Enhancing the financial sustainability of biodiversity conservation – actors, approaches & aspirations

International Expert Seminar held 23 - 28 July 2017 on the Isle of Vilm, Germany

Summary and Conclusions

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1. INTRODUCTION

Reaching the ambitious national and international biodiversity targets and implementing the new overarching development agenda 2030 need sustainable financing of biodiversity management. Biodiversity and ecosystem services need to be maintained in protected areas as well as in the multifunctional productive landscapes surrounding them.

Many actors play a role in biodiversity finance. Governments via their budgets are often the main financier of biodiversity, especially for protected areas. Stabilizing and increasing governments’ contributions to biodiversity finance is therefore an important pillar to enhance financial sustainability of biodiversity finance. However, involving other sectors in mobilizing funds, increasing private investments, using blended finance¹ and other resources through different forms of public private partnerships is needed and requires interaction with a broad range of actors with different interests, approaches and modes of delivery.

Different approaches to enhance sustainable biodiversity finance exist. (Initial) experiences in supporting those in development cooperation are available. They involve different funding sources, financing mechanisms, and related institutional, organizational and technical capacity building. German DC has for example supported trust funds, payment for ecosystem services schemes, or the introduction or improvement of fee systems. Others are in earlier stages of implementation such as support for “impact investments”, environmental fiscal reform, and other “innovative biodiversity financing mechanisms”. For all of these, enabling conditions and policy frameworks are critical as they shape the funding situation of biodiversity management. Existing initiatives such as The Biodiversity Finance Initiative (BIOFIN) as well as the ongoing TEEB-process test and promote promising, comprehensive approaches.

Aspirations go beyond successful implementation of a single mechanism or solutions for individual sites. In order to implement National Biodiversity Strategies and Action Plans, as agreed upon under the Convention on Biological Diversity (CBD), more comprehensive financing strategies at landscape level or national level are needed. Reflecting the policy framework under the CBD, the new global agenda 2030 with its Sustainable Development Goals (SDG) and the related Addis Ababa Agenda of Action (AAAA) for development finance go along the same lines calling for environmentally as well as socially and economically sound decision making and financing from all sources. Since biodiverse ecosystems, underpinning human well-being, are essential to achieve the Sustainable Development Goals, the AAAA explicitly contains commitments to improve biodiversity finance in line with the commitments under the CBD.

In this light, the seminar, jointly organized by BfN, GIZ and KfW, aimed at exploring approaches for biodiversity finance in protected areas and beyond and providing guidance to the design and implementation of sustainable biodiversity finance strategies in the context of international development cooperation. In July 2017, 25 participants and specialists from all over the world, coming from gov-

¹ Blended finance: the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets. (OECD /WEF 2015)
ernmental and non-governmental organisations as well as the private sector gathered at the International Academy for Nature Conservation Isle of Vilm, a branch office of the Federal Agency for Nature Conservation, to discuss constructive ways forward. Further information can be downloaded at: http://www.bfn.de/en/int-academy.html
2. SETTING THE SCENE

2.1 The discussion on biodiversity finance and what is needed now

The debate on financing biodiversity conservation in the last decades evolved together with the development under the Convention on Biological Diversity (CBD). With the CBD (1992) 196 countries agreed on conserving biodiversity, their commitment going beyond protecting nature. Implementing the CBD also implies using biodiversity sustainably, and equitably sharing the benefits arising from the use of genetic resources. This idea of bringing biodiversity conservation to the center of development and into productive sectors was strengthened in the Strategic Plan 2011 – 2020 and its 20 Biodiversity Targets (Aichi Targets). Aichi Targets also include tackling the drivers of biodiversity loss. Consequently, this ambitious set of goals requires biodiversity finance to broaden its focus.

In the past 20+ years many technical and policy innovations in biodiversity finance focused on developing new instruments and mechanisms in order to increase and stabilize protected area funding. For example, conservation trust funds and payment schemes for ecosystem services attracted much attention. For biodiversity finance today, aspirations go beyond successful implementation of a single mechanism or solutions for individual protected areas. In order to implement for example National Biodiversity Strategies and Action Plans, as agreed upon under the CBD, more comprehensive financing strategies at landscape level or even at national level are needed which take into account how domestic spending and international funds availability can effectively complement each other. It is nothing less but a paradigm shift from thinking about new funding mechanisms towards overcoming broader financial constraints in a more systemic perspective.

The CBD fostered such understanding already in its Strategy on Resource Mobilization in 2008 which calls upon parties to e.g. integrate considerations on biological diversity in development plans, strategies and budgets and leverage resources for example by removing incentives harmful to biodiversity and bringing in new funding sources and mechanisms.

### Biodiversity funding and funding needs

The estimated funding needs to reach the Aichi Biodiversity Targets worldwide ranges from USD 150-440 billion (CBD 2012). This broad range in the estimate reflects current knowledge gaps.

A review of literature by the Global Canopy Programme estimates for 2010 global expenditures related to biodiversity of about USD 52 billion. About USD 21 billion of them are spent in so-called developing countries (Parker et al 2012). Another global estimate of public biodiversity expenditures is considerably lower and pinpoints that many of the severely underfunded countries are those harbouring very high biodiversity (Waldron et al 2013).

The current global spending pattern will therefore likely increase further short-term biodiversity losses. Also, a review of progress towards the Aichi targets concludes that ‘although mobilization of financial resources appears to be generally accelerating, our analyses did not detect significant increases by 2020 (target 20)’ (Tittensor et al 2014).

This new look on biodiversity finance was supported by the implementation of a CBD High Level Panel on the subject and the results of numerous activities like TEEB, WAVES and finally the Biodiversity Finance Initiative (BIOFIN) (see box below).
In line with its commitments under the CBD Germany increased its ODA for biodiversity considerably in the last decade reaching now yearly new commitments of € 500 million. Since around half of the biodiversity portfolio is focused on protected areas, a study on the experiences with enhancing the financial sustainability of protected area finance was commissioned in 2016. This study underlined the need for considerable increase in biodiversity finance and at the same time stated that funds mobilisation needs to go hand in hand with efforts to overcome the (widely differing) financial constraints to biodiversity conservation (Berghöfer et al 2017).

The study put forward three lines of action, each of them offering different opportunities. In order to enhance financial sustainability of conservation, these should be considered jointly:

1. **Fill the funding gap**: Support the mobilization of additional funds.

2. **Improve effective spending**: Build institutions and capacities to manage and use funding efficiently and effectively.

3. **Tackle drivers of conservation cost**: Identify current and likely future pressures on ecosystems within and around protected areas and explore cost reduction potential for biodiversity conservation, e.g. through increased cooperation with sectors responsible for biodiversity loss. (see figure).

Rethinking the funding gap in biodiversity conservation

Comparing conservation cost estimates with available funding falls short of describing and responding to the funding gap.

To enhance the financial sustainability of conservation, three challenges need to be tackled:

- slowing drivers of conservation cost,
- filling the funding gap,
- improving the effective use of funds.

![Diagram showing the relationship between costs, available funding, required funding, and enhanced financial sustainability of conservation over time.](image)
The participants at the Vilm seminar discussed the various constraints to financial sustainability. The term ‘financial sustainability’ describes a situation where present/future funding is likely well-aligned with financial needs of conservation – in terms of amounts and conditions of and for financing.

We looked at these financial constraints from different angles in order to address in a practical way conservation finance in financial and technical cooperation. The diverse experiences presented suggest that principal challenges not only refer to funding deficits, but also for example to the volatility and spatial distribution of funds, and to the limited flexibility and the operational requirements associated with their spending. These challenges are very much in line with what has been formulated as requirements for the financial sustainability of protected areas:

**Requirements for the financial sustainability of PAs**
(Berghöfer et al 2017, based on Emerton et al. 2006, 2015):

<table>
<thead>
<tr>
<th>Filling the funding gap</th>
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<tbody>
<tr>
<td>1. Adequate amount of funding: Unless a PA has access to sufficient financial resources, it will be impossible to manage it effectively and achieve the objective of conserving biodiversity and livelihoods support.</td>
</tr>
<tr>
<td>2. Diverse funding flows: A broad funding portfolio spreads risk. Building a portfolio that draws on several different sources means that if one source diminishes or fails, there is other funding available to plug this gap temporarily.</td>
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<tr>
<td>3. Security of funding in the long term: Funding needs to be ensured over a longer time frame than the annual government budget cycle or the typical project period of three to five years. It is difficult to plan for long-term biodiversity conservation without knowing how many funds will be available in the future, and what strings are attached to them.</td>
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<table>
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<tr>
<th>Improving the effective use of funds</th>
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<tr>
<td>4. Linking funding to conservation objectives: Funding is unlikely to be fit to purpose if it is not directed towards the goals and activities which are of the highest priority for biodiversity conservation, and which have – ideally – been articulated in a conservation strategy or a PA management plan.</td>
</tr>
<tr>
<td>5. Efficient administration and spending: Funds are not always managed well and spent effectively in line with up-to-date conservation management planning. Reducing costs, improving cost-effectiveness and targeting expenditures wisely are key components of sustainable financing.</td>
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<tr>
<td>6. Strategic financial planning: Taking a strategic approach to long-term funding needs and options implies that management authorities go beyond traditional budgeting and cost accounting. Strategic plans how funding will be sourced, administered and used, are needs-based rather than instrument-driven.</td>
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<th>Slowing down drivers of conservation costs</th>
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<tr>
<td>7. Meeting the full costs of conservation: Beyond covering the direct costs of conservation management (such as equipment, staffing, infrastructure, patrolling/surveillance, maintenance, scientific research and surveys), the local opportunity costs of conservation need to be understood and met, if local communities are to be economically able and willing to conserve biodiversity.</td>
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<tr>
<td>8. Enabling context: The underlying challenge of strengthening the broader economic and legal context. A wide range of external financial, economic and legal factors have the potential to influence conservation costs, funding flows and conservation management effectiveness. These include subsidies and price distortions in other parts of the economy which prejudice against biodiversity. In addition, weak laws may not support more sustainable financing or do not ensure restrictions or at least adequate compensation of biodiversity impacts from economic development.</td>
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Instruments

Financial instruments applied for biodiversity conservation are numerous. They are more than fundraising mechanisms, as they can e.g. address broader financial constraints to conservation effectiveness and act as incentives.

BIOFIN: Guidance to develop a complementary mix of finance solutions:

Biodiversity finance is the practice of raising and managing capital and using financial incentives to support sustainable biodiversity management. The term is similar to the more commonly used “Conservation Finance” but avoids the connotation of a focus on “conservation” as the primary or only objective.

Biodiversity finance solutions are ways of using one or more finance mechanism or instrument (e.g. taxes and subsidies) in a particular context (e.g. finance sources and agencies/institutions involved), targeting results that improve the sustainable management of biodiversity.

Meeting finance needs will require a complementary mix of finance solutions, adapted for every country, made up of financial strategies, policy changes, and other mechanisms.

The BIOFIN workbook provides guidance on how to derive this mix of appropriate, priority and effective biodiversity finance solutions.

- Generating new revenues targeted towards biodiversity;
- Reorienting or realigning existing financing to reduce negative impacts and improve outcomes;
- Avoiding future expenditures through strategic investment and policy;
- Delivering better conservation through improved effectiveness, efficiency and synergies.

Steps

- Assess the policy, institutional, and economic context for biodiversity finance;
- Measure and analyse current biodiversity expenditures, from the public and private sectors, donors and NGOs;
- Make a reliable estimate of the finance needed to achieve a country’s biodiversity goals, and compare this to current biodiversity expenditures and other resources available; and
- Develop a biodiversity finance plan that identifies and mobilizes the resources and policies required to implement the most suitable finance solutions.

Presentations in this session

David Meyers: Global Trends in Biodiversity Finance (Slide 1-16)
Lucy Emerton: Sustainable biodiversity finance – what are we talking about?

2.2 Instruments

Financial instruments applied for biodiversity conservation are numerous. They are more than fundraising mechanisms, as they can e.g. address broader financial constraints to conservation effectiveness and act as incentives.
Emerton proposes the following characterisation of financing mechanisms (updated from Emerton et al. 2006):

In a market place participants presented a variety of financial instruments and mechanisms supported by projects, programs, initiatives in different policy arenas that support biodiversity conservation. These included among others different conservation trust funds for marine and terrestrial protected areas, biodiversity offsets, certification and standards for biodiversity friendly production, performance based approaches, Payment for Ecosystem Services and fee schemes (see annex for the list of presented mechanisms).

The market place clearly showed the progress made with regard to developing and implementing a variety of new and "innovative" finance instruments and mechanisms. The experience presented also indicated that instruments and mechanisms differ in their respective enabling conditions in order to have impact on the ground.

For overviews of financial instruments or financing mechanisms consult:

- [European biodiversity finance compendium](#) (2008)
- [Sustainable financing of protected areas](#) (2006)
- [International financial instruments for biodiversity conservation in developing countries](#) (2015)

**Presentations in this session**

Lucy Emerton: Biodiversity financing mechanisms: basic categories & applications

Marketplace presentations of experiences (see annex)
3. ELEMENTS FOR APPRAISING AND ENHANCING THE FINANCIAL SUSTAINABILITY OF BIODIVERSITY CONSERVATION

As argued, biodiversity financing challenges go beyond the funding gap and encompass a spectrum of issues including fundraising, financial management, efficient spending and cost reductions (Berghöfer et al 2017). On the other hand, there is a huge diversity of financial instruments and mechanisms that have been applied for biodiversity – each with different foci in terms of generating, administering or using funds. Furthermore, the proposed lines of action (i.e. ‘fill the gap’, ‘spend efficiently’, ‘reduce future cost increases’) expand the scope of possible responses.

How do we know for a given setting, which responses hold the biggest potential to improve the overall financial sustainability of biodiversity conservation?

This was the central question of the seminar. Subsequent sessions were devoted to exploring this question by looking step-by-step at a draft simple framework for appraising and enhancing financial sustainability of biodiversity conservation presented by the facilitators, and by assessing the framework against their experiences and case examples for site-level, landscape-level and (sub-)national level application.

3.1 Framework for appraising and enhancing financial sustainability of biodiversity conservation

As input in the seminar, GIZ introduced a draft framework with 5 elements. During the seminar, this draft framework has been discussed and refined for a needs-oriented appraisal of the biodiversity financing situation of a given setting. A 6th element has been added by the participants, reflecting the importance given to practical implementation planning (see figure below).
The assumption on which the framework has been drafted is that such a concrete setting – a protected area, a landscape, a region – is a more suitable starting point for analysis and intervention planning, than focus on a specific financial mechanism or funding source. This implies examining the working contexts, enabling conditions, planning and management processes that conservation planners and managers (as well as the development cooperation projects that support them) actually face as they attempt to enhance the sustainability of biodiversity financing.

The participants' discussions confirmed this assumption. They stressed that enhancing financial sustainability of biodiversity conservation is a key challenge for conservation worldwide. It is often dealt with applying a more fragmented approach focusing on introducing individual finance instruments or mechanisms. In order to facilitate more strategic support and better target interventions, a context-specific appraisal of constraints to financial sustainability appears highly appropriate.

In the following, we present the six elements for such an appraisal and strategy development, each with a summary of participant observations and experiences shared. Project examples were presented to showcase these experiences, discuss challenges as well as proven practical tools to address the framework-elements.

The six elements should not be understood as a sequence of steps. Obviously, a diagnosis (Elements 1-4) precedes the development of a strategy (Element 5 and 6), but this diagnosis has no fix order and should be fitted to the situation. These questions can help specify the emphasis and roadmap for an appraisal:

- How well do we know the situation already? How much insider knowledge about the financial situation is available to the appraisal team? This includes insights about the legal setting, the formal procedures and the de-facto functioning of conservation work and its financial basis.
- What is the practical purpose of the appraisal? Is this an initial scoping exercise, or are we in need of in-depth analysis and justification, e.g. to choose between two already specified pathways? In other words, how robust and how detailed do the insights have to be that we want to gain form this appraisal?
- What resources do we have at hand? Each of the 6 elements can be pursued as a fine-grained analysis, or as a rough approximation. Typically time and resource constraints require us to focus efforts on 1-3 elements. So, where can we expect most added value?

### 3.2 Applying the framework

**Format of the appraisal:** The framework is intended to guide analysis through group work. For a larger area this includes various expert workshops, for a smaller setting, various peer group meetings can already generate substantial clarity and insights. Importantly, financial issues are often considered either controversial or confidential. This should be anticipated by the appraisal team. The working group(s) which explore the questions of each appraisal element should be composed in such a way that a trustful exchange of opinion is possible. On the other hand, a combination of participants from NGO/academia/government/donor organisations is likely to stimulate richer exchange than a more homogenous participant group. This tension can best be addressed by engaging a small AND diverse group over a longer period and by establishing clear rules of procedure, such as e.g. the Chatham House Rules.

As a minimum, two 2-day workshops (or the equivalent number of shorter meetings) should be planned for the appraisal. Group discussions will enormously benefit if relevant information is made available prior to the first meeting, and if there are resources available to conduct additional expert interviews and desktop research on aspects, that have been identified as critical during group work.
During the seminar on the isle of Vilm the following aspects were raised as issues for which the framework should provide more explicit guidance:

- Opportunities to enhance financial sustainability of biodiversity conservation can differ depending on the spatial scope of the appraisal: Are we looking at an individual protected area? A protected areas system? A region, landscape or biodiversity conservation at national level?

- Appraisals may also differ depending on the purpose and the available resources for it. Are we designing a single DC project or do we, for example, support our partner in developing a more comprehensive biodiversity financing strategy? How much can we invest in it? What are most useful methodologies for the purpose and available resources?

- In practice, appraisals will most likely not be all encompassing. Therefore, taking the most pressing constraints to financial sustainability and a first prioritization which ones can be tackled within the considered scope as a starting point for the appraisal is recommended. In almost all cases, shortage of funds will be on list of the most pressing constraints. When starting it is important to get an idea of the "funding gap" for biodiversity conservation. Sophisticated methods for calculating the funding gap are available. According to needs, data availability and capacities in a given context a “concrete estimation” can already be a useful starting point. Different approaches to calculate or estimate the funding gap were discussed in the seminar (Examples: BIOFIN South Africa, and Example Conservation Budget Myanmar).

- The appraisal process needs political buy-in and active participation of the relevant stakeholders. What should the appraisal process look like to pave the way for future implementation of a sustainable finance strategy? Who should be involved how?

1.1.1 Element 1: Analyzing the political, legal and institutional context for financing biodiversity conservation

What features of the political and legal framework and institutional setting enable or limit financial sustainability? Participants identified this appraisal element as cross-cutting since all strategic responses to financial constraints and action to enhance financial sustainability have to be embedded in this context.
The participants at the Vilm Seminar stressed the need to look beyond existing biodiversity strategies and include the broader development agenda like national development plans, climate action plans or implementation plans for the Sustainable Development Goals to identify decisive political, legal and institutional conditions and possible entry points for biodiversity finance. All experience shows that also for biodiversity finance understanding the political economy is important in this respect. Also important a multi-disciplinary perspective on biodiversity finance including financial, natural and social science expertise.

**Example from BIOFIN**

**The Biodiversity Finance Policy and Institutional Review (PIR) in Georgia:** The BIOFIN workbook contains key questions and steps for reviewing the key aspects of the political, legal and institutional context in the Policy and Institutional Review (PIR). Diligence in the process architecture proved to be a key factor for success. One lesson from BIOFIN in this regard is using the convening power of leading institutions (Ministry of Finance for example). BIOFIN built the PIR on the basis of the UNDP institutional review. The PIR in Georgia included an analysis of the relevant strategies,

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### Element 1: Analyzing the political, legal and institutional context for financing biodiversity conservation

#### Key issues/guiding questions:

- Status of ecosystems (biodiversity, ecosystem services, area,…). General trends of ecosystem change and underlying causes
- Key aspects of the political, legal and institutional context? What are relevant laws, regulations and legal frameworks? How do planning processes work that are relevant for conservation directly and indirectly?
- What is the political context for conservation (finance) takes place? Who are the actors and institutions that govern biodiversity? What are their mandates and resources?

#### Tools/approach:

- Suggestion: Review national information on biodiversity (i.e. NBSAP, environmental monitoring data, protected area reports, national reports to CBD and other multilateral environmental agreements) to identify status and trends of relevant ecosystems, major drivers of loss or principal obstacles to improvement.
- Suggestion: Review government data and reports (CBD, BIOFIN) on funding flows (and needs if available). Consult national experts for an overview of principal funding sources, their trends and associated challenges.
- Relevant guidelines:
  - [Policy and Institutional Review](#) (BIOFIN p. 95),
  - [Institutional and Context Analysis](#) (UNDP)
  - [Capacity Works Tools](#) (GIZ)
  - Guidelines for acting on ecosystem service opportunities: [Rode & Wittmer 2015](#) Step 2
identification of agriculture, forestry, tourism and energy as key sectors with regard to biodiversity and possible entry points for more and better biodiversity finance in these sectors.

Presentations in this session
David Meyers: The BIOFIN Biodiversity Finance Policy and Institutional Review (PIR)
David Meyers: PIR – Example Georgia

1.1.2 Element 2: Assessing the current funding situation

The current funding situation can be examined in terms of amounts of funding and/or with a focus on instruments. ‘Amounts’ refer to data on public, private, and civil society budgets, allocations and expenditures for biodiversity conservation. ‘Instruments’ refer to the modus operandi of how these funds are mobilized.

Element 2: Assessing the current funding situation

Key issues/guiding questions:
- Overview over main funding flows for biodiversity: What are the funding sources, and how are allocation decisions made? What are the main expenditures and how are spending decisions made?
- What are main characteristics of financial instruments/mechanisms for conservation?
  - How much funding do they provide? What is their relative importance? Major trends?
  - What are the key objectives of the main funding sources?
  - What are the main features of different funding/mechanisms (i.e. time horizon, volatility, disbursement criteria, operating costs)?
- How does the current combination of funding flows/mechanisms shape the financial situation ‘on the ground’?

Tools/approach:
- National level: BIOFIN ‘Biodiversity Expenditure Review’ (BIOFIN Workbook p. 138); Answers to: Who spends money to impact positively / reduce pressures on biodiversity? What do they spend it on? How much is spent?; Inventory of finance solutions in place (s. BIOFIN, p. 126)
- Site level PA “income” score card (UNDP)
- Suggestion. Develop a ‘sustainability profile’ of different funding mechanisms present in one setting:

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Amount generated (relative importance)</th>
<th>Future potential</th>
<th>Stability (low volatility)</th>
<th>Required admin. effort</th>
<th>Spending flexibility</th>
<th>Conservation impact/ side effects</th>
</tr>
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<tbody>
<tr>
<td>Example: PA application to national CTF</td>
<td>++</td>
<td>+++</td>
<td>+</td>
<td>++</td>
<td>0 (e.g.: no salaries)</td>
<td>e.g. builds PA management capacity</td>
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<tr>
<td>...</td>
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amounts are raised/allocated, managed and used. The combined view on amounts and instruments provides insights into the actual funding situation. The “funding situation” can be appraised using financial sustainability criteria, e.g. funding diversity, stability, conservation impact, distribution of costs and benefits of conservation management, planning and administration, enabling conditions, needed capacities.

The Vilm Seminar discussions underlined

- that criteria for evaluation need to be defined according to the given context, addressing the most pressing financial constraints.
- some of the criteria mentioned above apply to individual mechanisms or instruments while others are applicable to a package of funding flows (“portfolio”).
- In any case, an evaluation of the current funding situation - be it in-depth or with bird-eye-view helps to create a common understanding of the available mix of sources and possible areas for action. This entails to balance different types of sources where necessary as well as looking into untapped sources.
- During group work exercise, the participants assessed the current funding situation of two initiatives from Colombia and Mexico. The discussion emphasized the importance of conservation impact as evaluation criterion, linking the allocation of funds to conservation impact, and the associated practical challenges demonstrating this conservation impact.

Examples from participants

- Example BIOFIN’s inventory of financial instruments (finance solutions). This comprehensive list could serve as resource when thinking how to address areas of weaknesses in funding portfolio.
- Incentives for private sector to invest in biodiversity-friendly production and contribute financially to conservation is important. However, it needs more work to use the growing market for Socially Responsible Investing (SRI) and biodiversity focused investments as a new financing source for biodiversity. Guidelines for investors exist.
- Example Columbia: In Colombia, a high number of finance instruments are already established and a variety of funding sources is tapped into but despite all these flows there is a low spending flexibility and a generally high dependency of external sources. In order to enhance sustainability diversification of sources could reduce this dependency (and the corresponding risk).
- Example Namibia: To improve the funding situation an expenditure review of conservation finance was undertaken. The review showed an increasing finance gap but also reflected the findings in the light of the National Development Plan. The biodiversity expenditure review informed the National Development review and provided arguments for considering biodiversity conservation more prominently in the forthcoming NP5.

Presentations in this session

<table>
<thead>
<tr>
<th>Speaker</th>
<th>Title</th>
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<tbody>
<tr>
<td>Ulrike Tröger</td>
<td>Biodiversity Expenditure Review Namibia</td>
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<tr>
<td>Sandra Valenzuela</td>
<td>Herencia Colombia and Federico Starnfeld: Funding for Biodiversity in Mexico.</td>
</tr>
<tr>
<td>Louisa Lösing</td>
<td>Private Business Action for Biodiversity</td>
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</table>
1.1.3 Element 3: Assessing the financial planning and spending efficiency

Efficiency of biodiversity expenditure means appropriate financial planning and use of funds. It entails the budget allocation and spending processes. It also refers to the human and institutional capacity to actually implement, and to infrastructure necessary for implementation. In a wider sense, efficiency of biodiversity expenditures also addresses questions of governance and motivation.

### Element 3: Assessing financial planning and spending efficiency

**Key issues/guiding questions:**

- How is (strategic) financial planning done at different levels? In how far is it linked to conservation outcomes or performance benchmarks (targeting of investments) Is it allowing for flexible use? Is it promoting accountability in use of funds?  
- What are major obstacles to more efficient use of funds? (e.g. budget autonomy at operational level, staff capacity & motivation, governance context (corruption), etc). How can these obstacles be addressed?  
- How can
- How can synergies with other sectors be realized in using funds (i.e. fishery, forestry, agriculture, water, climate change and disaster risk reduction)?

**Tools/approach**

- The following four tools form the KfW Toolbox to evaluate investments into PA: Advanced Management Effectiveness Tracking Tool (METT), Enhancing our Heritage (EoH), Social Assessment for Protected Areas (SAPA) and Green List of Protected and Conserved Areas.
- Business planning for protected areas provides systematic control and optimization of expenditures ([CFA data base of PA business plans](#)).
- Consult administrative performance audits which conservation trust funds require from grantees.

During Vilm Seminar discussions it became clear that conceptually, this is a very difficult appraisal element: It is more straightforward to examine whether budgets are being planned and used according to administrative performance benchmarks. However, it requires much more in-depth discussion, whether conservation budgets are being spent in the best way to reach biodiversity targets. This should have been sorted and justified in a PA management plan. However, many PAs do not have valid plans (Berghöfer et al 2017).

Poor targeting of investments and poor financial administration of funds are two distinctly different problems. But in practice, tackling the one without the other makes little sense. Therefore, sound conservation management planning procedures are of critical importance not only for conservation biologists, but also for those concerned with efficient conservation spending.
Examples from participants

- **Example from Côte d’Ivoire**: 70% of PA budget for operational costs, generally: no room for using the limited funds better. Some solutions are being investigated, e.g. reducing pressures on the national park from economic activities in the adjacent zone, reducing management costs through co-management schemes, analyze potential for efficiency gains at PA-system level, improve management effectiveness of PA. Some of these improvements can best be realized by using synergies between the financial and the technical cooperation. Also a new toolkit to improve management effectiveness especially increasing conservation outcomes and reducing costs.

- **Example Myanmar**: better efficiency by working through government structures. Goal is to establish of extra-budgetary-funds to overcome (some of the) constraints related to bureaucracy, administrative bottlenecks and procedures. In the case of Myanmar strategic financial planning for national PA network was studied. It looked at the current status, constraints, gaps and opportunities. However it mainly focused on emphasizing the importance of (a) understanding public budget system, procedures and decision-making processes, (b) ways in which financial planning and administrative efficiency hinder PA conservation, (c) the need for financing mechanisms to include measures to enhance revenue retention, promote direct reinvestment in PAs, and streamline PA financial planning, costing & allocation procedures.

Presentations in this session

| Jürgen Fechtner: | Tai National Park Cote d’Ivoire: Annual work and cost planning |
| Marnie Bammert: | Beyond tracking tools |
| Lucy Emerton: | Myanmar case study of strategic financial planning for national PA network |

1.1.4 **Element 4: Assessing drivers of conservation costs and options to reduce cost increases**

Biodiversity loss, ecosystem change and intensified land use will inevitably increase future conservation costs: More people will rely on fewer benefits provided by degraded ecosystems. This will increase pressures on PAs. Therefore, conservation efforts need to expand beyond PAs and their buffer zones.

Landscape approaches to integrated conservation are well-suited to address drivers of biodiversity loss – yet they require enhanced collaboration. Food-security, climate adaptation, poverty reduction, and conservation are often interrelated policy objectives, for which integrated approaches exist, such as ecological corridors and biosphere reserves. German development cooperation has been implementing such integrated approaches, for example in Mexico, and in many PA buffer zone programmes, e.g. in Viet Nam and Côte d’Ivoire. However, differing competences of regional authorities and PA authorities make it difficult to reach beyond PA boundaries. Inter-agency and cross-sector collaboration often face considerable practical barriers and limited incentives.

Given the acute funding deficits in many settings, and also in view of securing a lasting impact of past and present conservation investments, it appears critical to anticipate biodiversity conservation cost increases.
During the Vilm Seminar, this appraisal element stimulated controversial debate among the participants. Some warned against emphasizing cost reduction potentials in order not to reduce political momentum for resource mobilisation. However, consensus evolved that addressing the main drivers of change in biodiversity could reduce conservation costs in the mid- to long-term, thereby reducing the “finance gap”.

Element 4: Assessing the drivers of conservation costs and options to reduce const increases

Key issues/guiding questions:

- What are the main socio-economic and cultural drivers of ecosystem change in a given setting?
- How do policies translate into incentive structures (with a focus on economic activities/land use) that negatively affect biodiversity conservation? Who are the actors involved and what incentive structure do they react to?
- How can these incentives be addressed and which foreseeable effort could result in a significant slow-down of pressures on biodiversity?

Tools/approach

- Suggestion: Develop a group model on how drivers function: Discuss: which policies/programmes create which (biodiversity affecting) incentives for whom?
- Suggestion: Categorisation of ecosystem services beneficiaries/providers/degraders (see Rode & Wittmer 2015 Step 3)
- Focus group discussion: How can incentives be modified? What can realistically be addressed in the scope and purpose of the appraisal / strategy development in question (“Chose your battles”)?

Examples from participants

- **Example BIOFIN**: Root-Cause-Analysis to understand the underlying / possible financial incentives for drivers of habitat change and destruction (Presentation PIR, p. 16). Prioritize impact and dependencies of activities and identify levers of change. (see presentation David Meyers)
- **Example from Brazil**: the context for enhancing financial sustainability at national level is very complex, there are many options but low implementation of already existing instruments. One example is the policy on demarcation of set-aside land on private property. Incentives for sustainable manage of these could be increased by easier application procedures for land owners.
- **Example from National Park Eifel (Germany)**: A certification scheme for hotels helped to incentivize hoteliers to reduce damage to the national park by tourists.
**Example from Cote d'Ivoire:** “...and the world does not end at the border of the park”. The discussion of this example showed the pressures on a protected area in Cote d'Ivoire by unsustainable agricultural production and poaching. If not tackled, conservation costs will continue to increase.

**Presentations in this session**
David Meyers: The BIOFIN Policy and Institutional Review  
Sylvia Montag: Cooperation - Cost Reduction Potential in Biodiversity Conservation Examples on Partnership – Models for Regional Tourism Development

**1.1.5 Element 5 and Element 6: Towards strategies for enhanced financial sustainability of biodiversity management**

The last element brings together the different findings in order to develop a strategy to enhance financial sustainability of biodiversity management within the scope and purpose of the appraisal. It has become clear that these constraints can affect the generation or attraction of funds, their efficient management, as well as the spending side. In consequence, the diagnostic (Elements 1-4) provides the insights for this final exercise: The appraisal team needs to identify those aspects, which (i) severely affect financial sustainability, and (ii) which can be realistically changed within the scope of time/resources available.

The discussion during the seminar focused on the key questions for this element and participants concluded that this element falls into two parts: First, decide on “what to do (=identify the most promising interventions to enhance financial sustainability)” and second, define “how to get it done (=planning for implementation)” (Element 6).

**Element 5: Identifying the most promising interventions to enhance financial sustainability**

**Key issues/guiding questions:**

- What is the theory of change? What do we still need to know/verify for moving forward?
- What are most promising interventions in the short and mid-term to address the most pressing financial constraints?
- What are the necessary conditions (e.g. for certain financing instruments and the identified bundle of instruments)?
- What are the most promising entry-points (political support/ awareness/ ownership, relevant stakeholder engagement)?

**Element 6: Planning for implementation**

**Key issues/guiding questions:**

- Who needs to be involved in the implementation with what role and responsibility?
- What concrete implementation steps do we need to take?
Examples from participants

- Example Mexico: The Mexican example highlighted how technical and financial cooperation in complementarity supported the Mexican government in enhancing biodiversity finance. Mexico’s Action Plan for the National Protected Area System has a broad vision. Together with GIZ the CONANP developed a strategy along 4 pillars: (1) funding; (2) livelihoods/sustainable use which included the development of PES schemes, the support to sustainable businesses in PA, (re-) direction of subsidies to support biodiversity-friendly developments, (3) increasing intersectoral synergies, and (4) increase effectiveness e.g. by connecting with regional planning, monitoring of management performance and conservation outcome. Technical assistance (via GIZ) contributed also to defining the arguments how PA help to achieve national development goals. These were used e.g. by the MoEnvironment in negotiations with MoF about retention of entrance fees. In parallel, the FINANP programme provided a policy based loan with an additional non-refundable contribution to support Mexico in managing and financing its protected area system.

- BIOFIN: “Designing financial solutions”: The Policy and institutional review and the expenditure review yield a list of options that can be prioritized. Ownership and capacity for implementation are key factors for moving from planning to practice.

Presentations in this session

- Warwick Manfrinato: Amazon Region Protected Areas (ARPA) programme, Brazil
- Federico Starnfeld: Development of strategic action plan for financing/ CONANP, Mexico
- Citlali Cortes: FINANP programme – financial sustainability, Mexico
- Lucy Emerton: Conservation investment plans (examples from East Africa)
4. THE WAY FORWARD: SUGGESTIONS AND CONCLUSIONS FOR INTERNATIONAL COOPERATION

The seminar closed with a reflection on the role of international cooperation. The discussion brought up the following aspects where international (namely the German development) cooperation is likely to achieve the biggest impact:

More, targeted and long-term investment in support for sustainable biodiversity finance

- Sustainable finance is very often a main challenge for biodiversity conservation in our partner countries. In order to increase and secure the impact of international cooperation for biodiversity conservation, we need more targeted support for sustainable biodiversity finance.

- The introduction of additional (innovative) financing mechanisms will not by itself contribute to financial sustainability. Instead, a strategic approach targeting the country/context-specific constraints to biodiversity finance and the associated opportunities for effective support is recommended. The highly heterogeneous intervention contexts preclude any choice of response prior to such appraisal. Likewise, the most appropriate level of intervention will strongly depend on country contexts.

- In order to better support partners in developing and implementing their financing strategies German DC should provide guidance for practical implementation in projects and programmes. This guidance should be easy to use at national and subnational levels. A checklist format based on the appraisal elements discussed during the seminar supplemented with best practice examples could be helpful for project planners and implementers.

- Based on (joint) appraisals plan for and deliver synergetic contributions of Financial and Technical cooperation in terms of objectives and timing of delivery to achieve greatest impact.

- Funding insecurity is among the biggest challenges to effective conservation. Particularly in settings with very limited government capacity, long-term partnerships between governmental actors, civil society, private sector and international partners are indispensable for the effective use of funds.

Focus on improving the enabling conditions for sustainable finance

- In order to address the main constraints for sustainable biodiversity finance improving the enabling conditions remains a main challenge. Hence, support for enhancing sustainable biodiversity finance needs to address the improvement of the enabling conditions, such as a conducive political and legal framework or sufficient capacities for planning and administering funds, mobilizing additional funding and monitor is effective use.

- Support in these areas is often planned and implemented in other than the biodiversity departments of development agencies. It is therefore important to consider sustainable biodiversity financing in those cooperation projects working on public finance/fiscal reforms, institutional and organisational development.
In view of future conservation cost increases due to rising pressures on ecosystems, the drivers of biodiversity loss need to be addressed today as part of sustainable conservation finance. This refers in particular to incentives for unsustainable land use.

Use opportunities of the role as “neutral broker”, convener and facilitator

- Making biodiversity finance more sustainable needs cooperation among different stakeholders. The stakeholders comprise actors from different levels such as the site level (a protected area or landscape), regional, or national level, as well as from different relevant sectors (environmental sector, including units responsible for climate change mitigation and adaptation, the productive sector, finance and planning), government and non-governmental actors from private sector and civil society. Development cooperation should support partners by assuming the role of the convener and cover logistic costs to facilitate cooperation between those stakeholders.

Further elaborate financial mechanisms and instruments supported

- Explore output oriented investments to increase accountability and further analyse and share experience with policy-based lending;
- Explore financial mechanisms to retain funds at PA level and explore strengthening/up-scaling of these mechanisms;
- Add financial mechanisms that ensure long-term funding and explore mechanisms with short term financial flexibility to leverage funds for the long-term.
- Work across sectors and explore micro-finance instruments and other financial tools to reduce anthropogenic pressure on protected areas by incentivising alternative income generation.

“Impact investment” in application and up-scaling of successfully tested methodologies

- Existing initiatives such as The Biodiversity Finance Initiative (BIOFIN) as well as the ongoing TEEB-process constitute promising entry-points for (German) DC in terms of leverage and outreach, as well as windows of opportunity for complementary actions, e.g. through capacity building, filling knowledge gaps and supporting implementation.
- Sophisticated methodologies (such as developed by BIOFIN) have been developed and tested. However, depending on the context, their use might be very demanding and ambitious in terms of capacities, resources for application and necessary process to ensure ownership of relevant actors. The seminar concluded that adapting the BIOFIN methodology to different scales could be very useful allowing for its application at different levels, including at local levels or in a reduced version. Development cooperation should support the exchange on lessons learnt on how to build on the BIOFIN methodology to enhance financial sustainability of biodiversity finance in different practical contexts.
- Significant experience is gathered in countries. To make this useable beyond the scope of an individual country and programme (German) DC should further support analysis, synthesis and knowledge sharing at national, regional and international level.
Strengthen capacities and update skill sets in development cooperation teams

- Practitioners and planners need not only a broad understanding of different financial solutions as part of a strategy (including their technical and institutional requirements) but also tools to assess their applicability and their likely impact in a concrete setting. For this, at least two areas of competence development are critical: First, to ensure “financial literacy of conservationists (including the development cooperation personnel)” and second, competence to adapt and apply the appraisal framework for enhancing sustainability of biodiversity finance.

- A better understanding of the political economy is often key. Therefore, analytic skills and guidance are required for the needs-oriented scoping of the policy context.

- Lack of fundraising capacity is a principal obstacle in many conservation organisations, especially in developing countries. Developing skill sets for both, fundraising from public as well as from private sources, is critical.
REFERENCES AND RECOMMENDATION FOR FURTHER READING


## 6. Annex

### 6.2 Agenda

Organizers and facilitators: Gisela Stolpe and Ralf Grunewald, BfN; Marianne Alker and Ullrike Tröger, GIZ; Uwe Klug, KfW; Isabel Renner, Freelance Consultant. For further questions please contact: marianne.alker@giz.de

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<td><strong>Global trends in biodiversity finance</strong></td>
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<td>The importance of financial planning &amp; spending efficiency: The case of the national PA network in Myanmar</td>
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Valuation of Ecosystem Services of Protected Areas. Contributions to the Action Plan for Financial Sustainability

Federico Starnfeld

A Biodiversity Expenditure Review using the BIOFIN Assessment Methodology in Namibia - A case study based on the work of the GIZ ResMob Project

Ulrike Tröger

### 6.4 Contributions in the market place for financing mechanisms

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