

Funding Rural Stewardship: 2024 Update

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In May 2021, our report “*Funding Rural Stewardship: The Case for Significant Reform*”² was published with the support of NSW Landcare, NGOs and expert collaborators. It clearly demonstrated that Australia’s frontline stewardship funding system is fragmented, inadequate, cumbersome, and unreliable. It frequently fails the environment, and the citizens who strive to be responsible land stewards.

In the 3 years since that report, we have discussed stewardship funding issues with many stakeholders. We have found substantial agreement that the problems we highlighted remain a significant concern. Though environmental and other organisations lobby for public investment, comprehensive proposals to solve the major strategic problems that study highlighted have yet to emerge.

Australia’s next Federal election will happen in 2025. The Federal Government has charged the Nature Finance Council with developing proposals to increase private sector stewardship investment, and will host the “Nature Positive Summit” later this year. Given these developments, we expect that policies for environmental stewardship will inevitably be contested. To contribute to that debate, this discussion paper updates the substantial evidence in that report which included:

- A review of more than 700 published reports and studies (pp. 10-14). An additional 200 documents gathered and reviewed since 2022 inform this discussion paper.
- A survey of the experience and opinions of landholders and community groups who do voluntary stewardship work (pp. 15-19);
- Four frontline stewardship case studies (pp. 20-21);
- The investment instruments strategies used in other jurisdictions, and how they deal with resourcing challenges (pp. 22-25);
- How Australia might go about creating a more feasible, efficient and effective stewardship funding approach (pp. 26-28).

The report concluded that:

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² Available from the NSW Landcare site at <https://landcarensw.org.au/funding-rural-stewardship-the-case-for-significant-reform>

Different instruments and approaches will be needed to deal with the range of issues and situations, and the engagement and enablement of landholders and volunteers is absolutely essential. Effective investment will require coordinated strategies and plans, reflecting consensus and commitment, disciplined implementation and continuous adaptation through learning from experience. Additionally, investment models will have to be politically feasible.

The responsibility to provide stewardship incentives and resources has to be genuinely shared between governments, industry, and land stewards. Importantly, resourcing strategies must be realistic and achievable for those involved, otherwise the result will be stewardship failure causing further declines in natural capital. Quite simply, to expect people to do things that are not possible for them, given the resources that they have available, is simply a recipe to fail!

A comprehensive system will require public and private instruments, and needs to be well coordinated. Public funding must be maintained to offset market failures, and include the inbuilt flexibility to address new challenges, and overcome chronic and episodic stewardship incapacity. Investment systems that are ‘user friendly’, from the perspective of the investors, stewards and volunteers who interact with them, will facilitate uptake and participation. Leadership is needed to substantially grow the total investment pool (including private and hybrid arrangements), and to ensure that the investment system has clear goals, sound strategies, adequate resources, accountability, and transparency.

Post-2021 developments

The *Funding Rural Stewardship* report concluded that “in 2022, Australia’s new government will have an opportunity to reshape rural, environmental, and fiscal policy, to reposition Australia to meet its future challenges. The time will be ripe for innovation in the funding of effective, efficient and equitable rural stewardship to protect biodiversity and agriculture. It is in no-one’s interests to miss this opportunity.”

Since 2021 more evidence has emerged which confirms that: (1) inadequate funding undermines public and private stewardship; and (2) coordinated public/private stewardship investment strategies can help solve this problem. States and communities are implementing innovative investment strategies, but Australia continues to fail to meet its stewardship investment challenge.

The Coalition for Private Investment in Conservation (with over 120 business and NGO members) promotes “Investment Blueprints” – “model financial transaction structures intended to help facilitate replicable investments in priority conservation projects.”³ It’s

³ In addition, the UNDP *The Biodiversity Finance Initiative* integrated biodiversity funding method has been adopted in more than 40 countries <https://www.biofin.org>. UNDP provides a catalogue of biodiversity funding strategies and instruments.

resources webpage⁴ curates information about the environmental stewardship funding gap, and funding initiatives from around the world. These reports include:

- The 2022 *State of Finance for Nature in the G20: Leading by example to close the investment gap* includes a spending gap analysis. It concluded that investment in NbS⁵ would have to triple by 2030 and increase by a factor of 4 by 2050 to meet international environmental stewardship targets. This equates to a total investment of up to USD 8.1 trillion, and annual investment of over USD 536 billion. (p9). The report discusses options to address this funding gap.
- The 2021 report *Conservation Finance 2021: An Unfolding Opportunity* concludes that:

more than a decade after the Aichi Targets were agreed, the international community has failed to achieve most of them. This is in part because public financial flows do not meet the current investment need for financing necessary conservation efforts, and continue to be dwarfed by harmful subsidies (Secretariat of the Convention on Biological Diversity, 2020). Governments have failed to redirect public financing toward investments that benefit nature, and still spend USD 274-542 billion every year in agricultural, forestry and fisheries subsidies that end up harming rather than helping nature (Deutz et al., 2020).

Redirecting public finance will go a long way toward closing the massive USD 598-824 billion annual biodiversity financing gap (Deutz et al., 2020), but public finance alone will not be sufficient for addressing the growing biodiversity crisis. Private sector finance, which today accounts for just 14% of global conservation investments, must also be mobilized at scale. (p8).

The report also describes some private sector investment initiatives from different countries.

Developments in Australia's stewardship funding

The situation in Australia is similar to the rest of the world – insufficient funds and the lack of an efficient investment system often thwart environmental stewardship work. The *Funding Rural Stewardship* report indicated that Australia's funding need could be as much as 2% of GDP (approximately \$30B p.a.), and the Federal Minister for the Environment has referred to estimates of \$1B p.a.⁶ Dr. Ken Henry has indicated the need for billions of dollars to be invested in the nature repair market, reflecting the link between carbon credits, sequestration and land protection and repair. The Biodiversity Council indicates a required range of investment up to \$2B p.a. The lack of consensus about the funding gap reflects the fact that estimates vary depending on the “end-state” target, and assumptions about the type and the effectiveness of methods. There is however consensus that far more is needed than is currently being invested.

⁴ <https://cpicfinance.com/resources/>

⁵ “Nature Based Solutions”

⁶ “Minister for the Environment and Water Australia to host global Nature Positive Summit”

The government committed to invest \$100 million in the Environment Restoration Fund for 3 years, commencing in 2022–23. The 2023 Parliamentary Library *Budget Review* identifies a commitment of \$741.3 million over 5 years from 2023–24 on environment and agriculture programs, and \$355.1 million over 4 years (and \$68 million per year in ongoing expenditures) for national parks. Significant budget commitments have been made to implement the Federal *Nature Positive* plan, and for major reforms to the *Environment Protection Biodiversity Conservation Act*. The legislation for the national *Nature Repair Market* was introduced in March 2023 but no implementation budget has been announced. Responding to highly critical reports concerning Australia’s rural carbon credits, the budget measure ‘*Independent Review of Australian Carbon Credit Units – initial response*’ committed \$18.1 million over 2 years for carbon market reforms.

Such budget commitments are laudable, but they do not constitute an investment strategy that could make Australian good stewardship feasible. They are fragmented, only marginally engage private sector funders and the private stewardship community, and lack essential elements of an ongoing investment strategy. The Parliamentary Library report noted that:

In pre-budget submissions, environment stakeholders argued for a substantial increase in funding for biodiversity conservation, consistent with expert analysis, such as that in 2019 and 2021⁷ which estimated that spending \$2 billion per year over 30 years ‘could restore 13 million [hectares] of degraded land without affecting intensive agriculture and urban areas’ and ‘result in almost all (99.8%) of Australia’s degraded terrestrial ecosystems reaching 30% vegetation coverage, enabling a trajectory to recover critical ecological functions’. In the lead-up to the budget, Professor Euan Ritchie⁸ argued that ‘continuing to choose not to significantly lift environmental spending... and contortions to justify this callous neglect are a national disgrace’.

Given the limited spending on environmental measures compared to the estimates required for ecological restoration, there has been a tepid response to the announced measures. For example, the ACF said ‘the government’s approach to the biodiversity crisis could best be described as timid’. In a similar vein, World Wildlife Fund Australia felt the budget fell short, saying ‘the budget has not delivered nearly enough funds for new protected areas and threatened species recovery.... But the funds to back these commitments don’t take us anywhere near what’s been promised, and what’s needed to prevent further wildlife extinctions’. The Australian Land Conservation Alliance observed that ‘despite the worsening nature crisis and its increasing social and economic impacts, Australia’s legacy of structural underfunding for on-ground nature conservation has largely continued’. Finally, members of the Biodiversity Council argued that while they ‘endorse the government’s plans to strengthen Australia’s environment protection laws... it must increase, by an order of magnitude, spending on threatened species and damaged ecosystems’.

⁷ The costs and benefits of restoring a continent’s terrestrial ecosystems

⁸ Budget 2023: Australia being unable to afford greater environmental protection is a government myth that refuses to die

Can we solve the stewardship funding problem?

The new federal government has committed to implement the recommendations of the *Independent Review of the EPBC Act – Final Report*⁹ which identified major flaws in Australia’s biodiversity protection law. The government has foreshadowed new rules governing water, land clearing, and carbon emissions and sequestration. Carbon emissions reduction reforms are increasingly seen as delivering biodiversity and landscape co-benefits, potentially helping to finance land stewardship practices. The governments’ reforms to biodiversity conservation rules and procedures have yet to be revealed, and what reforms can be achieved will ultimately be decided in parliament. Whatever rules and policies are adopted, they will require sufficient investment to be effective.

Solving the underlying problem of feasible stewardship requires resolution of six issues.

1. There must be a substantial increase in investment in frontline stewardship. An effective solution will have to harness government, private sector, and citizen funds.
2. The coordination of stewardship investment by landholders, governments, and civil society will have to be greatly improved. An effective solution will require an efficient investment business model, with low transaction costs.
3. Institutional arrangements that can encourage investment innovation must be ‘scaled up’ to sufficiently improve environmental outcomes. This will require new types of instruments, and innovation in investment management.
4. Effective administrative and governance arrangements are essential for a national stewardship investment organisation. The business system has to work for those on the front line, as well as for those responsible for governance.
5. Transparent and objective performance evaluation mechanisms are needed to continuously improve the effectiveness of stewardship investment; and
6. An efficient institutional structure is needed for an ongoing national stewardship investment programme. Federal and state governments, industry, and non-government organisations must work together to pursue a common strategy.

How should Australia act?

The challenge of creating an adequate and efficient stewardship funding strategy for Australia is daunting, but failure will mean the continuing decline in Australia’s natural environment. That too is a daunting prospect.

In December 2022, the Federal Minister for the Environment announced that Australia will host a global Nature Positive Summit, “to help supercharge private investment in protecting and repairing our environment”. She went on to say that:

⁹ Samuel, G. (2020). *Independent Review of the EPBC Act – Final Report*.

Nature protection and repair is a massive job. Government funding has a critical role to play. But we can't do it alone. In Australia, it's estimated we need to spend over \$1 billion a year to protect and restore nature.

That's why the Summit will focus on how to encourage private finance for on-the-ground nature repair projects, such as restoring mangroves, protecting waterways, and re-establishing habitat for threatened species.

She further stated that:

Many businesses want to invest in nature. Their customers, their investors, their staff, and their exposure to nature related risks demand it. Governments must work to make that easier, and help guide private investment to where it will benefit nature most.

The Summit will be an opportunity for countries and businesses to:

- Share technical know-how about what works to increase private investment in nature, to help us reach the goal of protecting 30 per cent of the world's land and sea by 2030.*
- Learn about the most effective nature protection and repair projects, to help funnel private investment to where it can make the biggest difference.*
- Work together to better measure the economic value of nature to help governments and business consider environmental impacts more clearly, make better investment decisions, and move to a nature positive economy.*
- The Summit will support implementation of the Convention on Biological Diversity and the UN Framework Convention on Climate Change and it will build on Australia's strong support for the International Taskforce on Nature-related Financial Disclosure.*

Funding for Rural Stewardship demonstrated that effective protection and restoration of Australia's environment will require a radically better investment strategy, to replace the fragmented approaches currently being used. This will have to draw on, and coordinate, government, industry, citizen and other investment within an efficient investment system. The "best" strategy will engage the capabilities and interests of diverse government, landholder and civil organisations. Consensus-building with federal and state governments, farming and environmental non-government organisations, and other stakeholders will be essential to ensure that a national stewardship investment strategy is comprehensive, feasible, and acceptable.

The design of an effective national strategy would probably combine direct government investment, various market, incentives, improved, environmental, taxation arrangements, and payments for the delivery of environment services. Over the years, many instrumental proposals have been made which might be brought together into an effective, coordinated national strategy. Our 2021 report did not propose a specific strategy, to avoid triggering a fruitless competition over preferred instruments, which would derail an impetus towards a substantial (inevitably multi-instrument, multi-institutions) solution. Better instruments and programs are desirable, but their value will be undermined without a coherent national stewardship funding strategy, with suitable and effective institutional structures.

In September 2022, Australia's Prime Minister signed the *Leaders Pledge for Nature*, joining more than 90 countries in committing to reverse biodiversity loss¹⁰. One of Australia's commitments was the following:

We will strengthen all financial and non-financial means of implementation, to transform and reform our economic and financial sectors and to achieve the wellbeing of people and safeguard the planet by, inter alia:

- 1. Incentivizing the financial system, nationally and internationally, including banks, funds, corporations, investors and financial mechanisms, to align financial flows to environmental commitments and the Sustainable Development Goals, to take into account the value of nature and biodiversity, promote biodiversity conservation, restoration and its sustainable use in their investment and financing decisions, and in their risk management, as well as including through encouraging the use of taxonomies;*
- 2. Enhancing the mobilization of resources from all sources, public and private, maximizing the effectiveness and efficiency of the use of existing resources and facilitating access to support where needed, in order to significantly scale up support for biodiversity, including through nature-based solutions, which contribute effectively not only to the achievement of biodiversity and climate goals, but to sustainable development, livelihoods and poverty alleviation where needed;*
- 3. Eliminating or repurposing subsidies and other incentives that are harmful to nature, biodiversity and climate while increasing significantly the incentives with positive or neutral impact for biodiversity across all productive sectors;*
- 4. Improving the efficiency, transparency and accountability in the use of existing resources, including through co-benefits, finance tracking and reporting frameworks.*

Our 2021 report proposed a consensus-building approach to an effective stewardship funding strategy that could satisfy this commitment.

- The development (and supervision) of a national investment strategy would be led by a special-purpose authority, supported by an expert organisation (the Productivity Commission was suggested).
- Consultation and negotiation with farming, environmental, first Nations stakeholders, and technical experts.
- The terms of reference for the proposed authority to include:
 1. A mission to achieve a viable investment model for natural resource stewardship to ensure the sustainability of agriculture and the natural environment.

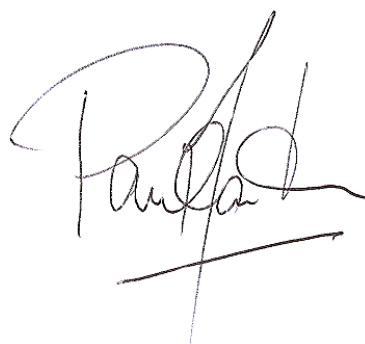
¹⁰ <https://www.leaderspledgefornature.org>

2. Using mixes of public, private and hybrid investment instruments and mechanisms to optimise environmental stewardship outcomes, and to share stewardship responsibility.
3. Creating institutional arrangements that will encourage investment innovation, and the 'scaling up' of innovations to have a significant impact.
4. Implementing sound administrative and governance arrangements for a national stewardship investment organisation.
5. Implementing accountability mechanisms to ensure transparent and objective performance management of that investment strategy; and
6. Implementing an institutional structure for an ongoing national stewardship investment programme.

We believe that the Nature Positive Summit presents an ideal opportunity to initiate a national *Environment Stewardship Investment Strategy*. Prior to that summit, it would be possible to do further detailed analysis of the issues, engage stakeholder groups, and establish the basic institutional arrangements. We ask that you to take this opportunity to build on the good work that has been done, to ensure the feasibility of good land and environmental stewardship into the future.

We provide this update as our contribution to what we hope will be a constructive national dialogue about how best to resource the necessary stewardship of our vulnerable natural heritage. We hope that that dialogue will lead to constructive and feasible solutions to the practical problems that undermine the efforts of many citizens, environmental and farming organisations. If these problems are not solved, than it seems unlikely that the popular rhetoric of sustainability will be converted into a practical reality.

Yours truly



25 post-2021 sources

The list below is a supplement to the 2021 *Funding Rural Stewardship* Report which drew on more than 700 published items (and other evidence).

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3. Anon. Agriculture Stewardship Package : National Stewardship Trading Platform. (2021). <https://agsteward.com.au/marketplace/>
4. Biodiversity Council. Spending to save : what it will take to end extinction (December 2022).
5. *BIOFIN - UNDP*. (n.d.). Retrieved November 25, 2023, from <https://www.biodiversityfinance.net>
6. Australian Government. (2022). Nature Repair Market Draft Bill - New market to provide environmental leadership (Issue December). Department of Climate Change, Energy, the Environment and Water.
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20. Plibersek, T. (2023). *Minister for the Environment and Water Australia to host global Nature Positive Summit*. Australian Government.
21. Plumridge, N., & Kyriacou, N. (2022). A nature-positive Australia - The value of an Australian biodiversity market.

22. Ritchie, E. (2023). Australia Being unable to afford greater environmental protection is a government myth that refuses to die. The Guardian Online
23. The Wentworth Group of Concerned Scientists. (2022). Submission to the national biodiversity market.
24. United Nations Environment Programme. (2022). The State of Finance for Nature in the G20: Leading by example to close the investment gap.
25. Wintle, Cadenhead, Morgain et. al (2019). Spending to save: What will it cost to halt Australia's extinction crisis? Conservation Letters, 12(6), 1–7. <https://doi.org/10.1111/conl.12682>