



**EAS**  
CONGRESS  
**2018**

THE EAST ASIAN SEAS CONGRESS

**25** Years of Partnerships for  
Healthy Oceans, People and Economies  
Moving as One with the Global Ocean Agenda

**27-30 November 2018** • Iloilo Convention Center, Philippines



**TRACK 6: OCEAN INDUSTRY AND FINANCE**

### **SESSION 6.3**

Healthy Oceans, People and  
Economies: How Important is  
Biodiversity Financing?

**CONVENER:**



Biofin



**The East Asian Seas Congress 2018**  
**“25 Years of Partnerships for Healthy Oceans, People and Economies: Moving as One with the  
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**Track 6: Ocean Industry and Finance**  
“Healthy Oceans, People and Economies: How important is biodiversity financing?”  
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**Convening Agency**  
Partnerships in Environmental Management for the Seas of East Asia (PEMSEA)

## **1. INTRODUCTION**

1.1 Challenges confronting the oceans and coastal ecosystems are compounding in time. Modest gains in addressing anthropogenic threats through protection measures and informed policies are negated by the vagaries of climate and emerging and worrisome patterns of utilization such as reclamation and land development. By reflecting the value of ecosystems into monetary units, stakeholders are propelled to make better decisions on resource allocation between competing uses, improving incentives and generating expenditures. While the context focuses on coral reef management, it is critical to see how it contributes to the broader coastal management perspective.

1.2 Why talk about financing? Significant funding is required to address threats posed by illegal fishing, reclamation, pollution, harvesting of corals and associated species, unbridled land development, etc. Third, due to the severe rate of destruction, coral restoration procedures will cost more, in fact, more than what it would cost to prevent the destruction. Relevant discussions on financing are not focused solely on raising revenues or ensuring more funding. Cost avoidance and delivering better are also finance solutions benefitting coral reef management. Likewise, realignment of expenditures from harmful actions to positive actions are also highlighted as finance solutions.

1.3 The mini symposium organized by the Biodiversity Finance Initiative (BIOFIN) is intended to inform participants of the methodology, which includes three assessments that culminate in a Biodiversity Finance Plan. The steps include:

- a) The Biodiversity Finance Policy and Institutional Review (PIR) looks into the policy and institutional context for biodiversity finance in the country and establishes which are the key stakeholders to involve.

- b) The Biodiversity Expenditure Review (BER) is an analysis of public and private expenditures in the country that benefit biodiversity. The assessment establishes past, present and projected expenditures on biodiversity.
- c) The Financial Needs Assessment (FNA) estimates the finance required to deliver national biodiversity targets and plans, usually described in the NBSAPs.
- d) The Biodiversity Finance Plan (BFP) identify and prioritizes a mix of suitable biodiversity finance solutions to reduce the biodiversity finance gap.

## 2. THE BIODIVERSITY FINANCE INITIATIVE

- 2.1 **Ms. Annabelle Trinidad**, Senior Technical Advisor of BIOFIN Global presented BIOFIN in a nutshell – it is a global collaborative partnership to develop and implement an evidence-based method that originated in response to the 10<sup>th</sup> Conference of Parties of the Convention on Biological Diversity (CBD). Natural assets are worth almost \$24 trillion with an annual finance need for biodiversity conservation programs estimated at \$150-440 billion at the global level; yet current funding for biodiversity is at \$52 billion every year which is equivalent to annual consumption of ice cream worldwide.
- 2.2 BIOFIN is funded by Germany, European Union, Switzerland, Norway and Flanders for Phase 1; and funded by Germany for Phase 2. It is working in 35 countries including those in Latin America, Asia, and Africa. In Southeast Asia, BIOFIN member countries include Cambodia, Indonesia, Malaysia, Philippines, Thailand, and Vietnam who recently joined. Expected outcomes are: the creation of a dialogue on biodiversity finance to improve budget planning, resource mobilization and biodiversity management; improve understanding of economic and finance drivers; enable targeted policy recommendations through Policy and Institutional Review (PIR); determine baseline level of biodiversity expenditures for the country through Biodiversity Expenditure Review (BER); and identify specific financial needs for national achievement of CBD Strategic Plan through Finance Needs Assessment (FNA).
- 2.3 The application of the BIOFIN methodology (PIR, BER and FNA) enables the countries to determine what resources are required and how much is the financing gap. The Biodiversity Finance Plan encompasses the finance solutions for the country, why they should be adopted and how to implement them successfully including who will implement them.
- 2.4 Based on the analysis, highly biodiverse countries are not spending more than those who are not as high. For the finance solution, we start from the finance source who is the lead agent or intermediary and what is the instrument leading to a finance result which can be any or more of the following: (1) generating revenues, (2) realigning expenditures; (3) avoiding future costs; and (4) delivering better. The BIOFIN website has a catalogue of biodiversity finance solutions which the countries can choose from depending on the adaptability in their situation. Some examples of the finance solutions in other countries implemented are as follows: (1) biodiversity offsets in Kazakhstan; (2) results-based budgeting, Environmental Impact Assessment system, and improvement of collection in

Georgia; (3) mainstreaming biodiversity in agricultural streams, unlocking biocommerce and the Corporate Social Responsibility law in India; (4) greening subsidies in Kyrgyzstan; (5) ecological fiscal transfers and institutionalization of BIOFIN results in planning cycle in Malaysia; (6) sportfishing revenues in Guatemala; and (7) institutional reform through the creation of BIOFIN unit in Ministry of Finance in Seychelles. For regional nodes who are not BIOFIN member countries, the CBD has requested BIOFIN to provide technical assistance and opportunities for their future inclusion. Submission of both formal and informal expressions of interest for countries are encouraged through the BIOFIN website.

### **3. MOBILIZING RESOURCES FOR THE PHILIPPINE BIODIVERSITY STRATEGY AND ACTION PLAN**

3.1 **Ms. Anabelle E. Plantilla**, Project Manager of BIOFIN Philippines, discussed how the country mobilized resources for the Philippine Biodiversity Strategy and Action Plan (PBSAP). Given that the Philippines is one of the megadiverse countries in the world, it experiences pressure from population and the growing economy. The economic value of biodiversity is estimated at PHP 2.3 trillion a year yet the average spending for biodiversity is less than 1% of the GDP.

3.2 The PBSAP is not a stand-alone plan but it contributes to Aichi targets, the Sustainable Development Goals (SDGs), Philippine Development Plan and priority programs of DENR. Based on the document, current government expenditures are estimated at PHP 5 billion annually and the financing requirement is at PHP 24 billion and BIOFIN aims to close the PHP 19 billion financing gap.

3.3 BIOFIN started in the Philippines in 2014. Following the workbook, BIOFIN methodology was undertaken as we are now working on the finance solutions classified into 5 groups: (1) solutions from increased funding for national government; (2) for local government units; (3) involving the citizenry; (4) involving the private sector; and (5) policy initiatives.

3.4 Solutions from increased funding for national government include the following: 1) developing of programs for protected areas for national government spending; 2) “Year of the Protected Areas” campaign to raise awareness on importance of PAs and to increase visitor arrivals generated from users fees, donations and grants; 3) mainstreaming biodiversity in regional programs of DENR with a target of PHP 2 billion from 2019-2022; 4) mainstreaming biodiversity in LGUs through PBSAP localization in the provinces of Negros Oriental, Negros Occidental and Cebu targeting PHP 200 million/year; 5) expenditure tagging at DENR; 6) increased biodiversity funding among national government agencies and state universities and colleges per Sec. 40 of 2018 General Appropriations Act which mandates them to allocate certain portions of their fund for biodiversity; and 7) alignment of environmental trust funds with PBSAP through partnership with Forest Foundation Philippines (FFP) and Foundation for Philippine Environment (FPE) and to advocate inclusion of urban biodiversity, access on benefit sharing and eradication of invasive species in their portfolios.

- 3.5 Finance solutions for local government unit include increasing LGU sources of revenues for locally managed protected and conservation areas; improving access to earmarked funds particularly ER 1-94 with a target of PHP 65 Million a year; and ecological fiscal transfers.
- 3.6 Finance solutions involving the citizenry include crowdfunding and diaspora.
- 3.7 Finance solutions involving private sector include CSR and encouraging private corporations to brand their initiatives as PBSAP; public-private partnerships in protected areas by including this in the implementing rules and regulations of the Expanded National Integrated Protected Areas (ENIPAS) law currently drafted by DENR; impact investment and revenues generated from gaming applications.
- 3.8 Finance solutions on policy initiatives include support to the following: 1) bill to unlock the Malampaya Fund for biodiversity conservation; 2) proposed Executive Order and bill on Philippine Genetic Resources and Access and Benefit-sharing; 3) IRR development of ENIPAS law; 4) draft DENR administrative order on integrating biodiversity in mining activities; 5) inclusion of human-wildlife conflicts in insurance; and 6) greening public infrastructure.
- 3.9 Also included in the finance solutions of the Philippines are Friends of PBSAP, a network of civil society organizations that can provide technical assistance to LGUs and developing an M&E system to monitor PBSAP implementation.

#### **4. WHAT WILL IT TAKE TO MAKE PES WORK? A CASE OF A SMALL ISLAND CALLED KOH TAO**

- 4.1 **Ms. Niran Nirannoot**, National BIOFIN Coordinator, UNDP Thailand presented a case in Thailand on how team Thailand has designed a Payment for Ecosystem Services (PES) in Koh Tao Island, Surat Thani province in Thailand.
- 4.2 Key takeaways: BIOFIN Thailand viewed that the involvement of local people is significant to the success and sustainability of implementing the biodiversity finance solution. The biodiversity finance solution is to make the PES happen in Koh Tao Island. Being visited by 500,000 tourists every year and considered as one of the top 10 dive sites in the world, tourists enjoy the dive sites, participate in events and parties on the island. However, these activities are generating a significant amount of waste which threaten the island's marine environment, putting pressure on Koh Tao's coral reefs. The corals are being damaged by tourism activities. Although there are rules and regulations in place, the current efforts to reduce pressure on coral reefs are not being undertaken at a scale that corresponds to the level of threats faced. Further, there is a limited budget for investment in conservation and key infrastructure like solid waste management. In order to address the finance gap, the finance solution being proposed is a mechanism termed as 'Environmental Management Charge'. Therefore, the non-residents and visitors coming to the island of Koh Tao will be asked to pay THB 100 upon entry. This is similar to the concept of user charge and island

visitation fee. The environmental management charge proposed is US\$4 per visitor, which would amount to approximately US\$1.5 million in revenue per year given 500,000 tourists who visit Koh Tao Island every year.

4.3 Next steps: BIOFIN Thailand is working with local government units (provincial and municipality levels) to develop a new model of earmarking revenue collected from the user charge in a non-Marine Protected Area like Koh Tao Island. This pilot project will develop a collection process and guideline on the allocation and disbursement of funds with proper legal and organizational frameworks. A steady flow of revenue will be used for coral reef restoration and improving solid waste management system.

## **5. SUKUK AND ISLAMIC GIVING AS A FINANCE SOLUTION IN INDONESIA**

5.1 **Mr. Bayuni Shantiko**, Project Manager, BIOFIN Indonesia presented a finance solution in Indonesia called Green Sukuk as an innovative finance solution for biodiversity. Green Sukuk issuance in 2018 generated \$1.25 Billion and will be allocated to eligible green s (i.e. renewable energy, green building, CC resilience, green tourism, sustainable natural resource management). However, projects identified under natural resource management representing biodiversity are lacking. Agencies are not aware and do not understand which projects can be financed through green sukuk. Therefore, there is a need to identify potential projects, develop criteria, and formulate indicators of biodiversity conservation.

5.2 The second initiative is related to strategizing on how the Islamic fund (Zakat) can be tapped for biodiversity and on working with local government and the National Zakat Agency (BAZNAS). The potential is high as the current collection is US\$ 500 million dollars. BAZNAS is currently trying to extend the benefit of the fund to contribute to biodiversity activities as several proposed activities have been identified. These include working with two coastal communities in Selayar Island in producing coconut oil, coconut charcoal, nata de coco, shredded dry fish, and fish ball; capacity building on production and marketing, and awareness raising on mangrove protection and marine waste management. The current issue they seek to address is the market upscaling.

5.3 The next steps are to identify potential activities and involve other ministries related to habitat and biodiversity conservation, disseminate results of climate budget tagging and green sukuk activities to ministries and agencies to increase awareness; and prepare the guidelines for determining habitat and biodiversity conservation projects with relevant criteria.

## 6. FROM NATIONAL TO LOCAL: BIOFIN APPLIED TO MINDORO

- 6.1 **Mr. Lorenzo Cordova**, Lead Consultant, BIOFIN Philippines discussed the application of biodiversity methodology at the local level was discussed by Mr. Cordova. The team engaged the two provinces of Mindoro island and current efforts are being made in Negros Oriental and Occidental and Cebu. He emphasized the if we support the PBSAP, we contribute to national and international targets which BIOFIN did when it mainstreamed the PBSAP to the Philippine Development Plan. The BIOFIN methodology was piloted in Mindoro island where stakeholders developed PhP 4.4 billion pesos worth of biodiversity conservation and income-generating projects with timelines until 2022. Based on the finance needs assessment, the cumulative financing of national government agencies for projects in Mindoro showed a surplus of PhP9.42M to PhP47.97M.
- 6.2 The municipality of Sablayan, Occidental Mindoro developed a Ridge to reef program costing PhP4B that will promote resilience and biodiversity conservation. The LGU's 2016 budget allocation for biodiversity is PhP20.9M which means they still need to raise more than 80% worth of private and public investments until 2022.
- 6.3 How can we do that strategically? The Sablayan local government unit (LGU) aligned the program with its vision and targets. Based on the proposals, there is a need to define what finance solutions are needed for the programs. The LGU needs to revisit their Local Development Investment Plans; examine and explore possibilities with their local finance committees; maximize partnerships with CSOs, engage the PPP center; and submit proposals to the Peoples Survival Fund. As per Sablayan's finance plan, its budgetary requirement is only PHP 740,000 compared to almost PhP2B worth of benefits which translates to a worthwhile investment to biodiversity.

## 7. SHARING

- 7.1 **Mr. Toto Camba** of Capital 4 Development Partners was elated that impact investment is part of the BIOFIN strategy and asked if insurance or guarantee specifically related to investments in financing biodiversity have been initiated. Financial solutions like these easily facilitate the flow of investments from other companies

**BIOFIN TEAM:** A study on impact investment situation in the country will be undertaken next year.

**Mr. Camba:** This will also promote inclusivity and I hope that you include SMEs.

- 7.2 **Ms. Melanie Austen** mentioned that they are working with partners that are trying to grow capability to mobilize resources. Links online are available in what you are doing particularly in how to bring financing to researches. Is BIOFIN open to collaboration?

**BIOFIN TEAM:** We are very much open for collaboration. BIOFIN is applicable at the local level. It's the process which is valuable. Let's have the conversation.

7.3 **Mr. Andy Bull** asked if the methodology proposed by BIOFIN is applicable for the improvement of the health sector through similar investments solutions.

**BIOFIN TEAM:** The methodology is mainstreaming - ensuring that budgets are not only for biodiversity. This is one of the things we like to package – showing benefits of climate with biodiversity or health with biodiversity and not just relying on one agency to fund biodiversity actions. The concept also needs to be marketed.

7.4 **Ms. Rocky Tirona** of Rare Philippines asked if the approach to biodiversity conservation is a holistic solution and if BIOFIN considered using the same method and breaking it down into different interests like, for example, coastal resource management activities.

**BIOFIN TEAM:** It can be done in different sectors. We need to identify the scale and the space of local governance should be considered. Some finance solutions are triggered by policies so it can be done and applied. Many finance solutions are focused on protected areas. We need to go through the whole BIOFIN process and ask the same questions over and over again and the resolution would be finer, thus, finance solutions will be very applicable.

**Mr. David Pangan**, Investment Specialist of PEMSEA shared PEMSEA's experience with piloting 4 projects in 2018 on ecotourism, aquaculture, waste water as a resource and ocean plastics opened collaboration with Rare and BIOFIN on these projects.

## **8. CROWDSOURCING OF IDEAS: SCALING UP FINANCE SOLUTIONS FOR THE EAST ASIAN SEAS REGION**

8.1 The BIOFIN team asked questions to the audience to source ideas within the group.

8.2 What are the investment priorities in the EAS region?

**Ms. Melanie Austen:** Marine ecosystem services. Who's paying for ecosystem services? Are they aware that there's a whole level of payment? Health comes in here as well.

8.3 Using finance catalogue, determine what solutions can be scaled up to the region?

**Mr. David Pangan:** I think Protected Areas scaling to the national level and further engaging the private sector to achieve the scale beyond what the public sector can do. There may be a need to put a policy or other mechanism/s around it.



## **9. CONCLUSION AND RECOMMENDATIONS**

9.1 Overall, the mini-symposium concluded that the BIOFIN Biodiversity Finance Plan is an effective and holistic methodology in utilizing information in order to identify where cost cutting or innovative financial solutions developed through multi-stakeholder consultation can reduce the biodiversity finance gap.

9.2 BIOFIN's recommendation is a call to action for the East Asian Seas Region countries to use the BIOFIN methodology to determine financing opportunities at the regional level, to support alignment of SDS-SEA with Aichi targets and NBSAPs, and to inform State of the Coast Reports by including investment plans based on financing needs and expenditure profile.