

# Financing for mangrove protection with emphasis on Pakistan, Thailand and Viet Nam



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# Introduction

- Aim of the project – to develop a low-cost mechanism for financing mangrove conservation and restoration
- We conducted a review of potential sources of funding for this mechanism, and published a report on the findings – ‘Financing for mangrove protection with emphasis on Pakistan, Thailand and Vietnam’ (<http://www.fao.org/3/a-i6524e.pdf>)
- Aim of the presentation – to discuss the findings of the report

# Overall findings

- 54 potential sources of funding identified – a tip of the iceberg?
- Four categories:
  1. Multilateral public finance (16 sources)
  2. Bilateral public finance (9)
  3. Domestic public finance (12)
  4. Private-sector initiatives (17)
- Each category has its strengths and weaknesses
- Sources with highest potential for this project identified (preliminarily)

# 1. Multilateral public finance

- Multilateral public finance is funding available to developing countries through multilateral institutions
- Such finance can be can be disbursed to national governments, NGOs or consultants
- Examples: GEF Trust Fund; Special Climate Change Fund; UNFCCC Adaptation Fund; FCPF Readiness Fund; Green Climate Fund

# Multilateral public finance – pros and cons

- Advantages

- the scope is multi-faceted, and covers all sectors relevant to our project – climate change adaptation, climate change mitigation, disaster risk management, biodiversity conservation
- much of the finance is provided as grants – no need for financial returns, and thus can finance ‘fixed cost’ activities, e.g. capacity building

- Disadvantages

- strict eligibility criteria which vary by institution
- stringent monitoring reporting requirements, resulting in high costs
- grants are irregular and ‘unsustainable’
- slow to disburse finance at the project level due to slow project approval and implementation – e.g. up to 22 months for approval of GEF projects

# Multilateral public finance – sources with highest potential?

- Green Climate Fund
  - disbursements have begun; pledges to the fund at USD 17.1b on Dec 2016 – i.e. big money
- GEF Small Grants Programme (SGP)
  - grants of up to \$50,000 to civil society and NGOs
  - could be useful for funding fixed-cost activities and piloting, e.g. training local people in mangrove monitoring
- UN-REDD Programme in Vietnam
  - Phase 1 focuses on ‘REDD-readiness’, Phase 2 on emission reductions
  - finances are disbursed against demonstrated and independently verified results, i.e. after emissions have been achieved
  - Phase 2 in Vietnam’s seeks to reduce emissions in six provinces (including Ca Mau) – significant potential for mangrove conservation and restoration

## 2. Bilateral public finance

- Flows of finance from national governments in developed countries directly into developing countries, rather than via multilateral institutions
- Similarly to multilateral funding, such finance can be can be disbursed to national governments, NGOs or consultants
- Examples – International Climate Fund (UK); French Global Environment Facility; Norway's International Climate and Forest Initiative (NICFI)

# Bilateral public finance – pros and cons

- Advantages:
  - often does not require immediate repayments (i.e. grants or concessional loans), and thus can be used to finance investments that do not offer direct financial returns or where the financial case is not clear
  - distributes finance on a much larger scale than multilateral institutions
- Disadvantages:
  - access relies heavily on the national capacity and existing regulatory framework of recipient countries, resulting in high reporting burdens
  - access is frequently dependent on strong bilateral relationships between donor and recipient countries
  - similarly to multilateral financing, strict eligibility and long application procedures



# Bilateral public finance – sources with highest potential?

- International Climate Initiative (Germany)
  - has financed many relevant projects in project countries, e.g. ‘Mapping carbon content in forests, monitoring and REDD+ capacity building’, Thailand, 2011-2014, implemented by WWF
- Vietnam Forests and Delta Programme
  - focuses on reducing emissions from forestry and agriculture sectors
  - 2012-2016, USD 26.5m, funded by USAID, implemented by Winrock, SNV, etc.

# 3. Domestic public finance

- Funding provided by national governments, including central, provincial and local authorities
- Governments in developing countries are also the main intermediary for multilateral and bilateral finance – can make thing confusing
- The majority of domestic public finance comes through national budget allocations, which may be passed on in the form of subsidies, grants, concessional loans or tax concessions
- The concept of payments for ecosystem services (PES) – paying individuals or communities to maintain or provide services related to biodiversity, water, climate change or other ecosystem functions – is gathering popularity, with Viet Nam already having a national PES system in place

# Domestic public finance – pros and cons

- Advantages:
  - domestic public finance usually contains less stringent monitoring and reporting requirements compared to international public finance
  - applicants don't have to compete with applicants from other countries, increasing the likelihood of gaining funding
- Disadvantages:
  - usually smaller amounts of funding available when compared to international finance
  - more vulnerable to political changes compared to other sources of funding – for example, an election of a new government

# Domestic public finance – sources with highest potential?

- Vietnam Forest Protection and Development Fund (VNFF)
  - managed by the Ministry of Agriculture and Rural Development
  - funded by revenues from the national PES scheme
  - channels funds to provincial Forest Protection and Development Funds, who sign contracts with service buyers, collect payments, and pay suppliers
- The Environment Fund (Thailand)
  - acquires and channel financial resources for environmental protection
  - provides grants NGOs and local governments, and soft loans to local governments and the private sector
  - USD 36m disbursed in 2014: 70% as soft loans to private sector, and 30% as grants to NGOs and communities

# Domestic public finance – sources with highest potential? (cont.)

- ‘Possible Role of Mangroves in Curbing Sea Intrusion in Indus Delta’ project, Pakistan
  - focuses on combating land degradation (water-logging and salinity) caused by sea intrusion in District Thatta of Sindh Province via mangrove replanting
  - contains a community development programme, including a comprehensive formal and informal training programme on mangroves planting and disaster risk reduction
  - the budget is USD 6.9m over 2013-2020; funded by the Government of Sindh
  - implemented jointly by the Sindh Forest and Wildlife Department and IUCN Pakistan

# Private-sector initiatives – what are they?

- Here, private-sector initiatives include:
  - foundations – NGOs that donate funds to other organisations or fund their own charitable activities, e.g. Rockefeller Foundation
  - impact investors – investors that seek to generate measurable social and environmental impact alongside a financial return, e.g. Althelia Climate Fund
  - companies engaged in relevant CSR activities in project countries, e.g. Charoen Pokphand Foods (Thailand)
- Carbon market finance programmes – including CDM and the Voluntary Carbon Standard – are not covered here, primarily because their high validation and verification costs make them unfeasible for our project

# Private-sector initiatives – pros and cons

- Advantages

- the levels of potential private-sector funding available are much larger than what is currently provided by the public sector
- certain public sector instruments (e.g. loan guarantees) can be used to leverage private sector finance by reducing the risk associated with investment
- eligibility criteria often not as stringent as with public finance

- Disadvantages

- private companies are likely to seek a financial return on their investments, and thus are less likely to provide non-repayable grants or engage in risky investments compared to the public sector

# Private-sector initiatives – sources with highest potential?

- The Asia Foundation
  - focuses on improving lives across developing Asia; focus includes environment
  - works with public and private partners through a network of offices in 18 Asian countries including Thailand, Vietnam and Pakistan
  - provided over USD 108m in direct programme support in 2014
- Althelia Climate Fund
  - an impact investment fund which provides profit-participating loans to projects that generate environmental services
  - the most common investments are in REDD+ credits, but other services also eligible
  - projects must have a solid business plan, must be investment-ready by 2016, and provide returns to investors by 2020; the fund closes in 2021
  - total capital of EUR 105m; over half of this remains available; average investments EUR 5-10m



# Private-sector initiatives – sources with highest potential? (cont.)

- Nokia-WWF Partnership (Thailand, Viet Nam)
  - Nokia and WWF have collaborated on environmental initiatives since 2003
  - November 2012 - WWF and Nokia commenced planting of 23,000 mangrove trees across 20 ha in Ru Cha forest, Thua Thien Hue province, central Viet Nam. The project also trained 300 local people in plantation management
  - in 2014, WWF-Thailand partnered with Nokia to launch a mangrove planting campaign in Khao Sam Roi, Prachuap Khiri Khan Province, Thailand
- Engro Polymer & Chemicals Limited (EPCL) (Pakistan)
  - a chemical processing company and a member of the MFF NCB
  - runs a Mangrove Rehabilitation Program, which develops mangrove plantations
  - by 2014, over a 150,000 saplings have been planted along the shorelines of the Arabian Sea

# Discussion

- Different components of the project can be financed by a different source
  - e.g. training of local communities in mangrove planting can be financed through a grant from a donor agency, while ongoing conservation can be financed by a private company that can claim contributions to emission reductions
  - however, this means complying with multiple eligibility and reporting criteria
- Key objective is financial sustainability
  - grants won't keep on coming – leveraging private finance is important
- Costs will depend on the mangrove monitoring and carbon accounting methods adopted by the project

# Next steps

- Presentations by MFF, UN-REDD and FAO about funding availability
- It would be great to hear from private-sector representatives (CPF, Amari Watergate Hotels, Engro Polymer & Chemicals) about their interest in mangroves
- Later today – a focus group discussion on identifying sources of funding for project countries
- Hopefully, piloting in 2017!