Innovation has become the new buzzword across the globe. International organizations, governments, corporates, academia and civil society see it as the answer to the major economic, social and environmental transformations challenging the models of the 20th century.

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A Planet for Life 2014 aims to answer these questions and explore innovation in all its aspects, through a series of texts written by international experts. The objective of this book is to analyse experiences from across the world and the role of innovation in a variety of areas of development such as urbanization, agriculture and food, the mobility of people and freight, education and the provision of water and energy to all.

The book includes:

• Papers by leading international experts and academics
• New perspectives through in-depth analyses
• Numerous maps, charts and tables
• A wealth of ideas for specialists and non-specialists alike: scholars, policymakers, administrators, concerned citizens, development professionals, entrepreneurs, journalists, students and others.
The Convention on Biological Diversity sets a target of protecting 17% of the world’s terrestrial and inland water and 10% of coastal and marine areas especially areas of particular importance for biodiversity and ecosystem services (Aichi Biodiversity Targets, No. 11). How can the resources to meet such targets be found when biodiversity is an area plagued by chronic underfunding (see Figure 1)? Biodiversity may represent an increasingly important part of the strategies of funding agencies, but several countries are already finding it difficult to manage existing conservation infrastructure. In Haiti, for example, 6% of land (there are no marine parks) is protected, but only 0.3% of these ‘protected’ areas are managed effectively; the rest are what is known as ‘paper parks’. 1 Consistently insufficient budgets for conservation and biodiversity coupled with the recent economic crisis have led nations party to the UN Convention on Biological Diversity to develop resource mobilization strategies to meet Convention targets.

Conservation actors have naturally focused efforts on innovation as a means to diversify biodiversity funding sources. Simple initiatives like developing new ecotourism activities in protected areas and more complex ones such as conservation trust funds and biodiversity offsets are becoming practical and mutually enriching possibilities. An analysis of these approaches shows that innovation creates not only new funding sources but also a wealth of collateral benefits. These new approaches call into question traditional modes of understanding and managing biodiversity, making it a higher priority for governments, funding agencies, private partners and civil society to integrate biodiversity issues into their development plans. And they bring together a large number of partners, many of whom displayed little previous commitment to biodiversity, and many of whom are local actors.

Diversifying traditional financing sources: public funding and ecotourism

Public biodiversity funding innovations have had a limited impact to date because most are based on deep and difficult fiscal reforms designed to eliminate incentives to degrade biodiversity and reorient efforts toward biodiversity conservation. The recent international financial crisis provided decision-makers with a host of excuses not to invest in biodiversity.

The oldest and best-known model of biodiversity funding remains ecotourism, an ‘endogenous’ source whereby funding is generated by the ecological asset itself and channelled, at least in part, back into its protection.

In many countries ecotourism provides substantial

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biodiversity funding through fee collection. In some cases, such as South Africa's Kruger National Park, revenue generated actually exceeds operating costs. Understandably, protected areas have shown imagination in developing new approaches to attract ecotourism revenue. For example, Kenya's Wildlife Service, which manages the country's protected areas, regularly organizes popular, media-friendly sporting events in certain parks. Events like the Run in the Wild marathon or the Cycle with the Rhinos race are held in natural surroundings but away from main fauna habitats to avoid disruption. Most participants will never cross paths with wild animals. Yet the events generate revenues (entry fees, sponsorship from major businesses), create a media buzz around national parks and attract new park users, either through event attendance or media exposure. A similar example from a marine area is a popular underwater photography contest at Algeria's Taza National Park where photographers compete to produce the most beautiful photograph within a limited period of a single day.

However, the fact is that few parks can attract enough visitors to fully fund operations. In some cases protected areas are hindered by remote locations that are difficult for tourists to access. Even in South Africa most parks are not as fortunate as Kruger National Park. And even the most successful parks cannot take their future for granted; a global economic crisis or increases in the cost of international travel can cause dramatic fluctuations in park revenue levels. In the long term, tourism simply cannot be the sole source of biodiversity and conservation funding. Too many protected areas currently focusing on ecotourism will face a serious struggle to succeed.

Conservation trust funds: a tool for innovation

The need for alternative funding sources to support biodiversity has become apparent. Conservation Trust Funds (CTFs) were one of the first innovative solutions to
After a successful test in the Seychelles in the late 1980s, the first conservation trust funds were created mainly in Latin America and to a lesser extent in Asia in the 1990s; and since then have spread to Africa, where many funds were created during the last decade.

Individual CTFs have been structured to meet a range of objectives. For example, protected area conservation trusts (PACTs) supplement recurrent state funding to support the operation of the national protected area system in Belize, or for specific areas such as Bwindi and Mgahinga National Parks in Uganda. Other trusts may also support regional, national or international initiatives, as in Madagascar or the Tri-National de la Sangha, whose conservation focal area spans three central African nations. Other trusts such as Tany Meva in Madagascar or the Mesoamerican Reef (MAR) Fund in Central America also give grants to civil society actors for conservation initiatives. In all cases funding is designed to supplement rather than replace government funding, although it may be used to maintain operations during periods of crisis (e.g., Foundation for Protected Areas and Biodiversity of Madagascar and the Tany Meva Foundation). Trusts can serve as catalysts for new conservation initiatives.
activities or leverage to secure new funding, as seen with Funbio in Brazil, which started with an investment of $20 million from the Global Environment Facility and the World Bank and has since raised $390 million in capital to fund over 180 projects and 195 protected areas.

From a governance standpoint, effective CTFs tend to be independent entities with minority state representation. The catalytic role of CTFs is based on the fact that they are not funding sources per se but rather tools that draw on multiple funding sources and are designed to manage funds transparently and for the long term. The diversity of these funding sources is a potent symbol of the innovative capacity of CTFs. Trusts are often created by traditional funding sources (e.g., KfW, World Bank/IMF and AFD/FFEM have funded CTFs in Madagascar, central Africa, etc.), or as part of debt-reduction schemes (the US government’s Tropical Forest and Conservation Act in Central America or the French Contrats de Désendettement et de Développement), while some have been able to garner the support of major international NGOs (beyond their, albeit valuable, technical support), US Foundations and even private donors. A smaller number of CTFs have even secured recurrent funding from other sources, such as a tax payable upon leaving a territory or a percentage of a tax on cruise ship passengers in Belize.

As flexible, transparent organizations CTFs have found increasingly innovative ways to secure new funds. And this innovation extends beyond securing funding to include relationships with beneficiaries (protected areas, NGOs and sometimes private partners), whom CTFs advise on both securing recurrent funding and biodiversity management itself. In Latin America, in particular, where they have been operating for over 20 years, CTFs now also act as ‘pathfinders’ for conservation and the facilitation of innovation in various local initiatives. Their local base has also given them the legitimacy to express views on national policy or become a trusted partner of funding agencies, as in Mexico, Colombia, Brazil and Madagascar.

CTFs have thus grown from mere funding tools to veritable drivers of innovation and coordination, as in the case of biodiversity offsets, viewed by CTFs as a new source of funding in their diversification strategies.

The need to balance economic development and natural resource protection, recognized as crucial to long-term economic growth, has given rise to a new mechanism, biodiversity offsets, defined by the Business and Biodiversity Offsets Program as ‘measurable conservation outcomes of actions designed to compensate for significant residual adverse biodiversity impacts arising from project development’.

The key impetus for biodiversity offsets was national legislation requiring that new developments did not cause a net loss in biodiversity. Some financial institutions require that borrowers respect the performance standards of the International Finance Corporation (IFC, part of the World Bank Group). Businesses that use biodiversity offsets often have internal policies designed to manage and mitigate biodiversity risk, and an increasing number voluntarily adhere to international standards such as IFC Performance Standard 6.

Offsets for loss of biodiversity are based on the polluter pays principle, with developers paying to offset the residual impacts of biodiversity to ensure there is no net biodiversity loss. Residual impacts are assessed using a ‘mitigation hierarchy’ based on a business’s commitment to applying environmental best practices to minimize project impact. Impacts that cannot be avoided or minimized, known as ‘residual impacts’, must be offset through actions such as rehabilitation or the creation of new protected areas that would not otherwise have been protected, a concept known as ‘additionality’ designed to ensure offsets do not merely duplicate existing, and already funded, conservation actions.

CTFs and offsets: combining tools and mechanisms to fund conservation

Setting a realistic budget for conservation activities is an important step in developing and implementing the offsetting process. Conservation goals can only be achieved if sufficient funding is available throughout the offset plan lifecycle (e.g. 20 – 30 years). In some cases businesses may attempt to secure long-term funding by setting up a permanent fund to manage offsets, either before the project begins or at some other juncture prior to completion. In both cases the project developer creates a financial mechanism to provide long-term funding for offsets.
Most businesses, however, have limited experience managing conservation initiatives, which lie outside their core business. Finding responsible, financially transparent partners can help companies fulfill offset conditions. It is here that CTFs enter the equation, to implement offsets and direct funding provided by the project developers towards appropriate offset initiatives. CTFs offer a turnkey solution that remains viable for the very long term.

Offset programmes have yet to fully come into their own, and many trust funds (particularly in Africa) have not been as successful as Funbio in Brazil or Fondo Mexicano para la Conservación de la Naturaleza. Not every CTF has the benefit of 20 years of experience, like Uganda’s Bwindi Trust, and not all are ready to implement offsets in the short term, as is Madagascar’s Aires Protégées et la Biodiversité. But the promise is there, once certain obstacles have been overcome.

The first challenge is to overcome the difficulties and the costs of creating these tools to ensure viable long-term funding, to reinforce them with a solid financial and legal framework and to shield them from local and international political and economic crises (financial crises threaten trust funds; economic crises undermine private companies’ ability to fund offsets). The second is to ensure the local adoption of these tools, i.e. they must be placed in the hands of committed local partners that have been trained to effectively govern and innovate. The third challenge is to counteract negative externalities such as the temptation of governments in developing countries to retract biodiversity funding upon the arrival of a CTF or a private-sector actor that intends to provide only supplemental funding, or that of project developers who view offsets as an opportunity to eschew their responsibility to avoid or minimize environmental impacts, or who argue against investing in what is needed to avoid long-term environmental damage. A fourth challenge is the difficulty of assessing the environmental and social impacts of these mechanisms in the short term without the established yardsticks or critical mass of experience that could make them a powerful driver of global change.

In 2014 we will begin to see the emergence of agreements between private businesses and CTFs. These pilot agreements will be designed to secure adequate funding to achieve conservation objectives and, in some cases, set up long-term endowment funds. This is a new chapter in the history of innovative conservation funding models, just the first of many such projects to be implemented in the next five years, and well worth watching closely.

**Much more than just a funding innovation**

Clearly, tools like CTFs and biodiversity offsets are designed to be part of long-term solutions, not mere funding mechanisms. They are many things at once: (i) funding sources; (ii) innovative models for managing nature and bringing together various actors, including those previously uninvolved in conservation; (iii) a cause for reflection encouraging local actors to get involved in conservation, either through government or civil society; and (iv) a change in scale for biodiversity management, either through CTFs acting at the national level and beyond to serve ecological regions that cross borders (Sangha in central Africa, Carribean Conservation Fund and the MAR Fund in Central America) or through international forums for discussing conservation tools (such as the RedLAC network, Latin-American- or Caribbean-wide initiatives and the truly global Conservation Finance Alliance).

Today biodiversity funding is part of a new framework to be considered on larger regional and national scales, as we have seen with CTFs and offsets. Other areas with strong innovation potential abound. For example, much remains to be seen in terms of the behaviour and consumption patterns in developed and emerging nations, which could have a substantial impact on marshalling the resources needed to protect biodiversity. These range from the impact of traditional international trade to illegal traffic in endangered species: taking action in these areas will require a fundamental change in cooperation agencies’ projects, methods and intervention approaches. Also, we must not forget that limiting negative impacts may also have a spillover effect leading to increased resources for positive-impact projects or a reduced need for funding to ‘repair’ damage to biodiversity.

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3. According to the criteria of the Business and Biodiversity Offset Programme, a coalition of private business, government, funding bodies and other actors.
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