

# Finance Tools for Coral Reef Conservation: A Training Guide

## Introduction

Developed by the Conservation Finance Alliance and Wildlife Conservation Society for the International Coral Reef Initiative

Content drawn from Finance Tools for Coral Reef Conservation: A Guide (2018)

Venkat Iyer, Katy Mathias, David Meyers, Ray Victorine and Melissa Walsh

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# Finance Mechanisms Covered

- Entrance Fees
- Special Use Permits
- Concessions
- Green Taxes
- Payments for Ecosystem Services (PES)
- Biodiversity Offsets
- Nature Bonds
- Impact Bonds
- Debt for Nature Swaps
- Reef Insurance
- Conservation Enterprise Incubators
- Impact Investing
- Conservation Trust Funds

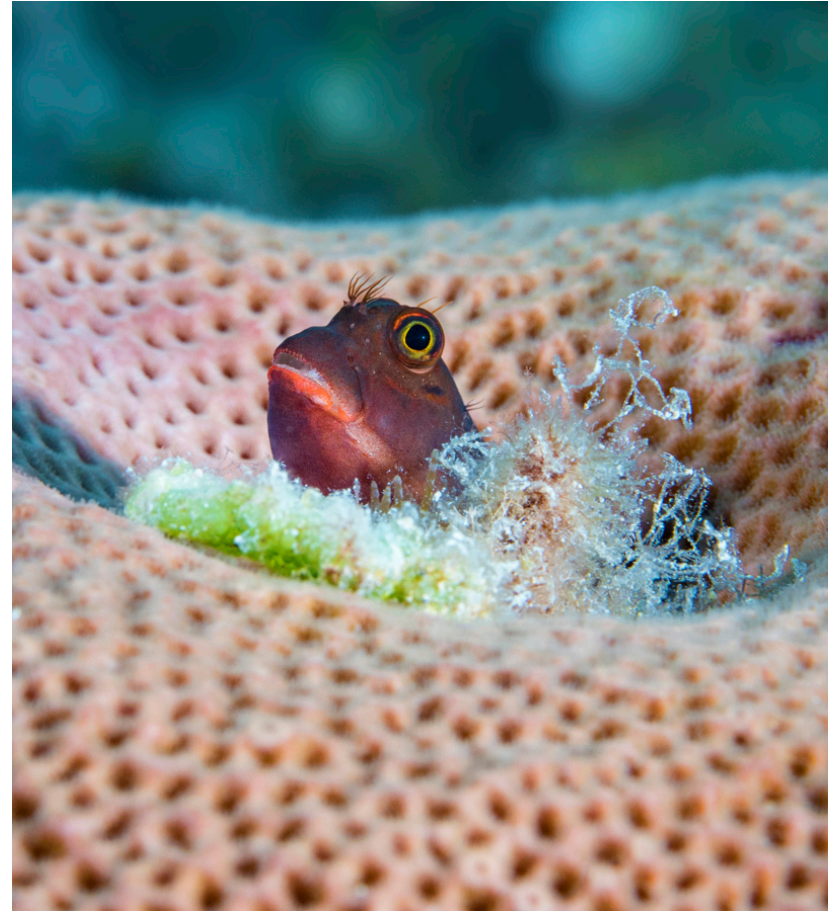
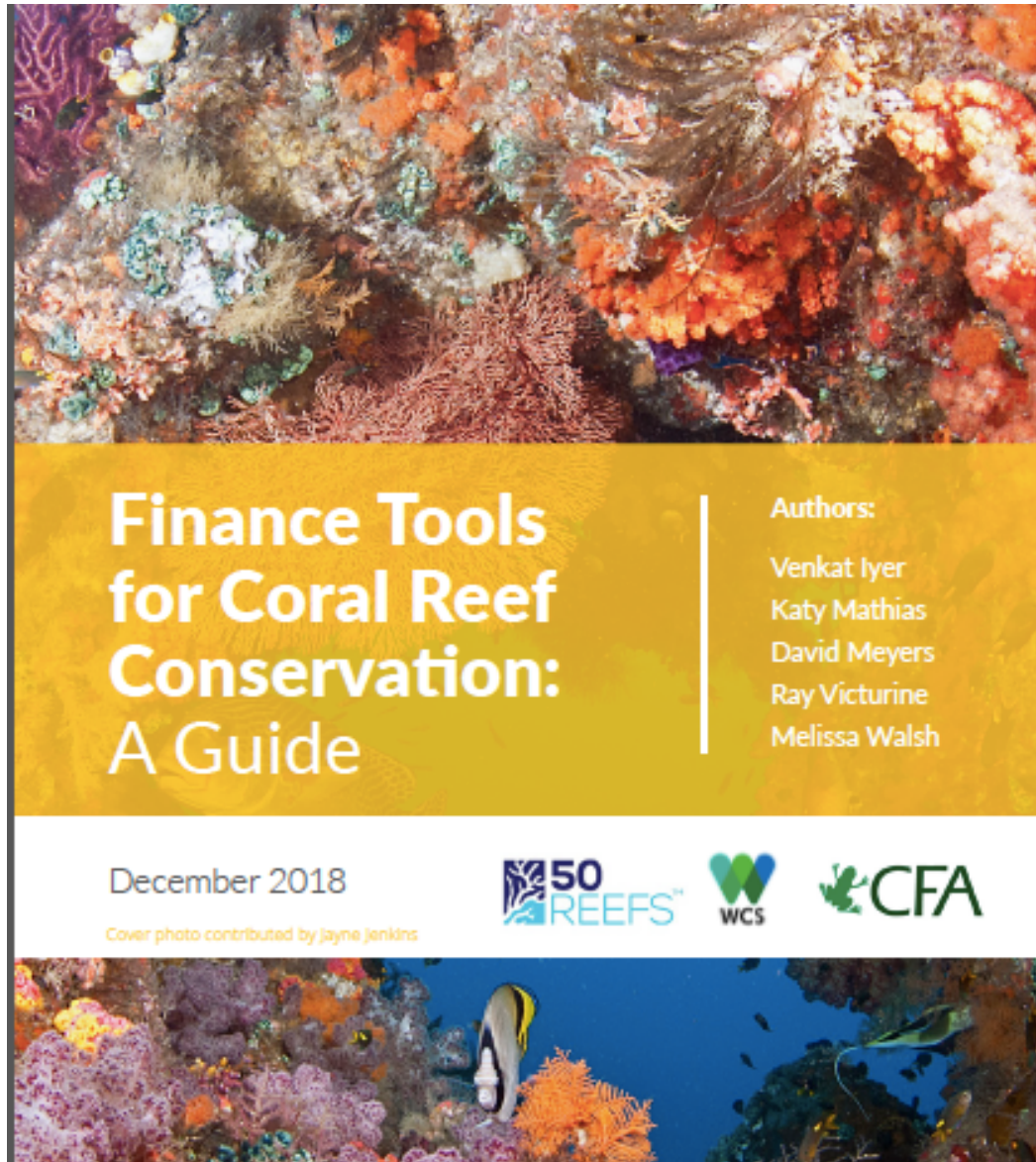


Photo: Cristina Mittermeier, Coral Reef Image Bank



## Built on the Report: Finance Tools for Coral Reef Conservation: A Guide

- Working guide on financial tools available for reef conservation
- Resource for PA Managers and others charged with achieving conservation and protection of coral reefs
- Builds on ICRI / Vertigo Lab's "Innovations for Coral Finance" (2018)
- Online @ [cfalliance.org](http://cfalliance.org) ([CFA Publications](#))



# Conservation Activities

- Creation, development and management of marine protected areas (MPAs)
- Sustainable fisheries
- Restoration of coral ecosystems
- Suppression of external pressure factors
- Sustainable tourism



Source: International Coral Reef Initiative

Photo: The Ocean Agency / XL Catlin Seaview Survey



# Challenges for Coral Reef Conservationists

- Insufficient funding to meet conservation needs
- Array of financing tools may seem overwhelming
- Capacity limitations
- Need for process or framework for evaluating options





# The Guide as a Resource

- Business Planning: Critical First Step
- Explanation of 13 Finance mechanisms, plus the role of government and donor funding
- Case studies
- Comparative framework
- Provides an introduction to and overview of approaches to financing coral reef conservation
- Not an implementation guide

## **Finance Mechanisms**

Entrance/Access Fees

Special Use Permits

Concessions

Taxes and Levies

Payments for Ecosystem Services (PES)

Biodiversity Offsets

Nature Bonds

Impact Bonds

Debt for Nature Swaps

Insurance Schemes

Conservation Enterprise Incubators

Impact Investing

Conservation Trust Funds



# Business Planning for coral reefs and associated protected areas

What is a business plan?

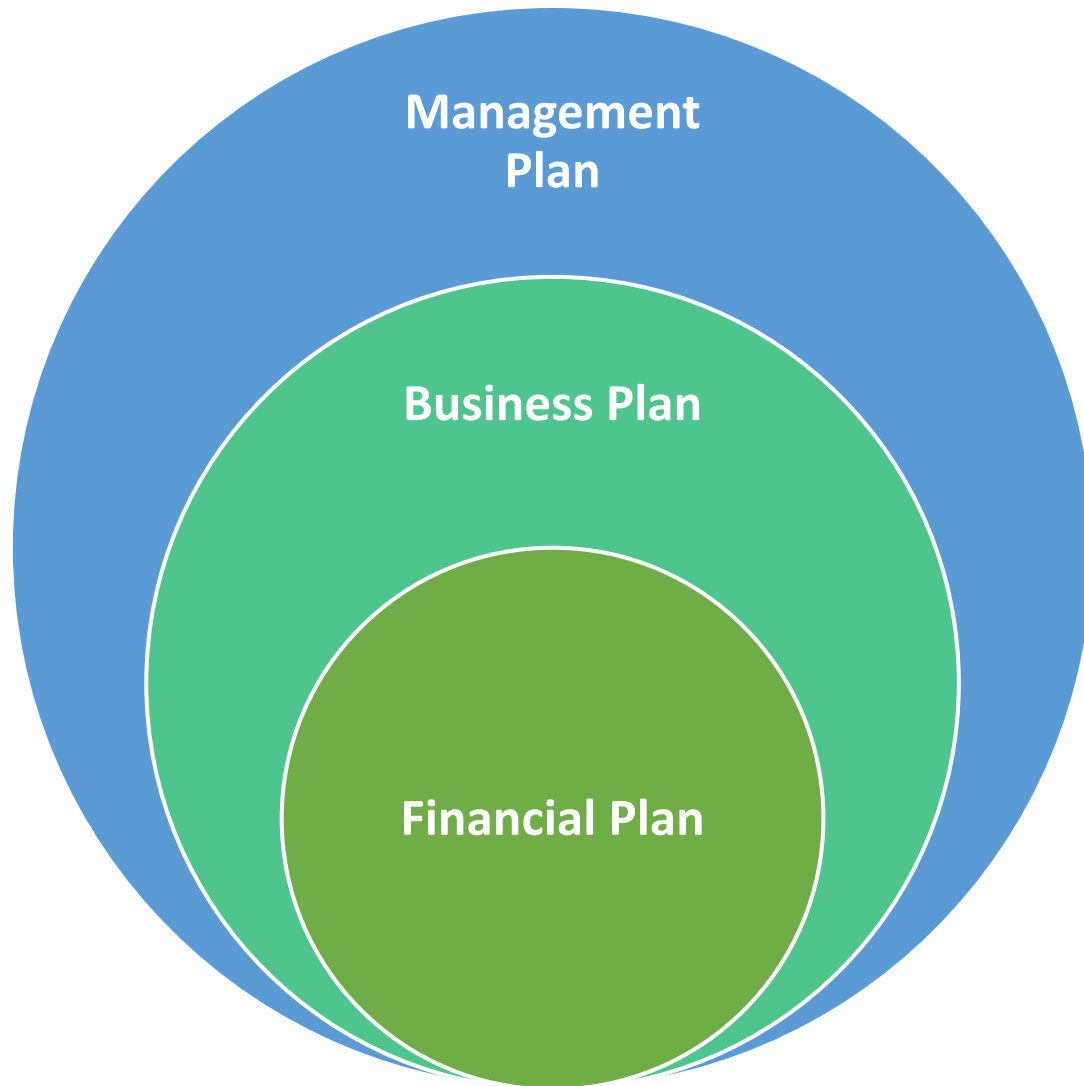
- A written document developed through consultation and analysis
- Summarizes an entity's plan to achieve their identified objectives through sound management and financing
- Can be written for a PA, NGO, CSO, CTF, or a for-profit or cooperative business
- Language and style that potential investors and donors respect



# Goals for Business Planning process

- Support for revenue generation and fundraising
  - Identify detailed funding needs
  - Donors, investors, and resource users
  - Finance mechanisms
  - Highlight ROI or economic benefits of conservation
- Improved organizational effectiveness and planning
  - Managers think through the steps to achieve stated outcomes
  - Realistic and budgeted execution plan
  - Scenarios, feasibility assessments, and cost effectiveness
- Assessment of strengths and weaknesses
  - Enhance or take advantage of those strengths
  - Minimizing the weaknesses

# Business Plans for PAs





# Business Planning Process

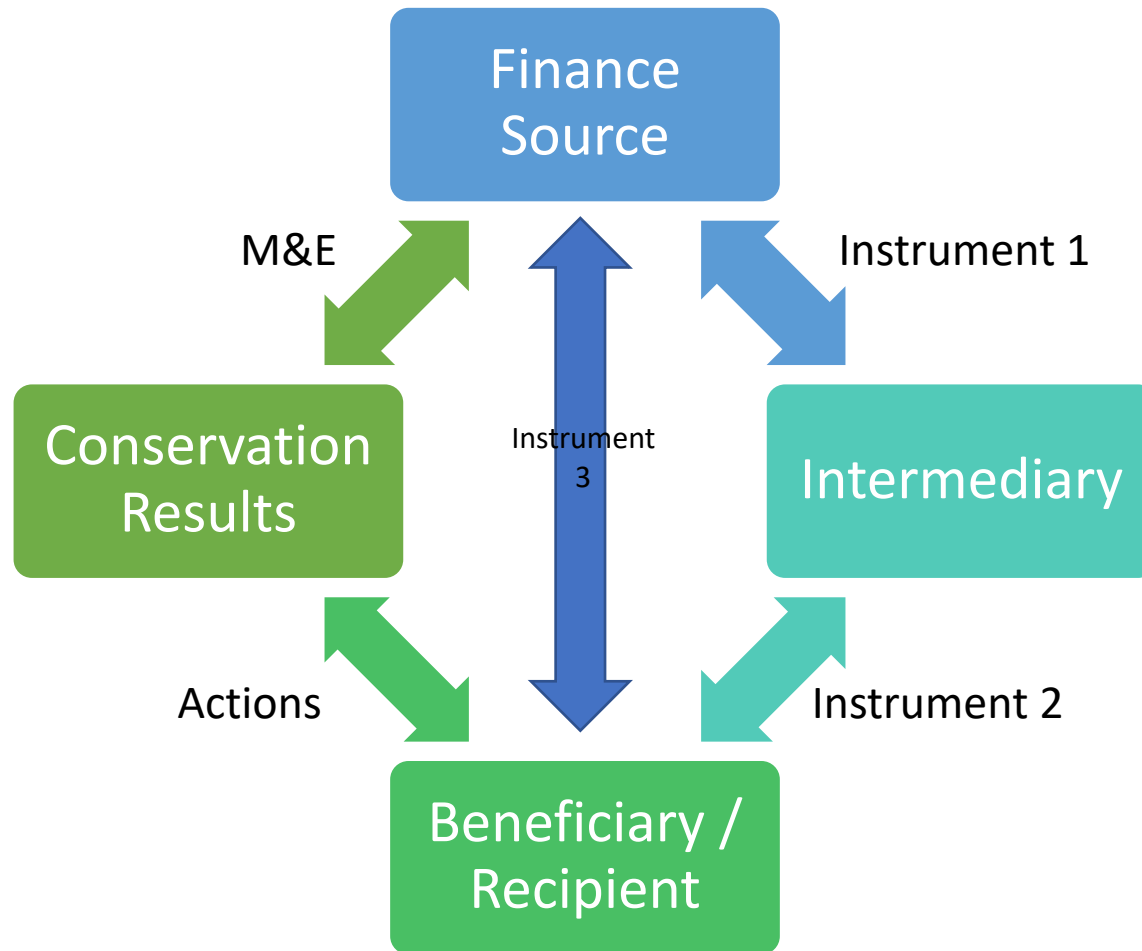
- The process is as important as (or more than) the result
- Engagement of both internal and external stakeholders
- Begin with Visioning – what are your aspirations? What do you seek to achieve?
- Build cost estimates from the bottom up
- Realistic and ambitious
- SMART Indicators – Specific, Measurable, Achievable, Relevant, and Time-bound
- Living document

# Business Plan Outline

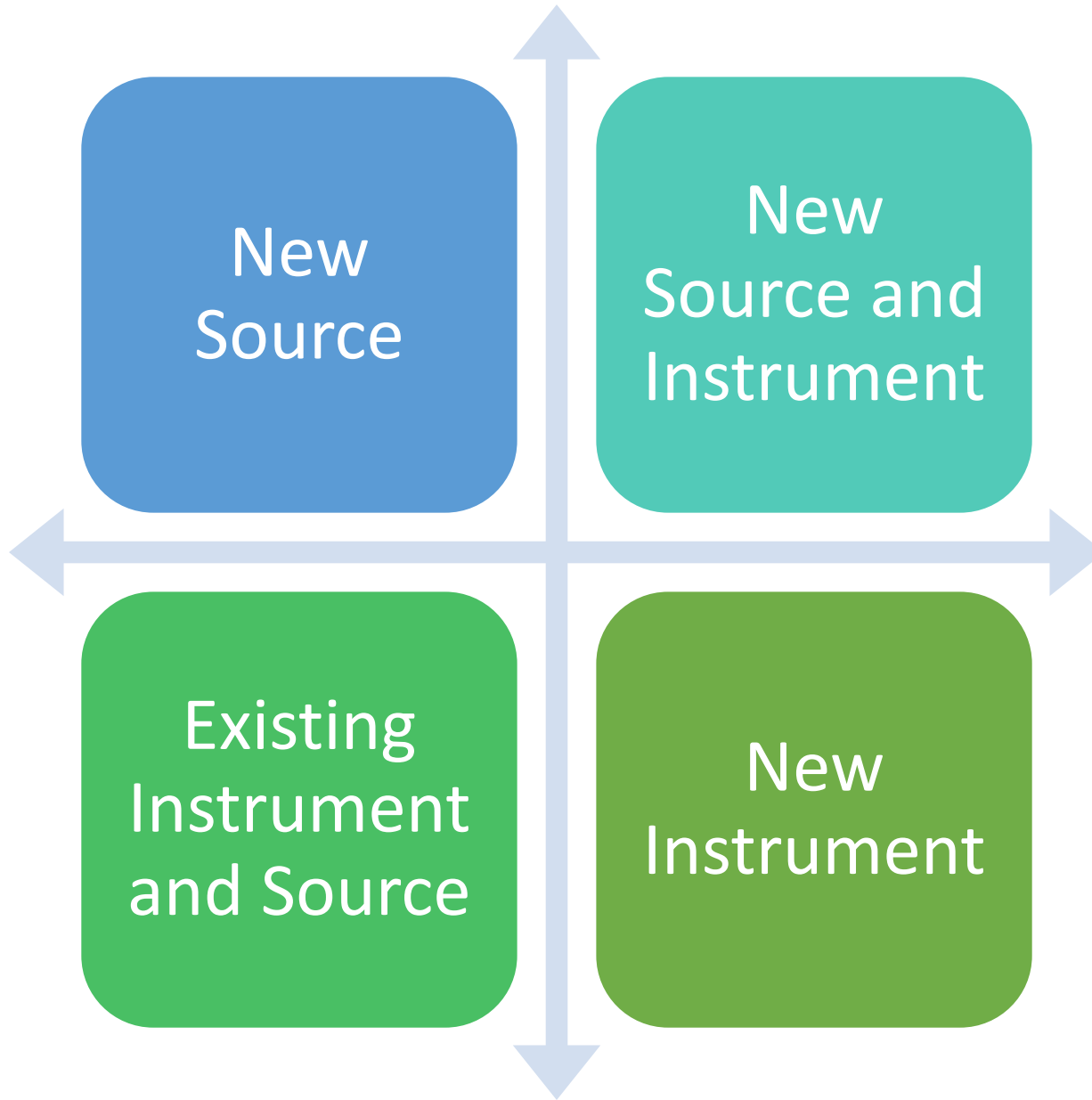
- **Executive Summary**
- **Background**
  - Vision and Mission
  - Physical and Biological Description
- **Operations and Management**
  - Organizational Structure and Governance
  - Program Plan
  - Risk Analysis
  - Measurement and Evaluation
- **Strategic Priorities**
  - Value Proposition / Competitive Analysis
  - Institutional Gap Analysis
  - Implementation Plan
  - Cost / Benefit Analysis
- **Marketing Plan**
  - Stakeholder Analysis
  - Messaging
  - Communications
  - Fundraising
- **Financial Plan**
  - Historical Financial Statements
  - Financial Projections and Needs
  - Sustainable Financing



# Elements of a Finance Solution / Mechanism / Tool



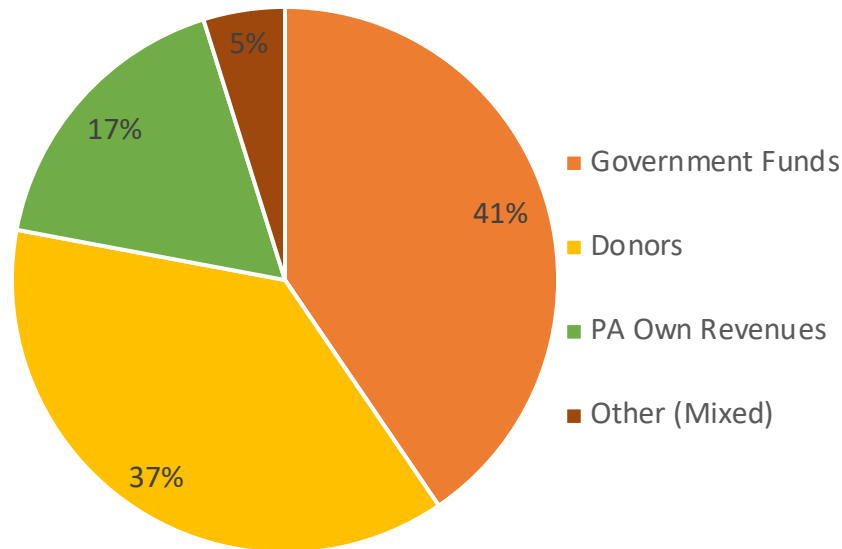
# Approaches to increase income





# Finance Sources

Finance for Coral MPAs - Average



By Country	N	Government Funds	Donors	PA Own Revenues	Other (Mixed)
USA	3	78%	22%	0%	0%
Mexico	4	55%	17%	3%	24%
Columbia	1	21%	53%	0%	26%
Netherlands Antilles	1	35%	19%	46%	0%
Tanzania	6	5%	51%	36%	8%
Viet Nam	1	6%	90%	0%	5%
Malaysia	5	40%	29%	32%	1%
Philippines	6	60%	39%	0%	0%
France	1	72.5%	2.3%	21.0%	4.0%
AVERAGE		41%	36%	15%	8%

# Prioritize Options

- Organizational capacity
- Feasibility - Likelihood of success (are there major barriers?)
- Potential financial impact
- Compatibility with mission
  - Environmental and Social Impact
  - Economic model
- Return on Investment
  - Start up costs
  - Operational profitability
  - Risks





# Diversify

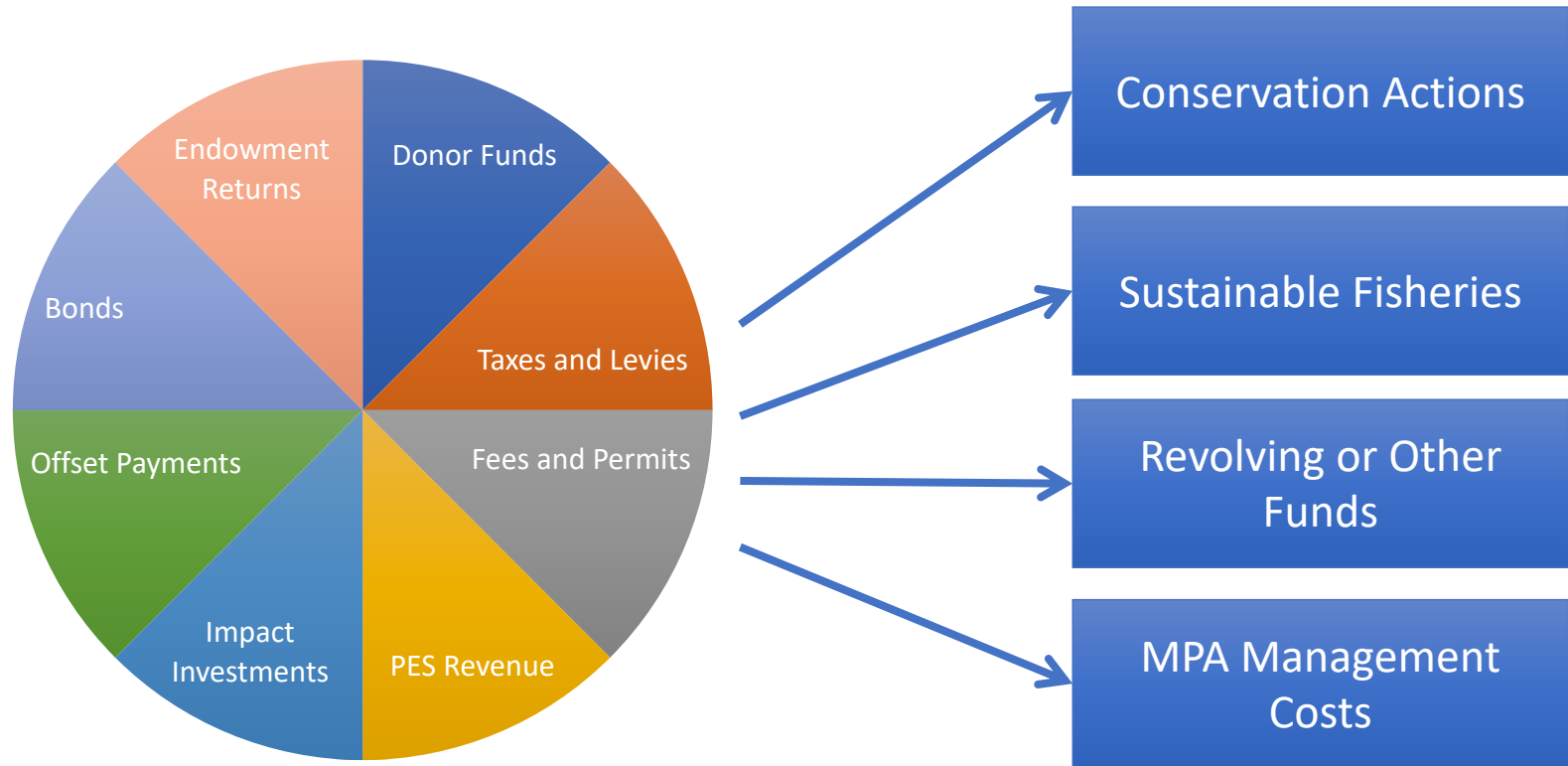
- Over-reliance on a single stream of funding is highly risky
- Individual mechanisms are rarely sufficient on their own to meet the need for funding
- Financial mechanisms often work in concert with one another to generate or leverage funds



# Mix of Finance Solutions

- **Finance** - Financial adequacy
  - Can address the financial needs previously identified?
- **Risk Management** - Diversity of solutions
  - Contain a diverse set of solutions in order to be more resilient to shocks, delays, and institutional challenges.
- **Planning** - Appropriate sequencing
  - Consider urgent biodiversity priorities and long term goals
  - Mix of short-and long-term solutions will be useful.
- **Integration.** Contribution to sustainable development

# Envision optimal mix of tools



Thank you for your participation.

Please visit our website at [www.cfalliance.org](http://www.cfalliance.org) to see the latest Conservation Finance news, sign up for our newsletter, or become a CFA member.

