

# CLOSING THE FUNDING GAP

## Improving financing and resourcing of protected and conserved areas in Eastern and Southern Africa

Protected and conserved areas play a key role in protecting biological diversity and ecosystem services upon which people depend. These areas need reliable and sustainable sources of funding to maintain their daily management operations, meet conservation targets, allow quality visitor experiences, where appropriate, and provide benefits to communities living in proximity to the conservation areas (Convention on Biological Diversity, 2018).

### The funding gaps

It is evident that most protected and conserved areas in Eastern and Southern Africa face a significant funding gap. **Available funding for protected area management only satisfies approximately 10-20% of management needs in Africa.** There is a clear need to diversify and increase self-generated revenues and develop innovative finance mechanisms. The 2020 COVID-19 crisis is only exacerbating the gap in funding for protected areas and provides a harsh reminder of the need for revenue diversification.

Despite the clear lack of financial resources for the effective management of the existing protected areas, there is a need to increase the protected area estate to adequately conserve Africa's biological diversity and ecosystem services. The potential expansion of protected areas (new Convention on Biological Diversity potential targets require 30% of the world surface) will require an increase in funding for conservation management and put additional pressure on the already stretched budgets of those that traditionally fund conservation work such as governments, donor agencies and conservation organisations.

**Approximately USD 100 billion to 400 billion are required annually to fund global nature conservation. Currently only USD 49 billion are spent on biodiversity protection worldwide, with only 6% in Africa.** Even if government and donor funding is doubled, this financing gap will not be met without involvement from the private sector and moving beyond dependence on traditional funding sources.

This is especially true in developing regions, where conservation funding currently competes with other development objectives, such as infrastructure, education and public health.

#### Donors & Implementing Partners





## Sources of funding

### Traditional sources of funding

Traditional sources of funding for conservation of protected areas in Eastern and Southern Africa include **government** and **donor** support as well as **self-generated revenue**, such as fees collected from **nature-based tourism** or **the utilization of wildlife** through hunting and wildlife ranching. These sources alone are inadequate to bridge the funding gap. Protected areas are therefore increasingly underperforming and will become more dependent on self-generated revenue.

### Emerging sources of finance for protected areas

**Conservation Trust Funds, Debt for Nature Swaps, Payment for Ecosystem Services, Biodiversity Offsets, Collaborative Management and Public-Private Partnerships** are financing mechanisms that have existed for the last two decades and have been used in Eastern and Southern Africa but have not been widely replicated and implemented at scale.

The lack of uptake of these innovative models is due to a number of factors, including capital requirements, lack of capacity and technical expertise to design, develop and execute these mechanisms and absence of policies and enabling environments that support the development of such financing models.

### New sources of finance for protected areas

Innovative finance for nature conservation is a rapidly evolving space. There are various new and innovative financing mechanisms and initiatives being designed, developed and/or implemented in an attempt to increase the available finance for conservation globally, such as: **Outcomes-based financing mechanisms, Green and Blue bonds, Tax incentives, and Project Finance for Permanence.**

These mechanisms require assembling specialist skill sets, engagement by various stakeholders including government, civil society, communities and the private sector, and socio-political enabling conditions.

The Closing the Gap report was written prior to the COVID-19 pandemic, which has resulted in the shut-down of the tourism industry and a significant decrease in conservation related funding. The report outlines the various ways protected areas can clearly define their funding needs and develop a diversified revenue approach. This is now more relevant than ever before. Download the full report here.



SCAN ME

# Way forward: Diversify and increase revenue from different sources

Developing sustainable and diversified revenue streams is critical for the long-term maintenance of the Eastern and Southern Africa region protected area estate and protection of key related ecosystem services. Importantly, maximizing revenues also increases tax returns to governments and can provide meaningful opportunities to poor and marginalised communities living in or adjacent to protected areas, creating socio-economic prospects, employment and skill sets that can be used in other sectors. All these aspects culminate in creating the platform needed to ensure the political and economic relevance of protected areas in Africa.



## 1 Provide targeted training and capacity building

Training and capacity building should be provided and prioritized for decision makers and key individuals in government and in protected area management organizations (private, public and community) to enhance the knowledge and skills of their employees to design and implement strategies and action plans to reduce the financing gap. Note that this does not replace the need for external expertise. Many of the innovative financial mechanisms require a skillset not often found in traditional protected area management organizations.



## 2 Understand the gap

In order to develop and implement effective strategies to address the protected area funding gap, governments, conservation management agencies and managers must first understand the gap by conducting a financial needs assessment for individual protected areas and the entire protected area system.



## 3 Develop and execute associated plans and strategies

Strategies to address the clearly defined financial gaps must be developed and implemented based on actual needs, including practical business or tourism development plans for individual or clusters of protected areas. Business plans could be developed and executed for individual protected areas and nested under a broader business plan for networks of protected areas or protected area management agencies. These business plans must focus on maximizing and diversifying revenue and propose adequate conservation management goals and activities to increase financial sustainability at an area level. The collection and flow of money must be part of the business plan. This includes reviewing the current fee structures of concessions to ensure that these are maximised, implementing more efficient revenue collections processes and procedures, and enabling protected area authorities to retain and reinvest adequate revenue at protected area level in order to augment long term economic and ecological returns.





#### 4 Encourage the development of self-generated revenue

Self-generated revenue, e.g. revenue derived from appropriate and sustainable nature-based tourism or sustainable utilisation of wildlife, should be fully developed, diversified and maximised. Nature-based tourism should be strategically developed to its full potential and this requires proper planning, zonation and market analysis to increase the likelihood of maximum economic impact and to ensure sustainability. This process must be supported by the relevant governments and should be guided by professional tourism experts. Opportunities should be identified to diversify revenue streams through complementing tourism products that serve different markets, thereby reducing overreliance and risk while optimizing revenue generation.



#### 5 Decentralisation of stewardship rights and responsibilities

Policies that support decentralization of natural resources can enable communities living with wildlife to engage directly in natural resource management, nature-based business development and associated benefits, thereby incentivizing conservation.



#### 6 Explore innovative finance options

Different emerging or new financing mechanisms should be explored following the needs identified in the business plan. Development of these mechanisms require proper commercial due diligence, an in-depth understanding and significant technical expertise, financial resources and the relevant enabling environment. Mixed-use revenue generation approaches should be sought to maximise revenue and reduce risk. Funding and technical support to conduct feasibility studies should be provided to protected area authorities to conduct feasibility assessments on innovative finance mechanisms to determine which are appropriate for each protected area and/or protected areas system and to develop an investment prospectus to attract funding to develop the most suitable mechanisms.



#### 7 Build an enabling policy and legislative environment

An enabling policy and regulatory environment is a critical requirement and must be created to ensure that self-generated revenues as well as more innovative financing solutions can be developed and that revenue is used to improve conservation management, secure the natural assets and benefit the local communities living alongside protected areas.

- ▶ Protected area authorities should clearly document any policy barriers and work with relevant ministries to address them through policy change.
- ▶ Integrate protected areas and their value proposition into National Development Plans to ensure adequate finance is allocated toward the development of PAs. This will require a thorough understanding of the economic value of these areas through natural capital assessments, ensuring that they are recognised as economically, ecologically and socially (and therefore as politically) relevant.
- ▶ Securing and stabilizing public funding platforms is needed to provide protected area authorities the ability to plan properly. In the long-term the amount allocated by the government could be based on the natural capital value.
- ▶ Technical support should be provided to governments to create the conditions and policies for the development of innovative finance mechanisms, such as: (i) require industries with negative impacts to mitigate and offset their impact with carbon and biodiversity offsets; (ii) clarify ownership around carbon credits and rights of sale; (iii) ensure public-private partnership legislation provides beneficial partnership with co-management entities; and (iv) decentralize rights over natural resources to incentivize conservation by communities at local level.