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Innovating to sustain biodiversity conservation in African protected areas: funding and incentives. Insights from 3 countries

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Parties to the Convention on Biological Diversity (CBD) have agreed that by 2020 at least 17% of terrestrial areas should be conserved within protected areas. Coverage has today increased to 14.7%. Though this is a positive trend, much remains to be done, especially in Africa. Additional funding is needed to expand and strengthen protected areas. But available conservation finance worldwide, accounting for US\$ 53 billion in 2010, only covers one third of the lowest needs' estimate (to reach all 20 Aichi Targets). Specifically, protected areas would need between US\$ 9.2 and 85 billion annually, a large share of it in Africa.

In this context, governments and practitioners have repeatedly called for an exploration of new and innovative financial mechanisms to increase funding for biodiversity conservation. Importantly, the Leading Group on Innovative Financing for Development defines innovative financing mechanisms as (1) complementary to official development assistance, (2) predictable and (3) stable. Previous research suggests that such approaches are able to muster additional resources from various economic sectors, and could furthermore optimise the impact of existing public resources, particularly by combining them with private funds.

Based on salient results of a full-blown report, this *Issue Brief* aims at unpacking the potential benefits and risks of such innovative financial mechanisms *at work* in Africa. It uncovers both essential financial and institutional innovations at play and shows that, when smartly combining public and private involvement, innovative financing may contribute to better funded and efficient management in and around protected areas, at a significant scale.

KEY MESSAGES

- Innovation in protected area finance and management in Africa relies on combining public and private involvement: private funding is a complement, rather than a substitute, to public financial support; coordination of private and public action benefits from a contractual approach that favours conditionality; this contractual approach however needs to be secured at the regulatory level.
- To foster such a combination, creating ad hoc bodies, mixed public/private, can prove essential to the security of funding and management, and political support from national and local "champions" proves critical. Building local capacity as well as long-term relationships between development partners, government, NGOs and private investors is thus a priority.
- Yet, contractual approaches remain complex. Numerous stakeholders and conditional agreements generate significant transactions costs. Designing contractual governance is costly, and monitoring compliance and results is lengthy. Furthermore, due to financial market unpredictability, private funding might not be such a secure option to complement the fragile support from donors and national public funding. Hence the report calls for combining public and private involvement in protected area finance and management.

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IN SIERRA LEONE, A PRIVATE NONPROFIT COMPANY TO MANAGE A PROTECTED AREA

The Gola rainforest, a biodiversity hotspot, occupies 70,000 hectares along the Liberian border. Situated within seven chiefdoms with a total of 140,000 inhabitants, its biodiversity is threatened by local slash-and-burn agricultural practices, mining and the recent development of oil palm plantations.

While until the mid-1990's logging concessions were granted over the forest, the latter's status changed at the turn of the century. In 2004, a Conservation Concession was declared by the Government of Sierra Leone (GoSL) whereby two NGOs, the Royal Society for the Protection of Birds (RSPB) and the Conservation Society of Sierra Leone (CSSL), agreed to conserve the integrity of the forest in perpetuity and in turn compensate local actors for the loss of logging rights. Hence, a benefit-sharing agreement was signed in 2007 and donor-funded. Within this mechanism, local and traditional authorities as well as communities have so far received annually an equivalent of US\$ 122,500, conditional to their strict compliance with the forest management plan. In 2012, the Gola rainforest was eventually gazetted as a national park (GRNP).

Since 2012, this contractual innovation was further developed into a REDD project.¹ In an attempt to sustainably fund GRNP over the longer term, it was envisaged to market avoided deforestation and therefore sell credits on the voluntary carbon market, following leading international standards. This in turn induced two institutional changes. First, a Conservation and Cooperation Agreement was further signed with directly adjacent communities to incentivize the protection of GRNP and ensure enforcement of regulations. Second, a nonprofit company limited by guarantee (CLG) was founded in 2015 by the government and both NGOs, in order to act as a legal entity to lawfully receive proceeds from the sale of verified carbon credits. Operationally, the CLG also signed a joint-venture agreement with GoSL so as to manage the GRNP area as a REDD project, implemented by the GRNP management structure, now a department of the company.

1. REDD (Reducing Emissions from Deforestation and Forest Degradation) is a mechanism aiming at mitigating climate change through reducing net emissions of greenhouse gases through enhanced forest management in developing countries.

IN SOUTH AFRICA, COMBINING PUBLIC AND PRIVATE INVOLVEMENT IN PROTECTED AREAS WITH TAX INCENTIVES

Since the turn of the century, enrolling private properties in land-use management has been identified by South African authorities as a key condition to reaching the country's biodiversity objectives. Biodiversity legislation was redrafted in 2004 and provided the possibility for private lands to be officially and perennially registered as protected areas. This policy organisation in turn gave rise to a "biodiversity stewardship" (BDS) approach, whereby everyone in the country is potentially called to steward natural assets that sit on their properties, in view of collectively forming a network of conservation through varied individual contributions.

This brought the South African environmental NGOs, including BirdLife South Africa, and the Federal environmental authorities to think about sustaining landowners' motivation and incentivising voluntary conservation. As a result, attention was given to building into legislation the ability to pay lower taxes, so as to induce a fiscal reward for landowners who committed their land to the conservation and management standards. After an initial stage, the fiscal provisions were re-worded and better adapted to the logic of business and taxes, and were adopted in March 2015.

Based on national priorities, NGOs and provincial conservation agencies reach out to landowners whose land is considered important for conservation. After a technical site assessment, a protection status is proposed for the site by the provincial conservation authorities, and a specific management plan is drafted. The selected site must then be officially declared as a protected area as defined in the legislation by the official representative of the Province. A preliminary agreement between the Provincial authority and the landowner is submitted for official public consultation, after which the agreement is gazetted and the management plan is officially approved by the Province. The surface area covered in the agreement is officially delineated, and the resulting maps, declaration and management agreement are sent to the governmental deeds office to be attached to the land parcels through a notarial contract. On this basis, landowners are then allowed to apply for a tax reduction in their annual tax declaration. The relevant provincial conservation authority is responsible for annual monitoring of the management plan implementation.

IN CÔTE D'IVOIRE, MOBILISING DEBT SWAPS TO CONTRACTUALLY FUND THE PROTECTED AREA NETWORK

Forest area was massively lost in Côte d'Ivoire, from 16 million ha in 1960 to less than 4 million ha today. Rapid agricultural development partly explains this. In this context, biodiversity in the country is highly threatened. To prevent further erosion, Côte d'Ivoire has secured a network of 8 protected areas and 6 natural reserves. One of these, the Tai National Park (TNP), encompasses 536,017 ha of land in Western Côte d'Ivoire. With 1 million people inhabiting its vicinity, the park is threatened by agricultural activities, especially cocoa production.

In Côte d'Ivoire, three types of innovation have been at work in protected areas. First, based on a law passed in 2002, the Foundation for Parks and Reserves of Côte d'Ivoire (FPRCI-CI) was created in 2003 as a private nonprofit institution, the first Ivorian trust fund dedicated to funding the country's protected areas. Made of a general assembly of 10 founding members and a board of 9 directors plus 2 observing members, FPRCI-CI's role is to mobilize funds to generate returns on the international financial market. For this, a sister foundation was created in the UK in 2009 (FPRCI-UK) to lawfully host the endowment fund. Financial interests from the latter are then used to fund protected areas.

Second, in order to capitalise this endowment fund, debt swaps were mobilised. In this regard, both German and French governments signed debt swap agreements with Côte d'Ivoire, respectively in 2012 and 2014. Through these, the management of protected areas, including TNP, could be funded. In the latter case, for instance, €9.5 million were capitalised in FPRCI-UK. So far, this has allowed FPRCI-CI to finance €610,000 every year for TNP's operational costs, excluding public servants' wage bill.

Third, such funding is contractually granted to an *ad hoc* management body. Created in 2002, the Côte d'Ivoire Parks and Reserves Office (OIPR) is an autonomous parastatal entity governed by a management committee, although supervised by the administration. Under the new FPRCI's financing role, OIPR's management responsibilities and results are closely monitored by FPRCI as well as its donors. On the one hand, a Framework Agreement is signed with the foundation to define modalities and eligible expenses for each protected area. On the other hand, a yearly funding agreement is further discussed whose monitoring determines FPRCI's regular disbursements.

LESSONS LEARNT: INNOVATIVE FINANCIAL MECHANISMS FOR THE FUTURE?

Many examples of innovative projects for conservation exist throughout the world. Yet, there are still questions about their ability to effectively finance protected area management on a large scale. In this regard, all three cases above mentioned prove up to the task. In Côte d'Ivoire, FPRCI partially covers costs for 7 protected areas (87.5% of the network), especially the TNP which employs 140 staff, including 120 field officers in the park. In Sierra Leone, the GRNP employs 170 local staff, including 49 park rangers patrolling the area and 30 community development officers. All three cover significant tracts of biodiversity-rich lands. In South Africa, based on the BDS approach, 70 different protected areas were declared and integrated in the national protected area register in 2014. This amounts to over 400,000 ha, i.e. 1% of the total terrestrial protected areas, and 10% of current "nature reserves". Similarly, GRNP and TNP, when counting their adjacent areas, represent respectively 2% of Sierra Leone and 3% of Côte d'Ivoire. Overall, these successes in increasing and sustaining protected areas were made possible by the innovative combination of private and public involvement, at three levels.

At the funding level, private funds from financial and carbon markets are complements, rather than substitutes, to public finance. Admittedly, in both Sierra Leone and Côte d'Ivoire a specific private and autonomous body was created to receive and generate funding; however, the European Union and the French Global Environment Fund (FFEM) first financed the Gola Forest conservation concession while government debt swaps allowed capitalising FPRCI's endowment fund. In South Africa, incentives to private landowners result from government tax reductions. Combining public with private funds hence remains a necessity. All the more in a context where, although private funding of recurrent operational costs seems feasible, capital expenditure and staff for protected areas still need to be covered by governments and their development partners.

At the governance level, contractual approaches proved efficient in coordinating public and private actors. On the one hand, local communities and private landowners, as in Sierra Leone and South Africa, sign agreements with NGOs, an *ad hoc* body or a government to refrain from certain activities or comply with a set management plan, and in return receive rewards. On the other hand, following concepts from "New Public Management", specific autonomous bodies are now responsible for

managing protected areas. With this innovation, a new relationship is introduced whereby the *ad hoc* body, be it an agency or a company, is now responsible for reaching a set of negotiated objectives and is held accountable for them. For instance, in Côte d'Ivoire, OIPR is in charge of autonomously managing the country's protected area network under partial funding from FPRCI. Both entities have signed agreements where OIPR commits to certain activities and outcomes and is financed for these.

In all cases, the contractual approach involves key elements of a) public and private entities sharing responsibilities and rights, and b) associated reinforced conditionality of payments. In the three countries, both elements have ensured verification and accountability, effective management and the actual delivery of conservation results, at scale. *In fine*, such complex contractual governance has nevertheless necessitated to find political "champions" and build capacity at both the political and local level. In Sierra Leone, a group of dedicated political figures has supported successive innovations for the Gola forest. In South Africa in contrast, provincial authorities prove unevenly dedicated to the BDS approach, thus producing a patchy result in terms of implementation process. Overall, political support remains critical. Besides, building capacity at the local level appeared essential as well. In most cases, this was facilitated by NGOs and development partners, which actually played the key role of intermediary organisations. In this regard, BirdLife in South Africa, RSPB in Sierra Leone or AFD, KfW and GiZ in Côte d'Ivoire have played an eminent role in initiating the process and in maintaining essential long-term relationships with all stakeholders, which often explains the stability of the contractual arrangements.

At the institutional framework level, the rules of the game need to be secured by public legitimacy and enforced laws. To deliver significant results, all contractual agreements have to be complied with, and non-compliance accordingly corrected. Property rights need to be acknowledged and respected, whereby clarity is provided to private actors over their rights and responsibilities regarding protected area management. In South Africa, in order to enrol privately owned properties in conservation, the government has successfully secured, on the long term, the status of a protected area for land under BDS agreements, by recording those in the property registration system. State involvement and institutional stability were thus key in the process.

Yet, successes do not come without some challenges. First, markets on which innovative financial mechanisms depend actually have proven unpredictable. Mobilising markets, be they financial

markets or voluntary carbon markets, might therefore merely substitute donor money's cyclical and finite nature with markets' unpredictability. Prices on fragmented voluntary carbon markets are low and the gloomy current global economy undermines returns from financial markets. In this regard, environmental trust funds as in Côte d'Ivoire remain either financially constrained, or exposed to risks.

Second, the contractual approach also involves significant complexities and costs when negotiating and monitoring all the agreements signed. Such costs (called "transaction costs"), though essential to ensure future stability of the arrangement, might generate frustrations and conflicts in the short term and thus jeopardise the management of protected areas. In Sierra Leone, benefit sharing agreements had to be reached with all 122 adjacent communities and traditional landowners and further contracts were signed between the government and the company limited by guarantee. In Côte d'Ivoire, funds from debt swaps involve a number of agreements and non-objection notifications. In South Africa, obtaining the signature of all BDS documents might delay the process by more than a year. In total, although extensively liaising with all partners in the beginning remains crucial to decrease misunderstandings and conflicts at a later stage, such complexity may hinder the scaling-up of innovative financial mechanisms. In African contexts where regulatory frameworks are not stabilised, this is all the more relevant, because the definition of rights and responsibilities within contractual arrangements necessitates institutional stability. Hence there is a need to investigate the possibility to entrench those mechanisms permanently in law, with no possibility for regression. ■

Full report: Lapeyre, R., Laurans, Y. (2016). *Innovating for Biodiversity Conservation in African Protected Areas: Funding and Incentives. Insights from Côte d'Ivoire, South Africa and Sierra Leone*. Institut du développement durable et des relations internationales, and France-IUCN Partnership, Paris.

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