INNOVATING CONSERVATION FINANCE

in West Africa and the Mediterranean

MAVA
FONDATION POUR LA NATURE

ACRONYMS

AfDB	African Development Bank
APPEL	Regional network of Parliamentarians and Local Elected Officials for the West African Coastline Conservation
BBOP	Business and Biodiversity Offsets Programme
BINGO	Big International Non-Government Organisation
CBD	Convention on Biological Diversity
CFA	Conservation Finance Alliance
CI	Conservation International
CPIC	Coalition for Private Investment in Conservation
CTF	Conservation Trust Fund
DfNS	Debt-for-Nature Swap
EAI	Enterprise for the Americas Initiative
EBDR	European Bank for Reconstruction and Development
FFEM	French Facility for Global Environment
GCF	Green Climate Fund
GEF	Global Environment Facility
GFCM	General Fisheries Commission for the Mediterranean
HIPCs	Heavily Indebted Poor Countries
HNWI	High Net Worth Individual
IFI	International Financial Institution
ITFPA	International Trust Fund for Protected Areas
IUCN	International Union for Conservation of Nature
MedFORVAL	High ecological value Mediterranean forests network
MedPAN	Network of Marine Protected Area Managers in the Mediterranean
MPA	Marine Protected Area
MSC	Marine Stewardship Council
NGO	Non-Government Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PA	Protected Area
PES	Payment for Ecosystem Services
PFP	Project Finance for Permanence
PIN	(REDD+) Project Idea Note
REDD+	Reducing Emissions from Deforestation and forest Degradation
SGP	(GEF) Small Grant Programme
SRI	Socially Responsible Investment
TFCA	Tropical Forest Conservation Act
TNC	The Nature Conservancy
UN-REDD	United Nations REDD programme
VCS	(REDD+) Verified Carbon Standard
VERPA	(REDD+) Voluntary Emission Reduction Purchase Agreement
WB	World Bank
WWF	World Wide Fund for Nature / World Wildlife Fund

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 Version 2 - December 2017

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Bridging the gap in conservation funding

It is agreed that $300 to $400 billion per year is needed to preserve healthy ecosystems and the critical services they provide. The comparison with the c. $50 billion that flows to nature conservation today gives a sense of the huge funding gap for biodiversity conservation worldwide.

Fortunately, conservation finance is gaining momentum. Several mechanisms exist, or are being tested, to provide funding for environmental causes. And more and more actors are entering the field, from conservation organizations to banks, government, social entrepreneurs, and, of course, donors.

An engaged donor, MAVA foundation is committed to achieving a lasting impact. And when it comes to nature conservation, sustainable funding is a big part of the equation. That's why MAVA has been engaged in the field for years. With our partners, we have been involved in the development of multiple tools - from conservation trust funds to PES and environmental entrepreneurs – and we have supported networks, innovation and development of best practice.

What we have learnt is that there is no silver bullet. Conservation finance strategies need to be developed at different scales, involving a range of mechanisms which complement each other and provide diversified sources of funds. This is complex, and partnerships need to be built.

This document, targeting stakeholders who are not expert in conservation finance, is meant to boost the discussion in West Africa and the Mediterranean, and initiate the development of new initiatives. Ultimately, conservation finance should not be a niche subject, but embedded into every single nature conservation strategy.

Lynda Mansson
Director General

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INTRODUCTION

With a particular focus on partner financial autonomy, the report targets practitioners in two of MAVA's priority regions – Coastal West Africa and the Mediterranean – and aims to:

- profile the wide range of financing mechanisms available for biodiversity conservation; and
- provide insight into how these mechanisms could support, sustain and amplify biodiversity conservation and sustainable use of natural resources.

The report covers thirteen financing mechanisms, and for each offers a synopsis and a summary of the potential opportunities for donors and conservation organisations working in Coastal West Africa and the Mediterranean.

Financing mechanisms are presented in three sections, covering the common and easy-to-do (section 1), the challenging but feasible (section 2), and the innovative and promising (section 3). Section 4 classifies mechanisms according to their feasibility in Coastal West Africa and the Mediterranean, and provides general guidance for practitioners working in those regions. Suggestions for further reading on key topics are offered at the end of the report.

Owing to the dynamic nature of both conservation and finance, opportunities suggested in this report should be assessed further in the light of any new developments before being pursued.

In reading the report, two key points should be kept in mind.

- Conservation financing mechanisms should be systematically evaluated within wider resource mobilisation strategies focused either on a particular geographical area or a particular stakeholder. Choice of mechanisms in a particular context should also include assessment of financial, legal, social and political factors not necessarily detailed in this report.
- Typically, no single mechanism will ensure financial sustainability. Conservation finance strategies can be developed at different scales to meet different objectives, and an essential element of financial sustainability is the development of complementary mechanisms that ensure diverse funding sources.

This report was commissioned by the MAVA Foundation as part of its strategy to enable key partners to continue working on conservation priorities once MAVA funding ends in 2022.

SNAPSHOT

	MECHANISM	FUNDING POTENTIAL (USD)	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
SHORT-TERM	Philanthropy	From thousands to millions	Up to 2 years and for an average of 3 years of funding	All levels	Non-profit and profit-making organisations, local, national, international organisations	Low
	Direct Biodiversity Fees	$50K to $10M	Over 2 years of preparation	National, PAs, or site-specific	PAs or site	Low
MEDIUM-TERM	Green Taxes	From hundreds of thousands to millions	2 to 4 years of preparation for funding likely to be in perpetuity	Most likely national	Agencies in charge of PAs	Medium
	GEF and Green Climate Fund	More than $100M	Over 2 years of preparation for 2 to 10 years of funding	All levels	Public and private sector, central government, local communities	Low
	REDD+	From hundreds of thousands to many millions	4 to 5 years of preparation for funding over 30 years	National or local	National authorities, NGOs, local communities	High
	Debt-for-Nature Swap	Several million to tens of millions	2 to 4 years of preparation	National	Most likely international NGOs or CTF	Medium to High
NEW MECHANISMS	Impact Investing	$5M to tens of millions	From 2 to 5 years of preparation for five years of funding	Most likely national or regional, also issue-specific	International organisations, funds, private businesses	High
	Biodiversity Offsets	Millions	From one year to several years of preparation for very long-term funding	Local to national	PA networks	Medium to High
	Payment for Ecosystem Services	$50K to $10M	Minimum of 2 years of preparation for very long-term funding	National, regional, watershed, or site-specific	Providers of ecosystem services (landowners, farmers, producer associations)	Low to Medium
	Green Bonds	Several million min.	Two years of preparation for funding over 10 years	Project-specific	Private sector	Medium
	Blue Bonds	$5M to $100M	Around 5 years of preparation for 5 to 10 years of funding	National, MPAs, or fisheries	MPA managers, fishers	High
	Park Bonds	Millions	2 years of preparation if supported by a Development Bank for at least 10 years of funding	National or multi-country	Conservation Trust Funds	Medium
	Project Finance for Permanence	Tens of millions	From 5 years of preparation for funding in perpetuity	National but regional considered	National and international NGOs, governmental agencies	Very High

1. SHORT TERM RETURN MECHANISMS

1.1 PHILANTHROPY AND VOLUNTARY FUNDING

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
From thousands to millions	Up to two years and for an average of three years of funding	All levels	Non-profit and profit-making organisations, local, national, international organisations	Low

DEFINITION

Philanthropic and voluntary funding includes finance from private foundations, businesses, corporates, and individuals. Alongside government aid, it is one of the most important funding sources for biodiversity conservation, especially for NGOs, research institutes, and small and medium-sized enterprises.

Funds can support innovation, fieldwork, and pilot, first- or fast-mover projects, as well as providing reliable finance for long-term challenges that require engagement beyond short-term political and business interests.

Accepted wisdom is that growth in philanthropic and voluntary funding is flat or slow, although private foundations have been boosted recently by a strong stock market and contributions from the super-rich. While difficult to define and categorise, this funding source still offers opportunities.

Examples of mechanism used to raise, channel philanthropy and voluntary funding

	FINANCIAL MECHANISMS
TRADITIONAL TO MORE INNOVATIVE MECHANISMS	Traditional granting
	Community foundation donation
	NGO merchandising and cause-related marketing
	Iconic species / habitat adoption (e.g., SOS programme)
	Green lotteries
	Crowdfunding
	Peer-to-peer lending
	Round ups (i.e., small charitable donation made on top of a larger purchase)
	Affinity credit cards

Adapted from WWF guide to conservation finance, 2009

ADVANTAGES & DISADVANTAGES

ADVANTAGES

- Good source of revenue for innovative / start-up activity or field work
- Support organisations one step removed from direct management of a site / conservation issue
- Support first- and fast-movers
- Offer straightforward grant accounting for local / small organisations
- Significantly strengthen organisational governance and efficiency
- Working with donors and new partners can help cultivate critical thinking, learning, and adaptation
- Reliable revenue base to support an organisation's core programmes and services
- Support movers and shakers to develop new ideas and perspectives (e.g., via one-off campaigns)

DISADVANTAGES

- Significant time spent on proposals that are not necessarily funded due to intense competition
- Requires an efficient and proactive communications strategy (and appropriate staffing)
- Can result in a project approach that doesn't support long-term organisational strategy
- Support is highly dependent on donor strategy and willingness, and risks an organisation's agenda being driven by donor interests

PRECONDITIONS AND CONTINGENCY FACTORS

Preconditions and contingencies for philanthropic and voluntary funding are as follows:

- transparent accounting procedures and audited financial records;
- clear mission and strategic plan, with well-thought-out fundraising plan;
- clear communications strategy, with well-prepared materials (e.g., case study);
- well-thought-out approach to fundraising (guaranteeing sustainability after donor phase out);
- charismatic leader or project champion.

ACTORS & PROCESSES

Private Foundations and Business

Private Foundations and businesses are often interested in increasing impact by investing in experimental ideas with a high chance of success and potential for replication at scale. They are able to cover upfront transaction costs of promising approaches and tools. They have specific missions and interests, and sometimes a particular geographical focus, and mainly use grant application procedures. Over the last decade, the largest private foundations have increasingly awarded 'mega' or programme-level grants of tens or hundreds of millions of dollars to single organisations, often covering a long time period.

Wealthy Individuals

Wealthy individuals or 'High Net Worth Individuals' (HNWI) are generally defined as individuals or families having investable assets of over one million dollars. HNWI have set-up of some interesting and innovative funds and are usually the first to discover new investment opportunities. Development banks and private equity funds follow, with institutional investors coming on board when the market matures. Some HNWI give informally, while more and more are channelling private wealth transparently on public record, mainly to foundations or big international NGOs (BINGOs).

Individual Giving

Individual giving is a vital source of funding for many conservation initiatives, and appealing to individuals' emotions and convictions presents interesting funding opportunities. Giving is mainly channelled through organisational membership or through one-off funding campaigns (e.g., crowdfunding, lottery, etc.). BINGOs mobilise significant finance for conservation from individual giving mainly in the form of grants.

OPPORTUNITIES

Overall, philanthropic and voluntary funding for conservation is increasing, both in terms of the number of opportunities and the total amount of finance available. In the coming years, the opportunity will only grow, with the fight against poverty and climate change as priorities.

Marine conservation is also an area of growth and seems to be particularly attractive to super-rich donors and high-technology companies. It is likely that both established philanthropists as well as newcomers will continue to invest in marine conservation.

Members of the Mediterranean or West African diaspora who are interested in sustainability may also be a potential source of funding that so far remains relatively untapped. Developments in the environmental sector – such as green development, payment for environmental services, private sector partnerships, global ecotourism and international trade opportunities – may offer good ways to engage them.

1. SHORT TERM RETURN MECHANISMS

1.2. DIRECT BIODIVERSITY FEES – USER FEES

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
$50K to $10M	Over two years of preparation	National, PAs, or site-specific	PAs or site	Low

DEFINITION

Direct biodiversity fees or 'user fees' are payments for access to or direct use of biodiversity and are a widely-used mechanism. They are one type of Payment for Ecosystem Service (PES) and are mostly generated through tourism and recreational activity in areas with high conservation value, often being implemented at site level through entrance fees, licences, and permits (e.g., hunting and fishing rights).

Category of benefits targeted by the biodiversity user fees

TOTAL BENEFITS				
USE BENEFITS			NON-USE BENEFITS	
Direct use benefits	Indirect use benefits	Option benefits	Bequest benefits	Existence benefits
Recreation	Ecosystem service	Future information	Use and values for leg	Biodiversity
Sustainable harvesting	Climate stability	Future uses (direct and indirect)		Ritual or spiritual values
Wildlife harvesting	Flood control			Culture
Fuel woo	Groundwater recharge			Heritage
Grazing	Carbon sequestration			Community values
Agriculture	Habitat			Landscape
Gene harvesting	Nutrient retention			
Education	Watershed protection			
Research	Natural services			

Source: MedPAN 2015

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Fee structures can lay the foundation and create the framework for other financial mechanisms • Contribute to funding diversification and financial self-sufficiency • Enhance public perception of a site value and administrative competence (which can be used as political leverage and for fundraising) • Allow increased management and control of site access • Encourage valuation of ecosystem services • Build relations with local stakeholders (e.g., through concession rights and site visits)	• Not a significant source of funding and can be unstable (e.g., linked to visitor rates and weather conditions) • If not earmarked, income can be allocated to other purposes than conservation • If under-staffed, can lead to effort being diverted away from conservation activity • Inherent risk of commercialisation of sites with management losing sight of core conservation objectives

PRECONDITIONS & CONTINGENCIES

Preconditions and contingencies for direct biodiversity fees are as follows:

- enabling environment and financial policies;
- cost-benefit analysis confirming the business model and at least guaranteeing cost recovery;
- availability of strong management and technical skills on site, and well-trained staff or experienced operators for entrance fee programme and concessionaire operations;
- accounting and audit systems in place to capture and report financials and metrics.

ACTORS & PROCESSES

Money is often directly collected from biodiversity users (e.g., tourists, fishers, hunters) by service providers (e.g., site managers, private businesses) in the form of entry fees, service fees, or licence fees. When a site is directly managed, all revenue generated is kept for site management and conservation activity. Where concessions and business operations are transferred to private enterprise, only part of the revenue is allocated to conservation and management. In some cases, revenue is centrally collected by government with part of it earmarked for site management.

OPPORTUNITIES

Beyond a few Mediterranean countries with high tourism potential, and Cape Verde, potential income from biodiversity user fees and other self-generated revenue is limited. However, it is a good tool for encouraging site managers to create the frameworks needed for the use of other financial mechanisms. User fee research also shows there is room for revenue growth within existing schemes.

Site managers should investigate both feasibility and efficiency of site entry and service fees, including analysing numbers and origins of visitors, the potential economic value of species, habitats, scenic beauty or other natural attributes, and accessibility of protected areas.

In the Mediterranean, international funding has triggered the development of national MPA network strategies, including the marine Natura 2000 network in the EU. While initial development has been supported, more help is needed if MPAs are to become self-supporting, including the development and strengthening of a fiscal framework to attract and channel funding. Ongoing initiatives such as WWF's Sustainable Economic Activities in Mediterranean Marine Protected Areas (SeaMed) project – helping eight MPAs in six Mediterranean countries to identify and market nature-based tourism – are making progress.

In West Africa, the richness and specificity of biodiversity attract many research programmes. While these are essential and should be encouraged, there may be an opportunity for some MPAs to generate revenue from them. In addition to covering costs, researchers could, for example, be charged a fee for each day spent in an MPA. An assessment of such a mechanism could be undertaken in key protected areas (e.g., Bijagos Archipelago, Parc National du Banc d'Arguin, Sine Saloum).

In Cape Verde, several initiatives designed to integrate conservation in the tourism sector are underway (e.g., GEF-UNDP project, World Bank, private tourism companies). Protected areas falling within the geographic scope of these initiatives could use the opportunity to generate funding for ongoing management.

Recreational fishing might also be a source of income for MPAs in both the Mediterranean and West Africa. By establishing licence fees, MPAs could steadily increase revenue and finance patrolling or environmental awareness campaigns for fishers. While initial steps have been taken, there is an opportunity to support full operationalisation and replicate the model in other MPAs.

2. MEDIUM TERM RETURN MECHANISMS

2.1 GREEN TAXES AND NEW FISCAL INSTRUMENTS

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
$50K to $10M	Over two years of preparation	National, PAs, or site-specific	PAs or site	Low

DEFINITION

A green tax is a tax paid by consumers on products or services that are not environmentally friendly with the intention of offsetting their negative impact. Channelling tax revenue toward conservation means reforming existing fiscal instruments or designing new ones. In both cases defining the intended use of revenue is important – either augmenting a general budget or supporting specific biodiversity-related activities.

Any green tax is an opportunity to increase funding for conservation from government budgets, and could provide a new and reliable source of income for conservation in many countries. Several fiscal tools have already proved very efficient in various countries around the world, and Conservation Trust Funds (CTFs) in particular can serve as good channelling mechanisms. In many countries, any one of the proposals detailed below could trigger a significant breakthrough in conservation financing. CTFs and other partners could promote their implementation in key countries.

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Provides regular and reliable source of revenue for conservation • As systems for tax collection usually exist, there is no need to set up a new collection system or bureaucracy • Establishing fiscal instruments with a wide tax base means conservation is less tied to individual donors • Taxes that capture the economic benefits of resource use guide economies towards sustainability • Green taxes can potentially create 'double dividends' by lowering existing taxes (e.g., labour taxes)	• Major challenge earmarking proceeds for conservation • Need for strong institutional and fiscal capacity • Potentially difficult to introduce new taxes – political acceptability may require substantial campaigning which increases costs • May require a change in existing legislation • Capturing full environmental costs and benefits is data intensive

PRECONDITIONS & CONTINGENCIES

Green taxes can be most easily introduced in countries with:

- sufficient level of environmental awareness;
- ability to raise taxes and manage resources adequately;
- a reasonable level of transparency around the use of public funds;
- potential to earmark some tax revenue for specific purposes (e.g., conservation).

ACTORS & PROCESSES

Key actors include taxpayers, tax collectors, tax spenders, and conservationists. All four would benefit from an array of fiscal instruments which encourage more biodiversity conservation.

Fiscal instruments can be designed at various levels of the political system – at protected area system or protected area level, at local, provincial of state government level, and national or federal levels. At the national or federal level, fiscal instruments which earmark revenue may also be possible, though these are likely to be for systems of protected areas rather than specific parks. Examples include setting aside a portion of a national sales tax or national lottery revenue. One innovative instrument is to earmark a portion of revenue earned from entry visa fees or airport departure taxes.

OPPORTUNITIES

In most countries, the biodiversity finance gap can be reduced by national authorities. If a new green tax can help increase the national budget, negotiating a greater share for conservation can sometimes be easier. Capturing additional revenue through the existing budgetary processes is the easiest option. Principal green taxes that can be earmarked for conservation-related activity are listed below.

PROPOSAL	DETAILS	⊕ ADVANTAGES / ⊖ DISADVANTAGES	NEXT STEPS
Airport fee	Solidarity levy on airline tickets (e.g., from $1 for domestic flights in economy class to $40 for international flights in business class)	⊕ Polluter Pays Principle ⊕ Does not impact lower-income population ⊕ Airport fees generally already exists, easy to add an extra fee ⊖ Could deter the development of tourism	• Analyse potential in terms of expected income (number of trips per year) • Study feasibility (working with airport authorities)
Green tax on vehicles	Annual tax based on engine power and year of manufacture	⊕ Polluter Pays Principle ⊕ Tax exemption options could be incorporated to reduce impact on lower-income bracket ⊖ Can be difficult to implement	• Analyse potential in terms of expected income (number of cars per year) • Study feasibility
Hotel tax	Environmental contribution payable per overnight stay, depending on hotel grade	⊕ Common practice worldwide (generally well accepted) ⊖ Might not generate substantial income	• Determine the number of overnight stays per year • Study technical feasibility (through the Ministry of Tourism)
Royalties from resource extraction	Royalty based on volume of resource extracted on an annual basis	⊕ Polluter Pays Principle ⊕ Huge potential ⊖ Difficult to implement ⊕ Could be established on a voluntary basis	• Contact main companies extracting resources and explore how a scheme might be set up
Fuel Tax for Conservation	10 per cent tax, for example, on total fuel charge paid for refuelling vehicles (Costa Rican model)	⊕ Polluter Pays Principle ⊕ Huge expected income ⊖ Fuel already expensive ⊖ Risk of public discontent	• Study whether the Costa Rican model could be replicated/ adapted

National or international NGOs are not likely to benefit directly from the introduction of new green taxes with revenues collected by national Treasuries or earmarked for government agencies (responsible for PAs). Nevertheless, green taxes can contribute to the achievement of conservation goals.

In countries where the rule of law is well-developed, opportunities could be mapped through national studies that explore:

- state of the national green tax debate;
- existing green taxes (and use of revenues);
- new green taxes financial potential (for each of the taxes outlined above);
- political and technical feasibility for introducing new green taxes;
- potential for revenue to be earmarked for conservation (rather than Treasury).

National studies could be conducted by an NGO in partnership with the national authority responsible for conservation and/or PAs. Depending on results, NGOs could advance the national debate.

2. MEDIUM TERM RETURN MECHANISMS

2.2 MULTILATERAL AID – THE GLOBAL ENVIRONMENT FACILITY (GEF) AND THE GREEN CLIMATE FUND (GCF)

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
More than $100M	Over two years of preparation for two to ten years of funding.	All levels	Public and private sector, central government, local communities	Low

DEFINITION

Over the past two decades, multilateral ODA has risen by 64 per cent. Although fiscal austerity in OECD countries has put pressure on overall aid levels in recent years, the multilateral component of ODA continues to rise. However, this growth appears to be slowing: compared to 9 per cent growth in 2008, multilateral ODA grew by only 1 per cent in 2011. Other important contributors to the multilateral system include emerging economies such as Brazil, India, South Africa and China.

The most relevant multilateral aid funding sources for conservation in the Mediterranean and West Africa are the Global Environment Facility (GEF) and the Green Climate Fund (GCF).

Global Environment Facility

GEF is designed to stimulate action on the environment and acts as the financial mechanism of five multilateral conventions: CBD, UNCCD, UNFCCC, Stockholm Convention on Persistent Organic Pollutants and Minamata Convention on Mercury. GEF funds are replenished every four years by donor countries. For GEF-6, 2014-2018, GEF received a total of $4.43 billion. Allocations of funding for eligible countries are also made every four years, covering three main areas: biodiversity, climate change, and land degradation. To access this funding, countries must submit project proposals and for every $1 invested, GEF expects at least $3 of co-financing (co-financing varies based on the project themes and country of implementation).

Green Climate Fund

GCF is designed to stimulate action on low emission and climate-resilient development in developing countries. GCF was established by 194 countries party to the UNFCCC in 2010. It is designed as an operating entity of the Convention's financial mechanism. GCF aims to equally balance its allocation between adaptation and mitigation, and allocate significant resources to the private sector. It also aims to allocate at least half of its resources for adaptation for countries that are particularly vulnerable to the impacts of climate change, including least developed countries (LDCs), small island developing States (SIDS) and African States. While the GCF does not have a biodiversity focus, it will potentially steer large financial flows toward low-carbon development (e.g., hydropower plants), protection of carbon stocks (forest) and climate adaptation (e.g., coastal protection). GCF's initial resource period runs from 2015 to 2018. As of September 2016, GCF has raised $10.3 billion, but the UNFCCC's objective is to raise $100 billion annually by 2020.

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Governance based on global development principles and standards (e.g., neutrality, transparency) • Offer abundant capital and knowledge resources to wide range of actors (e.g., institutions, including governments, NGOs, the private sector) • Help visibility at national and international levels	• Short-term project approach with well-defined funding windows (global biodiversity benefits for GEF, resilience and mitigation for GCF) • Require significant upfront commitment of resources to secure funding (including co-financing) and can lead to high transaction costs • Diverse range of actors involved in the project cycle can make project approval complex and often highly political • Require an extensive knowledge of fund procedures to lead and negotiate project development

PRECONDITIONS & CONTINGENCIES

Preconditions and contingencies for multilateral aid are as follows:

- eligibility for the fund;
- proposal that matches fund strategy and targets;
- strong support and endorsement of relevant public authorities;
- high quality regulatory environment and effective public institutions and project partners.

ACTORS & PROCESSES

Global Environment Facility

In most cases, the GEF provides funding to support government projects and programmes. Governments decide on the executing agency (e.g., civil society organisations, private sector companies, and research institutions). All projects or programmes must fulfil the following criteria to be eligible for GEF funding: (i) country eligibility, (ii) consistency with national priorities, (iii) relevance to GEF focal areas strategy.

GEF supports different types of projects (national, regional, and global) all of which must be supported by a written endorsement from the national GEF Operational Focal Point who coordinates all GEF-related activities within a country. He/she reviews project ideas, checks them against eligibility criteria and ensures that new project ideas will not duplicate an existing project. The GEF has 18 partner agencies and the Operational Focal Point decides which partner agency would be best suited to developing and implementing a project idea. This is an important decision as the agency will be the partner at all stages of the project or programme.

Green Climate Fund

GCF is a country-driven approach which promotes and strengthens engagement at the country level. A National Designated Authority (NDA) or focal point is the core interface between a country and the Fund (e.g., the Environment Ministry is the GCF focal point for Senegal). A key role of NDAs and focal points is to nominate entities to be accredited by the GCF as able to assist in the development, submission, and implementation of projects and programmes. Proposals are considered against the Fund's investment framework, and in partnership with NDAs and focal points.

OPPORTUNITIES

The GEF and GCF present great opportunities for conservation organisations with activities in eligible countries. While the project development process can be long and demanding, GEF and GCF funds can be used to amplify and replicate proven models and approaches and maximise country ownership. They can also help to attract private sector collaboration and anchor sustainable financing.

In 2015, in its first investment round, the GCF approved eight projects including one in Senegal and three projects with clear conservation and local community empowerment targets (e.g., entrust indigenous communities with the management of resources, land-use planning, strengthening sustainable, commercial bio-businesses of non-timber forest products, reforestation, anti-soil erosion systems). As such, the GCF represents an interesting opportunity for countries where NDAs have been identified.

Beyond regular GEF projects, there is a great opportunity through the GEF Small Grant Programme (SGP). Its successes include community-based projects for ecolabelling and environmental certification for organic produce. Overall, it is estimated that the programme has generated more than 500,000 jobs, including through the application of innovative methods of managing sustainable fisheries and other natural resources, and through participation in the co-management of protected areas. The SGP can also act as a stepping stone toward a regular GEF project.

2. MEDIUM TERM RETURN MECHANISMS

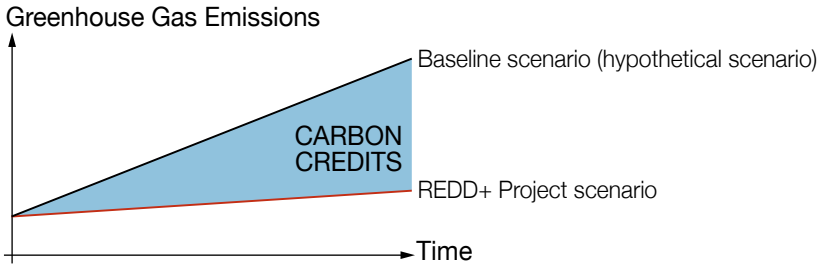
2.3 LOCAL AND NATIONAL REDD+

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
From hundreds of thousands to many millions	Four to five years of preparation for funding over 30 years	National or local	National authorities, NGOs, local communities	High

DEFINITION

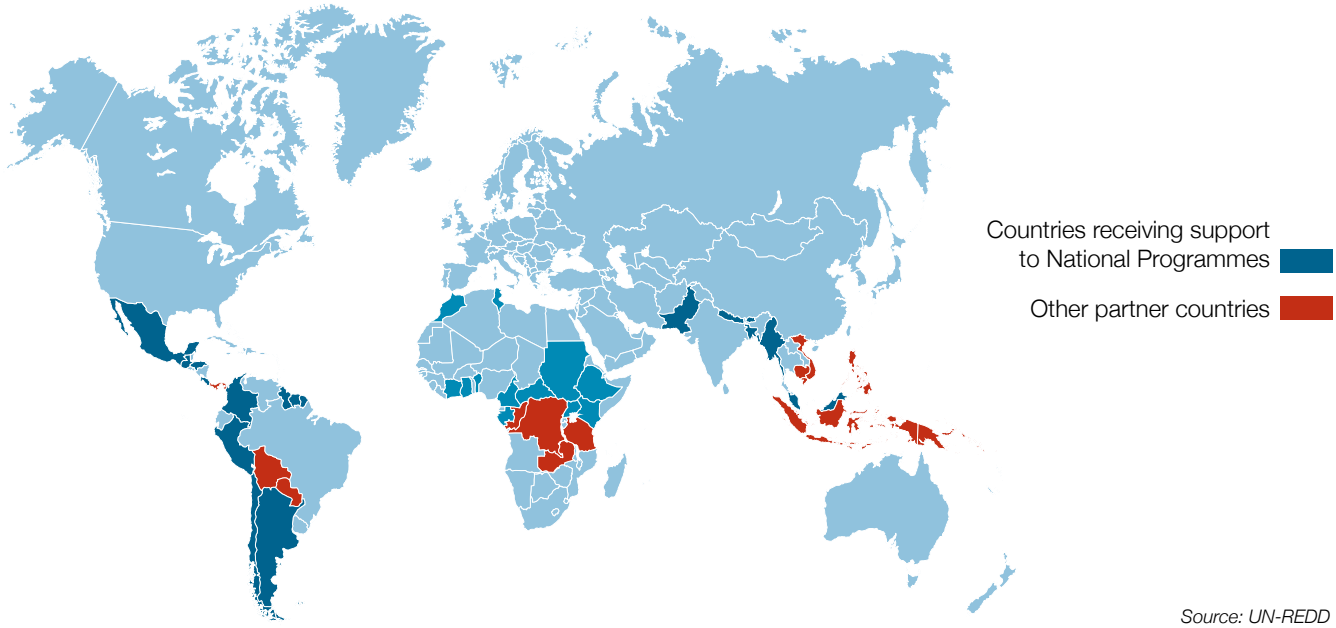
REDD (Reducing Emissions from Deforestation and forest Degradation) seeks to reverse trends of increasing rates of deforestation and greenhouse gas emissions. It is a framework through which developing countries, having identified current and/or projected rates of deforestation and forest degradation, are rewarded financially for emission reductions associated with a decrease in the conversion of forest to alternate land uses. In 2010, REDD became REDD-plus (REDD+) to reflect new components, including: i) reducing emissions from deforestation; ii) reducing emissions from forest degradation; iii) conservation of forest carbon stocks; iv) sustainable management of forests; v) enhancement of forest carbon stocks.The most relevant multilateral aid funding sources for conservation in the Mediterranean and West Africa are the Global Environment Facility (GEF) and the Green Climate Fund (GCF).

Figure 1: Schematic of REDD+ Carbon Credits



Source: Author (Benjamin Landreau)

Figure 2: Countries that have initiated a national REDD+ process



Source: UN-REDD

Countries in red and blue in the map above are involved in formal National REDD+ schemes and policies but it is important to note that local REDD+ projects can be developed anywhere.

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Generates substantial income • Allows the participation of the private sector in conservation finance • Implementable at different scales (from local to national) • Requires the prior informed consent and involvement of local communities	• Not easy to implement • Lack of international demand for carbon credits from REDD+ initiatives • High level of uncertainty regarding volumes and prices • High transaction costs (project development, implementation, monitoring, reporting and verification) • Incentives based on the price of carbon may not be able to compete with increased profitability of deforestation driven by the escalating value of agriculture land

PRECONDITIONS & CONTINGENCIES

There are several carbon markets in which greenhouse gas emission reductions are traded (more commonly called 'carbon credits'). Two types of carbon market exist: markets with binding commitments, and voluntary markets. So far, carbon credits originated from REDD+ projects can only be traded on voluntary markets. Companies generally purchase credits to improve their image, and individuals buy for ethical reasons. Developing afforestation, reforestation or REDD+ projects in voluntary markets is feasible. Up to now, this has been the most successful strategy to finance conservation through carbon markets. The main challenge of REDD+ projects is that they incur substantial upfront costs and carbon markets are subject to price variations that could prevent projects achieving their environmental goals. For this reason, initiating new REDD+ projects is only recommended when carbon credit buyers have been pre-identified.

No REDD+ project should be developed without informing, consulting and negotiating with relevant local communities, and any such project should be implemented only if their full approval is given.

ACTORS & PROCESSES

For local REDD+ projects, the process is as follows:

- with an implementing partner (generally an international NGO), identify a project that could qualify for carbon compensation and write a Project Idea Note (PIN);
- contact the Designated National Authority (Ministry of Environment) and ask them for their definition of 'forest' and their opinion on the PIN;
- if the project seems viable, contact a carbon project developer;
- carry out a feasibility study that addresses methodology, eligibility, additionality and leakage, and which includes an estimate of the number of carbon credits the project could generate;
- search for partners, investors and/or buyers of carbon credits;
- negotiate a Voluntary Emission Reduction Purchase Agreement (VERPA), which acts as a carbon credits forward sales contract;
- initiate the validation process (draw up a Project Design Document and start the REDD+ project).

OPPORTUNITIES

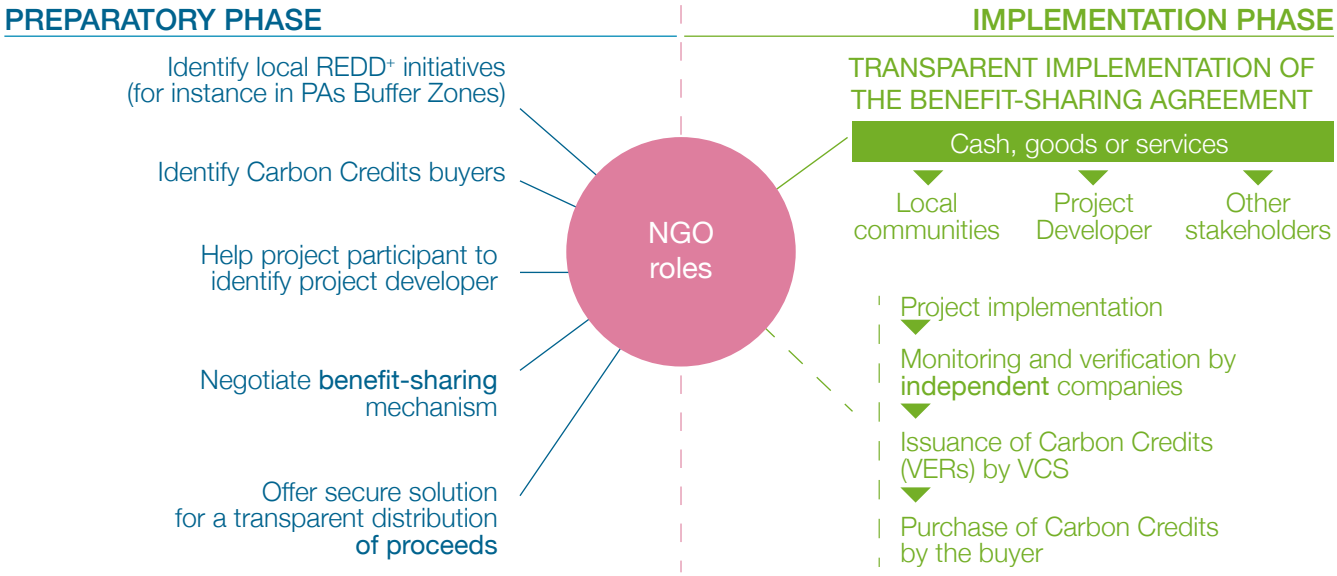
In countries where National REDD+ is on track, in the medium-term there should be good opportunities to raise funds. Nevertheless, national authorities responsible for REDD+ do not always consider PA networks to be a high priority for REDD+ funds since the rate of deforestation in these areas is a priori lower than elsewhere. Therefore, in order to benefit from possible resources, PAs must demonstrate the contribution they make to promoting protection of the environment at national level. In countries involved in National REDD+, conservationists will ideally need support to play an active role in defining national REDD+ strategies.

2. MEDIUM TERM RETURN MECHANISMS

The potential of REDD+ in coastal areas is very high due to the emergence of ad hoc methodologies addressing 'blue carbon'. A new VCS methodology specifically for tidal wetlands and seagrass restoration, for instance, is now available and could be relevant in some regions.

For local REDD+, local partners (mostly NGOs) could play an important role as shown in the schematic below.

Figure 3: Possible role of NGOs in local REDD+ initiatives



In countries where the REDD+ process has already gained momentum, international conservation organisations could usefully support the participation of local partners in REDD+ discussions both financially and technically. National REDD+ funds will ultimately be shared between several stakeholder groups and it is important that the conservation sector emerges as a key beneficiary of national REDD+ revenues. In Western and Northern Africa, Morocco, Tunisia and Guinea Bissau are already partner countries of UN-REDD, and are the three countries for which tailored support is required.

Supporting 'blue carbon' initiatives with a focus on the important role of mangroves, seagrasses and tidal marshes in carbon sequestration within the local REDD+ process in West Africa is important.

In general, numerous and costly conceptual issues need to be analysed upfront to determine whether the development of a REDD+ project is feasible. Donors could cover a share of these upfront costs for interested partners. The main aspects that need to be systematically assessed include: methodology selection; project additionality; project eligibility; estimating the number of carbon credits; leakage; and writing the Project Design Documents.

2.4 DEBT-FOR-NATURE SWAPS

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
Several million to tens of millions	Two to four years of preparation	National	Most likely international NGOs or CTF	Medium to High

DEFINITION

A debt-for-nature swap (DfNS) cancels all or part of a country's external or commercial debt, converts it to local currency, and uses the funds for conservation. Although set up can be quite complex, the general principle is simple and debt-for-nature swaps have been instrumental in financing biodiversity conservation since the early 1990s. Debtor countries generally accept debt-for-nature swaps as they tend to alleviate country debt at a lower than nominal debt value. In other words, subject to negotiation between parties, repayment represents only a fraction of the original debt while still providing significant funding for conservation.

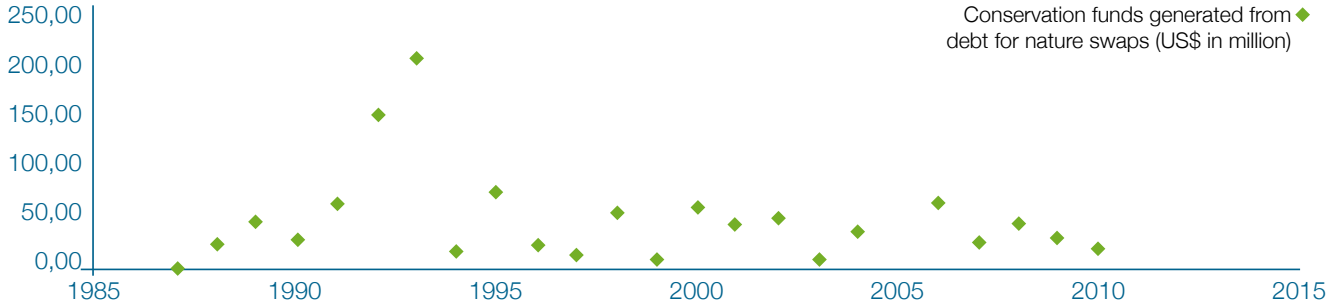
Beside GEF contributions, bilateral debt swaps make up a substantial proportion of the capital of existing Conservation Trust Funds (CTFs). According to the 'Rapid Review of Conservation Trust Funds', 56 per cent of the capital received by the 40 largest CTFs has come from bilateral debt reduction programmes (CFA, 2008). Through the Tropical Forest Conservation Act (TFCA) and Enterprise for the Americas Initiative (EAI) programmes, the US is the largest source of bilateral debt swaps accounting for around two-thirds of all transactions, followed by Germany. The sources of funds vary by region.

Figure 4: Bilateral debt-for-nature swap

Assumptions: Counterpart fund payment 25%

Source: CBD, 2012

Figure 5: Historical debt-for-nature swaps



Source: Author

According to the CBD, 13 creditor countries and 31 debtor countries have been involved in debt-for-nature swaps. Non-governmental organisations have also collaborated with official and private creditors, including CI, TNC, WWF, the Smithsonian Institution, the Rainforest Alliance and the Missouri Botanical Garden. Conservation funds generated from debt-for-nature swaps peaked in 1992 and 1993 at a time when debt cancellation was high on the global agenda after the first Rio conference.

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Can generate large amounts of additional funding for conservation by using resources originally destined to pay international debt • Transfer of financial resources from industrialised to developing countries recognises global values of biodiversity and natural areas • Industrialised countries can deliver conservation-oriented funds without new disbursements from their traditional aid accounts • Promote participation by civil society, particularly when local NGOs or conservation trust funds are beneficiaries • Potential as co-financing (or matching funds) for larger projects	• Only part of the country's debt can be a debt-for-nature swap – essentially bilateral public debt (country-to-country) • Principal debt swaps to date have been arranged with permanent members of the Paris Club, which brings together the richest economies of the world • Following debt reduction or cancellation arrangements, Heavily Indebted Poor Countries (HIPCs) have very limited debts with members of the Paris Club, or debts are not sufficiently old to justify a new debt swap • Negotiations take a long time

2. MEDIUM TERM RETURN MECHANISMS

PRECONDITIONS & CONTINGENCIES

Bilateral DfNS schemes have most potential in countries where the debt structure is appropriate for their negotiation – generally where mature debts are owed to Paris Club members. The three main preconditions are as follows:

- debtor government desire and ability to implement DfNS;
- availability and eligibility of debt for conversion;
- conservation projects or programme that donors are willing to fund through a DfNS.

ACTORS & PROCESSES

For each country where a DfNS is envisaged, a short feasibility report should be produced detailing the following aspects of the proposed swap.

Analysis of debt profile

Present a profile of a given country's debt by type and major creditor; and identify debt that may be available for conversion and evaluate creditor policies and legal considerations that may affect the debt's eligibility for conversion. Conduct research by: reviewing published sources of information about the country's debt profile; requesting that the debtor government provide a list of major creditors by type (e.g., ODA versus non-concessional) and amount; and conduct interviews with a representative sample of bilateral and commercial creditors for external public debt.

Debtor policy on debt-for-nature swaps

Provide a preliminary indication of the government's and NGO community's interest and capacity to implement DfNS; identify key government officials to advocate and approve a DfNS; summarise government concerns and conditions regarding a potential swap. Conduct research through interviews with relevant government officials (Ministry of Finance, Central Bank, Ministry of Environment, Protected Areas Agency, etc.).

Potential funding sources for debt-for-nature swap

Identify potential funding sources and/or debt donations for DfNS; and evaluate the potential for multilateral donors to fund or facilitate DfNS. Conduct research through interviews with selected bilateral and multilateral donors.

Recommendations on preliminary design of a debt-for-nature swap and strategy for implementation

Based on the research conducted above, make a recommendation on the feasibility of implementing a DfNS transaction. Analyse and present design options for the transaction, covering: pricing of the debt; payment mechanisms for redeeming the debt; funding channels for receiving debt proceeds; and specific next steps to advance a DfNS initiative. Analysis should take into account financial risks, including the risk of non-payment and currency depreciation.

OPPORTUNITIES

Most HIPCs, including in West Africa, have benefited from debt cancellation. As a consequence, opportunities to develop debt swaps in these countries are usually limited though any outstanding debts, especially with members of the Paris Club, have potential. An accurate analysis of country debt structures would help identify opportunities from which full feasibility studies could be made. North Africa and some other Mediterranean countries may be good candidates for DfNS (e.g., Morocco, Algeria, Tunisia, Albania, Montenegro, Macedonia, Lebanon and Greece). South-South debt-for-nature swaps may also have potential. Contacting international NGOs and relevant embassies to explore possibilities is worthwhile. Existing CTFs could play a key role in channelling DfNS financial resources.

3. NEW MECHANISMS

3.1 IMPACT INVESTING

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
$5M to tens of millions	From two to five years of preparation for five years of funding	Most likely national or regional, also issue-specific	International organisations, funds, private businesses	High

DEFINITION

Impact investments are designed to create positive impact beyond financial return and require management of social and environmental performance in addition to financial risk and return. Impact investment is distinct from socially responsible investment (SRI), which generally seeks only to minimise negative impact rather than actively create positive social or environmental benefit. Impact investments can be packaged to suit a wide range of investors from pension fund managers and low-income housing lenders to green tech venture capitalists.

There is evidence of rapid growth and increasing interest in conservation impact investments. From 2009 to 2013, investments by development finance institutions totalled $21.5 billion while private investments accounted for $1.9 billion with a high probability that private investors will raise and invest an additional $4.1 billion by 2018[1].

To date, investments have been made in three main kinds of conservation 'asset'[2] :

- ecosystems (e.g., forest, marsh, freshwater) together with the acquisition of long-term usage rights and long-term conservation commitment;
- green infrastructures (e.g., ecotourism infrastructure, solar arrays for power generation, aquaculture farms;
- ecosystem market mechanisms (e.g., business associated with voluntary or mandatory carbon offset markets).

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Interest in supporting innovative, emerging initiatives • Generate large amounts of funding for conservation and social purpose • Expect less than a market rate of return • Encourage the development and adoption of standardised metrics, benchmarks, and/or ratings	• No substitute for philanthropic funding which acts as upfront funding and de-risks future investment • Institutional Investors typically do not invest in first-time funds, as their policies call for investments into funds with proven track records and asset classes with established benchmarks • Operate only with large portfolios ranging from $5-100 million or more • Loans range and interest rates vary widely from one project to another, based on the type of investor and fund policy • Require significant effort to identify and align different parties around shared objectives and make the deal • Still in early stage development and lack track record, performance analysis, guidelines and frameworks

PRECONDITIONS & CONTINGENCIES

The main preconditions and contingencies for impact investing are as follows:

- key ecosystem with a high probability of successful habitat or species conservation;
- political stability and active support from the highest levels of decision-making and civil society;
- commitment of public resources (both financial and technical) and willingness to collaborate with private partners to implement conservation;

- clear information on expected return and risk associated with the investment, conservation impact, and duration of the commitment;
- environmental regulation guaranteeing that all legal and institutional conditions are met and support the investment;
- assurance that the business model is scalable (guaranteeing the deal justifies investor base cost);
- track record of existing conservation finance projects in the area (with a high degree of public sector or philanthropic support);
- visibility of expected impact (e.g., accessible site, labelling of the product).

ACTORS & PROCESSES

Investors

Investors range from philanthropic foundations and financial institutions to high net worth individuals, pension fund managers and investment managers investing across various sectors. Each of these groups has its own risk-return expectations, investment horizons, ticket sizes and investment product preferences.

Intermediaries and Deal-Makers

Intermediaries include funds and investment banks that structure investments and raise capital from impact investors interested in projects that deliver environmental and financial returns. Their legal structure, governance, management and reporting mechanisms tend to be similar to other traditional investment funds. They often lead stakeholder engagement and drive the process, ensuring that all relevant stakeholders are involved and different interests are taken into account, and that the project stays focused. They provide loans to various types of business enterprise with a focus on environmental conservation. Often, these funds target entities that are considered too risky for local bank loans, yet too large for microfinance loans.

Connectors

Often, funds and investment banks have a dedicated team or technical advisors who identify conservation priorities and projects with clear environmental benefit and impact (e.g., NatureVest, Verde Ventures). Sometimes BINGOs and foundations can also play a key role in connecting local actors with funds and provide a 'seal of approval' for projects.

Recipients

Recipients vary yet all operate in important areas of biodiversity. They can be small or medium-sized enterprises, companies that participate in industry-specific certification programmes (e.g., MSC), or companies that provide goods and services such as ecotourism or organic farming. They or their representative (e.g., associations) will be involved in financial planning for future activities and need to have strong business financial skills in addition to conservation experience in order to be able to interact with investors and participate in project development and monitoring.

OPPORTUNITIES

While West Africa and the Mediterranean present strong conservation opportunities for marine and terrestrial ecosystems, political instability and weak legal frameworks undermine the potential for impact investment in these regions. However, some projects have promising business models and initial prospecting for investment has started, including in the tourism and fisheries sectors.

The high standard of CTFs established in West Africa as well in the Mediterranean could play a role in the development of impact investments. CTFs are private, legally independent institutions and over time have proven to be innovative institutions capable of providing services that ensure fiduciary management of indigenous community assets or that support corporate responsibility. Also, while supporting impact investment is high-risk, the level of risk is comparable to some projects in which CTFs already invest. CTFs could therefore help reduce risk and encourage potential investors in West Africa and the Mediterranean by guaranteeing investments.

Focused on maximising the benefits of impact investment, several initiatives and coalitions have emerged over the last year (e.g., the Coalition for Private Investment in Conservation) which present an opportunity for conservation organisations to build capacity, reach potential partners and investors, and assess concept robustness.

3. NEW MECHANISMS

3.2 BIODIVERSITY OFFSETS

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
Millions	From one year to several years of preparation for very long-term funding	Local to national	PA networks	Medium to High

DEFINITION

Biodiversity offsets constitute any measures taken to compensate for impacts on biodiversity resulting from development, and are an increasingly popular but controversial tool in conservation.

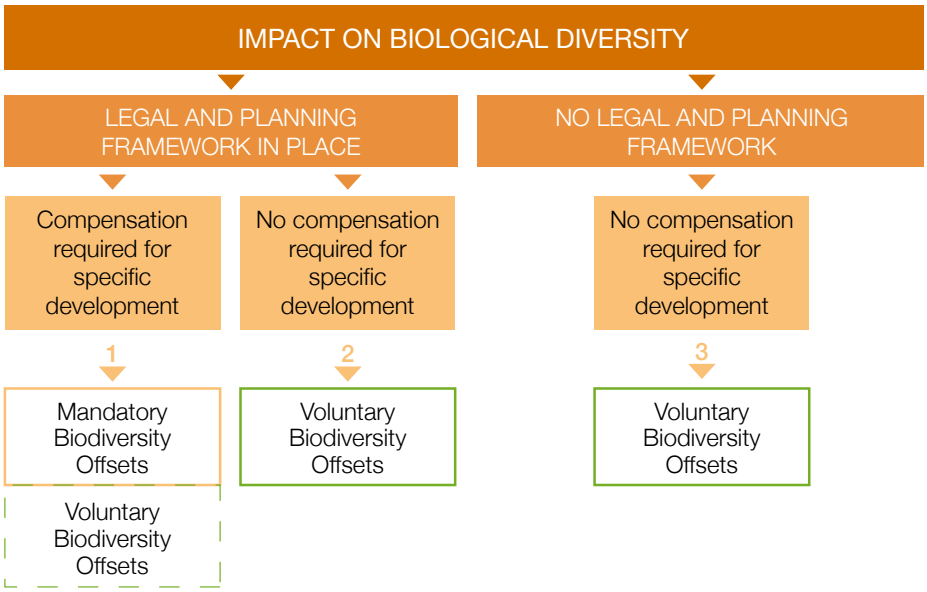
The Business and Biodiversity Offsets Programme (BBOP), an international collaboration for the development of offset methodologies, offer the following definition: "*Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development after appropriate prevention and mitigation measures have been taken. The goal of biodiversity offsets is to achieve no net loss and preferably a net gain of biodiversity on the ground with respect to species composition, habitat structure, ecosystem function and people's use and cultural values associated with biodiversity*".

Importantly, biodiversity offsets should be envisioned as a 'last resort', after all reasonable measures have been taken first to avoid and minimise the impact of a development project and then to restore biodiversity on site. Conforming to this mitigation hierarchy (avoidance, minimisation, rehabilitation/restoration, offsets) is key.

Most political and business leaders agree that there is an urgent need to develop new business models and innovative market mechanisms for biodiversity conservation. In this context, biodiversity offsets, which ensure that projects causing unavoidable damage to an ecosystem are counterbalanced elsewhere, have recently gained momentum. This is despite the risk of them being used by industry and government to legitimise damaging development to go ahead.

Under a biodiversity offset scheme, developers must compensate any negative impact by paying a fee, for instance to a PA network to support either its maintenance or extension. According to the Aichi Targets, '*at least 15 per cent of degraded ecosystem should be restored by 2020. The potential for biodiversity offsets is huge and estimates are set at around $45 billion globally*.' Most offsets are likely to come from extractive industries (oil and gas mining). Biodiversity Offset schemes differ greatly depending on whether or not a regulatory framework is in place (see schematic below).

Figure 6: Mandatory Biodiversity Offsets and Voluntary Biodiversity Offsets



Source: Based on Marianne Darbi, 2010 (http://www.biodiversityoffsets.net/typology-of-biodiversity-offsets/)

3. NEW MECHANISMS

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Existence of a standard (BBOP Standard on Biodiversity Offsets) • Offer a conceptual framework to cooperate with oil and gas industries • Can provide substantial additional resources from the private sector to finance conservation	• No fungible unit to capture biodiversity loss • Permanence of measures taken in the context of a biodiversity offsets programme is difficult to secure • Additionality of biodiversity offsets programmes can be difficult to prove (it could have happened anyway)

PRECONDITIONS & CONTINGENCIES

Preconditions and contingencies for biodiversity offsets are as follows:

- political support and if possible legal framework;
- willing and supportive stakeholders;
- adequate funds and time to devote to the design process;
- fair benefit-sharing mechanism for local population;
- existence of 'receptor sites' (i.e., protected areas or areas of land able to receive payment in return for creating or restoring biodiversity habitats on site).

ACTORS & PROCESSES

The process is well documented in BBOP's Biodiversity Offset Implementation Handbook. The main steps are as follows:

- biodiversity offset design – review project scope, review legal framework, choose method to calculate biodiversity loss, review potential offset locations, initiate implementation process;
- biodiversity offset implementation – offset launch, operation and management activities, financing over the long-term, monitoring and evaluation;
- successful biodiversity offset schemes will generally require working with or setting up new CTFs or appropriate strategic partnerships.

OPPORTUNITIES

Opportunities for conservation organisations vary greatly by country. In a resolution of 20th April 2012, the European Parliament urged the Commission to '*develop an effective regulatory framework based on the No Net Loss initiative, taking into account past experience of Member States while also utilising the standards applied by the BBOP*'. Since then, several initiatives involving biodiversity offsets have taken place in EU Member States. For instance, the French national Assembly adopted a new biodiversity law in 2016, which includes the application of the mitigation hierarchy with the goal of delivering no net biodiversity loss. In Spain, Greece, Italy and Croatia, conservation organisations could consider supporting the development of similar national policies, and collaborate with interested partners to map relevant legal frameworks, the current national debate on offsets, and propose and communicate next steps to national authorities and media.

In countries outside the EU, conservation organisations should primarily focus on voluntary biodiversity offset schemes based on the development of bespoke agreements with industry. For instance, in Morocco (phosphates), Turkey, Egypt and Guinea Bissau (bauxite), voluntary schemes could be set up with extractive companies willing to participate. In these countries, it may be worthwhile working with national partners to list key extractive industries, identify contact points, organise national events on offsets, and offer technical assistance to companies willing to collaborate on a first biodiversity offset programme.

3.3 PAYMENT FOR ECOSYSTEM SERVICES (PES)

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
$50K to $10M	Minimum of two years of preparation for very long-term funding	National, regional, watershed, or site-specific	Providers of ecosystem services (landowners, farmers, producer associations)	Low to Medium

DEFINITION

Payment for Ecosystem Services (PES) is based on a straightforward proposition: pay (or compensate) individuals and communities to adopt new or modify existing behaviour in ways that maintain or increase the health and performance of ecosystem services.

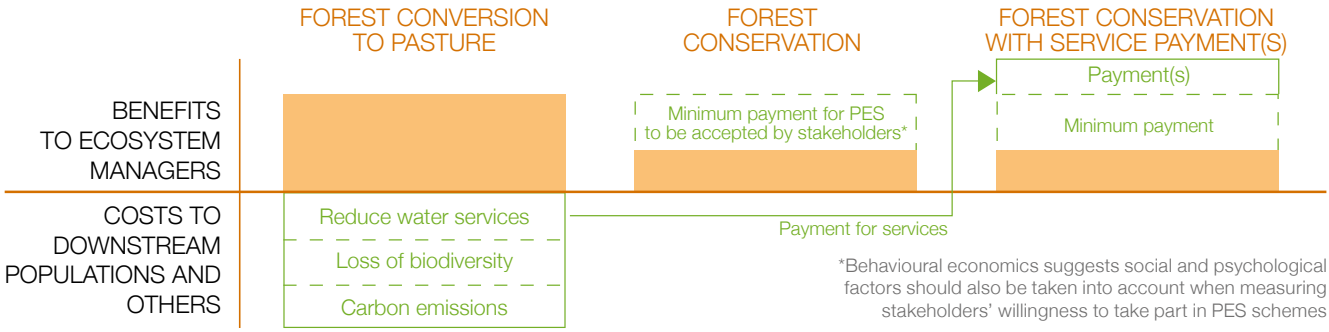
PES schemes can be set up at international, national, or local level and consequently vary in scope from narrow market-based approaches, based on direct transactions between providers and beneficiaries, to broader schemes in which parties benefitting from ecosystem services indirectly pay those providing services.

Payment type can range from being an economic rent for doing nothing (e.g., via a no take area) to payment for active improvement of ecosystem services (e.g., planting trees in deforested areas).

PES schemes use two main vehicles to achieve conservation impact: area-based vehicles (e.g., where contracts stipulate land- and/ or resource-use caps for a pre-agreed number of land units; and product-based vehicles (e.g., where consumers pay a 'green premium' on top of the market price for a certified product such as coffee).

While most PES schemes operate at local level, there are a handful of large schemes, mainly in Latin America, that are generally funded by public money. These schemes tend to be recipients of multilateral funding support in the initial stages. For example, GEF has invested $70 million in 14 projects where PES is central to project design. While PES schemes are not new, African and Mediterranean countries lag behind most other areas of the world in developing such schemes.

Figure 7: The logic of payment for ecosystem services



Source: Based on Engel et al., 2008

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Require commitment and stewardship from all parties (e.g., providers, beneficiaries, public authorities) • Incorporate economic value of ecosystem services in financial decision-making • Often have associated socio-economic benefits (e.g., increased incomes and employment, community cohesion and reduction in rural migration) • Enable the development of a baseline and M&E systems for tracking biodiversity status and management performance	• Can involve high transaction costs and securing contracts can be challenging • Some access rules hamper participation by poorer communities (e.g., those who do not own land) and can impoverish non-sellers • Potential 'leakages' of impacts where protecting one place creates pressure elsewhere

3. NEW MECHANISMS

PRECONDITIONS & CONTINGENCIES

Preconditions and contingencies for PES schemes are as follows:

- presence of buyers and sellers, and established enforceable property rights (e.g., access and usage rights related to land tenure, water use);
- agreement between the parties on the value and price of goods and services provided by the ecosystem/area;
- sufficient and long-term sources of financing to ensure objective of the PES scheme can be achieved;
- permanence, including by means of insurance – events such as forest fires or illegal logging may undermine the ability of a seller to provide ecosystem services as stipulated in a PES agreement;
- established standards and norms for governance and transactions, and financing mechanisms that enable the completion of transactions between buyers and sellers;
- removal of perverse incentives such as environmentally-harmful subsidies that could undermine the capacity of a PES scheme to act as an effective incentive for conservation.

ACTORS & PROCESSES

The key actors involved in PES schemes fall into four main groups: buyers/beneficiaries; sellers/providers; public authorities; and connectors/deal-makers. For schemes to materialise, an appropriate legal framework and strong political support are key.

Buyers/Beneficiaries, Sellers/Providers

Most current PES schemes are local level arrangements and involve spontaneous, voluntary private market-type arrangements. Such schemes tend to be modest in scale, and the buyers and sellers of ecosystem services are found in the same area. Schemes are often set up for nature-based tourism or protection of small watersheds and payments are made by beneficiaries of services in question directly to providers. The parties, generally individuals, communities or businesses, are tied by an agreement defining the conditions and norms of the transaction. Many local or private PES schemes tend to be effective in securing local partners and delivery but can struggle with legitimacy and recognition from public authorities and administrations.

Public Authorities

Large PES schemes tend to be government driven, working at state and provincial levels (e.g., CAPE in South Africa), or at national level (e.g., Costa Rica, Mexico). In these cases, the state acts on behalf of ecosystem service buyers by collecting taxes and grants, and then pays identified sellers. The main advantage of public schemes is that the state provides legitimacy but they can be less flexible vis-à-vis targeting of strategic sellers, and they tend to be less efficient in securing additional ecosystem services provision.

Connectors/Deal-Makers

In most cases, a PES deal emerges through initial support from conservation NGOs (national and/or international) in the form of an initial grant designed to establish enabling conditions (e.g., legal framework, community capacity, measurement of economic value of ecosystem services). These connectors and deal-makers are key actors in building awareness amongst leaders and ensuring the deal happens.

OPPORTUNITIES

Apart from REDD+ projects, PES schemes are not well-developed in West Africa and the Mediterranean.

PES schemes have potential in areas where water is in high demand. However, watershed payment markets in West Africa and in some Mediterranean countries are limited due to inadequate legal frameworks and lack of institutional experience, as well as limited availability of suitable business models. In addition, the lack of monitoring and accounting make it challenging to charge appropriately for water consumption.

More promising initiatives exist around community-based natural resource management, ecotourism, and commercial agreements (e.g., fisheries agreements). They range from small-scale opportunities (e.g., initial steps taken by ecotourism agencies in Cape Verde or by community cooperatives selling premium product) to medium-scale opportunities (e.g., financial contributions for ecosystem services provided by MPAs, CTFs receiving contributions from Fisheries Agreements between European Union and Mauritania for BACoMaB and Guinea-Bissau for Bioguiné).

3.4 GREEN BONDS

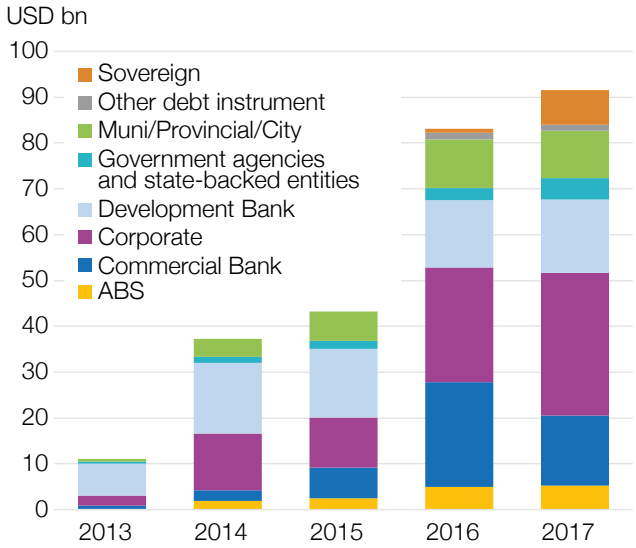
FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
Several million minimum	Two years of preparation for funding over 10 years	Project-specific	Private sector	Medium

DEFINITION

A bond is a form of debt security or legal contract for money owed that can be bought and sold between parties. Green bonds are issued to raise capital specifically for the financing of 'green' environment or climate related projects.

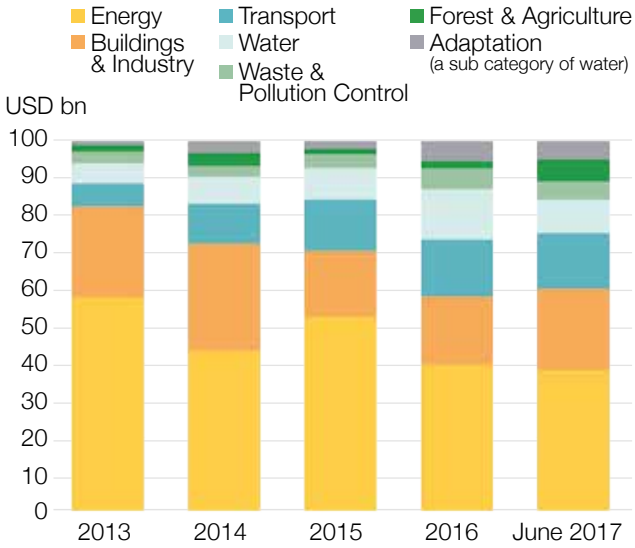
Heike Reichelt, Head of Investor Relations and New Products at the World Bank, explains green bonds in the following way. '*Green bonds are a 'plain vanilla' fixed income product that offers investors the opportunity to participate in the financing of 'green' projects that help mitigate climate change and help countries adapt to the effects of climate change. The bonds have similar features to regular bonds by the issuing entity, including credit risk and size. Because of the standard financial features and the dedication to climate change, they are of interest to a broad range of investors – from retail and high-net-worth, to institutional investors with large allocations to fixed income. They are especially attractive to investors who incorporate Environmental, Social and Government issues into their analysis, pursue specific environmental strategies and/or have a separate asset class for climate-focused investments. A key feature of these bonds valued by many investors is the due diligence process that the issuer of green bonds conducts to identify and monitor 'green' projects'*(Reichelt, 2010).

Figure 8: Green Bonds emissions by type



Source: Climate Bond Initiative

Figure 9: Green bonds use of proceeds



Source: Climate Bond Initiative

Green bonds have mostly been issued by multilateral development banks offering Triple-A credit ratings or by sovereign institutions offering at least an A rating. High credit worthiness seems to be a prerequisite for ensuring environmental bonds do well. For instance, World Bank Green Bonds have been successful because the bank offers a guarantee that the payment of coupons and principal are not linked to project performance. In other words, investors in green bonds benefit from credit quality, so they do not have to take on project or country risk. In many types of green bond, investors can also select the financial characteristics of bonds (currency, size, coupon, maturity). Interestingly, the "*Green Bond Principles*"[3], designed in 2014 by J.P. Morgan, clearly state that, besides renewable energy and energy efficiency, biodiversity conservation is among green projects eligible for benefit from green bond proceeds. Nevertheless, biodiversity has not yet been the main focus of any green bond issuance, probably because generating a steady and secure cash flow from conservation projects remains complex.

3. Green Bond Principles, Voluntary Process Guidelines for Issuing Green Bonds, 2014 (http://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/Green_Bonds_Principles.pdf)

3. NEW MECHANISMS

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Successful financial mechanism to finance green initiatives • Convincing financial instrument that can mobilise private capital • Green bonds market is rising sharply and projected to continue to do so in the future • Generally benefit from a high credit rating (though coupons are low) which makes repayments easier • Thriving due to low interest rates	• Mechanism is not well-adapted for financing conservation as safe business models in conservation remain difficult to identify and implement • No green bonds specifically dedicated to conservation have so far been issued • Lack of standards and an agreed definition of what can be considered as green'

PRECONDITIONS & CONTINGENCIES

Analysis of green bonds shows that in order to be successful, bonds need either to be issued by institutions or governments that have a high credit rating, or to benefit from a default risk guarantee that will assure bond-holders that their investment is safe. This allows low coupon rates to be offered, making it easier to set up a viable business model.

ACTORS & PROCESSES

Bond Issuers

Bond issuers can be private companies (corporate green bonds), supranational institutions, such as multilateral development banks, or public entities, such as municipal, state, or federal actors (government bonds).

Bond Buyers

Bond buyers are found in financial markets and tend to be institutional investors.

OPPORTUNITIES

Green bonds tend primarily to address climate change mitigation by offering innovative financing of renewable energy, energy efficiency and transport projects. Conservation per se is only marginally covered and still unlikely to be the main focus of green bond issuance. Green projects can now be financed through green bonds and some collateral benefits for conservation can sometimes be negotiated (often as compensation for environmental damage caused). Financing conservation through green bonds remains challenging but the opportunity could be further explored. For instance, the development of ecotourism at a national scale (as in Cape Verde) could be the focus of a green bond though associated financial risks are likely to be too high for this to materialise.

Analysis suggests that the next few years will prove critical in determining whether or not green bonds will become a significant new tool for land conservation (DuPont et al, 2015). Clarifying whether any recently issued green bonds contain a central or partial focus on biodiversity conservation could inform next steps (e.g., tax-backed green bonds for conservation). More generally, successful green bond models could inspire the development of related financial instruments dedicated to conservation.

3.5 BLUE BONDS

FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
$5M to $100M	Around five years of preparation for 5 to 10 years of funding	National, MPAs, or fisheries	MPA managers, fishers	High

DEFINITION

Based on the same approach as green bonds issued by governments or development banks, 'blue' bonds could be issued to fund sustainable marine businesses such as fishery transition projects. As a standardised way of raising capital easily recognisable by institutional investors, they could be used to diversify portfolios and invest in the transition to a 'blue' economy.

While the challenges facing global fisheries and marine ecosystems are truly daunting, fish stocks have proven surprisingly resilient and sustainable. With proper management practices limiting take, establishment of closed seasons, spawning ground protection, and enforcement of proper gear use, many fisheries can quickly recover. There is a financial return to be made from the transition to a more sustainable management system if fisheries are structured as 'investable propositions', and investment in natural capital can be an effective way of achieving social, environmental and economic goals.

Today, there are various sustainable fishery management solutions that yield proven economic and environmental benefits. The use of financial tools to complement funding from philanthropic and public sources and enable industry and government to cover up front costs may be one solution supporting the shift toward sustainable fisheries.

THE SEYCHELLES BLUE BOND

As a first step toward recovering the ecological and economic health of the fisheries sector, Seychelles, with GEF grant funding, has developed a management plan for the Mahe Plateau fishery. Successful implementation of the plan, which is estimated to cost $10 million, is expected to result in a more economically valuable and financially sustainable fishery, better and more secure jobs, and a healthier environment. To raise the required capital for the implementation of the plan, the Seychelles plans to issue a sovereign bond named 'Blue Bond'.

The proceeds from this bond will be designated specifically for the implementation the Mahe Plateau fishery management plan.

The Seychelles Fishery Authority will be the implementing agency and receive bond proceeds. Repayment of the bond will be the obligation of the Seychelles Government, which may after a period of time be supported by specific revenues derived from the Mahe fishery. In order to attract more investors, Seychelles have started a certification process for the Mahe Plateau fishery management plan.

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Generate funding sufficient for full operationalisation • Access to 'economies of scale' as majority of issuance costs are in setting up processes • Improved internal governance structures, communication and knowledge sharing • Articulation and enhanced credibility of sustainability strategy	• In a pilot phase, there is high reputational risk • Significant up front and ongoing transaction costs of labelling and associated administrative, certification, reporting, verification and monitoring requirements (cost estimates vary)

3. NEW MECHANISMS

PRECONDITIONS & CONTINGENCIES

Preconditions and contingencies for blue bonds are as follows:

- effective sustainable management (including stock assessment for each target species, quota and company acquisition transparency, minimum percentage of supply either certified or engaged in Fishery Improvement Projects);
- strong investment frameworks with measurable financial return and capacity to gauge asset performance;
- robust monitoring and enforcement system;
- involvement of underwriting and credit rating agencies to enable attractive investments based on more than one product and give investor confidence (e.g., WB, IBRD);
- secure tenure for fishers over an area or share of catch to incentivise and empower industry to pursue sustainable resource use.

ACTORS & PROCESSES

Issuers of bonds can be private companies, international institutions (e.g., multilateral banks), or public entities (municipal, state or federal). Often the bond issuer (if not an investment bank) will appoint an investment bank to help with requirements relating to disclosure of financial information to regulators, rating agencies, and investors. Issuers define the kind of projects sought and selection criteria are often reviewed and assessed by an external expert party to provide investors assurance that requirements have been met. Issuers establish a project selection and review process, including early screening, and identifying and managing potential environmental and/or social impacts. Issuers also disclose how bond proceeds will be separated and make periodic allocations to eligible investments. Finally, issuers monitor implementation of projects and report on the use of proceeds and expected environmental sustainability impacts. The main investors and buyers of green and blue bonds are located in Europe, Japan and the Americas.

OPPORTUNITIES

While the potential for substantial investment in blue bonds is high, it will take time and effective risk management if initial pilot bonds are to be replicated.
Accelerating development and uptake would benefit from bringing parties with capital to mitigate risk (e.g., foundations, impact funds) together with those with technical expertise to establish proof of concept (e.g., NGOs, food retailers, MPA managers), and those who verify/certify to guarantee robust certification and monitoring (e.g., MSC, IUCN). This kind of partnership would limit the risk of launching a blue bond. And any proposed bond should follow (or be part of) the green bond structures already in use.
In September 2016, African countries adopted an Africa Oceans Finance Package. Its investment agenda is shaped by a number of public and private commitments and partnerships focused on climate-smart investments in African ocean economies. This could be a great opportunity for strengthening marine conservation and fishery sustainability, as well as supplementing partner efforts to establish enabling conditions (e.g., legal frameworks, capacity building).

In recent years, the European Commission, the European Investment Bank and BINGOs have expressed interest in advancing sustainable marine activities in the Mediterranean. The current development of the CTF for the Mediterranean MPA could help to catalyse political will and private investment for the recovery of Mediterranean ecosystems.

Recently, The Nature Conservancy (TNC), through its J.P. Morgan-supported natural capital investment arm, NatureVest, announced it will allocate over $45 million for the development of investment in marine programmes using blue bonds and similar commercial approaches. West Africa and the Mediterranean are not listed as priority regions but they are eligible. Finally, sustainable coastal fisheries are a priority for which the Coalition for Private Investment in Conservation (CPIC) will lead the design and development of models of private for-profit investment.
To support the development of finance mechanisms for ocean conservation, conservation organisations could undertake analyses that quantify marine natural capital and value ecosystems services. An early dialogue with financiers to develop blue bond standards would also help introduce ocean investment into bond markets.

3.6 PARK BONDS

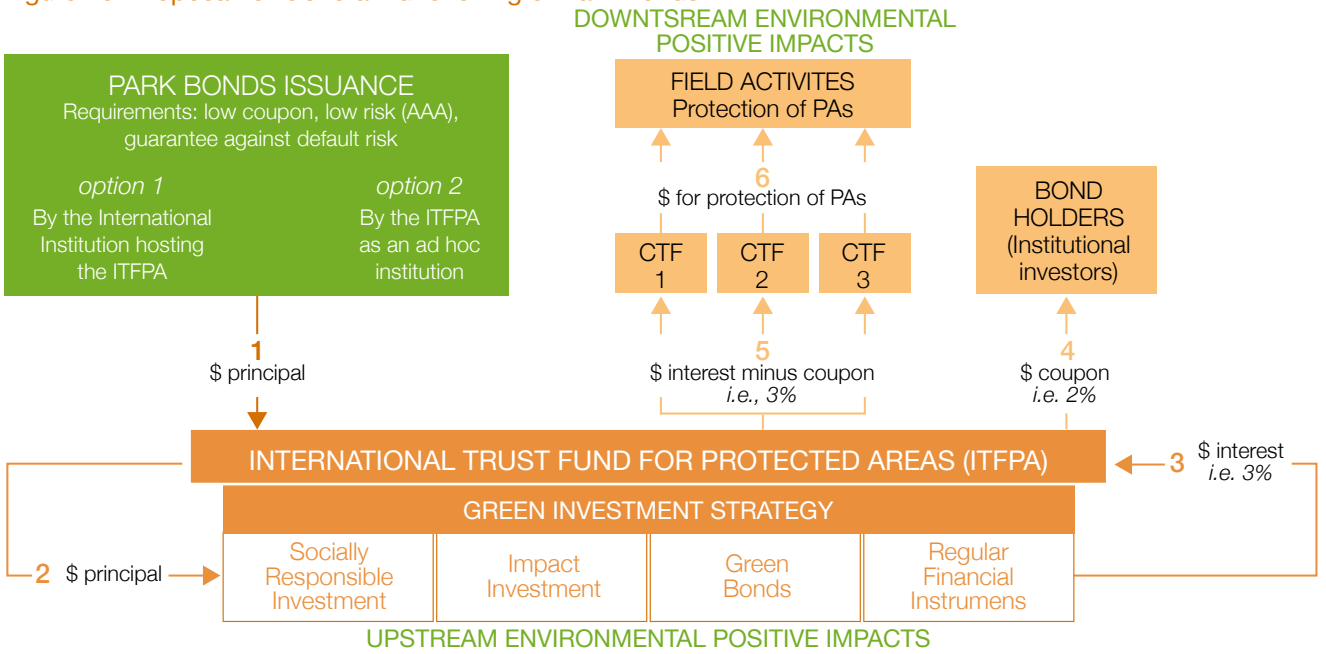
FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
Millions	Two years of preparation if supported by a Development Bank for at least ten years of funding	National or multi-country	Conservation Trust Funds	Medium

DEFINITION

Park bonds are bonds designed to support PA networks and are defined as a fixed income product that offers investors the opportunity to participate in financing conservation through the capitalisation of an International Trust Fund, interest from which is distributed to bond holders and identified beneficiaries.

Ethical financing is growing fast, and there is clearly scope for biodiversity initiatives to benefit from this trend. Provided that a scheme is credible, there is no reason why pension funds, sovereign wealth funds, private banks and even retail banks would not be interested in investing in a risk-free financial asset dedicated to biodiversity.

Figure 10: Proposal for General Functioning of Park Bonds



Source: Author

Green Bonds have been successful because they have mainly been issued by International Financial Institutions (IFIs), most of which offer a Triple-A rating. This makes them a very safe investment and allows them to offer a relatively low coupon rate. Park Bonds with similar low-risk features could be created and promoted internationally.

The repayment of Park Bonds should ideally not be biodiversity-based[4] but rather paid by a newly established International Trust Fund for Protected Areas (ITFPA). The ITFPA, which could be hosted by the World Bank or GEF, or set up as an ad hoc institution, would be tasked with investing in financial markets focused primarily on ethical financing. And the capital raised would, to a reasonable extent, be invested in Socially Responsible Investments (SRIs), Impact Investments and Green Bonds.

The park bond model in the diagram above proposes that for every $1 billion of park bonds issued, $30 million should be provided annually to Conservation Trust Funds (CTFs). While this amount might appear low, if attractive enough, the mechanism could be replicated as many times as appropriate or necessary. It should be noted that the two per cent coupon rate is indicative only – and several green bonds have been issued and successfully marketed with coupon rates of less than one per cent.

4. A biodiversity-based payment would imply that the conservation projects benefiting from the investment would have to generate enough income to pay back the bond coupon, and this is likely to represent too great a risk to attract institutional investors.

3. NEW MECHANISMS

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Allow the scale of investment needed to attract institutional investors whose large portfolios prevent small-scale investments • Offer high potential to fill the conservation funding gap • Provide a mechanism enabling existing CTFs to raise funds collectively, targeting big international investors • Double positive impact (upstream with Socially Responsible Investments, Impact Finance and other ethically responsible financial products, and downstream with distribution of remainder interest to individual CTFs) is likely to satisfy investors and the international community	• New financial instrument at concept stage – no park bonds have yet been issued • Identifying a State or a Multilateral Development Bank willing to offer a guarantee (that the bond issuers will be paid back) could be challenging • Tie up large amounts of money and only generate relatively modest income

PRECONDITIONS & CONTINGENCIES

Preconditions and contingencies for park bonds are as follows:

- ability to offer a guarantee that parks bonds will be repaid - certain governments might be willing to offer such a guarantee in exchange for hosting the ITFPA; the World Bank, some States or international corporations could also offer such guarantees;
- international acknowledgement of the positive role played by CTFs (preferably including recognition by the Convention on Biological Diversity) – the huge potential impact of park bonds, and the fact that a reasonable proportion of the capital raised would be invested in SRI, should add weight to the argument;
- ability to obtain an official letter of endorsement from each country where CTFs operate to reassure bond holders that no sovereignty issues are at stake and that any funds received will add to rather than substitute existing government support for PA networks;
- boards of each participating CTF should officially approve this new type of financing;
- bond holders should not be allowed to influence how interest is used - each CTF should be able to use interest either to increase its endowment fund or to cover immediate needs in PAs;
- investors should be given a full picture of results, including full financial transparency (publication of financial audits, not only from the ITFPA but also from each beneficiary CTF), full environmental transparency (publication of periodic environmental assessments), and as necessary, other reports to satisfy compliance with international quality standards for the good governance and management of CTFs.

ACTORS & PROCESSES

See schematic above – Proposal for General Functioning of Park Bonds p.29.

OPPORTUNITIES

The Rothschild Group has confirmed that park bonds are feasible. Rothschild or another established bank could possibly help structure the financial instrument. Expected revenues would depend on volumes. If, for example, $200 million were issued, $6 million per year would be generated for conservation as entirely additional revenue.

Different types of park bond transaction could be designed and offered to financial markets, covering, for example, the entire network of participating CTFs, Western African CTFs, Western African Marine Protected Areas, and the Mediterranean basin.

In 2016, four Western African Conservation Trust Funds (BaCoMaB-Mauritania, FBG-Guinea Bissau, FSOA-Benin and FPRCI-Ivory Coast) agreed to work together on park bonds in West Africa. This could enable conservation organisations to support a pilot project. Obtaining a guarantee from a high credit rating government or organisation is a must. Key targets are the World Bank, the African Development Bank, the French and Swiss Authorities and relevant multinational corporations. A similar pilot project could also be launched for the Mediterranean basin.

3.7 PROJECT FINANCE FOR PERMANENCE (PFP)

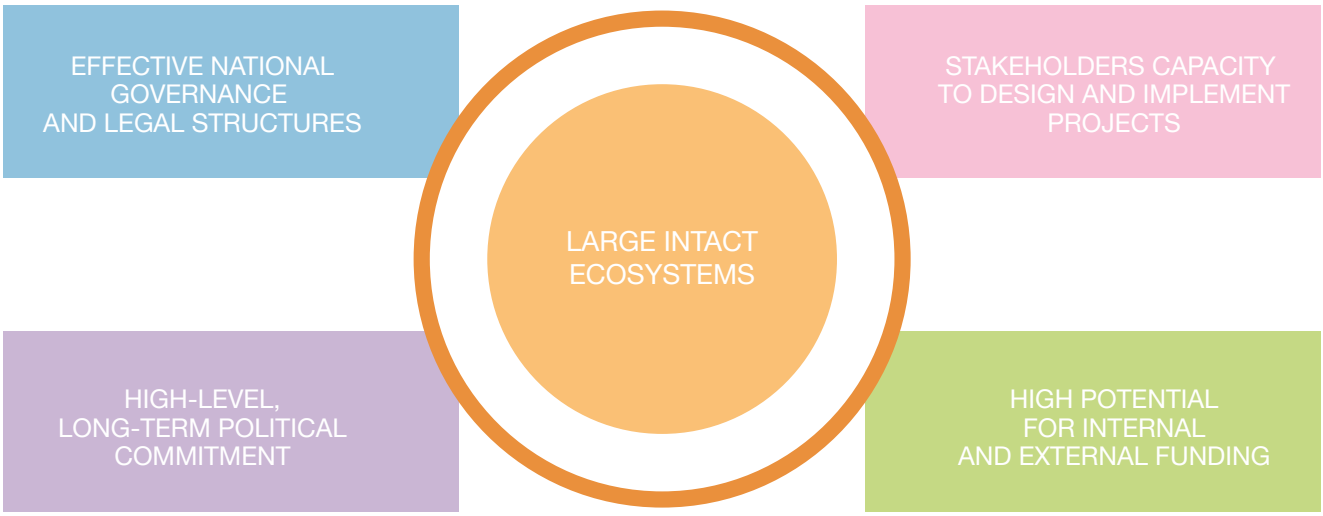
FUNDING POTENTIAL	FUNDING TIMEFRAME	GEOGRAPHICAL SCOPE	BENEFICIARIES	LEVEL OF COMPLEXITY
Tens of millions	From five years of preparation for funding in perpetuity	National but regional considered	National and international NGOs, governmental agencies	Very High

DEFINITION

Traditional sources of funding for conservation are limited, often unpredictable, and subject to macroeconomic fluctuations. This makes it very difficult to plan for the long-term, let alone face unforeseen events. In order to preserve complex ecosystems permanently, conservationists have started to consider new funding and organisational models inspired by business-based approaches.

Project Finance for Permanence (PFP) draws on for-profit sector practices of 'project finance' commonly used in organising and financing complex projects – such as electric power plants or airports – where it makes no sense to embark on implementation without having all necessary resources and conditions in place to complete the project. What makes PFP different, is that it is an 'all or nothing' approach. Nothing starts until all resources have been secured and all conditions met, including a business plan, institutional arrangements and sufficient funding to cover the full cost of a programme.

Figure 11: Key factors for a successful PFP



Source: Based on Redstone Strategy Group et al

Five aspects of sustainability define a PFP:

- **ecological** – a project ensures the long-term health of an entire ecosystem, its geographical area being sufficiently large and well protected to maintain biodiversity, provide migration corridors for wide-ranging species, counter external threats, and adapt to climate change;
- **financial** – sufficient funds, financial management and control processes remove the need to seek significant external funding in the future;
- **organisational** – stakeholders have the capacity to design and implement the project as well as pursue any future conservation strategy;
- **political** – commitment and leadership at the very highest level, sustained across administrations, support the deal;
- **social** – local people and communities support and derive benefit from protected areas and projects.

3. NEW MECHANISMS

ADVANTAGES & DISADVANTAGES

ADVANTAGES	DISADVANTAGES
• Ability to bring together all resources and conditions necessary for permanent conservation of globally important, intact habitats • Supports design of solutions at ecoregion level • Secures long-term financial resources • Simultaneous attention to ecological, economic and social concerns • Conditions for implementation and adaptive management established through programme design which sets the stage for successful implementation	• Can be time consuming or suffer from unrealistic expectations about the time needed to close a PFP deal • Unclear outcome if the target funding is not raised • Set up entails substantial costs and project teams may struggle to obtain funds for programme design • No deal yet developed at regional level • As a new mechanism, unforeseen challenges may still emerge • Meeting preconditions can take years or even decades

PRECONDITIONS & CONTINGENCIES

Preconditions and contingencies for PFP projects are as follows:

- political sustainability – insufficient political support within government may hamper programme implementation through ineffective policy and enforcement;
- national authorities should lead (or at least strongly support) the process;
- well-developed civil society, including international NGOs and potential donors, willing and able to participate in resource mobilisation and combining financial resources for ambitious conservation.

ACTORS & PROCESSES

Government Lead

The government lead ensures that the programme meets national needs and is fully supported by national stakeholders, commits public resources (both financial and technical), and ensures that all legal and institutional conditions are met.

Lead NGO

The lead NGO leads on fundraising, provides scientific expertise, mediates partner relationships and supports post-deal implementation with technical assistance and ongoing advocacy. The lead NGO must have sophisticated skills and influential relationships, as well as sufficient standing and ability to coordinate efforts locally (e.g., TNC for Costa Rica Forever).

Private Anchor Funder

The principal private donor provides early credibility and connections across the philanthropic community.

Deal-Maker

The deal-maker leads stakeholder engagement and drives the set up process, ensures all relevant stakeholders are at the table and their interests accounted for, and keeps the project focused on its goals. In complex for-profit deals, this role is usually played by a project team from an investment bank (e.g., Linden Trust for Conservation for Forever Costa Rica).

10 STEPS TO DEVELOP A PFP

- **Set a single, bold and measurable conservation goal** to clarify what is needed and unite efforts.
- **Agree on a deal** where all stakeholders meet their own objectives.
- **Select a strong and effective NGO** to secure and manage a public-private partnership.
- **Identify core partners** to share fundraising responsibilities, including a lead governmental participant, a lead NGO and lead foundations.
- **Develop a comprehensive financial plan** that establishes the full cost of long-term conservation.
- **Secure commitments to cover all estimated programme costs in perpetuity**.
- **Lead stakeholder engagement and driving the process.** A 'deal-maker' or facilitator can help to ensure all relevant stakeholders are at the table and their interests accounted for, and keep the project focused on its goals.
- **Set formal and comprehensive closing conditions.**
- **Set formal disbursement milestones** that make distribution of funds conditional upon the implementation of activities necessary for success .
- **Verify closing conditions are met.**

OPPORTUNITIES

In West Africa and the Mediterranean a new PFP could have a substantial impact on biodiversity conservation, and involve many actors over the long-term.
National PFP initiatives could be considered in West Africa, either in Mauritania or Guinea Bissau, although political support from national authorities and the number of potential interested donors is likely to be too low.
In the Mediterranean region, a single country approach for a national PFP may not be sufficient from an ecological perspective, and serving the Mediterranean ecoregion through national PFPs across more than 20 countries would also be unmanageable. To date, PFP initiatives elsewhere have taken a national approach but a Regional PFP for the Marine (and Coastal) Protected Areas of the Mediterranean region could be designed and promoted.

Regional PFPs could either be created as a single PFP to be implemented once total funds required had been secured – a complex and probably unattainable target – or more feasibly, as a series of national sub-PFPs, each being launched once its national financing target had been raised. An iterative process could also be considered with top level goals for a regional PFP being set first, followed by individual countries electing to participate in pursuit of specific objectives with the PFP remaining open for other countries to join voluntarily.

Ensuring success of such an ambitious and complex scheme would require an international NGO such as WWF to act as its cornerstone, together with involvement from several interested national authorities, and technical financial management from the Mediterranean Trust Fund. Even with this degree of collaboration, the level of complexity would currently limit the chances of success. Nevertheless, conservation organisations could create momentum by commissioning a feasibility study on a Mediterranean PFP together with WWF.

4. SECURING AND LEVERAGING FUNDING, GEOGRAPHICAL AND THEMATIC OPPORTUNITIES

4.1. MEDITERRANEAN

The number of organisations working in the Mediterranean at international, national and/or local level reflects its global importance for biodiversity conservation. Regional entities such as the Barcelona Convention and the Union for the Mediterranean, as well as MedPAN and MedFORVAL, play a critical role in convening and aligning key players around conservation goals. The table below provides suggestions for how these organisations could use financial mechanisms to scale-up or sustain their contribution to a healthy Mediterranean.

Figure 12: Feasibility of financial mechanisms in the Mediterranean

MECHANISM	FEASIBILITY	FINANCIAL POTENTIAL	FUNDING TIMEFRAME	MOST PROMISING SITES	KEY PARTNERS	OBSERVATIONS
PHILANTHROPY	Very High	From thousands to millions $	Up to two years and for an average of three years of funding	All countries	- WWF – good campaigner with fundraising skills - Local, national NGOs - good understanding and knowledge of local context and diaspora interests	- Target diasporas, Private Philanthropy (Museums, Aquariums), American Foundations looking for a new niche, private sector foundations
MULTILATERAL AID	Very High	From $2M to hundreds of millions	Over two years of preparation for two to ten years of funding	All eligible countries Fisheries Forests	- CGF-accredited agencies (e.g., AfDB, EBRD, IUCN) - GEF-accredited agencies (e.g., IUCN, WWF, AfDB, EBRD) - Local partners	- GCF NDAs appointed in Albania, Algeria, Morocco, Tunisia and Turkey
IMPACT INVESTING	High	From $5M to $10M	From two to five years of preparation for five years of funding	All countries	- Mediterranean CTFs with NGOs as project developers - FFEM, GEF SGP, KFW, AFD for upfront investments - EBRD, AfDB, venture capital firms as deal-makers	- Impact investing could be developed around themes such as fisheries and ecotourism
BIODIVERSITY OFFSETS	High	Millions	From one year to several years of preparation for very long-term funding	All countries	- Oil and mining companies - Mediterranean CTFs - BBOP	- Pursue mandatory national approaches for EU Member States, and voluntary approaches for other countries
PARK BONDS	High	Millions	Two years of preparation if supported by a Development Bank for at least ten years of funding	Mediterranean CTFs	- Project developers - Bilateral development agencies - Multilateral development banks (e.g., AfDB, EBRD, WB) - International corporations	- Proposal should be regional and partner countries most likely members of a Mediterranean CTF - Projects could target both PA and MPAs
BLUE BONDS	Medium	$5M to $100M	Around five years of preparation for five to ten years of funding	Artisanal Fisheries Marine Protected Areas	- Mediterranean CTFs - NGOs - Marine Stewardship Council, LIFEplatform - GFCM, MedPAN, Coalition CPIC - DG MARE, DEVCO, DG SME - AfDB, EBRD, WB-	- Proposal should be regional and partner countries most likely members of a CTF - Projects could target fisheries, marine conservation and/or MPAs

MECHANISM	FEASIBILITY	FINANCIAL POTENTIAL	FUNDING TIMEFRAME	MOST PROMISING SITES	KEY PARTNERS	OBSERVATIONS
PAYMENT FOR ECOSYSTEM SERVICES	Medium	$50K to $10M	Minimum of two years of preparation for very long-term funding	All countries Mediterranean CTFs	- Mediterranean CTFs - NGOs and regional networks - PA managers, public authorities - Private sector (e.g., maritime, fisheries, tourism)	- Potential integration with Fisheries Partnership Agreements, maritime transport, and ecotourism in PAs
DIRECT BIODIVERSITY FEES	Medium	$50K to $10M	From two years of preparation	All countries	- NGOs and regional networks - PA managers, public authorities	- Build on existing experience and develop peer-to-peer exchange
GREEN TAXES	Medium	$5M to $10M	Two to four years of preparation for funding likely to be in perpetuity	All countries	- Ministries of Environment and Economy/Budget - National NGOs	- Main tool for government to demonstrate interest in biodiversity conservation - Feasibility studies should be drafted by tax advisors and economists
REDD+	Medium	$5M to $100M	Four to five years of preparation for funding over 30 years	Morocco, Tunisia, Lebanon, Egypt	- MEDFORVAL, NGOs - Global Footprint Network Med - AfDB, EBRD, Government - Private sector	- Lebanon and Egypt have advanced studies on ecosystem valuation and Government willingness to move forward - Morocco and Tunisia are partner countries of UN-REDD
GREEN BONDS	Medium	Millions	Two years of preparation for funding over 10 years	Mediterranean CTFs	- NGOs - NatureVest, CPIC - WB, AfDB, EBRD	- Suitable for maritime transport (promotion of low carbon transport), forestry/PA, and water stewardship - France will offer its first green bonds in first quarter 2017
DEBT FOR NATURE SWAP	Medium	From 5 to tenth of millions	Two years of preparation	Morocco, Algeria, Tunisia, Albania, Montenegro Macedonia, Lebanon and Greece	- Ministries of Finance - BINGOs - Mediterranean CTFs - Experts in public finance	- Initial screening of the debt structure in target countries is recommended
PROJECT FINANCE FOR PERMANENCE	Low	$10M to $100M	From five years of preparation for funding in perpetuity	Regional	- Mediterranean CTFs - NGOs, regional networks - European and American Foundations - Private sector, private banks and funds	- WWF released a publication on PFP at the IUCN Congress in 2016 - Initiatives need to be at scale, either at national level or regional level (i.e., covering several Mediterranean countries)

4. SECURING AND LEVERAGING FUNDING, GEOGRAPHICAL AND THEMATIC OPPORTUNITIES

4.2. WEST AFRICA

Over recent decades various governments, conservation organisations and networks have focused on the conservation of Coastal West Africa. While significant results have been achieved, additional effort and increased financial resource is required. The table below summarises how the financial mechanisms presented in this report could support conservation in Coastal West Africa.

Figure 13: Feasibility of financial mechanisms in West Africa

MECHANISM	FEASIBILITY	FINANCIAL POTENTIAL	FUNDING TIMEFRAME	MOST PROMISING SITES	KEY PARTNERS	OBSERVATIONS
MULTILATERAL AID	Very High	More than $100M	Over two years of preparation for two to ten years of funding	All countries	- Governments - International NGOs (e.g., IUCN and WWF as GEF and GCF implementing agencies) - UNDP, World Bank - Designated National Authorities	- As a new and potentially central international donor, the GCF warrants particular attention
PHILANTHROPY	High	Millions	Up to two years and for an average of three years of funding	All countries	- American and/ or European Foundations prioritising West Africa - Members of the regional diaspora - National NGOs	- Could benefit from engagement of different foundations
PARK BONDS	High	Millions	Two years of preparation if supported by a Development Bank for at least ten years of funding	Mauritania, Guinea Bissau, Côte d'Ivoire	- World Bank or AfDB - French and Swiss Authorities - International corporations - All west African CTFs	- Useful to promote and initiate 'Park Bonds for West Africa' as a pilot project - Identifying a guarantor is key
GREEN TAXES	Medium	From hundreds of thousands to millions	Two to four years of preparation for funding likely to be in perpetuity	All countries	- Ministries of Environment and Economy/ Budget - PRCM / APPEL - National NGOs to lead the advocacy	- Main tool for government to demonstrate interest in biodiversity conservation - Feasibility studies should be drafted by tax advisors and economists - Rule of law and budgetary transparency must be high
BIODIVERSITY OFFSETS	Medium	Millions	From one year to several years of preparation for very long-term funding	Morocco, Guinea Bissau, Guinea	- Oil and mining companies (e.g., bauxite in Bissau Guinea) - All West African CTFs - WCS - BBOP	- Willingness of mining companies to engage in biodiversity offsets may be low

MECHANISM	FEASIBILITY	FINANCIAL POTENTIAL	FUNDING TIMEFRAME	MOST PROMISING SITES	KEY PARTNERS	OBSERVATIONS
REDD+	Medium	From low to very high	Four to five years of preparation for funding over 30 years	Guinea Bissau, - Morocco, - Senegal	- World Bank and IBAP for Guinea Bissau - Designated National Authority (UNFCCC) of Senegal	- Focus should be primarily on existing successful REDD+ projects in the region.
PAYMENT FOR ECOSYSTEM SERVICES	Medium	From $50K to $10M	Minimum of two years of preparation for very long-term funding	Cape Verde	- Birdlife, PRCM, APEL - GEF, SGP GEF, FFEM	- EU Fisheries Agreements with Cape-Verde, Mauritania, Senegal (and Gambia, Guinea non-active agreements) - Cape-Verde ecotourism sector
IMPACT INVESTING	Medium	From $5M to tens of millions	From two to five years of preparation for five years of funding	Cape Verde, Senegal	- Some national NGOs may be interested in identifying or developing small-scale green projects in the field that could be offered to impact investment funds	- Opportunities in the emerging impact investment sector, including in West Africa, but translation into conservation benefits maybe difficult - Ocean conservation opportunity mixing support for fisheries and MPAs - Private companies and American NGOs may soon produce proposals that need co-financing
BLUE BONDS	Medium	From $5M to $100M	Around five years of preparation for five to ten years of funding	Senegal, Cape Verde, Gambia Fisheries	- WCS, EJF, Marine Stewardship Council - APEL, PRCM, CPIC - AfDB, WB – NatureVest, Encourage Capital	- Fisheries and MPAs require a national or multi-country approach
DEBT-FOR-NATURE SWAP	Low	From 5 to tenth of millions	Two to four years of preparation	All countries	- Ministries of Finance - International NGOs - CTFs - Experts in public finance	- Analysis of national debt structures would be informative but a relatively small opportunity as most West Africa debts have already been cancelled
DIRECT BIODIVERSITY FEES	Low	$50K to $10M	Over two years of preparation	Cape Verde, MPAs	- UNDP - MPA managers, public authorities - GEF, SGP GEF, FFEM - Private sector (e.g., tourism)	- Cape Verde is setting up biodiversity fees on tourism activities (e.g., cruise, hotel, diving) and building on the existing UNDP project

4. SECURING AND LEVERAGING FUNDING, GEOGRAPHICAL AND THEMATIC OPPORTUNITIES

MECHANISM	FEASIBILITY	FINANCIAL POTENTIAL	FUNDING TIMEFRAME	MOST PROMISING SITES	KEY PARTNERS	OBSERVATIONS
PROJECT FINANCE FOR PERMANENCE	Very Low	Tens of millions	From five years of preparation for funding in perpetuity	Coastal, Regional	- PRCM could theoretically lead together with an experienced international NGO	- Very promising mechanism but probably too early to launch an ambitious regional initiative in West Africa
GREEN BONDS	Very Low	At least several million	Two years of preparation	All countries	- World Bank - Multilateral Development Banks (e.g., AfDB)	- Issuing green bonds in West Africa is probably too risky and unlikely to cover conservation

4.3 GOING FORWARD

Biodiversity conservation is a major challenge requiring levels of finance that public actors alone cannot provide. Many opportunities for additional funding exist, though depending on location and context, some financing mechanisms described in this report are likely to be more successful or appropriate than others.

Conservation organisations working in West Africa and the Mediterranean are encouraged to explore and implement some of the sustainable financing mechanisms presented in this report. MAVA's ambition is to ensure a smooth transition for its partners and create a lasting conservation legacy when its own funding ends in 2022.

A key factor for success is the effective marshalling and channelling of resources.

Government support for conservation is essential for its long-term sustainability but varies enormously from one country to another in West Africa and the Mediterranean. Conservation organisations should therefore continue to support and strengthen all relevant national authorities.

In parallel, the promotion of innovative financing mechanisms by CTFs is essential. Many mechanisms will only be workable if reliable, independent, transparent, professional and results-oriented institutions are able to mobilise and manage resources in the field. And in many contexts, CTFs have proven to be the actor most able to unlock additional funds from the private sector. Conservation organisations should therefore continue to collaborate with CTFs, using them as channelling mechanisms, consolidating and capitalising them further, and helping them promote innovation.

Conservation organisations could also consider setting up new CTFs at national, regional or even international levels. As this can be a lengthy process, precedence should be given to countries and areas of high conservation priority where there is already interest from local actors or donors. The Mediterranean region and Cape Verde may be the most straightforward targets.

The establishment of an international CTF also has potential. Acting as a host fund, it could channel resources to specific geographies and issues not yet covered by other CTFs, and offer financial support and services to local, national and regional institutions in need of reliable fund management. CFA, for example, has the necessary legitimacy to initiate and lead such a process.

Now more than ever, environmental philanthropists are in an ideal position to take risks, support pilot projects and feasibility studies, and try out new mechanisms most relevant to specific places and situations – from Park Bonds in West Africa and REDD+ in Guinea Bissau and Mauritania, to Blue Bonds and Debt-for-Nature Swaps in the Mediterranean, and incubator promotion with CFA.

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