Published on *MPA News* (https://mpanews.openchannels.org)

Why we should be optimistic about the future of MPA finance: Interview with Amílcar Guzmán Valladares and Viviana Luján Gallegos of Wolfs Company

Dozens of nations have already committed to protecting 30% of their waters by 2030. The UN Convention on Biological Diversity is expected to adopt that same target later this year. With current MPA coverage at 7.65% of the world ocean, a global 30x30 goal would require quadrupling MPA coverage in the next 10 years.

Where will the funding come from for all these new MPAs? MPA finance is already in need of improvement, with many of today's MPAs suffering from inadequate budget support and income. Improving the financial picture may not be easy. The jargon and tools of the financial sector amount to a foreign language to many MPA managers.

MPA News spoke about these challenges with Amílcar Guzmán Valladares and Viviana Luján Gallegos of Wolfs Company, based in The Netherlands and Bonaire. Guzmán and Luján have worked with dozens of MPAs in Latin America and the Caribbean to develop business plans and financing mechanisms. They also co-authored a report last year analyzing the use of conservation trust funds worldwide, including to finance MPAs.

Based on their experience, Guzmán and Luján believe there is reason for optimism about the future of MPA finance. They jointly answered the following questions via email.

MPA News: How would you describe the current state of MPA finance?

Amílcar Guzmán Valladares and Viviana Luján Gallegos: MPAs around the world are generally under-financed. Most are reliant on government funding, which can fluctuate a lot. In addition, many are either restricted from generating other forms of financing, or any revenues they generate must go to the government's central budget, not the MPA itself.

With limited resources, MPAs often lack properly trained financial or communications personnel. As a result, there is often insufficient capacity to absorb funds, to monitor financial performance, or to communicate conservation impacts. These are all fundamental conditions for being able to raise additional funds.

MPAs that rely on government budgets, for example, must be able to communicate their financing needs and conservation impacts effectively. Otherwise, the government's decision-makers – who are dealing with other pressing national priorities, and who may lack awareness of the benefits MPAs provide to the national economy – will allocate funds elsewhere.

MPA News: The UN Convention on Biological Diversity is expected this year to adopt the 30x30 target. With so many existing MPAs under-financed, where will the funding for these future MPAs come from?

Guzmán and Luján: Of course, there is no single source or solution to fund the creation and effective management of these MPAs.

Our experience working with MPAs suggests that new areas under protection will require diversified funding options, which may range from international cooperation to regional, national, and local finance streams. Specific financing mechanisms will most likely continue to be context-specific. This is because the main opportunities for funding often depend on, and are limited to, the national policy framework, ecological assets of the MPAs, MPA governance, and/or the availability and willingness of possible partners. Although there has been a tendency to look into innovative approaches as the ultimate financing solution, these are not suitable to every MPA site.

A more vital need, first, will be to focus on the basics of MPA governance and the fundamental challenges that existing MPAs need to overcome. These include challenges to access funding that *should be easily available*. For example, we have been approached a number of times by donors that have set aside funds for protected areas, but the donors can't allocate those funds. This is because the MPA management entities lack the capacity to absorb the money, or to report back on their strategic planning, budget management, and results.

In some of these cases, our solution has been as simple as helping site managers to compile a sound budget that they can present to their donors. Once these capacities are in place, managers of new or existing MPAs can more plausibly start thinking about strengthening or diversifying finance streams.

MPA News: Assuming those capacities are built, how optimistic are you about the future of MPA finance?

Guzmán and Luján: We are optimistic. There is increasing visibility and awareness of marine degradation. That has translated into growing interest and commitments to implement mechanisms that generate longer-term funding to MPAs, and in larger amounts than local finance streams such as tourism-related fees.

In our review of conservation trust funds (CTFs) last year, for example, we documented an increasing number of CTFs incorporating marine and coastal areas into their grant portfolios over the last decade. There have also been several CTFs and partnerships established with a specific focus on MPAs or marine conservation – e.g., PACIFICO, The MedFund, the Blue Action Fund. *[Editor's note: Conservation trust funds are independent institutions that mobilize resources from diverse sources – including international donors, national governments, and the private sector – and direct these resources primarily through grants, to multiple nature conservation programs and projects, through a wide variety of organizations.]*

In addition, there are a number of pilot initiatives to mobilize funds to support MPAs. These include innovative financing mechanisms such as the blue bond in Seychelles, the development of the Global Fund for Coral Reefs, and a number of blue carbon projects worldwide. There are two blue carbon projects in MPAs that are already selling their carbon credits.

We have also seen growing interest among development agencies in aligning the creation and management of MPAs with the development of a sustainable Blue Economy. In coming years, we would expect that the latter will offer increased funding opportunities for MPAs in collaboration with the private sector, although for now it is still in early development.

MPA News: The concept of CTFs is particularly attractive – providing a sustainable stream of funding over the long term.

Guzmán and Luján: Yes. Currently 45% of the 108 existing CTFs in the world have provided funding for MPA management, and around 26% of them have funded the creation of new MPAs.

However, CTFs will not represent the only or best financing solution in all situations. With few exceptions, CTFs still need to be part of a mix of financing mechanisms to fully finance protected areas and other conservation programs.

Bear in mind that setting up a CTF is a costly and time-intensive exercise. The entities involved weigh the costs and benefits of establishing a CTF, as compared to alternative financing models. The conditions for a CTF to be successful and mobilize sufficient funds will be greatly context-specific. Key enabling factors may include a beneficial legal environment, the willingness of donors to set up a CTF with a specific focus, a sufficiently skilled and knowledgeable board of directors, and sufficient budget to cover operational costs and build institutional effectiveness.

Then the money for the CTF needs to be raised. To attract donors, CTFs need to meet high institutional standards and develop innovative strategies to generate additional funds. It often takes several years for CTFs to progress from early design and fundraising to initial grant-making.

MPA News: The global financial sector is good at generating money. But the business of finance can seem mysterious and intimidating to the MPA world. How can we encourage more communication between these sectors without expecting MPA managers to become financially fluent?

Guzmán and Luján: MPA practitioners can take advantage of good resources that are already out there.

Several organizations have done great work to bridge the financial and conservation sectors. These include the UN Development Programme; international NGOs like WWF and The Nature Conservancy; and platforms like the Conservation Finance Alliance. These institutions are providing help to the conservation community in the form of guides, reports, assessments, manuals, and scorecards, among other tools. They're also building knowledge-creating events and discussion groups.

In addition, there are a number of regional MPA learning exchange and capacity-building networks (like MPAConnect, MEDPAN, and PIMPAC) that provide important resources for their priority MPA sites. These networks help MPAs build sustainable finance capacities through a variety of approaches – from pilot projects, to the development of guidance materials, to the coordination of peer-to-peer exchanges. The organizations that coordinate these platforms have in many cases also become key facilitators and intermediaries between MPAs and potential donors or partners.

CTFs are another type of organization that speaks both the conservation and finance languages. Therefore they can also act as a catalyzer of partnerships that help fund MPAs. *[Editor's note: For a full list of CTFs that are operating or in development, click here and scroll to pages 185-190.]*

At Wolfs Company, where we work, we have facilitated projects to build financial capacities and design sustainable finance strategies for more than 25 MPAs in the Wider Caribbean and Latin America. (For this work, we have developed an MPA finance toolkit that includes our Eco2Fin tool.) In working with MPAs, we have focused on the importance of understanding and communicating MPA management as 'the provision of a service to a wide range of beneficiaries,' including the private sector. That service has value, and that's where the conversation on financing begins.

For more information:

Amílcar Guzmán Valladares and **Viviana Luján Gallegos**. Wolfs Company. Email: amilcar.guzman@wolfscompany.com and viviana.lujan@wolfscompany.com