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### AD HOC OPEN-ENDED WORKING GROUP ON PROTECTED AREAS

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Item 3.2 of the provisional agenda\*

### OPTIONS FOR MOBILIZING FINANCIAL RESOURCES FOR THE IMPLEMENTATION OF THE PROGRAMME OF WORK BY DEVELOPING COUNTRIES AND COUNTRIES WITH ECONOMIES IN TRANSITION

*Note by the Executive Secretary*

#### EXECUTIVE SUMMARY

In accordance with decision VII/28, the Ad Hoc Open-Ended Working Group on Protected Areas is to explore options for mobilizing adequate and timely financial resources for the implementation of the programme of work by developing countries and countries with economies in transition.

The present note reviews existing strategies for raising protected-area financing. Mechanisms with notable growth potential at the national level include the further development and application to protected areas of conventional fiscal and financial instruments such as taxes, subsidies, credit schemes, and devolution of cost and benefit-sharing mechanisms, as well as the development of new markets for protected-area goods and services. The current situation of the protected-area budgets and financial shortfalls in developing countries, as reported in some recent studies, are also described in the note. An up to-date global overview of protected-area funding by national Governments and other sources is not available. Current protected-areas financing, estimated at \$0.8 billion, falls far short of the amount required (\$1-1.7 billion per year) to effectively manage the existing protected areas in developing countries, let alone to expand the system to cover priority sites.

Increased international assistance, the broadening of economic assessment, the rationalization of taxation, fees and payments for environmental service schemes, and partnership initiatives with private sector are some of the options for generating resources. Building strong institutional arrangements for financing the implementation of the programme of work is essential. The prospects for foreign direct investment remain strong and the external sources of funding will remain essential in the short term. As the financial mechanism of the Convention, the Global Environment Facility (GEF) has a central role to play in providing funding support for the programme of work. Other funding agencies, particularly the bilateral donor agencies, will need to provide significant additional funding.

\* UNEP/CBD/WG-PA/1/1.

## SUGGESTED RECOMMENDATIONS

The Ad Hoc Open-Ended Working Group on Protected Areas may wish to request the Conference of the Parties :

1. *Urge* Parties:

(a) To organize national—and as appropriate, regional—protected-area financing roundtables of donors and recipient Governments, for the purpose of advancing progress on national and regional-level sustainable finance strategies and the achievement of target 3.4 in the programme of work on protected areas adopted by the Conference of the Parties at its seventh meeting;

(b) To consider prioritizing the need to undertake, on an immediate basis, a national protected-area values and benefits initiative, in accordance with activities 3.1.2 and 3.4.6 of the programme of work, to assess, document and communicate the socio-economic values of protected-area systems, focusing in particular on the critical contribution to poverty alleviation and achievement of the Millennium Development Goals (MDGs);

(c) To design financial sustainability plans for protected-area systems that incorporate a diversity of national and international funding sources and include:

- (i) Analysis of current financial income and expenditures, overall financial needs and gaps;
- (ii) Definition and quantification of protected area goods and services, and potential sources of investment to pay for such goods and services;
- (iii) Screening and feasibility analysis of potential financial mechanisms;
- (iv) Elaboration of a comprehensive financial plan for ensuring long-term financial support for the system of protected areas;

(d) Implement comprehensive financial plans for ensuring long-term financial support for the system of protected areas, considering the following options:

- (i) National environmental or conservation trust funds that support protected areas systems (Such funds can be used for channelling multilateral and bilateral grants, tourism-based revenues, debt-for-nature swap proceeds, and contributions from non-governmental organizations.);
- (ii) Funding mechanisms around tourism, resource extraction (e.g., environmental compensation payments linked to petrochemical operations), and other high-revenue industries that have direct links to protected areas, without placing undue stress on or increasing threats to protected areas;
- (iii) Funding mechanisms that channel the economic values of ecosystem services (e.g., water-use fees);
- (iv) Redirection of perverse subsidies to support protected areas (possibly starting with those sectors having clearest linkages to protected areas);
- (v) Support to institutional strengthening and improved governance of protected areas management authorities and to build capacity of protected-area officials to undertake financial planning and management with business approaches;

2. *Invite* the United Nations Development Programme, the World Bank and the United Nations Environment Programme, along with other relevant organizations, to help facilitate and support the protected area financing roundtables referred to in paragraph 1 (a) above;

3. *Invite* the Global Environment Facility:

(a) To approve and operationalize a new expedited funding window for fast-disbursing grant funding to support early action activities of the programme of work (e.g., 2006 and 2008 timelines) at a scale to sufficiently support developing countries, particularly least developed and small island developing States, and countries with economies in transition;

(b) To provide full-sized and medium-sized GEF grants designed to support national systems of protected areas and the targets and timetables in the programme of work and focus more sharply on protected area systems and sustainability strategies; and

(c) To increase the envelope of GEF biodiversity funds for protected areas in the GEF-4 business plan, taking into account the goals and targets in the programme of work and GEF's niche in providing system-wide protected-areas support;

4. *Urge* developed countries:

(a) To support a strong fourth replenishment for the GEF, taking into account the goals and targets in the programme of work and the need for new and additional funding to support this work in developing countries;

(b) To establish a dedicated funding support to protected areas as part of development assistance directed at achievement of the Millennium Development Goals, and in line with the Millennium Development Goal 7 indicators of protected area coverage and forest cover;

(c) To provide enhanced support for conservation trust funds and other long-term financing mechanisms that have proven to be particularly successful in supporting recurrent protected area management costs;

(d) To explore carbon funding linked to reduction in deforestation rates under the Kyoto Protocol process; and

(e) To support projects aimed at long-term financial sustainability of protected area systems;

5. *Urge* international non-governmental organizations, private foundations and private sector:

(a) To provide developing countries, countries with economies in transition, financial and technical support to implement the programme of work;

(b) To design, support and implement capacity-building programmes for protected areas functionaries in the developing countries to develop and implement sustainable financing mechanisms for protected areas; including through such partnerships as the Conservation Finance Alliance and the IUCN World Commission on Protected Areas; and

(c) To develop partnership initiatives and institutional arrangements for financing the implementation of the programme of work.

6. *Request* the Executive Secretary:

(a) To make existing conservation-finance tools available through the clearing-house mechanism; and

(b) To submit the present recommendation for the information and for further action of participants in the donors' meeting to be held in Montecatini, Italy, following the first meeting of the Ad Hoc Open-ended Working Group on Protected Areas.

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## I. INTRODUCTION

1. Throughout its decision VII/28, in which the programme of work on protected areas was adopted, the Conference of the Parties recognized the need for adequate financial resources and technical support to developing countries for implementing the programme of work in particular support for those urgent activities underlined in the programme of work. In particular, the Conference of the Parties recalled this need in paragraph 4 of the decision and, in paragraph 9, urged Parties, other Governments and funding organizations to mobilize adequate and timely financial resources for the implementation of the programme of work by developing countries. More specifically the Conference of the Parties requested the Global Environment Facility to further develop its portfolio on protected areas and to support country-driven actions for the implementation of the programme of work by streamlining its procedures and the provision of fast disbursing resources (decision VII/20, para.10).

2. In paragraph 29 (b) of decision VII/28, the Conference of the Parties suggested that the Ad Hoc Open-ended Working Group on Protected Areas should assist Parties, other Governments and funding organizations in implementing paragraph 9 of that decision by exploring “options for mobilizing as a matter of urgency through different mechanisms adequate and timely financial resources for the implementation of the programme of work by developing countries, particularly in the least developed and the small island developing States amongst them, and countries with economies in transition in accordance with Article 20 of the Convention, with special emphasis on those elements of the programme of work requiring early action”.

3. With regard to the mobilization of financial resources for the implementation of the programme of work by developing countries, the Conference of the Parties, in both paragraphs 9 and 29 (c) of decision VII/28, emphasized Article 20 of the Convention and those elements of the programme of work requiring early action. The overall deadline for implementation of the programme of work is 2010 for terrestrial and 2012 for marine areas. Important intermediate deadlines are 2006 (eighth meeting of the Conference of the Parties) and 2008 (ninth meeting of the Conference of the Parties). Particularly urgent is the 2006 deadline for a set of activities that will collectively constitute the first major benchmark towards full implementation of the programme of work by 2010/2012. Those activities to be implemented by 2006 and 2008 need to be given priority attention for funding and these are listed in the annex.

4. The Executive Secretary has prepared the present note to facilitate the Working Group in consideration of item 3.2 of the provisional agenda (UNEP/CBD/WG-PA/1/1) for the first meeting of the Working Group. The note reviews the existing strategies for mobilizing funds for protected areas and identifies their main advantages and disadvantages (especially) in terms of their capacity to generate adequate and timely sustainable funding (section II). Section III of the document reviews the current situation of the protected areas financing and shortfalls as reported in some recent studies. Options for mobilizing as a matter of urgency financial resources are dealt with in section IV. Some conclusions are presented in section V.

## II EXISTING STRATEGIES FOR RAISING PROTECTED AREA FINANCING

5. Over recent decades a wide range of protected area financing mechanisms has been developed. Extensive technical guidance on all aspects of conservation finance is available from a number of

sources. <sup>1/</sup> These sources contain comprehensive information and decision tools on a wide range of finance mechanisms. A checklist of financing alternatives for protected areas, adapted from Pablo (2003) <sup>2/</sup> is presented below (box 1). A majority of these mechanisms are currently available in many countries (grants, trust funds, loans, etc.). Some others are still in their early development stage (e.g. carbon sequestration, or developing systems of payments for environmental services). A few others are still conceptual but nonetheless merit consideration (e.g., an international system of payments for the global commons and a global energy tax). A detailed description of these mechanisms along with examples and case-studies are available in the resources documents mentioned earlier. In addition, a wealth of information on these mechanisms is also available in the papers presented in the “Sustainable Finance Stream: Building A Secure Financial Future” during the fifth World Parks Congress, held in Durban South Africa, in September 2003. <sup>3/</sup>

6. The relative strengths and weaknesses of some of these mechanisms are summarized in table 1 on pages 8-9 below.

<b>BOX 1. A checklist of financing mechanisms for protected areas (adapted from Pablo (2003))</b>
<p><b>Mostly Public Sources:</b></p> <ul style="list-style-type: none"> <li>- Public budget funding for protected areas;</li> <li>- Earmarking for protected areas a percentage of one or more general taxes collected at national, state or local level;</li> <li>- Special laws delivering extra-budgetary financial support to particular social groups, geographical areas or activities;</li> <li>- Tax breaks or subsidies for protected areas;</li> <li>- Earmarking for protected areas financing a percentage of one or more selective taxes collected at national, state or local level (e.g. taxes on energy, airports, cruise ships, hotel and resort charges and others);</li> <li>- Earmarking for protected areas financing a percentage of one or more charges, fees, fines and penalties related to the use (or abuse) of natural resources (e.g. water charges, ground water charges, stumpage fees and other natural resources extraction fees, entrance and users fees, charges on emissions and feed stock, release or dumping of fertilizers, pesticides, charges to solid wastes, and environmental fines and penalties etc.);</li> <li>- National, state and local development bank’s loans;</li> <li>- Debt-for-nature swaps;</li> <li>- Environmental funds (endowments, sinking and revolving funds);</li> <li>- Multilateral aid and development agencies;</li> <li>- International development bank’s loans;</li> <li>- Bilateral aid and development agencies.</li> </ul>

<sup>1/</sup> Conservation Finance Alliance (2002) Mobilizing Funding for Biodiversity Conservation. A user Friendly Training Guide for understanding, Selecting and Implementing Conservation Finance Mechanisms [an on line guide] [www.conservationfinance.org](http://www.conservationfinance.org) and <http://guide.conservationfinance.org/>. EPA-USA (1999) “ A Guidebook of Financial Tools” [http:// www.epa.gov/efinpage/](http://www.epa.gov/efinpage/). Interagency Planning Group on Environmental Funds (IPG) (2002) The IPG Handbook on Environmental Funds [an online resource] <http://biodiversityeconomics.org/pdf/topics-222-00.pdf> . IUCN (2002) Biodiversity Economics Library [an online resource] <http://www.biodiversityeconomics.org> . Kloss, D. (2002) “Guide to sustainable Financing of Biodiversity and Protected Areas “ <http://www.conservationfinance.org/Documents/CFA%20Training%20Guide/GTZ-CF-Guide/guide.pdf> . OECD (2002) “ Environmental Financial Strategies” <http://www.oecd.org/EN/about> further page/0,,EN-about further page-499-nondirectorate-no-no--8no-no-3,FF.html . PROFOR(2202)” Financing Sustainable Forest Management “ [an on line resource] [http://www.profor.info/pages/publications/financing\\_SFM.htm](http://www.profor.info/pages/publications/financing_SFM.htm)

Spergel, B.(2001) “ Raising Revenues for Protected Areas. A menu of options” <http://biodiversityeconomics.org/pdf/topics-226-00.pdf>

<sup>2/</sup> Pablo,G. From Good will to payments for Environmental Services: A survey of Financing Alternatives for Sustainable Natural Resource Management in Developing Countries. WWF Macroeconomics for Sustainable Development Programme Office, Economic Change Poverty and Environment Project, Danida, WWF, August 31, 2003.

<sup>3/</sup> [http://www.conservationfinance.org/WPC/WPC%20Sust\\_finance\\_papers.htm](http://www.conservationfinance.org/WPC/WPC%20Sust_finance_papers.htm)

**Mostly private for non-profit sources**

- Community self-support groups and other forms of social capital;
- Secular and faith based charities;
- Special fund-raising campaigns (e.g. save panda, friends of national park etc);
- Merchandising and good cause marketing;
- Lotteries;
- Social and environmental NGOs;
- Foundations.

**Mostly private for –profit sources**

- Community based enterprises, formal and informal;
- Private investment by local business;
- Commercial bank loans;
- Direct investment by non-local investors (e.g. ecotourism);
- Private public partnerships;
- Private community partnership;
- Venture capital;
- Portfolio investors (green funds).

**Mostly payments for environmental products**

- Markets for organic agriculture products;
- Markets for sustainably harvested non timber forest products;
- Markets for certified forest products;
- Markets for certified fishery products;
- Resource extraction charges.

**Mostly payments for environmental services**

- Markets for biodiversity conservation and bioprospecting;
- Markets for carbon offsets;
- Markets for watershed protection;
- Markets for landscape beauty, including eco-tourism and tourism;
- Markets for development rights and conservation easements;
- Quasi-markets and non-market systems of payments for environmental services;
- Use fees and entry fees;
- Funds for protected areas associated with international treaties;
- GEF payments for the global commons;
- Earmarking for protected areas, part of one or more international taxes.

**Mostly reducing the need for additional financing**

- Freeing up existing public resources (e.g., redirecting money from harmful public subsidies to protected area);
- Encouraging the mobilization of private resources (e.g. securing tenure, promotion, regulation streamlining).

**Table 1. Strategies for financing protected areas: advantages and disadvantages**  
(Source: Spergel 2001) <sup>4/</sup>

Strategy	Advantages	Disadvantages
<b>Government funding:</b> direct governmental budget allocations to support protected areas	<ul style="list-style-type: none"> <li>• Government funding may be more sustainable than private or international donors because the priorities of outside funders may shift, and frequently they do not provide long-term funding</li> <li>• Increased government support can demonstrate that conservation is an important national priority rather than simply the concern of private organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Government funding may be vulnerable to shifts in national spending priorities and to across-the-board budget cuts in times of economic crisis</li> <li>• Political patronage and political agendas may guide decisions that should be based on conservation criteria</li> </ul>
<b>Grants:</b> donations from individuals, foundations, the private sector and international donor agencies	<ul style="list-style-type: none"> <li>• There is a vast network of donors that are often interested in making a significant impact in an individual park or through a specific project</li> </ul>	<ul style="list-style-type: none"> <li>• Donors often shift their priorities and frequently provide only short-term support</li> <li>• Parks can find themselves managing projects for objectives determined by donors, rather than for the objectives or best interests of the park</li> </ul>
<b>Debt-for-nature swaps:</b> agreements whereby national debt is forgiven by banks or purchased by conservation organizations in exchange for the debtor country “repaying” the cancelled debt by spending local currency on conservation programmes	<ul style="list-style-type: none"> <li>• Swaps offer a way for conservation organizations and international donor agencies to leverage their funds and finance a much greater number of conservation activities in the debtor country.</li> <li>• Swaps offer a way for developing country governments to reduce their international debt by using local currency to fund worthy projects inside the country, rather than sending scarce hard currency out of the country to repay creditors</li> </ul>	<ul style="list-style-type: none"> <li>• Swaps may be extremely complex to execute and may require the involvement of technical experts from multiple government agencies</li> <li>• The financial leverage achieved by a swap may be eroded by subsequent local currency devaluation or inflation. The problem can be mitigated if the debtor government links local currency payments to the US dollar or some other external standard</li> </ul>

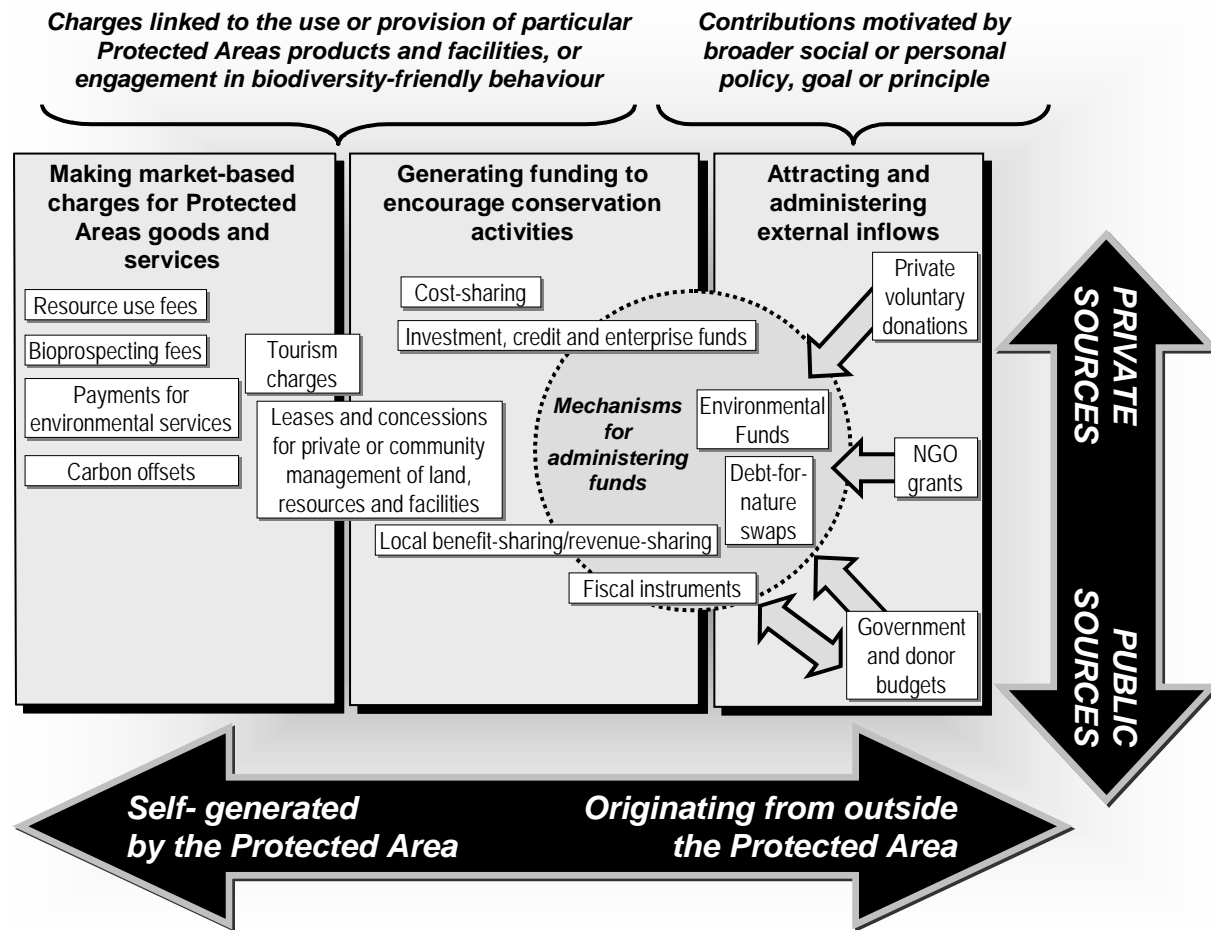
<sup>4/</sup> Spergel, B, 2001, *op cit*

Strategy	Advantages	Disadvantages
<p><b>Conservation trust funds:</b> money or other property that (a) can only be used for a specified purpose or purposes (in this case specified conservation purposes), (b) must be kept separate from other sources of money, and (c) is managed and controlled by an independent board of directors</p>	<ul style="list-style-type: none"> <li>• Can provide sustained, long-term funding for protected areas</li> <li>• Are a way of channeling large international grants into many small local grants, and extending the lifetime of the grant over a longer period</li> <li>• Can be used to strengthen “civil society” by appointing NGO and private sector representatives to the board and giving them equal power as government representatives</li> </ul>	<ul style="list-style-type: none"> <li>• May have high administrative costs, especially if the fund’s capital is relatively small or if the fund provides substantial technical assistance to grantees in designing and implementing projects</li> <li>• May generate low or unpredictable investment returns, especially in the short term, if they do not have a well-conceived investment strategy</li> </ul>
<p><b>User fees, taxes, and other charges earmarked for protected areas:</b> fees such as entry fees to parks, recreational permit fees, surcharges on airports, cruise ships and hotel rooms, fees and royalties to extraction industries, taxes on pollution, and watershed conservation fees, among others</p>	<ul style="list-style-type: none"> <li>• The various taxes and fees can generate large amounts of money from previously untapped sources</li> <li>• The “user pays” principle and the “polluter pays” principle are widely recognized as fair ways of apportioning costs for protecting the environment</li> </ul>	<ul style="list-style-type: none"> <li>• It may be politically difficult to charge fees for use of what was previously treated as a free public resource</li> <li>• The income from many kinds of user fees and earmarked revenues can unexpectedly decline. Tourist numbers may suddenly drop as a result of domestic or international, political or economic crises. Fees for natural resource extraction and payment for environmental services may decline if the resource dries up or if the resource price drops</li> <li>• User fees are an effective conservation tool only if they are specifically earmarked for protected areas. Otherwise, governments may be tempted to spend the revenue from user fees and tourism taxes for other purposes</li> </ul>

8. In a recent study, IUCN <sup>5/</sup> categorized protected-area funding mechanisms on a spectrum from public to private sources, and between those, which rely on external inflows and self-generated revenues. A typology of protected area financing mechanisms is depicted in figure 1 on page 10 below.

<sup>5/</sup> IUCN 2005 ( in press). Sustainable Financing of Protected Areas: A global review of challenges and options. The World Conservation Union, Gland, Switzerland.

**Figure 1: A typology of protected area funding mechanisms (Source, IUCN 2005)**



9. These three categories include a range of financing mechanisms, which can be grouped according to how funds are primarily raised and used:

(a) Financing mechanisms, which are concerned with attracting and administering external flows, include government and donor budgets, NGO grants and private and voluntary donations, from both international and domestic sources;

(b) Cost-sharing and benefit-sharing, investment and enterprise funds, fiscal instruments and arrangements for private or community management of protected-area land, resources and facilities are primarily mechanisms for generating funding to encourage conservation activities among the groups who use or impact on protected areas;

(c) Resource use fees, tourism charges and payments for environmental services all make market-based charges for protected area goods and services.

10. IUCN described these mechanisms focusing on their current status, obstacles and opportunities for their use, future potential and challenges to be addressed, using case-studies. Conclusions of this study are summarized in tables 2, 3 and 4 on pages 11-13 below.

**Table 2: Mechanisms for attracting and administering external inflows: status, potential and needs**  
(Source IUCN 2005)

<b>Mechanisms</b>	<b>Status</b>	<b>Main potential</b>	<b>Needs and actions required</b>
Domestic government budgets and foreign assistance	Remain a core component of PA funding. Some evidence that overall amounts of funds declining. Major reorientation to poverty reduction and sustainable development goals. Alone, are not enough: need additional financing mechanisms	Existing flows can be maintained or increased.  Important as source of direct budgetary support for PA agencies.  New opportunities for PA funding through sustainable development and poverty reduction windows	Continuing focus on core commitments and obligations to fund PAs Reorientation of PA funding in line with sustainable development and poverty reduction goals Increasing awareness among development and conservation decision-makers of PA-development links
Private voluntary donations	An important, although rarely major, source of overall PA funding. Can be critical at the level of individual PAs, species or conservation goals. Increased interest in PAs from the corporate sector	Continuing support to PA funding, especially at micro-level.  Potential for increasing corporate sponsorship and funding	Need to sustain and increase public interest in PA concerns  Increasing interaction with private sector  Development of new approaches and marketing of PA causes
Debt for nature swaps and environmental funds	A major source of finance for PAs through the 1980s and 1990s  Have declined in popularity and are less common now	Can provide substantial and secure amounts of funding overall, and for individual PAs Important as source of direct budgetary support for PA agencies.  New opportunities for PA funding through sustainable development and poverty reduction windows	Reorientation of PA funding in line with sustainable development and poverty reduction goals Convincing donors to release large amounts of funds and devolve decision-making to fund managers Convincing PA agencies to invest funds for the future

**Table 3: Mechanisms for generating funding to encourage conservation activities: status, potential and needs (Source IUCN 2005)**

<b>Mechanisms</b>	<b>Status</b>	<b>Main potential</b>	<b>Needs and actions required</b>
Fiscal instruments	Traditionally not applied to conservation goals or environmental sectors  Increasing use for protected areas both to raise funds and to change consumer and producer behaviour	Source of budgetary revenues and funding transfer mechanism to producers and consumers.  Substantial potential to apply to protected areas  Opportunities to increase their use as funding and motivational tools	Factoring protected areas into broader fiscal systems  Strengthening priority accorded to protected areas by economic planners  Enhancing awareness among conservation decision-makers about potential to raise funds and change behaviour
Benefit-sharing and revenue-sharing	Now recognized as integral component of protected area management and funding  Not usually accorded primary priority in use of protected area budgets	Major potential to offset local opportunity cost  Growing need to balance rising local pressure on protected area lands and resources	Reinforcing importance of integrating local funding into protected area financing strategies  Increasing availability of local funding.  Tapping into development finance sources.  Improving the form in which benefits and revenues are shared
Cost-sharing	Recent rise in use.  Traditional focus on government as sole managers and funders of protected areas	Large potential to meet cash flow and finance gaps in individual protected areas, and to take burden off government budgets.  Untapped potential to solicit voluntary and mandatory cost-sharing by private sector and NGOs	Encouraging protected area managers to devolve responsibility and funding monopoly.  Making cost-sharing mandatory in some cases.  Responding to willingness and ability of other groups to share in costs.  Defining reciprocal rights and responsibilities.  Developing supportive regulations and legislation
Investment, credit and enterprise funds	Becoming available to small to medium size organisations with a pro conservation charter although protected area management agencies would not normally have access to these funds	Potential lies mostly with community based organizations wishing to provide services to protected area visitors on a for profit basis.  The application of business principles to capital projects within protected area agencies represents a step towards sustainable financing of the protected area.	Loan funds need to be repaid from profits and hence sound business principles must be followed.

**Table 4: Mechanisms for market – based charges for protected area goods and services: status, potential and needs (Source IUCN 2005)**

<b>Mechanisms</b>	<b>Status</b>	<b>Main potential</b>	<b>Needs and actions required</b>
Tourist charges	Remain a core component of protected area funding.  Demand for nature-based tourism growing	Opportunities to improve extent to which recover costs of providing facilities, and reflect visitor willingness to pay  Potential to diversify tourist markets and services offered  Can be used to manage demand between protected area sites	Improved calculation of prices and charges  Investment required to develop facilities  Additional expertise often required to market and operate facilities
Resource use fees	Remain a core component of protected area funding.  Diversification of products and extractive activities which are carried out in protected areas	Prices still need to be improved in line with economic values  Remaining potential to diversify markets and charges for protected area products  Support a range of secondary or value-added industries	Better calculation of prices and charges  Improvements in institutional capacity, and clarification of role of different agencies, in setting and collecting prices often required  Needs to integrate ecological sustainability concerns into extractive use regimes
Payment for environmental services	Relatively new financing mechanism, whose use has grown considerably over recent years	Provide opportunity to generate revenues from non-extractive management regimes  Can act as effective scheme for compensating landholders for biodiversity conservation	Development of supportive policy and legislative frameworks  Require improved methodologies for collecting and analysing data to demonstrate biophysical linkages, set prices, monitor impacts

11. Thus, there is a wide range of mechanisms with considerable potential for raising protected area finances. There however remains the question of whether they will be sufficient enough to generate adequate and long-term financing for implementing the programme of work. To a large extent, the majority of these approaches are yet to be institutionalized. There is a need to gather and disseminate information on lessons learnt, experiences, opportunities and constraints. Investments in building capacity (for using different strategies described) and organization of training workshops to implement conservation finance initiatives should therefore be a high priority for donors, Governments, and international conservation organizations.

12. To date, protected-area financial strategies have mainly focused on the establishment of a variety of financial mechanisms, which in many cases have limited financial analysis and insufficient policy backup. However, there are many financing mechanisms that have been successful. Furthermore, the links of financial strategies to protected areas management plans are often weak. Although financial plans normally include income, expenditure and gap analyses, and financial projections and fund-raising

plans (targeting traditional international donors), they often fail to assess the performance of existing financial instruments. Additionally, conventional financial plans lack business-oriented approaches in which different financial instruments (site-based, national, regional and international) are combined. Consequently, with few exceptions, the great majority of protected areas are seriously under-funded. Better design and business approaches to protected area financial management are required urgently.

### III CURRENT SITUATION OF PROTECTED AREAS FINANCING

13. Sources of financing for protected areas can be broadly categorized into domestic government budget support and international donor assistance from multilateral institutions, bilateral official development assistance, private foundations, and large conservation non-governmental organizations.

14. The UNEP World Conservation Monitoring Centre (UNEP-WCMC) conducted a survey on protected area budgets and shortfalls in 108 countries in 1993 and 1995. Adjusted for inflation, results suggest approximately \$7 billion in overall annual agency budgets with great regional variation and highest allocations in developed countries. This study revealed that mean expenditure in developed countries was \$2,058 per km<sup>2</sup>, whereas in developing countries it was only \$157 per km<sup>2</sup>. <sup>6/</sup> Spending in developing countries totals approximately \$0.8 billion, about 10 per cent of the total.

15. Regarding the adequacy of these levels of funding vis-à-vis the costs of effective management, several global studies are now available. <sup>7/</sup> Three separate studies of the total annual cost for effective management of the existing protected areas in developing countries indicate a range from \$1.1 billion to \$2.5 billion per year. <sup>8/</sup> These same studies estimate a funding shortfall (total cost minus current funding) of \$1 to 1.7 billion per year (see figure 2 on page 15 below). Other studies for developing countries also show that the current budgetary allocations to protected areas are far less than estimated requirements. <sup>9/</sup> In Cameroon <sup>10/</sup> and across the Congo Basin <sup>11/</sup> the current protected area budgets constitute only 20% of necessary requirements and in Ghana <sup>12/</sup> and Bolivia <sup>13/</sup> they account only to 35%-45% and 70% respectively of the necessary requirement. The UNEP-WCMC study estimates that total costs of effectively managing all existing protected areas (developed and developing countries) are perhaps

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<sup>6/</sup> James, A., Gaston, K., Balmford, A., 1999. Balancing the earth's accounts. *Nature* 401: 323-324.

<sup>7/</sup> See in particular: James, A., Gaston, K.J. and Balmford, A., 2001, "Can we afford to conserve biodiversity?" *BioScience* 51, 43-52; Balmford, A., Bruner, A., Cooper, P., Costanza, R., Farber, S., Green, R.E., Jenkins, M., Jefferiss, P., Jessamy, V., Madden, J., Munro, K., Myers, N., Naeem, S., Paavola, J., Rayment, M., Rosendo, S., Roughgarden, J., Trumper, K. and Turner, R.K. 2002. "Economic Reasons for Conserving Wild Nature" *Science*. 297: 950-953 (9 August); Balmford, Andrew, Gaston, Kevin J., Blyth, Simon, James, Alex and Val Kapos. 2003. "Global variation in terrestrial conservation costs, conservation benefits, and unmet conservation needs" *PNAS*, February 4, 100(3): 1046-1050. Verugdenhil, D. 2003. Modelling the financial needs of protected area systems: An application of the 'Minimum Conservation System' design tool. Paper presented at the Fifth World Parks Congress; 8-17 September 2003, Durban, South Africa.

<sup>8/</sup> James *et al* 1999, Bruner, A., Gullison, R.E., Balmford, A. 2004. Financial costs and shortfalls of managing and expanding protected area systems in developing countries. *Bioscience* 54:1119-1126; Verugdenhil 2003, *op cit*.

<sup>9/</sup> Bruner A., Gullison, R.E., Balmford, A. 2004. Financial costs and shortfalls of managing and expanding protected area systems in developing countries. *Bioscience* 54:1119-1126.

<sup>10/</sup> Culverwell, J. 1997. Long-term Recurrent Costs of Protected Areas Management in Cameroon: Monitoring of Protected Areas, Donor Assistance and External Financing and Ecological Management Priorities of current and Potential Protected Area Systems. WWF Cameroon / Ministère de l'Environnement et des Forêts. Project 33.06.01.

<sup>11/</sup> Wilkie, D.S., Carpenter, J.F., Zhang, O. 2001. The under-financing of protected areas in the Congo Basin: So many parks and so little willingness to pay. *Biodiversity Conservation*. 10. 691-709.

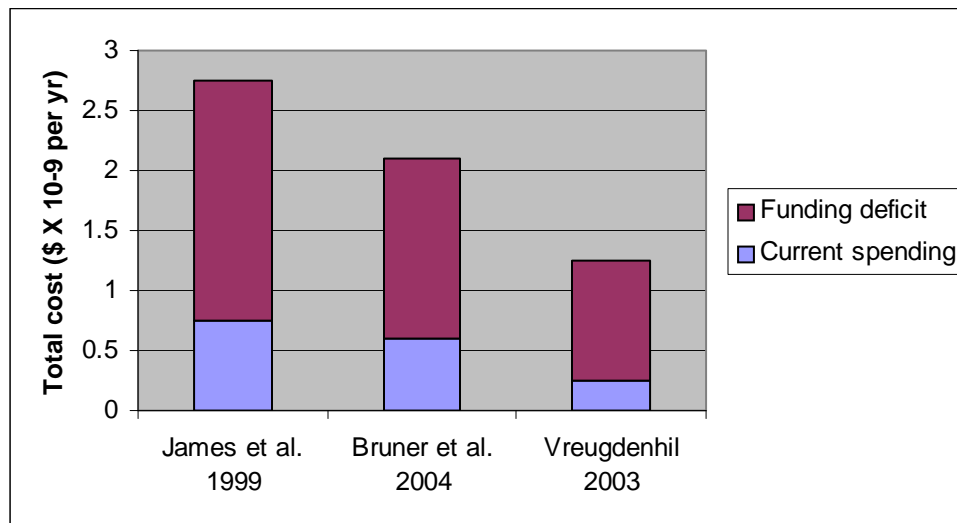
<sup>12/</sup> Ankudey, N., Volta-Tineh, B., Howard P. 2003. Protected area management costs in Ghana: Requirements and reality. Paper presented at the Fifth World Parks Congress, 8-17 September, Durban, South Africa.

<sup>13/</sup> Molina, F., Zophelan C., Argandona, J., Campos, F. 2003. Planificación estratégica financiera para la gestión integral del las áreas protegidas del SNAP. La Paz (Bolivia).

\$9.5 billion, with a global shortfall of \$2.5-3 billion. Other studies of developed country costs suggest that total costs may be even higher. <sup>14/</sup>

16. Costs of protected-area-system expansion would also be significant. Bruner et al (2004) reported that a protected area system expansion to cover some of the highest global priority sites in developing countries might raise annual management costs in developing countries to approximately \$4 billion per year, and would incur acquisition costs of between 0-9 billion/year over 10 years. <sup>15/</sup> UNEP-WCMC suggests that global costs would total perhaps \$25 billion per year for a protected-area system covering 15% of the world's land area (10% strictly protected).

**Figure 2. The funding gap for effective management of existing protected areas in developing countries (Source: Bruner et al 2004)**



#### **A. Domestic government budget support**

17. Although recent global information on total spending for protected areas is not available, domestic Government budgets are a critical source of protected areas financing. Nonetheless, national commitments are sometimes small. In Viet Nam, for example, Government funding to protected areas amounts to 0.5% of the total public budget allocations over the past decade. <sup>16/</sup>

#### **B. Assistance from multilateral institutions**

18. Many developing countries receive financial support for their protected area systems from international agencies and other foreign donors. Public institutions—both multilateral and bilateral—continue to play an important role in providing assistance to these countries. For example, between 1990 and 1997, the Latin American and Caribbean region attracted about US \$4 billion in external support for conservation projects; majority of this funding was from multilateral and bilateral donors and a significant proportion was allocated to protected areas. <sup>17/</sup>

<sup>14/</sup> See, for example, Working Group on Article 8 of the Habitats Directive, 2002. Final Report on Financing Natura 2000 (3 November 2004; [www.eeb.org/activities/biodiversity/Financing-Natura-2000-WG-finalreport-art-8.pdf](http://www.eeb.org/activities/biodiversity/Financing-Natura-2000-WG-finalreport-art-8.pdf))

<sup>15/</sup> Bruner, A., Gullison, R.E., Balmford, A. 2004. *op cit*.

<sup>16/</sup> Emerson, L., Rao, K., Nguyen, N., Tu, N. and T. Bao, 2003. 'Covering the costs of Vietnam's Protected Areas', IUCN – The World Conservation Union and Government of Vietnam Forest Protection Division, Hanoi

<sup>17/</sup> Castro, G., and Locker, I 2000. Mapping Conservation Investments: An assessment of Biodiversity Funding in Latin America and the Caribbean Biodiversity Support Program, Washington DC

### *1. Global Environment Facility*

19. The Global Environment Facility (GEF) operates the financial mechanism of the Convention on Biological Diversity and as such provided significant funding for global biodiversity conservation including protected areas. In its first decade of operation, GEF provided nearly \$1.1 billion for about 200 biodiversity projects with protected-area components. The portfolio included more than 1,000 protected areas, covering about 226 million hectares. This direct contribution helped leverage about \$2.5 billion in co-financing from project partners. <sup>18/</sup> In addition other GEF initiatives such as the Small Grants Programme and the Critical Ecosystem Partnership Fund have also contributed significantly to protected areas.

20. GEF received commitments of \$3.1 billion for its third replenishment covering 2002-2006 for all focal areas. Approximately \$800 million of this is earmarked for biodiversity, of which \$400 million (approximately \$100 million per year) is earmarked for sustainable protected-area systems. It is envisaged that for the fourth replenishment the total portfolio may grow at least 15% in real terms in biodiversity <sup>19/</sup> GEF Strategic Priority 1 in Biodiversity (BD 1) seeks to ensure and catalyse the long-term sustainability of protected-area systems, and in particular the demonstration and implementation of innovative financial mechanisms and capacity-building for long-term sustainability of protected areas. <sup>20/</sup> GEF has recently included a global project for early action on protected areas to support those countries not yet receiving funds. <sup>21/</sup>

### *2. World Bank Group*

21. Between 1988 and 2003 the World Bank Group approved 233 projects, which fully or partially support biodiversity conservation in and around protected areas located in 94 countries. The Bank is supporting protected area projects in hotspots and critical ecosystems identified by the Conservation International (CI) and in most of the 200 ecoregions identified as conservation priorities (The Global 200) by the World Wide Fund for Nature (WWF). For these projects the Bank's lending totalled about \$1,834 million and leveraged another \$1,399 million in co-funding, resulting in a total investment portfolio of about \$3,234 million. This figure includes both funding spent directly on protected areas and additional biodiversity funding spent on activities addressing other biodiversity issues. <sup>22/</sup>

22. As a GEF Implementing Agency, the World Bank Group channels GEF grants for enabling activities, medium-sized projects and regular GEF grants, both through the Bank and the International Finance Corporation. Approximately 51 percent of the total protected area portfolio investment of \$3,234 million is associated with projects funded through the Global Environment Facility. The World Bank Group is committed to maintaining support for protected areas but increasingly is seeking opportunities to link such support to sectoral development programmes and biodiversity activities in the wider landscape. <sup>23/</sup>

### *C. Bilateral development assistance*

23. Developed countries that have signed the Rio conventions have committed themselves to assisting developing countries in the implementation of these conventions. Every country in the Organisation for Economic Co-operation and Development (OECD) provides some level of bilateral biodiversity assistance to developing countries as indicated by Official Development Assistance (ODA).

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<sup>18/</sup> GEF Secretariat 2004. Protected areas and the Global Environment Facility. Secretariat of the Convention on Biological Diversity 2004. Biodiversity issues for consideration in the planning, establishment and management of protected area sites and networks (CBD Technical series no.15)

<sup>19/</sup> Personal communication- G.Castro, Team Leader, Biodiversity, GEF.

<sup>20/</sup> GEF 2003

<sup>21/</sup> Personal communication- G.Castro, Team Leader, Biodiversity, GEF.

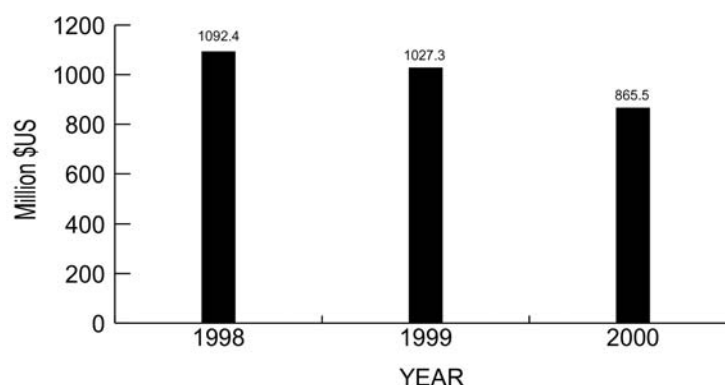
<sup>22/</sup> World Bank 2003. Cornerstones for Conservation – World Bank assistance for protected areas,. August 2003.

<sup>23/</sup> World Bank 2003 World Bank 2003. Cornerstones for Conservation – World Bank assistance for protected areas,. August 2003.

Information on bilateral assistance, exclusively for protected areas is not available. ODA commitments are reported by OECD member States to the OECD Development Assistance Committee (DAC) using Creditor Reporting System (CRS). This reporting system is broken down by sector and purpose code, however there are several purpose codes under which OECD members might report their assistance for protected areas. <sup>24/</sup> In order to assess total funding provided to support Rio conventions, the OECD/DAC and the secretariats of the Rio conventions developed “Rio markers”. Biodiversity-related aid under Rio markers is defined as activities that promote at least one of the three objectives of the Convention. The biodiversity-related aid included general environment protection, water supply, agriculture, forestry, fishing, rural development and other sectors and included the entire amount of funding for large projects where biodiversity was one of many components as well as funding for projects where biodiversity was the central component. <sup>25/</sup>

24. ODA activities targeting the objectives of the Convention on Biological Diversity by 19 OECD countries for 1998-2000 indicated a slightly declining trend with 1.09, 1.03 and 0.87 billion US\$ respectively (figure 3). Average annual bilateral biodiversity-related aid, and annual average per centage of total bilateral ODA by 19 countries for 1998-2000 are shown in table 5. These 19 countries provided an annual average biodiversity aid of 995 million dollars, which accounted to only 2.7% of the total bilateral ODA. However, given the broad definition of biodiversity in Rio markers, how much per cent of the assistance is actually spent on protected areas is not known. . The data assembled to date are insufficient to identify clear trends over time.

**Figure 3. Biodiversity-related aid, commitments 1998-2000 by 19 members of the OECD Development Assistance Committee (Source OECD-DAC)**



**Table 5. Biodiversity-related aid by DAC donor, commitments 1998-2000 (Source OECD-DAC, 2002)**

Country	US \$ million (annual average 1998-2000)	% Of total bilateral ODA (annual average 1998-2000)
Australia	21.3	2.7
Austria	2.0	0.5
Belgium	19.5	3.9
Canada	15.3	1.4
Denmark	29.8	4.5
Finland	24.9	12.1

<sup>24/</sup> Organisation for Economic Co-operation and Development (OECD) 2003. Development Assistance Committee (DAC) Creditor Reporting System (CRS). Online [www.oecd.org/dac/stats.May](http://www.oecd.org/dac/stats.May) 30,2003.

<sup>25/</sup> Organisation for Economic Co-operation and Development (OECD) 2002. Aid Targetting the Objectives of the Rio Conventions 1998-2000. Development Assistance Committee (DAC), Working Party on Statistics. A contribution by the DAC Secretariat for the information of participants at the World Summit on Sustainable Development in Johannesburg. Paris: OECD.

Country	US \$ million (annual average 1998-2000)	% Of total bilateral ODA (annual average 1998-2000)
France	44.7	1.7
Germany	275.6	9.0
Ireland	2.2	4.9
Japan	144.1	1.4
Netherlands	146.9	6.9
New Zealand	0.8	0.8
Norway	91.2	10.3
Spain	14.5	1.4
Sweden	38.3	3.9
Switzerland	15.9	2.4
United Kingdom	23.9	0.7
United States	84.2	1.0
<b>Total</b>	<b>995.1</b>	<b>2.7</b>

#### *D. International conservation NGOs, private foundations and private sector*

25. A small number of private foundations provide significant funding for protected areas. A notable example, the United Nations Foundation (UNF) adopted a biodiversity-support programme that benefited World Natural Heritage sites and coral reefs. Spread over about 30 countries in Africa, Latin America and South and Southeast Asia, the UNF support has been critical in attracting support from private sector firms and other NGOs to rally behind the World Heritage Centre.

26. NGOs help direct significant resources – both public and private – to protected areas. In some cases, NGOs directly execute publicly funded conservation programmes, in particular where they can help leverage co-financing, and provide technical support. Important examples of NGO executed conservation programmes include the Parks in Peril Programme, managed by the Nature Conservancy and the Critical Ecosystems Partnership Fund, Managed by Conservation International. National and local NGOs and community based organizations also manage protected areas projects supported by public donors.

27. A consortium of international NGOs (including Birdlife International, Conservation International, Flora and Fauna International, The Nature Conservancy, WWF, Wildlife Conservation Society, and World Resources Institute) put forward joint NGO commitment during the seventh meeting of the Conference of Parties to the Convention on Biological Diversity, to support the implementation of the programme of work on protected areas. Since the seventh meeting of the Conference of the Parties, more specific commitments have been elaborated through the development of country driven partnerships for the implementation of programmes of work in more than 10 countries including Brazil, Costa Rica, Republic of Congo, Ecuador, Indonesia, Jamaica, Mexico, Palau, Peru and the Philippines. <sup>26/</sup>

#### **IV. OPTIONS FOR MOBILIZING RESOURCES**

28. Mobilizing adequate resources for protected areas will require resort to a much broader spectrum of financing mechanisms in addition to increased **traditional** funding from aid agencies, multilateral institutions and national government budgets. It is equally critical that the appropriate policy reform is timely completed in order to fully support the implementation of the system-wide financial plans and the

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<sup>26/</sup> Joint NGO Statement and Joint NGO Commitment on Protected areas. February 2004. Birdlife International, Conservation International, Flora and Fauna International, The Nature Conservancy, WWF, Wildlife Conservation Society, and World Resources Institute.

financial performance of the selected mechanisms. The overall framework for the financial plans may include the following key steps:

- (a) Analysis of current financial income and expenditures, overall financial needs and gaps;
- (b) Definition and quantification of protected area goods and services, and potential sources of investment to pay for such goods and services;
- (c) Screening and feasibility analysis of potential financial mechanisms;
- (d) Definition of the required policy reform to support the selected financial mechanisms;
- (e) Elaboration of a comprehensive protected area system-wide financial plan, including the appropriate financial mechanisms; and,
- (f) Implementation of the financial plans and institutional and policy reform for ensuring long-term financial support for the system of protected areas.

29. The programme of work on protected areas contains a specific set of targets and timetables primarily organized around national-level actions. While considering the options for mobilizing adequate and timely financial resources, it would be prudent to recall the relevant paragraphs of decision VII/28 and paragraph 10 of decision VII/20 on further guidance to the financial mechanism, referred to in section I above.

30. The target under goal 3.4, with a timeframe of 2008 for securing sufficient financial resources in each country, is a useful overarching objective for organizing financing in support of the programme of work. Realistically, to meet this target may require significant mobilization of resources – both from international and national sources. Drawing upon existing sources of funding (national and international), developing countries and countries with economies in transition will need to consider the following factors:

- (a) Increasing, including through diversification of sources and stabilizing the financial flows to protected areas;
- (b) Implementing management approaches that make efficient use of financial resources; and
- (c) Creating the institutional arrangements that help facilitate the efficient flow of funding to effective protected areas management.

#### **A. National-level funding needs**

31. The commitments in the programme of work are primarily national-level in scope. To ascertain more reliable and actionable estimates of funding needs, an important and urgent step is for individual Parties to calculate their national funding needs and gaps related to implementation of the programme of work. The Conference of the Parties requested the Parties to estimate the cost implications of the programme of work and report back to the eighth meeting of the Conference of the Parties.

#### **B. National funding sources**

32. Significant potential exists in many countries to generate funding from national sources. In particular, revenues from nature-based tourism, environmental services provided by protected areas (e.g., water charges), and resource extraction activities (e.g., petrochemical production) are being dedicated to protected areas in a growing number of countries. Conservation trust <sup>27/</sup> funds are one promising mechanism for increasing the sustainability of protected areas funding. About 25 national-level conservation trust funds currently exist, complemented by about another 20 national-level environment

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<sup>27/</sup> For comprehensive information on conservation trust funds, see Bayon, R., Deere, C., Norris, R., Smith S.E., 1999. Environmental Funds: Lessons learned and future prospects. Washington DC: GRF and IUCN; Norris, R. 2000. The IPG Handbook on Environmental Funds. Washington DC, USA: Interagency Planning Group on Environmental Funds (IPG); New York, USA: Pact Publications.

funds with scopes broader than conservation. Most of these take the form of permanent endowments, with about 5 percent investment returns from the endowments allocated to conservation annually. While such endowed funds have proven successful in many cases, they exist in only about one-fourth of the world's countries.

33. Only about 20 countries in the world are taking significant advantage of tourism-related user fees as a source of long-term, dedicated revenue for protected areas. Most of these are developed countries. Due to the uncertain policy environment and the fact that markets for environmentally friendly goods and services are in the very early stages of development, only a handful of countries are utilizing financing sources such as water fees, carbon-sequestration fees, and other payments for environmental services. However, such payments have the potential to become significant sources of funding for protected areas in the future. <sup>28/</sup>

### ***C. Emphasizing the values of protected areas***

34. At the heart of the funding gap is the undervaluing of protected areas. All countries could benefit from conducting some type of national protected area values initiative in accordance with activities 3.1.2 and 3.4.6 of the programme of work to assess document and communicate the socio-economic values of protected area systems to the public, all government agencies, and key intergovernmental forums. These values include biodiversity and ecosystem goods and services, jobs, income, cultural heritage and other values, including a critical contribution to poverty alleviation and the achievement of the Millennium Development Goals. Long-term sustainability of protected area system requires that such values are adequately recognized by policy makers, the general public, local communities and other stakeholders.

### ***D. Sustainable protected area financing***

35. Securing adequate funds is a necessary but not sufficient condition for protected areas to be managed effectively and financed sustainably. It is also necessary to consider the timing and sources of funding. Taking into cognizance this necessary requirement, the Conference of the Parties identified "ensuring financial sustainability of protected areas" as one of the goals of the programme of work on protected areas. IUCN defines protected area financial sustainability as "the ability to secure stable and long-term financial resources and to allocate them in a timely manner and in an appropriate form, to cover full costs of protected areas and to ensure that protected areas are managed effectively and efficiently". Assessing and achieving protected area financial sustainability involves considering and addressing a wide range of issues. The IUCN <sup>29/</sup> study identified the following main issues for considering the financial sustainability of protected areas:

(a) Building a diverse funding portfolio, going beyond conventional mechanisms and including multiple funding sources, is a key element of protected area financial stability and sustainability;

(b) The financial sustainability of protected areas requires that funds are managed and administered in a way that promotes cost efficiency and management effectiveness, allows for long-term planning and security, and provides incentives and opportunities for managers to generate and retain funds at the protected area level;

(c) Considering and covering indirect and opportunity costs as elements of protected-area funding needs, and targeting cash and in-kind funding to the groups who incur these costs, is critical to integrating protected areas into broader financial and economic sustainability;

(d) Making protected areas financially sustainable also means identifying and overcoming the broader market, price, policy and institutional distortions that act as obstacles to protected area funding and financial sustainability;

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<sup>28/</sup> Pablo 2003. *op. cit.*

<sup>29/</sup> IUCN 2005 *op.cit*

(e) Factoring finance into protected area planning and management processes, and ensuring that there is sufficient human capacity to use financial tools, is a key strategy for improving the financial sustainability of protected areas.

#### ***E. Global Environment Facility (GEF)***

36. As the financial mechanism of the Convention, the GEF has a central role to play in providing international funding support for the programme of work. Several types of GEF support will be of importance, as noted in paragraph 10 of decision VII/20. Two of the most important elements of a GEF support strategy for the programme of work include: (i) Support country driven early action on protected areas (decision VII/20, para. 10 (c)); and (ii) large-scale and medium-sized grants in eligible countries organized around support of the implementation of the programme of work. The upcoming fourth replenishment of GEF, including strong provisions for protected areas funding in the new business plan that will guide GEF-4 resources, will be particularly important for element (ii).

#### ***F. Other sources of international support***

37. GEF will not be able to meet all of the international funding needs related to the programme of work. In particular, the GEF incremental cost provision in most cases does not allow GEF support to cover recurrent costs of protected-area management, one of the most significant funding gaps in developing countries. Other funding agencies, particularly the bilateral donor agencies, will need to provide significant additional protected areas funding, including co-financing for GEF projects. Donor countries should consider establishing dedicated funding support for protected areas as part of development assistance directed at achievement of the Millennium Development Goals, in line with the Millennium Development Goal 7 indicators of protected-area coverage and forest cover. International non-governmental organizations can help generate *private* financial resources that can support the programme of work and also provide in-kind technical support.

### **V CONCLUSIONS**

38. The conclusions that may be drawn from the foregoing include:

(a) An up-to-date global overview of protected area funding by national Governments and other sources is not available, while certain information may be available on an agency or donor basis, the information is not systematically collected;

(b) The estimated funding gap (total need minus current spending) in recurrent costs to adequately support the current system of protected areas in developing countries is approximately US\$1-1.7 billion per year. <sup>30/</sup> Current protected areas financing falls far short of the amount required to effectively manage the world's existing protected areas, let alone to expand the system to cover priority sites;

(c) During the period 1999-2003, GEF and the World Bank together supported 296 <sup>31/</sup> protected-area projects in more than 100 developing countries at a total cost of \$2.1 billion and leveraged another \$3.1 billion as co-funding;

(d) Biodiversity related bilateral ODA amounted to about \$1 billion per year from 1998 to 2000. However, how much of this is actually spent on protected areas is not known;

(e) Biodiversity assistance is increasingly framed in terms of its relation to poverty reduction, which is the overarching focus of development assistance. Ensuring continued support for

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<sup>30/</sup> James *et al* 1999, Bruner *et al* 2004; Verugdenhil 2003, *op cit*.

<sup>31/</sup> Since GEF total projects and funding includes those projects implemented by World Bank, as one of the Implementing Agencies The World Bank Group's funding, co funding and projects include projects from grant window of IBRD, IDA, RFTF and DGF only.

protected areas, as part of core development assistance will require demonstrating the socioeconomic and poverty reduction values of protected areas; <sup>32/</sup>

(f) Bilateral and multilateral donor support represents a major proportion of financial resources available for protected areas in developing countries. However, at current levels, these resources are unlikely to be sufficient to effectively implement the programme of work on protected areas. Expanded public funding will be fundamental to financial sustainability;

(g) There is a huge opportunity to work to develop, test business-oriented financial strategies and expand the protected-area financing mechanisms that have started to be piloted over recent years. Such mechanisms, framed within strategic system-wide financial plans may provide significant potential to ensure that protected-area funding is increased in the future, and is targeted more at the diverse needs and conditions that will improve protected area financial sustainability;

(h) Mechanisms with notable growth potential include the further development and application to protected areas of conventional fiscal and financial instruments that have long been used in other sectors of the economy (such as taxes, subsidies and credit schemes, and devolution of cost and benefit-sharing mechanisms for protected areas management and facilities), as well as a replication of the market-driven approaches which are increasingly being used to guide broader development processes (including developing new markets for protected area goods and services);

(i) There is a need to build the necessary awareness, infrastructure and disseminate information on lessons learned, experiences, opportunities and constraints of these new sources. Investments in building capacity and organization of training workshops to implement conservation finance initiatives should therefore be a high priority for donors, Governments, and international conservation organizations:

(j) Building strong institutional arrangements for financing the implementation of the programme of work is essential. Institutions, including Governments, donors, international non-governmental organizations and the private sector need to create synergies and partnerships and approach the issue through a concerted effort;

(k) The prospects for foreign direct investments remain strong in the short term, and for the foreseeable future, it appears that international (external) sources of funding will remain essential;

(l) As the institutional structure operating the financial mechanism of the Convention, GEF has a central role to play in providing international funding support for the programme of work; and

(m) Other funding agencies, particularly the bilateral donor agencies, will need to provide significant additional protected areas funding.

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<sup>32/</sup> IUCN 2005 *op cit*, Lapham and Livermore 2003, *op cit*.

*Annex***ACTIVITIES UNDER THE PROGRAMME OF WORK ON PROTECTED AREAS REQUIRING EARLY ACTION****By the year 2005:**

Conduct by 2005 a national-level study of the effectiveness in using existing financial resources and of financial needs related to the national system of protected areas and identify options for meeting these needs through a mixture of national and international resources and taking into account the whole range of possible funding instruments, such as public funding, debt for nature swaps, elimination of perverse incentives and subsidies, private funding, taxes and fees for ecological services (3.4.1).

**By the year 2006:**

(a) Establish suitable time-bound and measurable national and regional level protected area targets and indicators (1.1.1);

(b) Take action to establish or expand protected areas in any large, intact or relatively unfragmented or highly irreplaceable natural areas, or areas under high threat, as well as areas securing the most threatened species in the context of national priorities, and taking into consideration the conservation needs of migratory species (1.1.2);

(c) Take action to address the under-representation of inland water ecosystems in existing national and regional systems of protected areas, taking into account transboundary inland water ecosystems (1.1.3);

(e) Conduct, with the full and effective participation of indigenous and local communities and relevant stakeholders, national-level reviews of existing and potential forms of conservation, and their suitability for achieving biodiversity conservation goals, including innovative types of governance for protected areas that need to be recognized and promoted through legal, policy, financial institutional and community mechanisms, such as protected areas run by government agencies at various levels, co-managed protected areas, private protected areas, indigenous and local community conserved areas (1.1.4);

(f) Complete protected area system gap analyses at national and regional levels, based on the requirements for representative systems of protected areas that adequately conserve terrestrial, marine and inland water biodiversity and ecosystems (1.1.5);

(g) Evaluate national and sub-national experiences and lessons learnt on specific efforts to integrate protected areas into broader land and seascapes and sectoral plans and strategies such as poverty reduction strategies;

(h) Identify legislative and institutional gaps and barriers that impede the effective establishment and management of protected areas (3.1.1);

(i) Complete national protected – area capacity needs assessments, and establishes capacity-building programmes on the basis of these assessments including the creation of curricula, resources and programmes for the sustained delivery of protected areas management training (3.2.1);

(j) Develop and adopt appropriate methods, standards, criteria and indicators for evaluating the effectiveness of protected area management and governance, and set up a related database, taking into account the IUCN-WCPA framework for evaluating management effectiveness, and other relevant methodologies, which should be adapted to local conditions (4.2.1).

**By the year 2008:**

(a) Take action to address the under-representation of marine ecosystems in existing national and regional systems of protected areas, taking into account marine ecosystems beyond areas of national jurisdiction in accordance with applicable international law (1.1.3);

(b) Identify and implement practical steps for improving the integration of protected areas into broader land- and seascapes, including policy, legal planning and other measures (1.2.2);

(c) Effective mechanisms for identifying and preventing, and/or mitigating the negative impacts of key threats to protected areas are in place (target for goal 1.5);

(d) Establish mechanisms for the equitable sharing of both costs and benefits arising from the establishment and management of protected areas (target for goal 2.1);

(e) Full and effective participation of indigenous and local communities, in full respect of their rights and recognition of their responsibilities, consistent with national law and applicable international obligations, and the participation of relevant stakeholders, in the management of existing, and the establishment and management of new, protected areas (target for goal 2.2);

(f) Review and revise policies as appropriate, including use of social and economic valuation and incentives, to provide a supportive enabling environment for more effective establishment and management of protected areas and protected areas systems (target for goal 3.1);

(g) Sufficient financial, technical and other resources to meet the costs to effectively implement and manage national and regional systems of protected areas are secured, including both from national and international sources, particularly to support the needs of developing countries and countries with economies in transition and small island developing States (target for goal 3.4);

(h) Establish and begin to implement country-level sustainable financing plans that support national systems of protected areas, including necessary regulatory, legislative, policy, institutional and other measures (3.4.2);

(i) Public awareness, understanding and appreciation of the importance and benefits of protected areas is significantly increased (target for goal 3.5);

(j) Standards, criteria, and best practices for planning, selecting, establishing, managing and governance of national and regional systems of protected areas are developed and adopted (target for goal 4.1).

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