

# **Technical Workshop for the Central Asian Mammals Initiative**

Financing mechanisms for the revised CAMI Work Programme  
and possibilities for synergies.

# AGENDA

PART 1	<b>Introduction</b> Background   Global status quo of biodiversity and nature finance   Requirements on biodiversity and nature finance
PART 2	<b>Possible finance mechanisms</b> Case studies   Successful combination of financing instruments   Finding a suitable approach and instrument
PART 3	<b>Open Q&amp;A and other contributions</b>

## Expected outcomes:

- ✓ Identification of financial challenges for implementation of the CAMI PoW
- ✓ Knowledge on different financial instruments
- ✓ Basis to develop new strategies to increase funding and access different funding sources for the implementation of the CAMI PoW

**Financing mechanisms for the revised CAMI Work Programme and possibilities for synergies.**

## **Introduction**

- Background
- Global status quo of biodiversity and nature finance
- Requirements on biodiversity and nature finance



Picture: [Jairph](#) on [Unsplash](#)

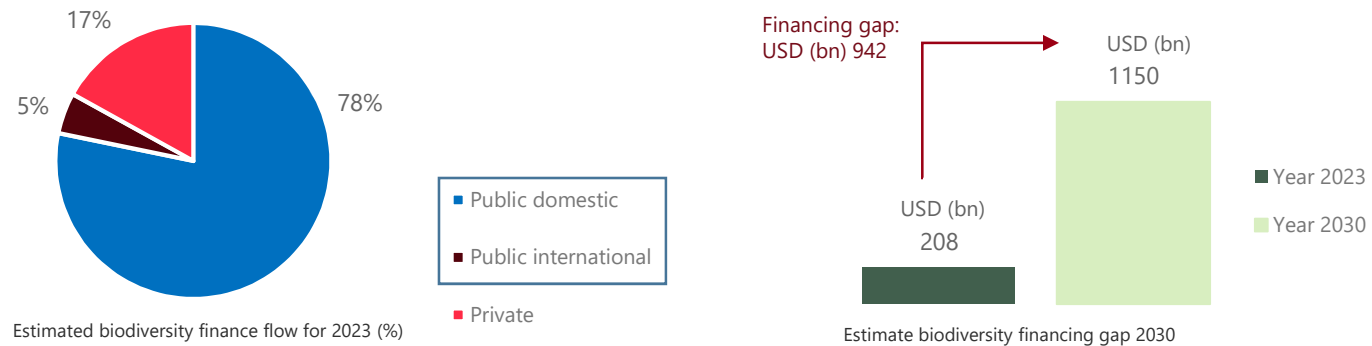
# Background

➤ Purpose of the report: **evaluation of different financial instruments** for biodiversity and nature finance and **identification of instruments suitable for implementation of the CAMI PoW**

➤ Content: introduction of CAMI; **global status of biodiversity finance; barriers to private investments; financing needs of experts** working on the ground to implement PoW; detailed overview & evaluation on financing instruments; **suggestion of suitable instruments and overview on enabling factors and next steps** → *Highlighted content is summarised in this presentation*

# Global status quo of biodiversity and nature finance

Funding for biodiversity and nature worldwide...



→ ... is dominated by public sources, private sector leaves room for increased engagement!



# Requirements on biodiversity and nature finance instruments

The complexity of biodiversity conservation finance needs the involvement of various actors, most importantly national governments, but also nature conservation organisations and financiers.



→ ... this requires the application of innovative financial instruments that consider the complexity and the needs of the involved actors!

# Requirements on biodiversity and nature finance instruments – financiers and NGOs

Private investors prefer mechanisms that:

- offer **large-scale or scalable investment opportunities**,
- include a **robust risk management**
- offer **suitable returns on investment**
- provide for **verifiable impacts with standardised indicators**

**Standardised instruments** with the possibility for a **large and diversified investment portfolio**, such as **green bonds or debt-for-nature-swaps** are suitable to attract private investors

# Requirements on biodiversity and nature finance instruments – financiers and NGOs

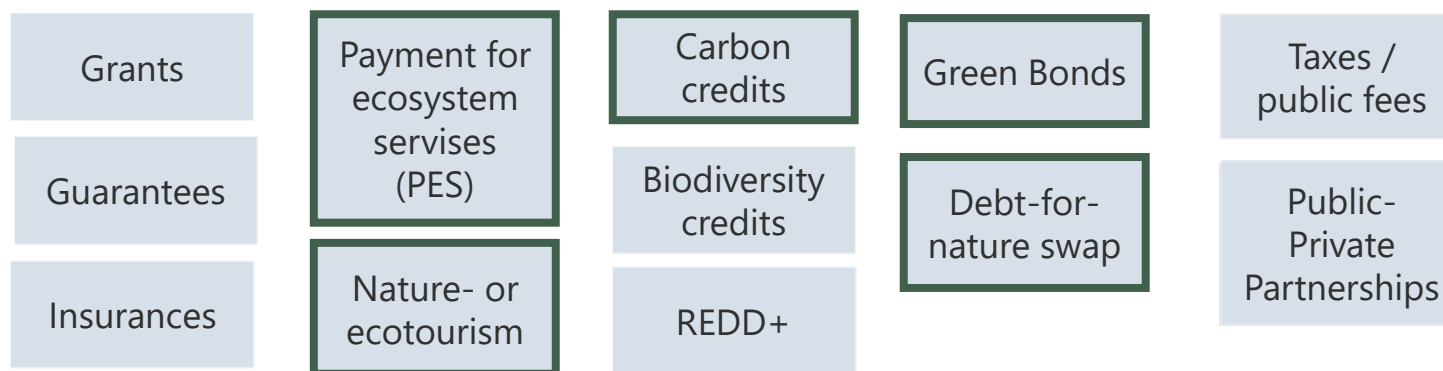
NGOs prefer mechanisms that provide:

- **sustainable long-term financing;**
- **flexible use of financial resources** (e.g. to cover also activities such as research)
- financing that is **directly / easily accessible** to the implementing NGOs.

**A combination of market-based instruments, such as payment for ecosystem services, carbon credits or ecotourism are the most feasible options**

# Requirements on biodiversity and nature finance instruments

The report presents and evaluates various financial instruments on their feasibility to serve the needs of governments, (private) financiers and NGOs.



# Requirements on biodiversity and nature finance instruments

Carbon credits	A carbon offset or carbon credit is a way of compensating for emissions of carbon dioxide or other greenhouse gases. It is a reduction, avoidance, or removal of emissions to compensate for emissions released elsewhere.
Payment for ecosystem services (PES)	A provider creates/maintains ecosystem services (water supply, soil health etc.) which are then bought or incentivised by a buyer to support the provision of the ecosystem service. PES contracts can be concluded between governmental and private parties or exclusively between private parties.
Nature- or ecotourism	Environmentally responsible travel and visitation to relatively undisturbed natural areas, to enjoy, study, and appreciate nature that promotes conservation, has low negative visitor impact, and provides for beneficially active socio-economic involvement by local people (IUCN). Each region or country can have its own interpretation of ecotourism.



# Requirements on biodiversity and nature finance instruments

Green Bonds	Debt-financing instrument by which a borrowing party issues promissory notes to investors. By purchasing the bond notes the investors are lending money for a defined time in exchange for defined (fixed or variable) interest payments from the issuer. Green bonds tie the investments to dedicated green projects.
Debt-for-nature swap	Refinancing arrangement where a country restructures its debt in exchange for specific governmental commitments. The main goal is to lower the costs associated with servicing external debt, such as interest payments and fees. In the context of Debt-for-Nature Swaps (DFNS), the government commits to investing in local environmental projects and advancing national climate or biodiversity strategies, as outlined in the swap agreement with creditors.



**Financing mechanisms for the revised CAMI Work Programme and possibilities for synergies.**

## **Possible finance mechanisms**

- Instrument examples
- Successful combination of financing instruments
- Finding a suitable approach and instrument



Picture: [Jairph](#) on [Unsplash](#)

# Ecotourism - Ruko Community Conservancy, Baringo lake, Kenya

Established in 2008 by the local Il Chamus and Pokot communities with support of the Northern Rangelands Trust, an organisation owned by community conservancies in Kenya and Uganda. The lake ecosystem offers a thriving habitat for diverse wildlife but was threatened by illegal hunting and habitat destruction.

## Project cornerstones

**Local ranger operations & conservation:** monitoring wildlife populations, conducting antipoaching patrols, raising conservation awareness

**Tourism offerings:** wildlife viewing, bird watching, cultural heritage events, boat tours, local handicraft



# Ecotourism - Ruko Community Conservancy, Baringo lake, Kenya

## Project cornerstones

**Organisation:** The Ruko conservancy is part of the Baringo County Conservancies Association, a local association that facilitates strategies for sustainable wildlife management and livelihood improvement.

**Financing:** donations and grants from USAID; Baringo County Government; Kenya Wildlife Conservancies Association

## Identified future opportunities

Tourist camps and lodges within the conservancy, to generate substantial income for the conservancy, nature-based sporting activities, large-scale honey production



Picture: butti s on Pixabay

# Payment for ecosystem services – Integrated Watershed Management, Nicaragua

The project was implemented in 2012 at Lake Apanás and Asturias watershed in Nicaragua. Intensive use of its natural resources and high deforestation endanger this highly biodiverse region, depleting its forest carbon stocks and water availability.

## **Project cornerstones**

### **Payment Mechanism for Environmental Services:**

Farmers and private forest owners receive payments from energy companies for the use of water resources for hydropower generation in the watershed. The forest owners in turn ensure sustainable water resource management and the preservation of the watersheds for the hydro-energy production.



# Payment for ecosystem services – Integrated Watershed Management, Nicaragua

## Project cornerstones

### **Sustainable forest management and conservation:**

Implementation of sustainable management practices in dedicated environmental restoration systems, establishment of 1,375 hectares of new wooded areas through the creation of 42 private wild reserves

**Local capacity building:** for sustainable management practices, land-use planning, soil conservation, and integrated watershed management

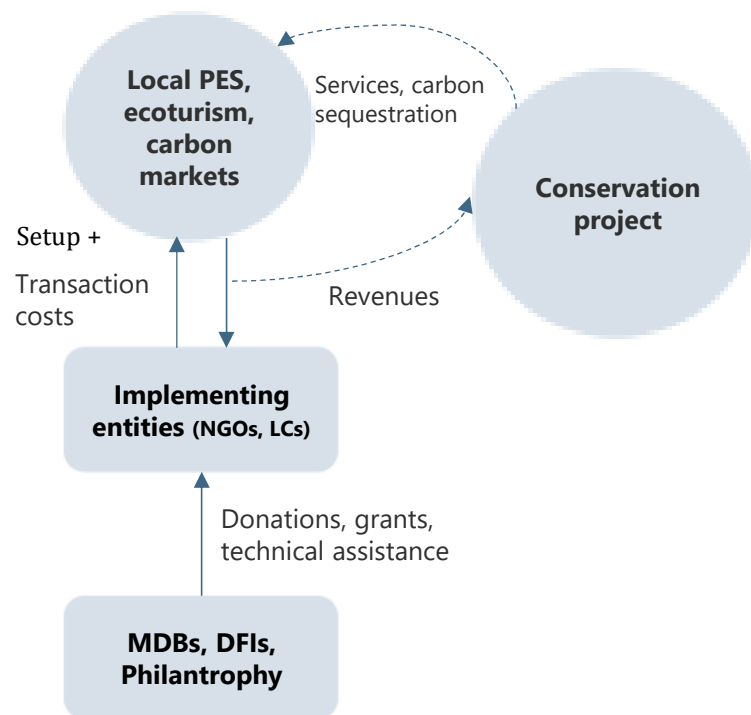
**Financing:** non-reimbursable grant from Inter-American Development Bank and support from the Global Environment Facility Fund with grant and co-financing



Picture: Vincent Döring on [Unsplash](#)



# Mechanism Option 1: NGO-centered



## Enabling factors:

- Availability of financial support for setup of instruments (including design and piloting phase)
- Experienced technical partner(s) to support the setup (Global Environmental Facility (GEF) for PES or SouthPole for carbon markets)
- Clear tenure rights and agreements on the distribution of financial benefits from instruments
- Agreement, support and involvement of local communities/ civil society
- Accreditation for available and acknowledged certifications (e.g. for voluntary carbon markets or ecotourism)

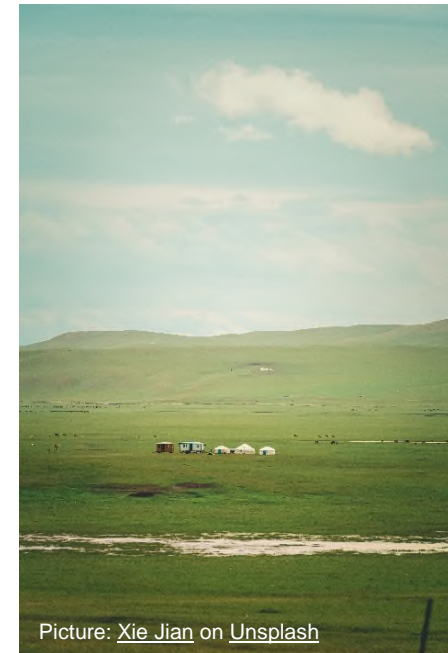
# Payment for ecosystem services / public fees - Natural Resource Use Payment, Mongolia

## **Project description:**

The project started 2015 and was implemented by UNDP Biodiversity Finance Initiative together with Mongolia. Goal was the improvement of the effectiveness of the law on natural resource user fees in order to increase national budget for environmental protection and decrease over-use of grasslands.

## **Project cornerstones**

**Revision of regulations:** gap analysis of the fiscal regulations and institutional framework for the implementation of the Natural Resource Use Payment Law and development of a revised regulation



Picture: [Xie Jian](#) on [Unsplash](#)

# Payment for ecosystem services / public fees - Natural Resource Use Payment, Mongolia

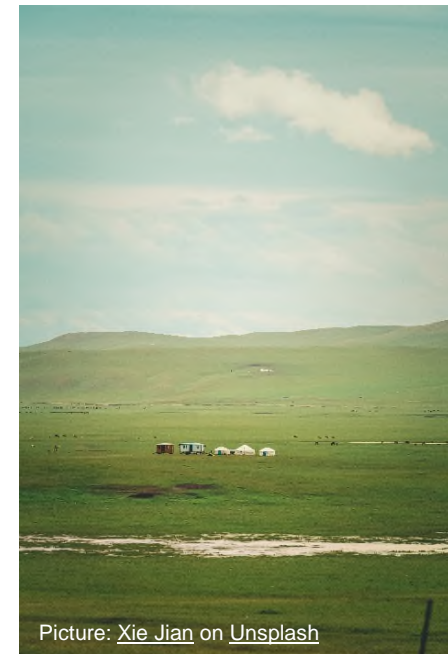
## Project cornerstones

**Public database for environmental budgets and expenditure taxonomy:** Access to budget data to ensure accountability and transparency in environmental planning and budgeting

**Pastureland use agreements:** agreements for sustainable use of pastures, to protect the poor against losing their grazing rights and against chaotic converting of pastures into mining. Herders with such agreements benefit from financial support

## **Payment mechanism for natural resource use:**

Grazing fees/animal collected annually. Revenues are used for improving pastureland, livestock risk and environmental management. For these purposes different proportions of the fees are distributed to dedicated funds which will mainly serve herders



Picture: [Xie Jian](#) on [Unsplash](#)

# Payment for ecosystem services / public fees - Natural Resource Use Payment, Mongolia

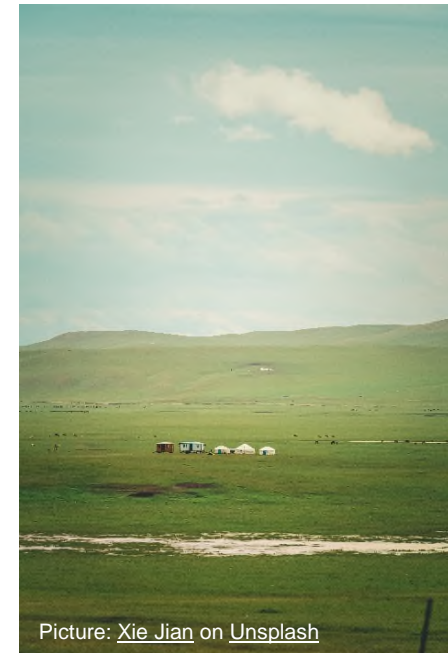
## Project cornerstones

### Payment mechanism for resource use:

- Soum (sub-provincial administrative unit) fund: to stimulate local government's participation and finance soum's pastureland, livestock risk and environmental management policies
- Soum Livestock Risk Management Fund: to finance herders to implement pastureland & livestock risk management
- Livestock Quality Stimulation Fund: to pay every animal which is quality certified and sold to the market

### Financing and technical assistance:

UNDP BIOFIN



Picture: [Xie Jian](#) on [Unsplash](#)

Source: [The improved implementation of the Mongolian law on natural resources use payment has tripled the country's environmental expenditure | BIOFIN](#)



# Carbon markets – combination of voluntary carbon scheme and carbon tax, Colombia

## Project cornerstones

### **Voluntary carbon market (VCM):**

National voluntary scheme was introduced in 2021. The VCM is embedded in a regulatory framework, including the carbon tax and instruments such as the National Registry of Emission Reduction and Greenhouse Gas Removal. In exchange for calculating GHG footprints and establishing reduction targets, the country grants tax reductions to registered organisations. REDD+ projects are also included in the VCM.



Picture: [Reiseuhu](#) on [Unsplash](#)



# Carbon markets – combination of voluntary carbon scheme and carbon tax, Colombia

## Project cornerstones

### National carbon tax:

In 2017 Colombia implemented a tax on fossil fuel emissions. Companies can instead of paying the tax buy carbon off-set credits from the VCM created by dedicated projects in Colombia. Both, the tax income and off-set revenues flow into the Sustainable Colombia Fund to support sustainable and peace projects in areas that were affected from violent conflict with Revolutionary Armed Forces of Colombia.



Picture: [Reiseuhu](#) on [Unsplash](#)



# Carbon markets – combination of voluntary carbon scheme and carbon tax, Colombia

## Project cornerstones

### **Compliance market:**

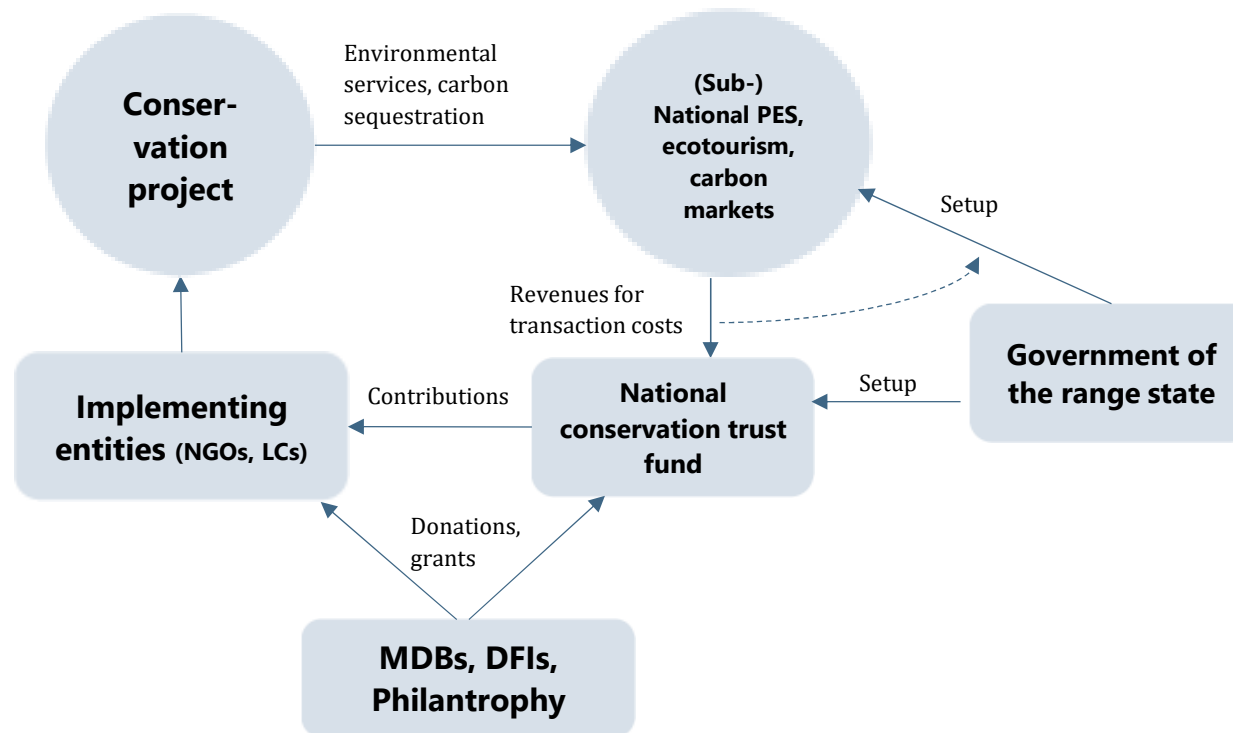
The national compliance market and emission trading system (ETS) is in development, it shall be fully established in 2030. Covered entities must surrender one allowance for every tCO<sub>2</sub> emitted for all their emissions. All revenues will be allocated to the “Fund for Life and Biodiversity”.

The design was supported by the World Bank’s Partnership for Market Readiness, a technical assistance and grant programme to establish carbon markets in developing and emerging countries.



Picture: [Reiseuhu](#) on [Unsplash](#)

## Mechanism Option 2: Government supported



# Mechanism Option 2: Government supported

## Enabling factors:

Same factors as for option 1 and in addition:

- Dedicated national procedure plans and feasibility studies to implement the instruments
- Governmental conservation trust fund and dedicated control mechanism for the funds to ensure they are distributed to dedicated conservation actions (including coordination between different involved ministries)
- Sufficient governmental financial resources to be dedicated to the implementation and operation of the instrument(s)
- National conservation targets and strategies that are linked to the trust fund financing policy
- One or more anchor investors secured by the government for the conservation trust fund (such as MDBs or DFIs) to attract more donors



# Green Bond – Rhino Bond, South Africa

Sustainable development impact bond with a volume of USD 150 million and a tenure of 5 years. Issued in 2022 by the World Bank.

## Project cornerstones

**Principal goes to different ring-fenced World Bank sustainable development projects** which generate revenue. Of the revenues USD 10 million go to the rhino conservation activities in two protected areas in South Africa, the Addo Elephant National Park and the Great Fish River Nature Reserve.



# Green Bond – Rhino Bond, South Africa

## Project cornerstones

Repayment logic of the bond: Principal repayment at the end of the maturity date. No interest payments on the bond notes but an **impact-based success payment** at the maturity end rate. Success payments are **linked to the rhino growth rate**, independently calculated by Conservation Alpha and verified by the Zoological Society of London and will be funded by a performance-based grant by GEF.

Structuring agent and bookrunner: Credit Suisse and Citibank

Set-up time: overall ~ 9 years.

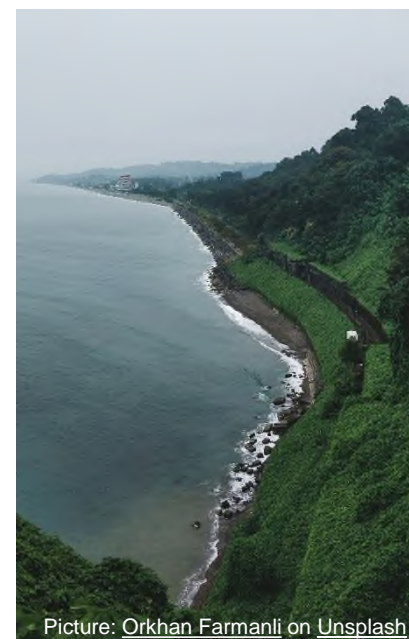


# Debt-for-Nature Swap – Blue Bonds Gabon

## Project cornerstones

Re-financing of USD 500 million of Gabon's national debt and generation of an expected USD 163 million in new funding for ocean conservation.

Refinancing was done via issuance of a blue bond in the same volume as the original debt. The bond proceeds were used to fund a 15-year loan of USD 500 million to a trust fund of Gabon government. **A share of Gabon's interest payments under the blue bond and the loan are dedicated to conservation projects. The payments are channelled through a dedicated conservation trust fund.**



Picture: [Orkhan Farmanli](#) on [Unsplash](#)

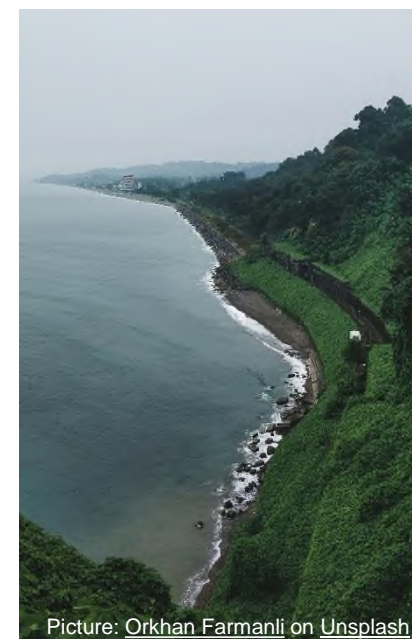


# Debt-for-Nature Swap - Gabon

## Project cornerstones

A political risk insurance (PRI) provided by the US International DFC is serving for credit enhancement and improved credit rating (Aa2 compared to Gabon's sovereign debt rating of Caa1). The PRI is limited to the principal amount of the blue loan and 7 months of interest thereunder.

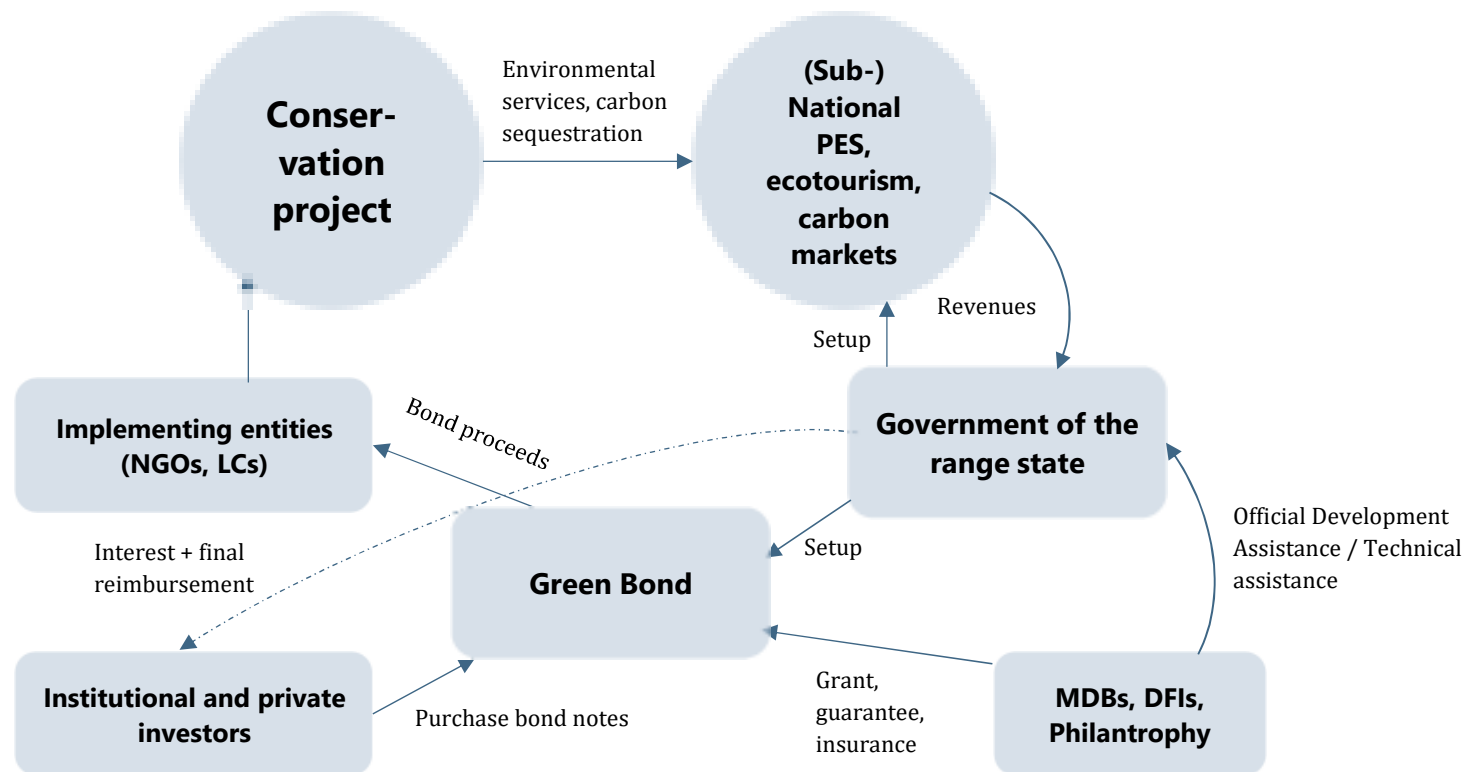
The DFNS was set up in cooperation with the Nature Conservancy (TNC) who developed the conservation milestones and oversees compliance to them. Non-compliance can lead to fees payable to Gabon's lenders under the blue bond and the loan. **The DFNS thus contains strong financial incentives to respect the conservation milestones.**



Picture: [Orkhan Farmanli](#) on [Unsplash](#)



# Mechanism Option 3: Government supp. + debt



## Mechanism Option 3: Government supp. + debt

### Enabling factors:

Same factors as for option 1 and in addition:

- Dedicated national procedure plans and feasibility studies to implement the instruments
- Sufficient governmental financial resources to be dedicated to the implementation and operation of the instruments
- Governmental staff capacity and knowledge and/or technical partner to implement the instruments
- National conservation targets and strategies that support the bond policies
- One or more anchor investors secured by the government for the bond (such as MDBs or DFIs) to attract more investors
- Diversified project pipeline for the bond
- Suitable credit rating of the government to issue an attractive bond offer → otherwise, a DFNS may be a better option (e.g., in case of high sovereign debt obligations)



# Finding a suitable instrument

## **Step 1 - Inform:**

- Learning from best practice cases / examples
- Have trainings / information sessions on certain instruments



## **Step 2 - Assess:**

- Policy and institutional review at national level for gap analysis on regulations to support conservation goals and financial instrument
- Establishment of financial resource planning for conservation
- Identification of stakeholders, off-takers/buyers and other required cooperating partners on a national and regional level



## **Step 4 - Implement:**

Design and preparation of the instrument(s) and their implementation in cooperation with the necessary partners

## **Step 3 - Evaluate:**

Identification of the most suitable instruments given the regulations, market and local stakeholders in the country



**Financing mechanisms for the revised CAMI Work Programme  
and possibilities for synergies.**

**Open Q&A and other  
contributions**

**ANY QUESTIONS?**



Picture: [Jairph](#) on [Unsplash](#)