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THE FUTURE OF CONSERVATION TRUST FUNDS IN GERMAN DEVELOPMENT COOPERATION

Innovative sustainable financing to halt biodiversity loss and climate change

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BACKGROUND

Conservation Trust Funds (CTFs) play a significant role in the conservation arena with the potential to be powerful agents of change on behalf of nature and people. The establishment of CTFs goes back to the early 1990's, when it was increasingly recognised that governmental procedures often did not allow for the long-term and flexible programmatic approach needed to provide sustainable financing for parks. **Foundations independent from government were created, in which public funding could attract other sources of funding.**

Approximately 40 new CTFs have been established since 2010, joining the 68 active CTFs formed prior to 2009.^[2] Many CTFs have provided continuity and stability through government changes and economic downturns, as demonstrated during the recent COVID-19 pandemic. As a long-term, flexible, and adaptive financing instrument, they play a key role as partners in the implementation of international conservation goals.

While many CTFs were created to close the funding gap for protected areas and biological corridors, they quickly added an important human dimension, focusing on local and indigenous communities. In recent decades, we have also seen their experience from terrestrial biodiversity conservation translated into the marine and coastal realms and focusing more on a landscape/seascape level. Since the COP 26 Climate Conference in Glasgow, it is widely recognised that biodiversity conservation is closely linked to benefits in climate change adaptation and mitigation as well as ecosystem services stabilisation. **CTFs not only contribute to halting biodiversity loss but also contribute to climate change mitigation and adaptation as well.**

Preserving biodiversity has been important to BMZ and to KfW Development Bank since the Rio conference in 1992. KfW supports 17 CTFs worldwide with € 665 million^[3] German Funding, often playing a leading role in both their establishment as well as financing. Other countries look at the German CTFs as positive examples and it would therefore not be wise to limit the development of existing and potentially new CTFs. No other country or bilateral donor has invested more money, technical capacity, and monitoring efforts in CTFs than Germany. We sense a critical debate about the future role of CTFs and hope that this paper provides some food for thought.

[2] <https://www.conservationfinancealliance.org/10-year-review>
[3] https://www.kfw-entwicklungsbank.de/PDF/Download-Center/Materialien/2021_Nr.3_Materialie_Biodiversit%C3%A4t_EN.pdf

CONTRIBUTION TO INTERNATIONAL GOALS

December 2022, saw the Biodiversity COP 15 negotiations take place in Montreal, Canada, and the adoption of the Kunming-Montreal 2030 Global Targets. Overall, the deal lays out a set of 23 environmental targets. The most prominent, known as 30x30, would place 30 percent of land and sea under protection. As stated in the landmark agreement^[4] ‘Nature can be conserved, restored and used sustainably while other global societal goals are simultaneously met through urgent and concerted efforts fostering transformative change’. The full implementation of the framework requires adequate, predictable, and easily accessible financial resources from a mixture of financial sources including domestic, international, public, and private resources. CTFs provide a unique opportunity to further strengthen and build on existing experiences and structures to meet these ambitious targets.

Many CTFs are characterised as public private partnerships, well equipped to facilitate and broker deals on both the global stage as well as on a regional or local level. Over the past decade, CTFs have increasingly invested in nature-based solutions to advance the United Nations Sustainable Development Goals (SDGs) and support climate change mitigation and adaptation efforts. CTFs invest funds from long-term endowments and sinking funds that they manage or hold in custody (the definition of a “trust”). It is exactly here where we see the potential of a multiple-level innovative contribution by CTFs to contribute to the 30x30 target. One which has not yet been fully explored by the German Development Cooperation when looking at the long-term sustainability gains of CTFs.



[4] <https://www.cbd.int/doc/c/e6d3/cd1d/daf663719a03902a9b116c34/cop-15-l-25-en.pdf>

[5] <https://www.conservationfinancealliance.org/10-year-review>

[6] <https://doi.org/10.1111/csp2.12868>

[7] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4306836

WIN-WIN SOLUTION ON MULTIPLE LEVELS

As stated in Conservation Trust Funds 2020: Global Vision, Local Action^[5] ‘CTFs are most successful when they are able to parlay their knowledge of local ecosystems and communities and the organizational landscape to align global goals with needed local investments’. In our opinion, CTFs provide multiple benefits in terms of return on green investments, positive biodiversity and climate impacts at both global and local levels, and capacities in target countries.

CTFs are the sole instrument which can facilitate the effective deployment of government funds in a long-term, transparent, and sustainable approach; independent of political priority changes and with exactly the long-term security that is required to solve the biodiversity crisis on the ground. Short-term project approaches to conservation efforts have **proven to be unsustainable**, often requiring a high administrative effort on the ground and creating expectations with local stakeholders that cannot be met. It is increasingly recognised that responsible giving includes respectful and responsible exits.^[6] Impacts in conservation are typically also only detectable after 5 years – we therefore urgently need a long-term funding security as stated by the COP.

We should encourage more learning and steering^[7] of investment strategies of the Endowments and Sinking Funds held in trust by the CTFs to ensure that these investments contribute to global and international agreements such as the European Green Deal. **We believe that the four CTF partners of the Nature Trust Alliance, in cooperation with KfW Development Bank, are well positioned to take a leading role realising a double dividend; capital contributions are adequately invested in green financial products supporting the much-needed innovative green transitions of Germany and Europe, and the returns on these investments continue to be used by CTFs to finance essential, efficient and effective grant programs in the long-term, all around the world.** German Development Cooperation has in the past decade build CTFs proven to be quick, cost-effective change makers that are ideally suited to leverage further funding from other private and public donors. Further upscaled and bolstered, they stand ready to play a critical role in achieving the newly agreed biodiversity targets.