

A simple idea to ease conservation costs: Transferring funds

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Monte Pascoal National Park, Brazil. Credit: Conservation International/Flavio Forner

Around the world, nature conservation is not always easy for local governments.

When a national government establishes a protected area, for example, local governments in that area shoulder many of the costs of [conservation](#)—not least the costs of not being able to develop (and tax) protected land.

But a growing phenomenon called "ecological fiscal transfers" is helping

ease the burden on local governments—and is proving a simple and powerful way to channel funding to conservation.

A study published today in the journal *Nature Sustainability* represents the first global review of ecological fiscal transfers, and their potential to promote the protection of nature. Conservation News spoke with Jonah Busch, an economist with Conservation International and the study's lead author, who calls these transfers "the right idea at the right time," with significant implications for the financing of conservation worldwide.

Question: "Ecological fiscal transfers": In a few words, what are they?

Answer: Ecological fiscal transfers are money that governments within a country send to one another to protect nature. Most often it refers to funds transferred by national governments to local governments.

Q: Why?

A: The benefits of protecting nature go to everyone, but the costs of conservation are localized. Restrictions on what you can do with your land have real implications on [local governments](#)' ability to raise revenues through the tax base. So ecological fiscal transfers (EFTs for short) are a way to compensate a local government for the opportunity cost of not developing that land—whether through agriculture or otherwise—and reward them for protecting the benefits that nature provides to everyone.

Q: How common are EFTs?

A: Annually we found that there about US\$ 23 billion a year in EFTs—and growing. It's happening in five countries—the programs

began in Brazil and expanded to Portugal, France, China and India. Other countries are exploring this concept as well.

Q: How is it that EFTs started in Brazil?

A: EFTs started there as a way to ameliorate a backlash from Brazilian municipalities to the national [government](#), which established protected areas. The idea was picked up later in Portugal, where there was a backlash against the European Union starting a protected area network there. A similar situation arose in India with the passage of a national forest law. In each case, there was a restriction on the use of land, and EFTs were a way to soften the impacts by sending money to the affected municipalities.

What's interesting is that while EFTs started as a way to compensate for conservation that was already taking place, they've grown to also become a way to incentivize additional conservation.

Q: So what was significant about this study?

A: A couple of things: It was the first global review of all ecological fiscal transfer programs, in every country that has them or is thinking about implementing them. And it was the first global review of all academic literature written about it.

Q: What about your findings surprised you?

A: I was surprised to see how large and rapidly growing EFTs are. The more we looked, the more countries we found where they are becoming part of the conversation. And even after the paper was submitted, we started to hear more countries expressing interest in this concept.

Q: Why do you think that is?

A: I think EFTs are an attractive way for national governments to provide finance for environmental goals without having to raise new tax revenue or ask legislatures to approve new funding from scarce pots of resources. With EFTs, all a country has to do is take money that national governments are sending to state governments anyway and send it for a different reason.

Q: Who wins and loses?

A: The way that EFTs change which governments receive transfers is often quite aligned with poverty reduction goals. The states within a country that receive more in transfers have more forests, or more protected areas, and those tend to be more remote and poorer states. The states that receive less in transfers are more urban and tend to be richer. In those urban areas, transfers from national governments are a less important part of their revenue base as they tend to have more sources of income.

Q: Is it only national governments that can implement EFTs?

A: In Brazil, the state governments have EFTs with local municipalities. And there are other kinds of transfers, too. In China, there are what we call horizontal transfers, where one province will pay another province to protect nature. There are cases where two provinces share a river, and the downstream province pays the upstream province based on how clean the water is—and this is subsidized by the [national government](#). If the water gets cleaner, the downstream province pays the upstream province; if the water gets dirtier, the upstream province has to pay the downstream [province](#). It creates a pretty strong incentive to keep the

river clean.

Q: That seems so sensible. Why are EFTs only starting to catch on?

A: There's a timeliness to this. It's a big year for the climate and biodiversity, with countries set to pledge new goals to protect nature and tackle global warming later this year. At the same time, budgets are tight—especially with COVID—and EFTs are a way to do something green with big dollars without raising taxes or taking money away from something else. It's the right idea at the right time.

Q: What do you see in the future for EFTs?

A: I see more countries trying this out, and increasing the size of the transfers. In countries where it is already happening, I see EFTs being refined and improved. The research agenda would be to look at their effects—are they serving their intended purpose? Are states creating more protected areas or protecting more forests as a result? Are there unintended consequences? Those are some of the questions we're asking.

More information: Jonah Busch et al, A global review of ecological fiscal transfers, *Nature Sustainability* (2021). [DOI: 10.1038/s41893-021-00728-0](https://doi.org/10.1038/s41893-021-00728-0)

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