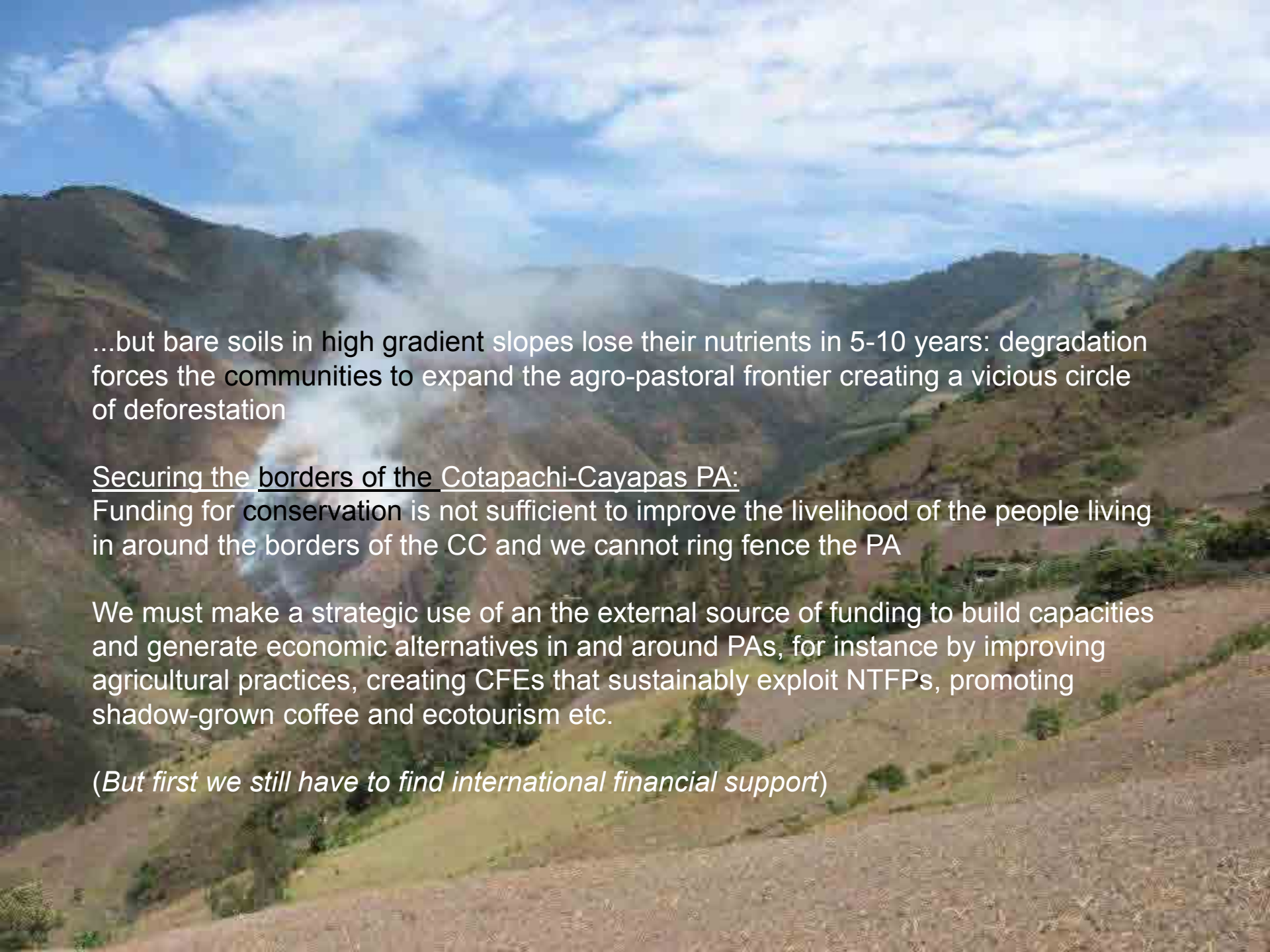


## A blatant example

The 100,000 ha of forests in Intag and Manduriacos work as a buffer zone for the Cotapachi-Cayapas PA and provide a wealth of ecosystem services:

- Biodiversity→ Among the most biodiverse in the world, these forests provide a biological corridor between two biodiversity hotspots (Tropical Andes and Chocó-Tumbes)
- Carbon sequestration → Current deforestation emits 250,000 T carbon per year
- Water → Four watersheds provide drinkable water for the communities of Imbabura and Cotapachi

Local communities are not able to profit from these services and promote deforestation for subsistence agriculture, grazing and logging...



...but bare soils in high gradient slopes lose their nutrients in 5-10 years: degradation forces the communities to expand the agro-pastoral frontier creating a vicious circle of deforestation

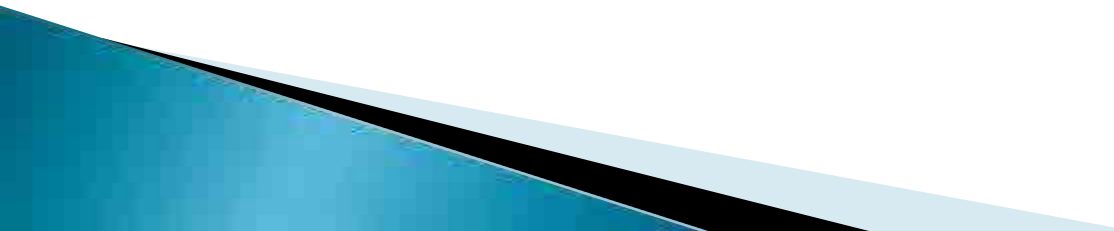
Securing the borders of the Cotapachi-Cayapas PA:

Funding for conservation is not sufficient to improve the livelihood of the people living in around the borders of the CC and we cannot ring fence the PA

We must make a strategic use of an the external source of funding to build capacities and generate economic alternatives in and around PAs, for instance by improving agricultural practices, creating CFEs that sustainably exploit NTFPs, promoting shadow-grown coffee and ecotourism etc.

*(But first we still have to find international financial support)*

## ! Problem

- The funding cycle does not always match the real needs of the project: sometimes funds end up to serve the agency's own goals rather than the project's
  - A good identification of needs in the planning phase reduces the risk but...
  - ...Implementation often requires a flexibility that the funding cycle does not provide
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# Governance of funds

- ▶ Transparency in the allocation of funds and funding procedures is a transversal issue
- ▶ Conducting an exercise that identifies the value of biodiversity and drafting a detailed financial plan does not solve the problem of how the money is being used in practice
- ▶ Monitoring and auditing the governance of international public funds is crucial at project level, but even more so at the national and transnational levels
- ▶ It is necessary to put in place an international minimum standards for transparency and accountability in the management of funds
  - This should at least provide for information on funding allocation to be made publicly available, easily accessible and understandable.

# Thank you!



Please help us to  
**SAVE INTAG!**