

BLUE CAPITAL

**Fundamentals of
Conservation Finance
for (Marine) Protected
Areas of Sri Lanka**

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Welcome to your guidebook on conservation financing, tailor-made to assist conservation managers such as yourself!

This guidebook is two parts.

Chapter 01 sets the context by exploring the significance of conservation finance and its integration into conservation planning. It emphasizes understanding the diverse values of marine conservation, from ecological to economic and social.

Chapter 02 delves into crafting a conservation finance plan, covering steps such as situation analysis, goal setting, financial gaps identification, innovative financial solutions, stakeholder engagement, and action planning for effective conservation outcomes.



Sri Lanka's coastal population is ~ 32%



Sri Lanka has a coastline of ~ 1,790 km.

Why are Marine Ecosystems Important to Sri Lanka?



Sri Lanka's marine economic zone (~230,000 km²) is nearly four times its land area.



We have over 3,000 species of marine flora & fauna

**What does
'biodiversity
conservation'
mean to you?**

**How important
do you think
resources are
for this?**

*How important
is funding and
financial
resources?*

**How does conservation
and finance relate to
each other?**

*How much money do
you think globally is
spent on conservation?*

*How important is planning
finance for conservation?*

CHAPTER 01:

Aligning Values: Conservation and Financial Perspectives

Conservation fundamentally involves preserving value, which can be categorised into **Ecological value, Social Value, Economic Value.**

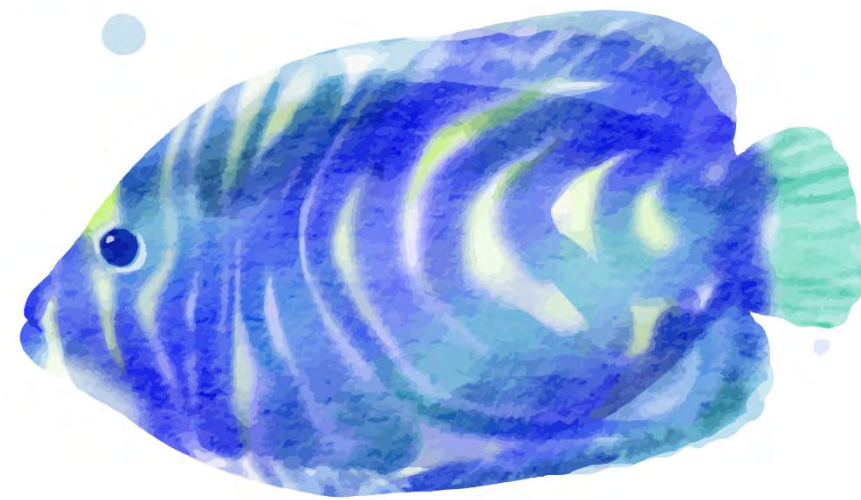
Striking a balance among these values is vital for achieving successful conservation outcomes, as it encourages us to consider the broader significance of nature and its impact on our lives.

This is where conservation finance plays a crucial role.



*As a first step let's
all be on the same page
about conservation finance.*

*What does it entail?
How do you approach ?*



What is conservation finance?

‘Conservation finance goes beyond mere funding; It’s about using economic incentives, policies, and capital to get better environmental results. This includes finding ways to deal with the financial reasons why biodiversity gets harmed, breaking down barriers to conservation, and rewarding stakeholders.

We need to create new funds, tackle non-money challenges, manage resources well, and set up a financial system that supports conservation. Simply increasing funding without addressing these broader factors may not improve conservation outcomes. The aim is to make conservation financially attractive, viable, and sustainable for all stakeholders involved.’

(UNDP, 2018; Meyers et al., 2020; Emerton et al., 2006).

DID YOU KNOW:

Globally conservation programs get approximately USD 52 Bn per year, the majority of which comes from public funds.

According to research, USD 200 Bn to USD 300 Bn of funds can flow every year to preserve the world’s ecosystems if private investment takes place.

The flow of conservation finance



Sources of funds: Where does the money come from?

Funds can originate from various sources such as government budgets and private donations. More recently revenue generated from tourism or sustainable resource use also acts as a source.

Funds deployed through **investments structures and instruments**



From this zoomed out view going to site level outcomes, you may realize that MPA conservation finance and planning often go hand in hand.

Conservation sites and outcomes

This can be boiled down to the ways in which we get money from the source to the site in different tools or methods for putting money into conservation. These will be discussed in greater detail in Chapter 02 (Step 4: Identifying new and innovative financial solutions).

Should Finance
*be an end
thought?*

**Where does
finance and
funding come
in the process
of conservation
management?**

**What impact does
the operational
plan have on
financial planning?**

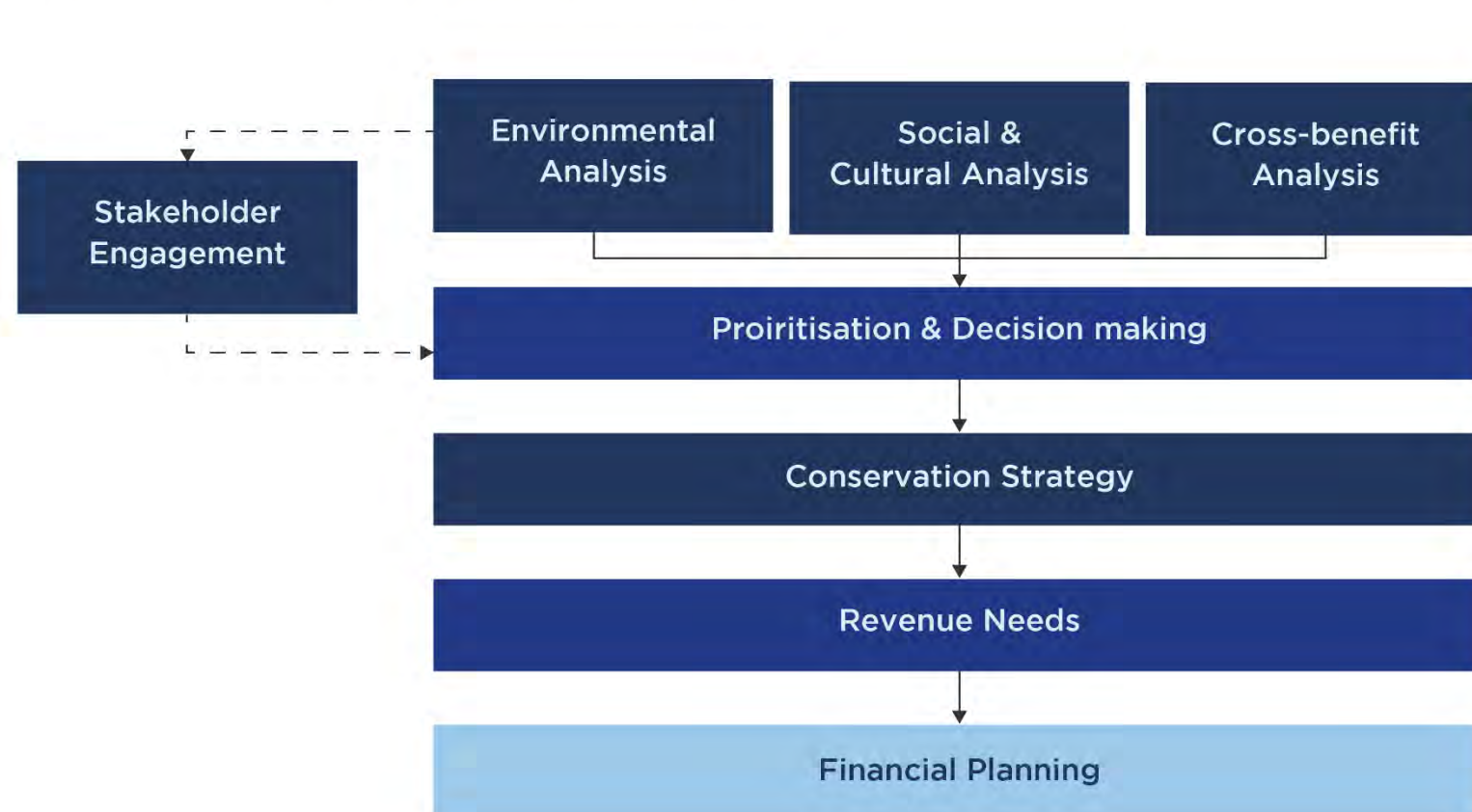
How to think about conservation finance

Typically, conservation plans focus on ecological value with social value and community considerations.

This integration of economic analysis and financial planning is pivotal in determining the effectiveness of conservation outcomes.

In the modern approach, economic value is integrated into a financial plan through careful analysis, with funding strategies stemming from this analysis.

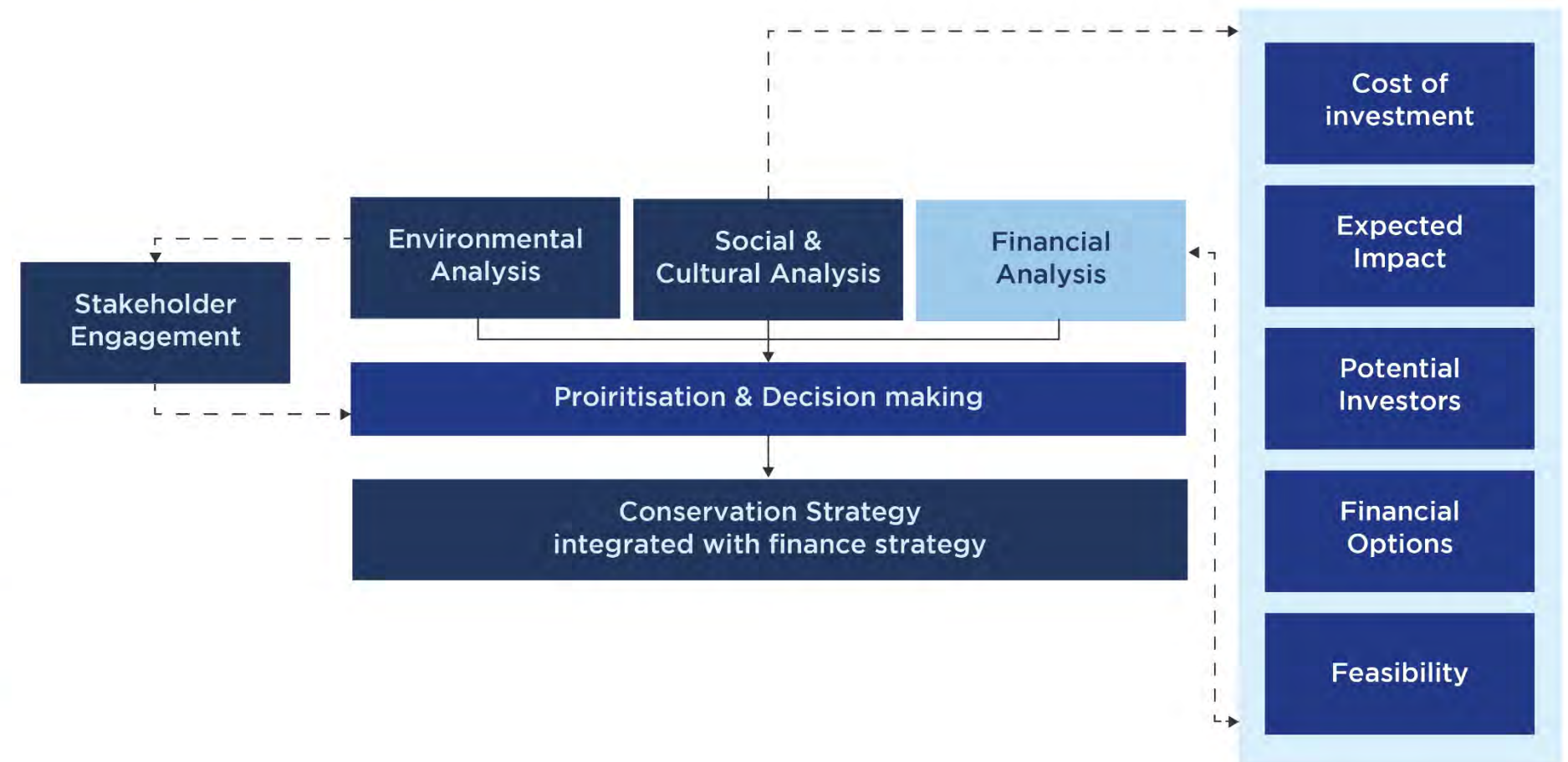
Traditional Approach: Finance is often brought in as an end consideration



Source: M. Bos et al. (2015), 'Marine conservation finance: The need for and scope of an emerging Field - Ocean & Coastal Management'

In the conventional approach, **financial planning comes as an end thought**. It merely involves putting together a budget for a given set of activities that are specified in the conservation strategy or PA management plan.

Modern Approach: Finance can be integrated earlier on



Source: M. Bos et al. (2015), 'Marine conservation finance: The need for and scope of an emerging Field - Ocean & Coastal Management'

In reality, conservation management planning and finances go hand in hand. Financing needs to be fully embedded in every stage of the PA management planning processes, right from the start.

CHAPTER 02:

Approaching Conservation Finance

*What kind of
funding is required?*

*For what and
for whom?*

*How much is the
best amount?*

*What financial conditions and
systems are required to
effectively support conservation?*

Now that we've grasped the concept of Conservation Finance, let's carefully plan our journey.

To answer all these questions, the first step is to develop a "Conservation Strategy" as it is crucial to identify and document your conservation requirements and goals that require funding.



Conservation strategy

The basic framework for planning conservation outcomes is depicted below.

This is a concept that highlights the overall Conservation Goal for a particular PA, and what needs to be done to achieve that;

How does defining a conservation strategy aid effective financial planning?



Clarity and alignment



Increased engagement



Attracting support:



Holistic approach:



Transparency & efficiency

Essential Stages of a conservation strategy

What is the *overall vision* for the conservation of the PA?



What *stands in the way* of achieving the conservation target?



What are the *key to areas* we need to work on for the goal?



What do we have to do to *work around the threats* to meet the target?



Case Study: Htamanthi Wildlife Sanctuary, Myanmar

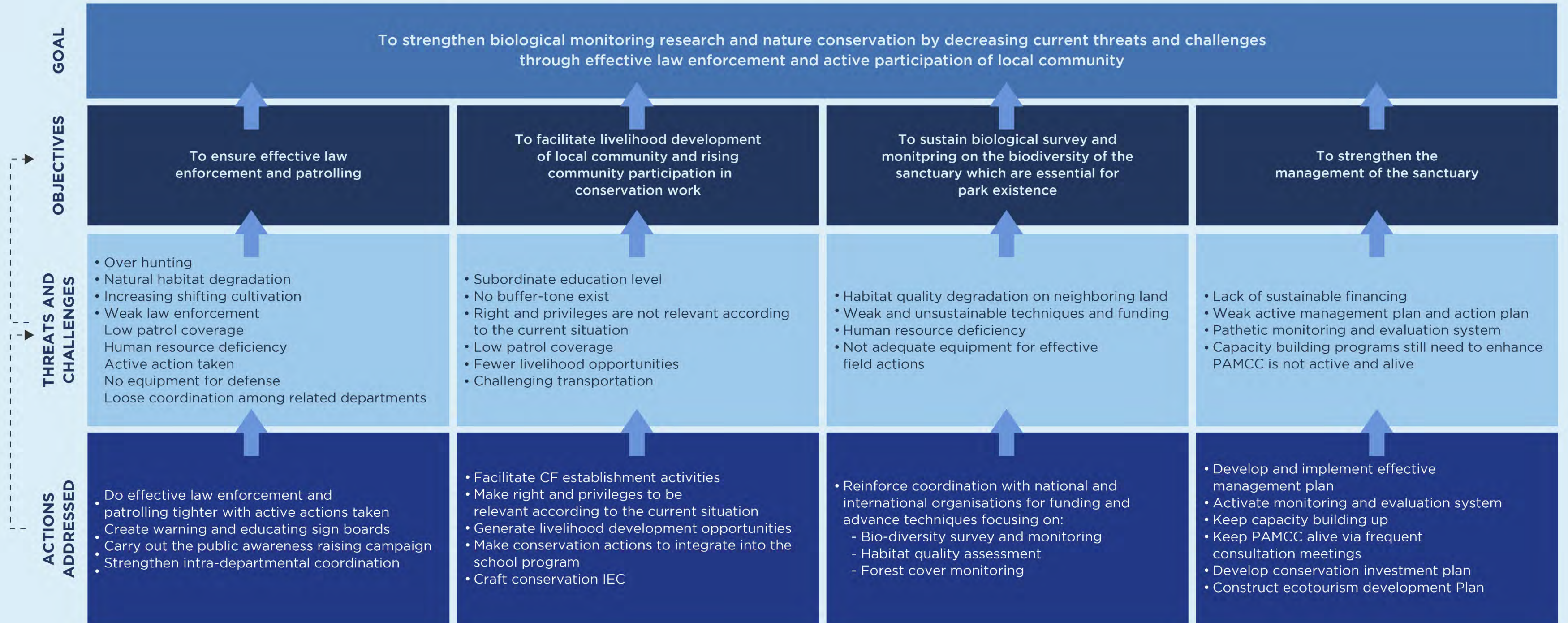
The Htamanthi Wildlife Sanctuary in Myanmar is situated within the Chindwin River basin. In a land area that is approximately 1,400 square kilometers, this sanctuary is home to many flora and fauna species. The biodiversity hotspot holds many species such as the Asian elephant, tiger, and clouded leopard as well as plants and ecosystems.

Economically, the Htamanthi Wildlife Sanctuary holds potential value obtained from the sustainable uses of its resources. These are namely eco-tourism, timber and even aquaculture. Revenue generated from tourism activities, including guided safaris, birdwatching expeditions, and eco-lodges, contribute to conservation budgets. The sanctuary's forests' valuable timber resources are sustainably managed to provide livelihoods for local communities through timber harvesting, non-timber forest products, and even carbon offset projects. Additionally, sustainable fishing and aquaculture initiatives in the sanctuary's rivers support livelihoods while ensuring the conservation of freshwater ecosystems and aquatic biodiversity.

This is an overview of the potential value and existing interaction of Htamanthi Sanctuary. Based on this, let's see how they have defined their conservation strategy in the table below.



Conceptual Framework for five years management planning of the Htamanthi Wildlife Sanctuary



Take aways from the conservation strategy of Htamanthi Wildlife Sanctuary, Myanmar

- The economic value of Htamanthi Wildlife Sanctuary is intricately linked to its ecological significance.
- The reserve supports threatened species and maintains biodiversity.
- Conservation outcomes, such as sustainable land management, the development of ecotourism infrastructure, and community-based initiatives, enhance the sanctuary's resilience.
- These efforts not only benefit local communities but also safeguard its natural heritage for future generations.

Validating the success of your conservation strategy

Once you've devised your strategy, it's crucial to ground-truth your activities and make necessary adjustments over time to ensure effectiveness. Monitoring plays a pivotal role in this process.

The following tools are invaluable for monitoring and refining your conservation strategy, ensuring its relevance and evolution with changing times.

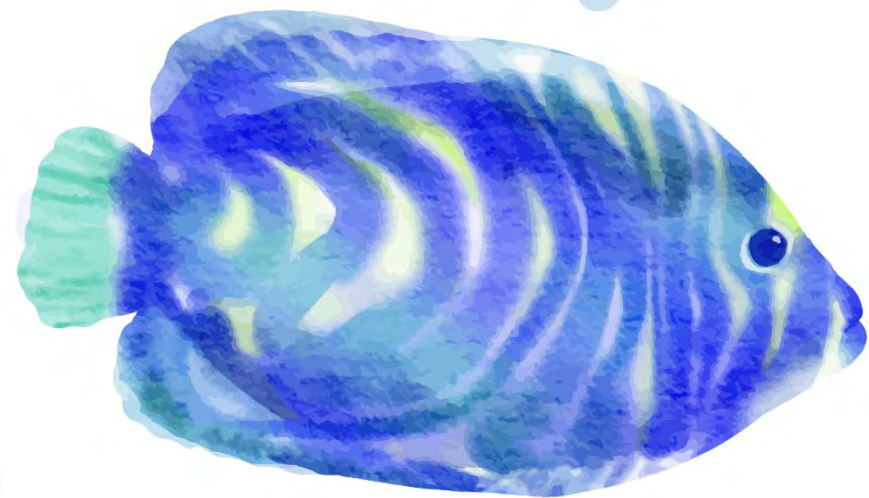
One widely utilized approach is Protected Areas Management Effectiveness (PAME) evaluations. These evaluations encompass a range of tools and methodologies designed to assess the effectiveness of protected area management.

Listed below are few commonly used management effectiveness tool that you can refer

- [A Guidebook of Natural and Social Indicators for Evaluating Marine Protected Area Management Effectiveness.](#)
- [Management Effectiveness Tracking Tool \(METT\)](#)
- [Rapid Assessment and Prioritization of Protected Area Management \(RAPPAM\)](#)
- [The global standard for protected areas in the 21st Century](#)

What's a starting point to begin looking at funding?

Once the conservation strategy is formed, anyone interested in funding or even looking at new financial solutions has a great starting point



Building blocks of a Conservation Finance Plan

A Financial plan in the conservation context is essentially a detailed roadmap that outlines the steps needed to execute the vision laid out in the conservation strategy for finance. It's like a map designed to guide you from your current position to your desired conservation outcomes.

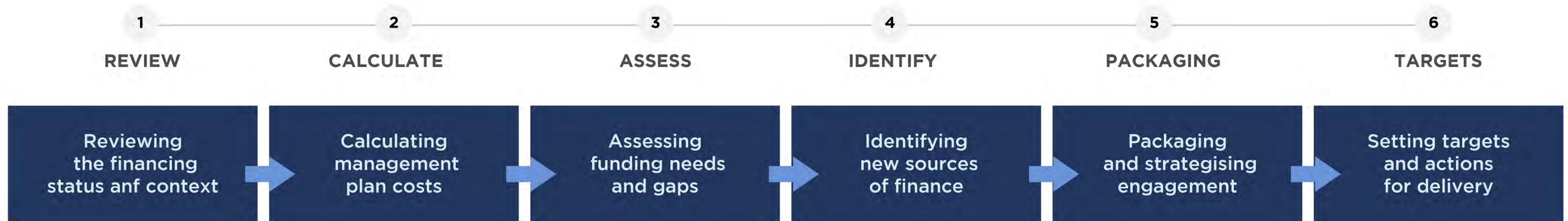
To create a good financial plan, we first understand what conservation finance entails and then navigate through the conservation strategy outlined in Step 01. Now, let's bring everything together and explore how to approach finances for Protected Areas (PAs) in a sustainable and inclusive manner.

So a financial plan is like a map developed to get from where you are to where you want to be in conservation. How do you know what a good map looks like?



Associating relevant literature Centre for a Smart Future (CSF), developed a specialize framework that can be used of Sri Lankan MPA's capturing the key stages of a "Conservation Investment Plan" (CIP) as show in figure xx.

Key stages of a conservation Finance Plan



Source: Emerton, Tizard, and Htun (2018), 'Developing Protected Area Conservation Investment Plans: Quick Reference Guide and Workbook'

Let us now take a look at what each step entails in a bit more detail:

Identify Financial Gaps: What needs to be done to get to where we want

Stage 1, Review: Before diving into any conservation investment plan (CIP), it's crucial to understand the financial landscape surrounding PA management.

This involves identifying key financial constraints, opportunities, and risks that could affect the effectiveness of conservation efforts. Thoroughly reviewing the financing status and context allows us to tailor our approach to securing the necessary funds for sustainable PA management.

Stage 2, Calculate: The backbone of any CIP lies in understanding the total costs associated with conservation efforts.

This step involves assessing the expenses outlined in the five-year management plan and budget. By ensuring alignment with these established frameworks, we can accurately calculate the financial requirements for implementing conservation measures.

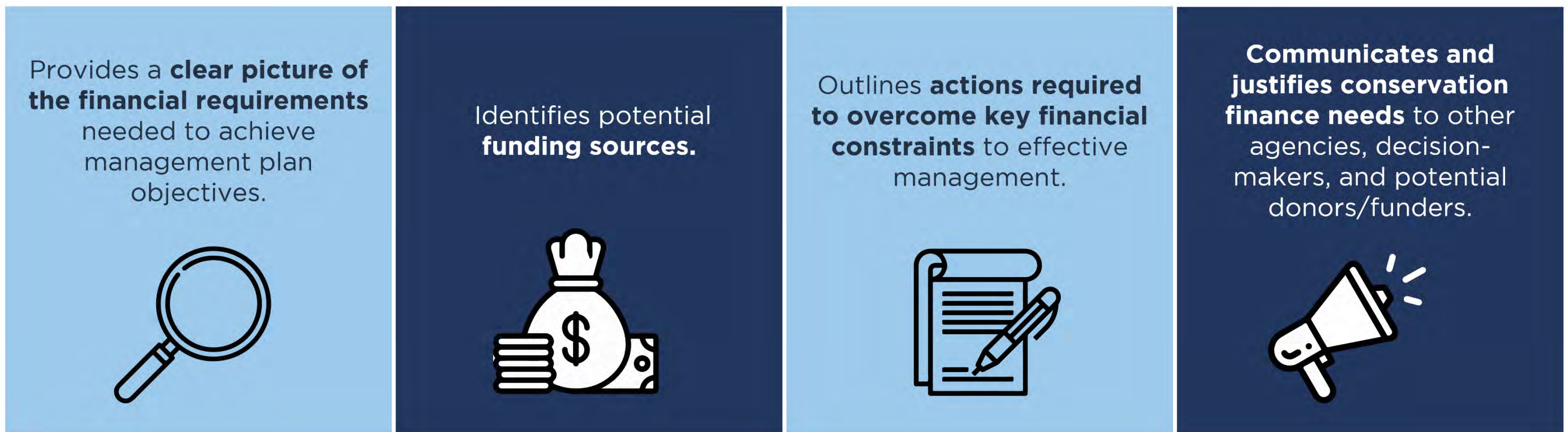


Stage 3, Assess: Once we have a clear understanding of the costs involved, it's essential to assess the funding needs and identify any existing gaps. This involves evaluating the available funds, determining how much more is required, and considering other factors that could impact effective management.

Conducting a thorough assessment enables us to develop strategies to address funding shortfalls and ensure the sustainability of PA initiatives.



A good financial plan for conservation is one that:



Source: Emerton, Tizard, and Htun (2018), "Developing Protected Area Conservation Investment Plans: Quick Reference Guide and Workbook."

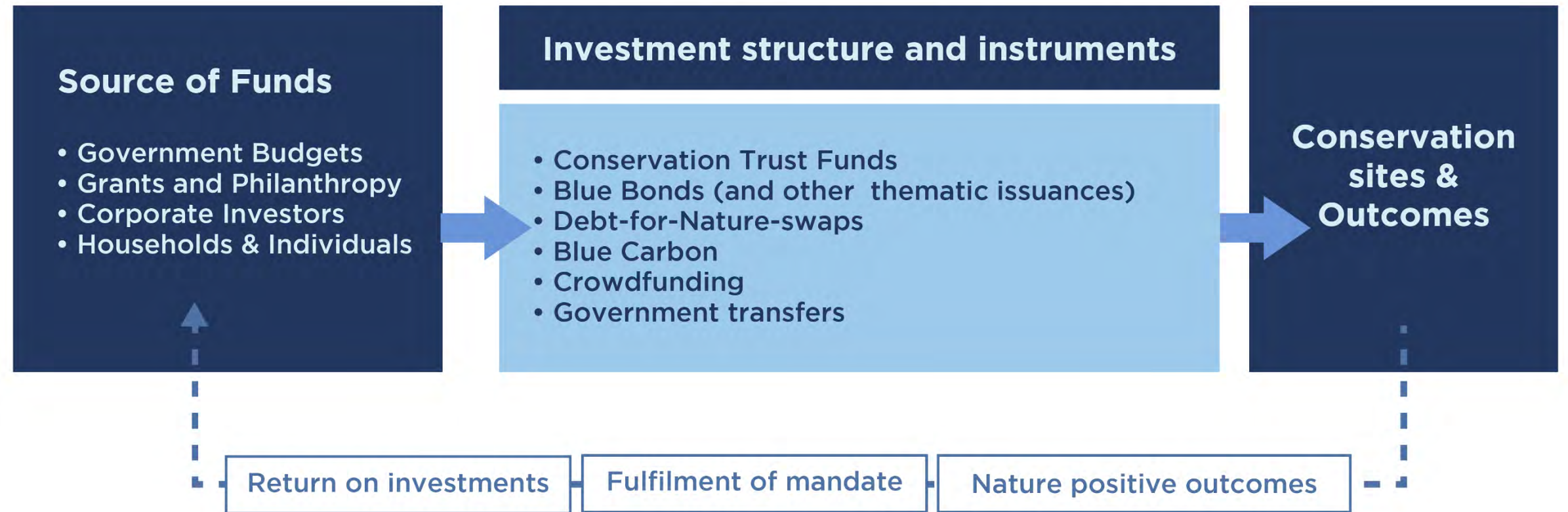


Stage 4, Identify:

In this step, we explore diverse innovative financial solutions in conservation, from grants to debt instruments to community-driven crowdfunding and the magic of public-private partnerships.

We also examine how various sources and tools are used in the flow of money to conservation. Some of these investment structures and instruments are briefly explained below. Don't worry about not understanding how these complex instruments work. We want to just give you an idea of what is out there and how these have been used in the past, through examples.

Flow of finances



Some of these investment structures and instruments are briefly explained below. Don't worry about not understanding how these complex instruments work. We want to just give you an idea of what is out there and how these have been used in the past, through examples.

We will introduce you to 8 different instruments today and let's start with a few that are quite familiar.

User Fees and Penalties [Listen](#)

User fees and penalties are financial mechanisms designed to regulate and discourage harmful activities within marine protected areas.

Fiscal instruments [Listen](#)

Fiscal instruments provide direct financial support for conservation activities, including research, enforcement, education, and habitat restoration. Taxes and fees can be earmarked specifically for marine conservation, ensuring sustainable funding for protected areas.

Market Based Instruments [Listen](#)

Create economic incentives and mechanisms for trading rights or quotas related to marine resources enabling sustainable resource management practices.



- 1 Conservation Trust Funds (CTFs)
- 2 Blue Bonds
- 3 Blue Carbon
- 4 Crowdfunding
- 5 Debt for Nature Swaps



Conservation Trust Funds (CTFs)

Think of a special pot of money dedicated to supporting conservation efforts, kind of like how a piggy bank is dedicated to your savings.

- CTFs are financial mechanisms to support long-term conservation and sustainable management of natural resources (biodiversity and ecosystems)
- These are often built through endowments, donations and grants
- It is usually managed by dedicated independent organizations or boards, making sure funds are spent effectively and transparently
- It goes on to support conservation activities such as habitat restoration, species protection, community engagement, and even capacity building.

 [View mechanism](#)

DID YOU KNOW:

The SeyCCAT (fund) mobilized development and philanthropic funding (from the World Bank, GEF, Oceans5, TNC, etc) as well as private investors (from Calvert Impact Capital, Nuveen, Prudential Financial Inc).

These proceeds were used to fund sustainable marine and fisheries management.

Click [here](#) to read more?

Blue Bonds

They work a bit like regular bonds, where investors lend money to a government or organization with the promise of getting their investment back, plus interest, over time. The difference is that the money goes directly to preserve and restore the ocean and its resources.

- Government or private sector-issued debt instruments with a specific theme or purpose as 'Blue bonds' are used to fund marine conservation or climate adaptation projects
- These are governed by global frameworks and principles that make sure the conservation promises are met through a 'use-of-proceeds' or sustainability linkage
- When investors buy these bonds, they're essentially saying they believe in safeguarding the ocean, and they want to support projects that do just that.

 [View mechanism](#)

DID YOU KNOW:

the Seychelles Blue Bond raised US\$ 15Mn and financed expanding MPAs, enhancing fisheries governance, and advancing Seychelles' blue economy.

It is also helping the transition to sustainable fisheries with the proceeds managed by a trust (refer 2.1 Conservation Trust Funds)

Click [here](#) to read more

Blue Carbon

Blue Carbon Credits are like certificates that represent the amount of carbon dioxide absorbed and stored by coastal and marine ecosystems. Blue Carbon Permits are like licenses that give people permission to emit a certain amount of carbon dioxide into the atmosphere

- Blue Carbon refers to the carbon stored in coastal ecosystems like mangroves, seagrasses, and salt marshes that are super effective at trapping carbon, just like how a sponge soaks up water
- A certificate issued equal to a certain amount of CO₂, usually purchased by polluting companies to 'off-set' emissions
- Once issued this enters a complex, dynamic system that assigns a value for carbon sequestration
- Blue Carbon sites store up to 5 times more carbon per unit area than terrestrial forests therefore bringing benefits from the market-assigned value 'to not pollute' for these ecosystems

 [View mechanism](#)

DID YOU KNOW:

Pakistan's Indus Delta Capital, where the Sindh Government and Indus Delta Capital, a private carbon developer, expects to generate around US\$ 695Mn in blue carbon credits over 15 years.

By doing so the impacts of overharvesting and soil pollution impacting coastal ecosystems in the Indus River delta were reduced and local community jobs in ecosystem restoration were created

Click [here](#) to read more

Crowdfunding

With P2P investing, instead of going to one bank or organization for a loan, you can borrow money directly from other people who want to invest in your project. Instead of borrowing money, if you are asking people to donate small amounts to support your project, that is crowdfunding

- People lending to or directly investing (without an intermediary) with one another to support marine businesses or marine projects with conservation outcomes.
- This also includes raising funds from a large number of individuals, typically via online platforms like GoFundMe, Kickstarter, SeedInvest

 [View mechanism](#)

DID YOU KNOW:

The Stand with Palau' crowdfunding campaign is the first of its kind as an example of democratized conservation financing - world's first crowd-funded MPA .

This campaign raised US\$53,000 from over 400 donors. The collected funds deployed in data collection, monitoring and enforcement framework at the National Marine Sanctuary

Click [here](#) to read more

Debt for Nature Swaps

Debt-for-Nature Swaps are like someone you owe money to, saying you don't have to pay what you owe as you promised on, so long as your debts is in exchange for them promising to take better care of the environment

- This refers to a commitment to invest a specified amount in a conservation plan in exchange for restructuring (or forgiving) already issued debt – extending tenor, reducing price. Refer Image 2: DFNS - How the tool's fund flows work, for more information
- Holders of existing debt (bilateral, multilateral, private creditors) agree to fully or partially reduce debt owed to them; A third party may buy a country's external debt at a reduced price.
- Typically requires insurance/guarantee, an arranger, banker, etc., and requires the right timing during a debt distressed situation.

 [View mechanism](#)

DID YOU KNOW:

The Belize DFNS by The Nature Conservancy (TNC) put it together with guarantees from Government of Belize, and strengthening the ability to payback the agreement (with credit enhancement) by US Development Finance Corporation (DFC) Restructured US\$ 550 Mn, reducing Belize's debt by 12% of GDP.

This Agreed to double marine conservation to 30% by 2026.

[Click here to read more](#)

So a financial plan is like a map developed to get from where you are to where you want to be in conservation. How do you know what a good map looks like?



Stage 5, Packaging and strategizing engagement:

Effective communication and engagement are essential for attracting new and additional funding sources. By strategically packaging our conservation initiatives and highlighting their impact, we can garner support from a diverse range of stakeholders.

This involves crafting compelling narratives, leveraging partnerships, and aligning our efforts with the priorities of potential funders.



Importance of stakeholder engagement

Stakeholder assessment and consultation are crucial elements in conservation finance. They help identify key financial needs and gaps while ensuring that the proposed financial solutions are practical, relevant, and acceptable. A wide range of stakeholders, including funders, beneficiaries, and those who can influence or support finance efforts, play significant roles in creating enabling financial conditions for effective marine protected area (MPA) management.

Stakeholder engagement should be integrated at every stage of the finance planning and delivery process. Even the most technically accurate finance plan and well-conceived finance mechanisms are unlikely to succeed without thorough stakeholder involvement. Engaging key experts and organizations for technical input, as well as actors who can influence MPA finance or bear conservation costs, is essential. This includes other government agencies, local communities, and the private sector, such as the tourism and aquaculture industries.

From the outset, it's important to understand the decision-making processes that affect MPA finance and are necessary to enable proposed finance mechanisms. Decision-makers should be brought on board early, and efforts should be made to guide and influence their decisions in favor of sustainable finance.



Components of a Stakeholder Engagement Strategy



Important things to remember in advance

<p>1 Understand Local Context</p>	<p>2 Build Trust and Credibility</p>	<p>3 Meaningful Participation</p>	<p>4 Respected for Rights</p>
<p>Understand local communities' culture, values, socio - economic dynamics, historical background, and traditional knowledge systems. Keep in mind to recognise and acknowledge the communities' historical relationships with the environment and their perspective towards conservation.</p>	<p>Demonstrate transparency, honesty and integrity in all interactions with the community and respect their local traditions and customs</p>	<p>Ensure that they have meaningful opportunities to participate in the decision making process related to conservation finance initiatives.</p>	<p>Respect and uphold the rights of communities to self determination, land tenure, livelihood, access to commons and natural resource management.</p>
<p>5 Inclusivity and Equity</p>	<p>6 Adaptive Approach</p>	<p>7 Long-term commitment</p>	<p>8 Local Benefit Sharing</p>
<p>Engage all segments of the community, including marginalized groups, indigenous peoples, women, and youth. Keep in mind to address power imbalances and ensure that diverse perspectives are represented and respected</p>	<p>Adopt an adaptive approach to community engagement that allows for flexibility, responsiveness, and learning.</p>	<p>Display a long-term commitment to community engagement beyond the duration of specific projects or funding cycles.</p>	<p>Ensure that conservation finance initiatives generate tangible benefits for the local community, such as improved livelihoods, sustainable economic opportunities, access to essential services, and enhanced environmental stewardship.</p>



Tools for stakeholder mapping and analysis

Stakeholder mapping involves the identification and categorization of stakeholders based on their interests, influence, and level of involvement in a particular project or area.

By conducting this exercise, **stakeholders' diverse perspectives and interests** can be more comprehensively understood, facilitating more effective engagement and management strategies for the Protected Area.

Step 01: Identify groups of individuals connected to the selected PA

These groups may include state organizations such as the Wildlife Department, DFAR, non-governmental organizations, various societies with conservation-related interests, and local communities, as well as businesses with land use-related connections to the PA.

Step 02: Subdivide the above groups

Once these broader stakeholder groups are identified, they can be further subdivided into specific subgroups based on their characteristics and interests. For example, within the community, subgroups may include livelihood groups such as fishermen or paddy cultivators. This subdivision allows for a more nuanced understanding of the various land uses and relationships that exist between the land and different stakeholders.

Step 03: Analyse data

Once you've mapped out stakeholders, the next step is analyzing the data. This means looking at how stakeholders relate to each other, what's important to them, where conflicts might arise, and who depends on whom. This analysis helps identify potential challenges to conservation efforts and informs strategies to address them.

Expand your sampling toolbox with methods like:

Cluster Sampling
Convenience Sampling
Snowball Sampling.

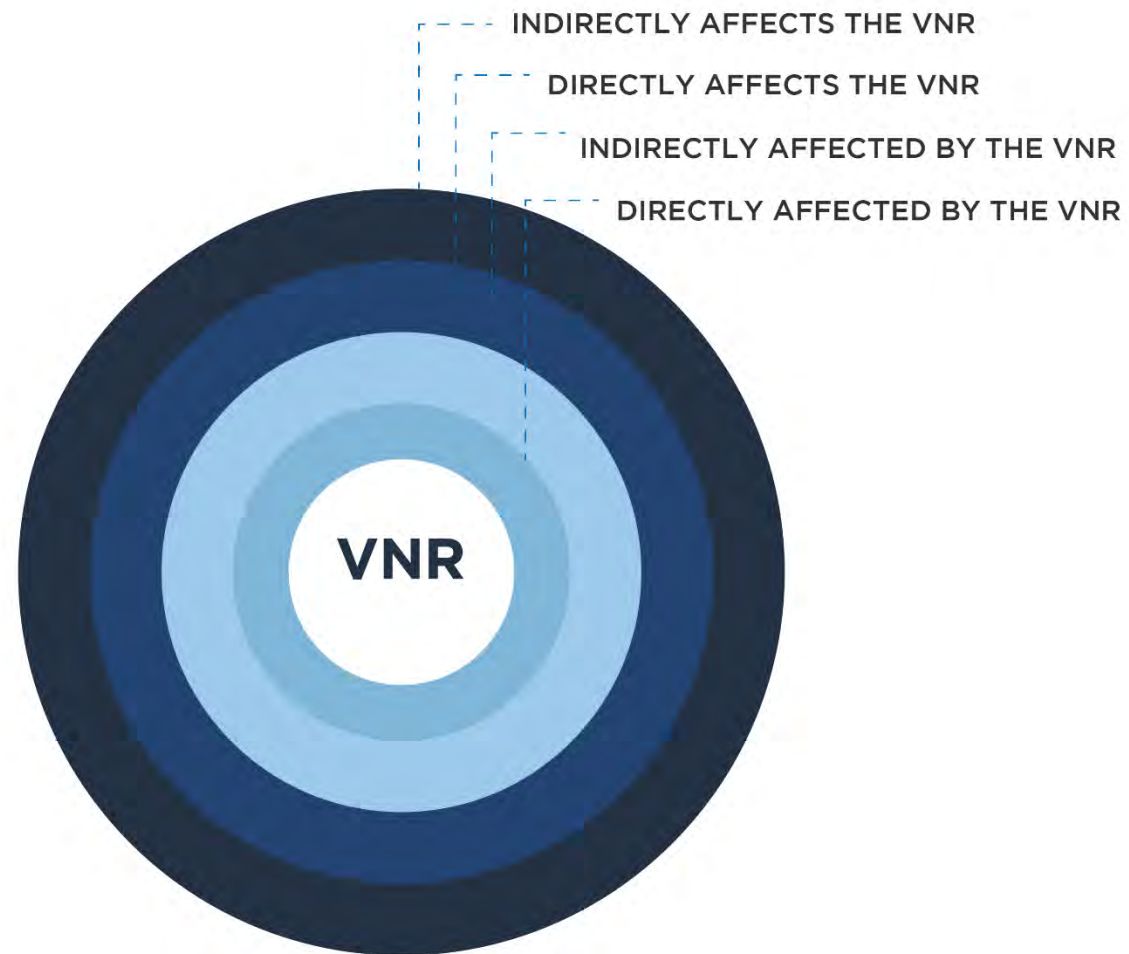
To effectively map out stakeholders, utilize:

The Stakeholder Onion
Power Interest Grid
Stakeholder Influence Diagram

By conducting this exercise, stakeholders' diverse perspectives and interests can be more comprehensively understood, facilitating more effective engagement and management strategies for the Protected Area.



Example for a stakeholder Onion performed for Vidathalathivu Nature Reserve (VNR) by CSF



Cattle and goat breeders and herders	Communities who collect wood from the VNR	People who own private lands within the VNR	Sea cucumber farms owners and workers	Sea grass farm owners and workers
Indigenous farmers	Fishermen	Tourism Operators	Coconut Farmers	
Fishermen engaging in dynamite fishing (Negative)	DWC officers (Positive)	DFAR (Positive)	Mannar Urban council (Negative with regards to the garbage dump)	
NAQDA (providing sea cucumber farms registrations)	Tourism Operators	Aquaculture farms		



Other important considerations for financial planning

Key considerations in Conservation Investment Plans (CIPs) ensure they are not just theoretical documents but practical roadmaps that translate conservation goals into tangible actions and results.

Availability of Funding: CIPs prioritize investments and explore innovative financing mechanisms to ensure sustainable conservation. They leverage public-private partnerships, eco-tourism revenue, and conservation grants to secure funds for land acquisition, habitat restoration, and management.

Technical Feasibility: These plans need to evaluate the technical feasibility of conservation interventions, considering ecological suitability, infrastructure requirements, and expertise. They prioritize effective methods and monitor progress. The choice of innovative financial solutions depends on conservation goals and source preferences.

We have now come to the end of Chapter 02, which focused on understanding conservation finance and unpacking the elements of a Conservation Investment Plan.

We hope you have gained the foundational knowledge needed to think about this topic and can follow this roadmap for approaching PA conservation finance for protected areas in Sri Lanka.

To further enhance your understanding, please refer to the case study done by the Centre for a Smart Future, which covers all the steps discussed above for the Vidathalathivu Nature Reserve (to be added once the document is complete).

This concludes the content of this learning module. However, after this phase comes the critical work of delivering, managing, and deploying the funds effectively. Stay tuned for more insights on these next steps.

Next Steps

Context of Stage 6: Setting targets and actions for delivery, and subsequently Managing and Deploying funds.

To ensure **accountability and track progress**, it's important to set **clear targets and actions for delivery** within the CIP. By establishing measurable goals and outlining specific steps for implementation, we can stay focused on achieving tangible conservation outcomes. Regular monitoring and evaluation will allow us to adapt our strategies as needed and maximize the effectiveness of our investment efforts.

In summary, a well-crafted Conservation Investment Plan incorporates **a comprehensive understanding of financial needs, innovative approaches to funding, and strategic engagement with stakeholders.**



In conclusion, this guidebook provides a comprehensive roadmap and set of steps to understanding and implementing Conservation Finance for (Marine) Protected Areas in Sri Lanka.

It emphasizes the **critical connection between conservation goals and financial planning**, showcasing how diverse values from ecological to economic and social underpin effective strategies.

By aligning values and adopting innovative financial solutions, stakeholders can ensure **sustainable funding and impactful conservation outcomes**. The guidebook also emphasizes the importance of stakeholder engagement, technical feasibility, and strategic planning in achieving tangible conservation results. With **clear targets, actions, and continuous monitoring**, this framework empowers conservation managers to manage and deploy funds effectively, safeguarding natural heritage for future generations.

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