IUCN
The World Conservation Union

IUCN – Centre for Mediterranean Cooperation

SUSTAINABLE FINANCING SOURCES
FOR PROTECTED AREAS
IN THE MEDITERRANEAN REGION

IUCN CONFERENCE ON FINANCE SOURCES FOR PROTECTED AREAS IN THE MEDITERRANEAN Seville (29-31 January 2006)

Arturo López Ornat
with Sira Jiménez-Caballero
PANGEA SL

IUCN
The World Conservation Union

IUCN – Centre for Mediterranean Cooperation

SUSTAINABLE FINANCING SOURCES
FOR PROTECTED AREAS
IN THE MEDITERRANEAN REGION

Arturo López Ornat
with Sira Jiménez-Caballero
PANGEA Consultores SL

PANGEA
CONSULTORES S.L.

Sustainable financing sources for Protected Areas
in the Mediterranean Region

I N D E X

SUMMARY

Protected Areas (PAs) in the Mediterranean significantly contribute to sustaining the economy of the region. Covering around 300,000 Km^2, PAs provide freshwater flows, important resources for hydropower, for recreation and tourism, for fisheries, biodiversity, and other ecosystem services. Regional assessments have concluded, however, that a major effort needs to be made to solve their state of chronic under funding and unpredictable funding fluctuations.

The Murcia Conference on Protected Areas in the Mediterranean and the Vth World Parks Congress, both convened by IUCN in 2003, identified a wide range of alternatives for generating revenues, emphasizing the need to develop innovative funding approaches such as debt swaps, endowment funds, and payment for ecosystem services; to improve development policies (e.g. by reforming subsidies); and to share costs and benefits through co-management and local participation. The adoption of a business approach to protected areas and the need to forge strategic alliances with partner organizations were also highlighted. These recommendations were adopted by the Convention on Biological Diversity (COP 7, 2004) in its Programme of Work for Protected Areas (Decision VII-28) and recalled and detailed at the first Ad-Hoc Meeting on Protected Areas in Montecatini (Italy, June 2005).

In this paper we review the degree of implementation of these recommendations in the Mediterranean, assessing the general financing needs and gaps, the main funding sources, and identifying the most important financing actions. The range of financing sources includes national and regional governments, bilateral and multilateral development agencies, and some market-based and private contributions. To build data-sets we have consulted literature, Internet sites, and issued questionnaires to PA country officials, to ODA agencies and to experts and interested institutions. Some information may exist on an agency or donor basis, but it is dispersed or unclear and not systematically collected. The large number of countries, the heterogeneity of institutional arrangements, and the diversity of conservation categories both in land and marine PAs further complicated this research.

We estimated the PA financial needs in the region. Budgets fluctuate strongly depending on the sub-region (mainly EU and non-EU countries), and on the specific protection needs for each area (marine or terrestrial; conservation category; and size). The broad PAs in Categories V-VI, usually allowing for multiple uses and sharing management responsibilities, require US$ 18 and US$ 60/ ha/year in land, twice as much at sea. Categories I-IV (strictly protected and National Parks) require between US$ 60-240/ha/year in land and over US$ 1000/ha/year in small marine parks. These preliminary figures suggest that the annual financial needs for PAs in the Mediterranean region would be in the range of US$ 1,147 – 3,820 million.

The information on existing domestic PA budgets is heterogeneous and non systematic. However, using this study and data collected during the IUCN Conference on "Sustainable Financing for PAs in the Mediterranean" (January 2006), preliminary data from 15 countries (from a total of 20) was made available and is presented and discussed. The regional average hides an enormous sub-regional disparity; the PAs in the European Union (US$43 /ha) receive in average 10 times as much than those in the non-EU countries (US$4.5 /ha).

All the Mediterranean countries are committed to PA conservation through the Barcelona Convention and the CBD, both of which also refer to the need for North-South cooperation. But in most developing countries protected areas are not a national priority and their financing depends greatly on international aid. However, the total bilateral ODA for biodiversity purposes in the Mediterranean is in the range of just € 6-9 million/year. Compared with other regions, these figures are quite low. While biodiversity accounts for 2.7% of all ODA worldwide, this proportion is reduced by at least 20 fold in North-Africa/Middle-East. Another possible source of support from international aid would be debt relief-swaps; in the Mediterranean this mechanism has only been tried in 3 countries, of which Egypt is the only one with a debt-for-nature swap program, established with Italy, totalling US$ 10 million for the period 2001-2006.

The EU and the GEF are the main multilateral donors for environmental purposes in the Mediterranean. The EU, through its 3 specific programmes SMAP, LIFE-Third Countries, and INTERREG, has contributed an average of US$ 3.1 million/year to PAs in the South and Eastern Mediterranean countries, while the GEF allocated an average of US$ 5.4 million/year to the same objective. Taking bilateral and multilateral ODA altogether, our estimate is that the **average regional donations for PAs are US$ 14-17 million/year**. On an area basis, this implies an ODA of US$ 1.5/ha/year, a similar figure to that reported worldwide for the same purpose, accounting for 1.1 - 4.0 % of the total needed in the sub-region. However, as the total domestic budgets in this area range from US$ 15-30 million/year, donor contributions are still significant (30-50% of the existing PA budgets in non-EU countries). Adding all national and international contributions, the current available funds for PAs in non-EU Mediterranean countries range from US$ 25-55 million/year, **an annual allocation of US$ 2.2 – 5.3 per/ha**.

Ten countries outside the EU have established Environmental Funds, fed from specific taxes on tourism, from EIA offsets, or from international sources such as ODA and debt-swaps. However, these Funds are focused on support of the “brown” sector, and only in Jordan are they mostly allocated to PAs.

Despite their support to rural development through water, forest products, fisheries and other options, PAs rarely benefit from any subsidies, but are rather under threat from the perverse effects of subsidies to various economic sectors, including fisheries, forestry, agriculture, energy and water. Worldwide assessments, and our own calculations for the Mediterranean, show that the existing protected areas would only require a small fraction (2-5 percent) of the amount governments currently spend on environmentally perverse subsidies. The case of the EU is analysed into some detail.

In summary, **funding from the public sector remains largely insufficient** to cover the basic needs of PAs in the Mediterranean. Very specially in the non-EU countries, but also in the EU, diversified portfolios and new market-related sources of finance need to be developed because no single source of funding is likely to cover all costs.

Tourism and recreation are highly valued PA benefits. Considerable income can be generated for PAs through direct charges (gate fees, permits for recreational activities, indirect charges on hotel accommodation, airport departures and others). However, only 3 countries (Jordan, Montenegro and Slovenia) have established entrance fees mechanisms in all PAs, and 7 other countries allow gate fees in some PAs or are testing this policy at pilot sites. A significant potential for coastal MPAs can be drawn from the growing demand for diving activities, as divers pay as much as € 120 a day in Mediterranean marine protected areas. Some marine National Parks are completely self-financed through these entrance fees. It is also noteworthy that more often than not the income generated by PAs is transferred to government central accounts; for example in Egypt the income from PA accounts for about twice the annual national PA budget, but around 3-5% of this amount returns into the PA system.

However, at the heart of the funding gap is the undervaluing of PAs. Protected areas not only generate tourism revenues, they also provide clean water flowing to downstream farmers and cities, natural-disaster prevention, biodiversity stocks, commercially valuable fish-stocks and other benefits. If jobs, income, cultural heritage and other values are included, the services provided make a critical contribution to poverty alleviation and to the achievement of the U.N. Millenium Development Goals. In the Mediterranean context this important focus is barely recognised. The best opportunities should arise from water and hydropower production and from the tourism-recreation industries. A recent study estimates that the average Total Economic Value of forests in 18 Mediterranean countries is about € 133/ha per year: forest services alone provide a much higher economic benefit than the investment to protect them.

There is no reason why the public sector should have the sole responsibility for funding or managing PAs, their facilities and services. The cost of PA management can be shared through collaborative agreements. The Mediterranean receives over 200 million tourists a year, and PAs are increasingly valuable tourism products. Some indicators of a growing support to Mediterranean PAs from pioneering members of the tourism industry are also described in the main text.

Collaborative agreements and participation also prevent future conflicts and thus, unforeseen losses of time and money. Numerous cases in the Mediterranean region with cost-sharing examples are described, including situations where private entities and NGOs have voluntarily assumed management responsibilities; noteworthy examples come from Jordan, Italy, Slovenia and Spain. Some cases of offsets from EIAs and compensation for the environmental impacts of infrastructure are also described; this type of initiative is likely to be institutionalized rather than remaining as voluntary agreements or one-off cases. The EU has recently approved an Environmental Liability Directive which Member States must bring into force before 30 April 2007.

The following conclusions can be drawn:

- The regional average hides an enormous sub-regional disparity; the PAs in the EU receive 10 times as much (US$ 43 /ha) as those in the non-EU countries (US$ 4.5 /ha).

<u>In the European Union</u>

- All together, the EU has allocated little for conservation and PAs. Natura 2000 will cover up to 25% of the surface in some Mediterranean countries, but will receive only 3-5% of the subsidies for natural resources. At best, the figure may rise to US$18/ha/year, and most of it for rural development within and around the sites. The access to these funds, usually managed by ministries other than Environment, must show they can deliver other EU priorities: jobs, rehabilitation, education and training, or control of alien species. And as the EU funds are administered at the national level, the national programmes from ministries such as Agriculture, Fisheries or Regional Development should include priorities for PAs.

- Financing for marine Natura 2000 sites has not been mentioned in the proposed Regulation for the European Fisheries Fund, so MPAs may have been excluded from the new financing perspectives. Support and funding for MPAs should be sought through the fisheries policy and also be considered as a part of the fisheries agreements signed between the EU and third countries in our region.

<u>In the non-EU countries</u>:

- With around 10 million hectares under protection in this sub-region, the total domestic allocations range between US$ 15-30 million/year, which added to the international funding sources (another US$ 16 million) deliver an average of US$ 3 – 4.5 /ha/year in non-EU Mediterranean countries, with the weakest situation in Northern Africa (US$ 1.0 /ha).

- The funding gap for PAs in non-EU countries is between US$ 319 and 1318 million/year, and currently between 3% -15% of the needed investment is being covered**.** This situation is weaker than the general situation reported by the 7th COP to the Convention on Biological Diversity for the world's developing countries (17-29%).

- Most environment related Funds in these countries support the "brown" sector, which is, for the time being, the environmental priority in non-EU countries. And while biodiversity accounts for 2.7% of all ODA worldwide, this share is reduced by 20 fold in North-Africa/Middle-East. All together, the Mediterranean seems not to be identified as a priority for biodiversity (and PAs), either by the national authorities or by the international donors, even though the region is one of the world's hot-spots for biodiversity.

<u>Donor policies on Protected Areas</u>:

- Donors tend to treat Environment as a cross-cutting issue rather than as a sector (e.g. World Bank, EU, Netherlands, UK). And frontiers between markers such as "Sustainable Development", "Environment", or "Biodiversity", are most of the times unclear in the ODA budgets.

- The donor contributions to Protected Areas in non-EU Mediterranean countries (US$ 16 million/year) even although they represent between 1.2 - 4.2 % of the PA needs in this region, still play a very important role as a leverage for national funds given these donations need be matched by national resources in a varying proportion (20-60%). In many countries international aid is still the main source of finance for PAs.

- The GEF funds have been particularly important in helping to cover the recurrent costs of PA management, a budget line usually avoided by the ODA Agencies. But as the GEF was designed to provide the incremental costs of environmental provisions in developing countries, it may not continue allocating funds for the recurrent costs of PA management, which is one of the most significant funding gaps in developing countries. The last CBD COP (7th, 2005) considered this risk declaring that *"Other funding agencies, particularly the bilateral donors, will need to provide significant additional funds for PAs, including co-financing for GEF projects".* In this sense, debt-for-nature swaps should be further developed in the highly indebted developing countries of the Mediterranean.

- ODA funds for PAs are scarce and project-based and do not usually last over 3 years. Funding priorities may also change, so long term PA programmes are needed. The most significant contribution from ODA Agencies has targeted sustainable development activities within and around PAs, in line with the Millenium Development Goals. In the future, to better profit from ODA donations, the PA projects in developing countries should be more long-term and programmatic, and be linked with poverty alleviation objectives, highlighting the ecosystem services provided to the rural poor. These include the provision of water, energy, fisheries and forest products, the opportunities generated on gender issues for local employment, and by innovation for the development of new and sustainable economic activities.

- PAs may also draw ODA Agencies' attention by stressing their direct support to the Millenium Development Goals through the achievement of the Goal 7 indicators on protected areas coverage and forests. Decentralization objectives are also in the agendas of donor agencies.

<u>Mediterranean PAs all need a "Plan B" for finance</u>

- Whatever their national or international origin, all the public sector resources for funding Protected Areas in the Mediterranean will remain largely insufficient in the short term. The traditional vision of Protected Areas as state initiatives on state-owned lands with state financing is passing away. Lack of funding is not the only reason; most Mediterranean PAs (on Category V, as marine and fisheries reserves, as private lands under some sort of ecological regulations, and as providers of ecosystem services with a significant economic value) gradually involve and interest many other social and economic partners in our societies.

- PA authorities and managers will need to resort to a much broader spectrum of financing mechanisms:

    - Revised policies on subsidies, offsets from environmental impacts of infrastructures, and special taxes.

    - Market-related mechanisms can and must be developed, such as entrance fees, concessions, resource extraction fees, and most importantly, the payment for ecosystem services.

    - Partnerships with economic and social sectors, and raising of contributions from the private companies, should also be more widespread and developed. But PAs must be prepared to meet a growing demand from the business sector and avoid its possible influence in conservation objectives; the management provisions should be clearly set up and enforced. It is up to the PA to set the limits for private collaborations, and know where to stop.

- These tools are just starting to develop in the Mediterranean. Few countries have institutionalized these approaches, which largely remain one-off exceptions from the conventional dependence on domestic government budgets and foreign donors. The most promising in our region are (a) Entrance fees (particularly at diving sites) which may cover most of the PA recurrent costs in some countries; and most importantly (b) the payment for ecosystem services, particularly water provision to hydropower plants, to cities and to agriculture, following experience in many other PA systems around the world.

- There is a discussion on whether public heritage resources such as PAs should charge entrance fees or not, but with a general agreement about the suitability to charge for the services provided.

- Finally, PA managers need to acquire new skills to develop business plans for PAs, to fund-raise and to establish partnerships for collaborative management with interested stakeholders. Unfortunately, only MedPan provides some training on this topic, which is still far from being applied in the other eleven specialist and post-graduate courses we found available in the Mediterranean countries.