Eco2Fin

A Sustainable Finance Tool for Protected Areas

WOLFS COMPANY
NATURE BY NUMBERS

INTRODUCTION

In order to overcome the gap that generally exists between the financing needs for adequate management of Protected Areas (PAs) and the available funds, PAs often have to explore alternative financing mechanisms. Wolfs Company has developed Eco2Fin, a tool that applies a system approach to explore sources of sustainable financing or improve the effectiveness of existing financing streams. Eco2Fin uses the "The Economics of Ecosystems and Biodiversity" (TEEB) framework (Millennium Ecosystem Assessment, 2005) to identify potential sustainable financing mechanisms within the ecological and governance context of the specific PA, thereby also creating insights into the feasibility of the identified financing mechanisms.

IDENTIFYING AND UNLOCKING FINANCE STREAMS IN 10 STEPS

Eco2Fin is a practical system approach divided in two phases, which follows 10 steps and can be applied to identify and assess potential financing mechanisms for a PA. This approach is based on the premise that a successful sustainable financing strategy needs to identify context-specific obstacles for financing instruments and generate solutions on that basis.

Phase I - Scoping

1. PA Ecosystems: Identification of the relevant ecosystems of the particular PA. Additionally, it is also useful to identify which threats are the most important in affecting the health of the terrestrial and marine ecosystems.

2. Ecosystem Services: Assessment of the services that the ecosystems deliver. Ecosystem services are described as the benefits that humans derive from these ecosystems (Millennium Ecosystem Assessment, 2005). For the particular PA, the societal and economic benefits that are derived from the PA are to be evaluated, as well as their relative importance for the protected area and the beneficiaries of these services. Some of the ecosystem services that could be derived from ecosystems in protected areas could include: recreation (for tourists and locals), food (fish, forest products, meat), coastal protection, biodiversity conservation and water retention.

3. Beneficiaries: The stakeholders that are affected or benefit from those ecosystem services need to be established. Some of these may appear evident, like fishermen in relation to food production or tourists in relation to recreation. However, it is important to think broader and also consider beneficiaries outside of the borders of the protected area.

4. Finance Streams: Making an inventory of all the, current and potential, financial streams that may flow from these beneficiaries. In other words, to identify mechanisms through which financial flows can be transferred from the beneficiary to the management of the PA. At this stage, a valuation of these flows is not necessarily required and it is important, again, to be broad with the inventory.

5. Influential people/decision makers: Next, we need to look into the decision makers that ultimately decide on the funding of nature management in relation to the PA. These decision makers are the ones that have influence on the rules and regulations that allow or limit the possibilities of the PA to generate its own funds. At the same time, they may also be in control of the revenues that are generated at the PA level and/or allocate funds for nature management (see step 7 below).

Phase I - Scoping

6. PA Managers: These are the ultimate persons responsible for the day to day operation and management of the PA. They are the ones that will use the funding of the PA to address the threats to the ecosystems of the PA and implement appropriate conservation measures. Different schemes of PA management exist through the world. The specific management structure will be an important determinant of the viability of potential financial mechanisms.
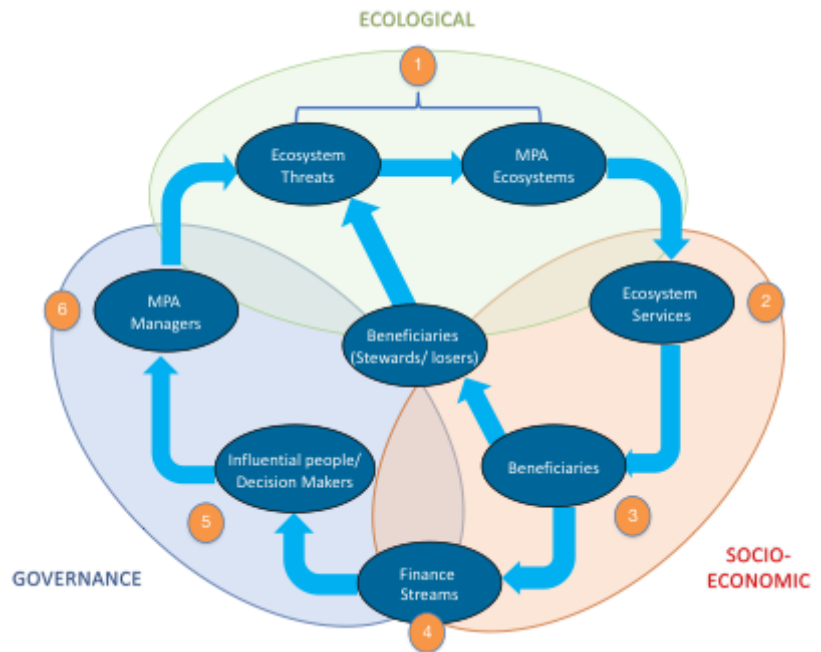
Hereafter, it could be advisable to focus on just a number of the beneficiaries and finance streams identified, and carry out the next steps of the assessment based on this selection. This prioritization can be made on the basis of different criteria, for example likelihood of implementation, time required, level of complexity, etc. Finance streams could also be quantified at this stage in order to determine their economic importance (Berghöfer, 2012).
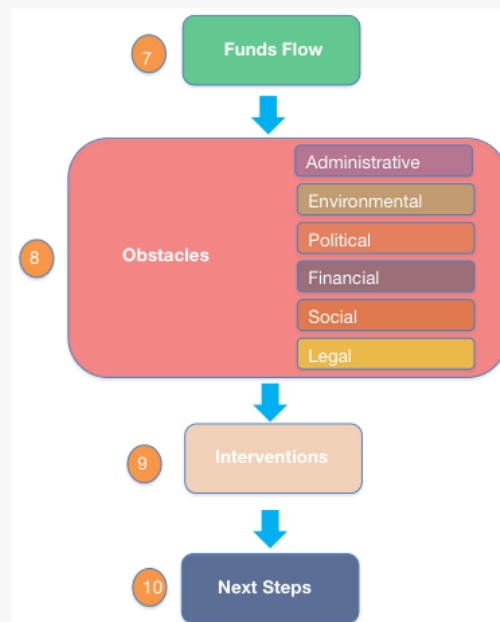
7. Flow of funds: It is now necessary to determine the flow of financial resources from the beneficiaries to the PA managers. This assessment will comprise not only the finance streams identified in step 4, but also the flow of current funds, which may include the regular government budget that might be periodically allocated to the PA from central/local government. This step could show, for example, that the decision makers tap directly from the beneficiaries and pass those funds through to the MPA managers for nature management purposes or, to the contrary, use the resources generated at the PA level for other means (e.g. overall government spending).

8. Obstacles in the system: After closing the loop of stakeholders and flows in the financing system, we proceed to identify obstacles and bottlenecks in the system that prevent the financial flows to be realized or to flow to the appropriate level of PA management. These obstacles can include gaps, problems, challenges, etc. By way of example, these could refer to the level of entrance fees charged, the ineffectiveness of collection of funds, the inappropriate allocation of green funding, lack of information, miscommunication between the PA management and the decision makers, etc.

9. Possible interventions to address obstacles: Depending on whether a prioritization was made after step 6, it might be advisable to select a number of target areas from the obstacles identified, which are to be discussed and analysed further in order to look for potential ways to address such obstacles. The measures to tackle the obstacles will of course depend on the obstacles identified in the particular PA. Using some of the examples mentioned in step 8, these could include increasing the amount charged for entrance fees, implementing or diversifying the system of nature-related user fees, implementing alternative ways of collecting fees, creating a funding structure that would allow direct allocation of funds to the PA managers, etc.

Phase II - Analysis and Next Steps

10. Next steps: After potential measures to address the identified target issues have been discussed, it will probably be necessary to undertake certain actions that would help highlighting and better identifying the issues at stake, as well as provide direction or insights in how to achieve the desired measure to address the obstacles. Based on the previous examples, some of these next steps might include gathering of additional information from stakeholders, conducting 'Willingness to Pay studies' to assess an appropriate level of PA fees, engaging in dialogue with the decision makers, introducing financial expertise to the PA management organisation, creating a multi-year financial plan, developing a business model, etc.

FINAL REMARKS

The approach presented here is meant as one of the stages in the elaboration of a sustainable financing strategy. Given its generic nature, it could be applied to different geographic regions and in PAs with very different levels of protection and financing needs. In each case, the specific context of the PA will determine which financial mechanisms are feasible and where the focus for a sustainable financing strategy should be laid. For example, the focus could be on addressing the obstacles that prevent the effectiveness of existing financing mechanisms or on capturing value from finance streams that are currently not being exploited. Throughout the assessment, attention should be paid to financial, legal, environmental, administrative and social indicators that will help evaluating whether the selected financing instruments may result in a sustainable financing strategy (LujánGallegos et al., 2005).

Wolfs Company has wide experience with the implementation of the Eco2Fin tool, both in coastal-marine and terrestrial protected areas. This experience covers both phases of the Eco2Fin tool, as well as supporting protected areas with the implementation of the interventions and next steps identified. These include, for example: preparation of multi-year financial plans, development of strategic plans for the implementation of selected finance mechanisms, research to provide fact-based evidence to engage in budget allocation discussions, support with advocacy for budget allocations and developing performance and socio-economic indicators to measure return-on-investment of investments in conservation.

References

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Contact
viviana.lujan@wolfscompany.com