

Critical Issue: Funding

Is funding available? ¹

Initial and long-term costs for planning, negotiating, acquiring, and implementing Marine Conservation Agreements (MCAs) should be estimated at the earliest possible time. Recognizing the ever-changing nature of estimates and that true project costs often differ from estimations, organizations should include contingency funds and plans as part of their MCA project plans. Once estimations are developed, organizations must examine project affordability, which involves assessing donor interest and allowable funding mechanisms.

Donors may be aid agencies, bi- and multi-lateral development banks, foundations, individual philanthropists, and corporations. Their interest in a site will depend on a number of factors, and each donor will have specific restrictions on the use of their funds.

Aid agencies and development banks (e.g., USAID, World Bank, and Inter-American Development Bank) can be good partners and donors for conservation agreements. Their mandate for projects in a given country will vary, and generally will be guided by priorities established in consultation with the host-country government. As a result, a coordinated project with one of these institutions will also involve engagement with government, and may be restricted in geography and themes (e.g., health, education, agriculture) that are priorities for that government. A common restriction with aid and development funding is a short time horizon for project implementation. A typical funding cycle may be four to five years, meaning the project must be initiated and completed within that period, and adapting this type of finite funding into a long-term MCA may require creativity. However, many development-oriented institutions value conservation outcomes and long-term impacts but are not well positioned to secure either on their own, and therefore may welcome joint implementation of MCAs.

Private philanthropists and foundations present a great variation of interests and restrictions for their funding. The range begins with donors that support concrete, short-term projects to those willing to fund process-oriented initiatives lasting for many years. Geography also plays an important role, with most foundations today selecting specific regions to focus their funding.

Corporations are broadly involved in conservation initiatives. A quick survey of multi-national corporate partnerships with conservation groups reveals an impressive host of voluntary initiatives by Bristol-Meyers Squibb, 3M, BP Amoco, Budweiser, ConocoPhillips, ChevronTexaco, Disney, ExxonMobil, Intel, McDonald's, Ford Motor Company, Mitsubishi, Newmont Mining, Rio Tinto, Shell, Starbucks, Wal-Mart and many others. Their interests range from public relations to community engagement and biodiversity impact mitigation. Corporations will typically focus their philanthropy in regions where they operate, and increasingly seek to integrate voluntary conservation initiatives within a Corporate Social Responsibility (CSR) strategy.

An important issue is securing a long-term source of funding for MCAs. As mentioned, aid and development institutions tend to make commitments with short timeframes, foundations may vary from one to many years, and corporations follow in this regard. One solution is to continuously raise funds, but another more robust solution is to create a trust fund with enough money to endow the funding needs of the MCA. As a rule of thumb, an endowment should be twenty times the size of the annual funding need, which may present a fundraising challenge.

¹ Largely adapted from: Conservation International. 2007. Draft - Conservation Incentive Agreements: An Introduction and Lessons Learned to Date. Guidance Manual. Washington, D.C. pp 51.

A Private Sector Approach – Conservation Agreements in support of Marine Protection

June 16 – 19, 2008

Discussion Questions:

Primary questions -

1. If we look out over the next ten years at doing MCAs at scale, what types of MCAs are we talking about? Where are they? And how much will they cost individually and collectively if we want to do this at a meaningful scale?
2. What are the potential sources of funding (segment the market of available funding)? What is the potential magnitude from the various segments? What are the interests and constraints of the various segments? Is there a role for private capital in MCAs (such as BBOPs, payment for ecosystem services, recreation concessions)?
3. What does a high level funding plan for the whole MCA sector look like?

Follow-on questions if time/desire permit -

4. What are common funder issues and priorities that need to be accommodated for MCAs? Which funders (donors, funds, foundations, grants, etc.) are appropriate, willing, and immediately able to support MCAs in which localities?
5. Are endowments the best strategy to meet long-term funding needs associated with project implementation? If so, what are the immediate opportunities to establish such endowments?
6. How should one go about financing a particular MCA project? What tools or strategies are available for organizations to estimate the short and long-term costs associated with MCAs? What project elements should be considered in cost estimations that are frequently left out?

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Summary Findings

A “punch list” is needed to develop funding strategy:

- What are elements of MCAs?
- What are short term funding needs? (acquisitions)
- What are medium term funding needs? (endowments)
- How do we set up sustainable financing? (continuous streams of funding)

Short-term Funding (smaller magnitude)

- Private family foundations
- Public foundations
- Bi-lateral and multilateral agencies
- Corporate donations (what is business case?)
- Individuals
- National Government
- Regional and Local Governments

Public Finance

- Tax incentives
- Public finance and insurance programs
- Finance analysis (what are values of ecosystem services)
- Legal rules for finance
- Compelling 2% contribution from revenue stream

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Sustainable Finance

- Given scale of problem, and scale of development we need to do Jujutsu (i.e., make their efforts work in our favor).
- Harness the \$40 trillion investment stream in next 20 years. Business investment in development are a potential big funding stream:
- 1 to 10,000 ratio is estimated current expenditure by conservation
- 1% models (2% may be the ideal) = collective cost of \$400 billion ?
- But much of this is downstream, not all of it can be captured. Thus \$1 to \$2 billion per year would be very respectable.
- Individual projects costs depends.

Avenues to propose Sustainable Finance

- Associations WBCSD
- Certification schemes (top down)
- Elimination of subsidies (reverse MCAs)
- Performance bonds
- Fair market value payments for ecosystem services (e.g. permit auctions)
- Carbon offsets

Next Steps

- Need to meet to talk about sustainable finance only
- Think about mixed use
- Look at WRI, COVC etc. efforts to collect data on value of ecosystem services
- Look at CCIF et. al. cost analysis of MPAs
- Applied integrated environmental accounting