

“PRIVATE FINANCING” FOR MPAs: CONCRETE EXPERIENCES.

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Context and objective:

The objective of the workshop was to provide concrete illustrations of MPA financing through private sector sources. Specifically, the potential of instruments to fill the annual financial gap of MPAs as well as the main key factors of success were highlighted through short and impactful presentations of several case studies.

Case studies:

The following case studies were presented through dynamic 10 minute presentations.

1. Private MPA establishment and management: Governance of Chumbe Island Coral Park (US\$ 600k per year) in Zanzibar, Tanzania by Eleanor Carter, CHICOP (Chumbe Island Coral Park)
2. Financing equilibrium of the National Park of Brijuni in Croatia (US\$7M per year) by Sandro Dujmovic, National Park of Brijuni
3. Resort owner investment in beach erosion studies as well as continued PES for beach maintenance, San Andres, Colombia by Tundi Agardy, Mares-Forest Trend (Marine Ecosystem Services)
4. Potential for PES in the Riviera Maya: tourism compensating fishers for set-aside areas, landowners paying an NGO to steward marine ecosystems by Tundi Agardy, Mares-Forest Trend (MARES, Marine Ecosystem Services)
5. Business partnerships between MPA and diving industry: lessons learned from Roatan (US\$ 200k per year), Honduras by Jenny Miller, Coral.org

6. The experience of mitigation banking in Florida. How private developers could “virtuously” be part of the conservation effort by Sylvain Pioch, CEFE (Centre d’Ecologie Fonctionnelle et Evolutive du CNRS) and Fabien Quetier (Biotope)
7. Identification of eco-tourism potential in the karaburun-sazan marine park and surrounding area by Genti Kromidha.
8. Sustaining small-scale fisheries management through voluntary access payments from fishers and seafood collectors: the case of the Madagascar reef octopus fishery by Gildas Andriamalala, Blue Ventures.

Through the presentations the following instruments were discussed: (a) Fishery rights, (b) Tourism payments by end-users and/or businesses (c) Conservation agreement experiences (d) Exploratory Payments for Ecosystem Services - PES (e.g. coastal protection, sediment traps) and (e) biodiversity offset mechanisms.

Main findings

The presentations, all of them based on specific sites, have highlighted that financing through the private sector represents a real potential for marine conservation financing. Tourism user fees, PES for coastal protection and biodiversity offset mechanisms have proved their ability to finance all or part of an MPAs financing needs. It is believed that biodiversity financing will increasingly rely on the private sector, either as polluter compensation or as beneficiary. Applied to marine ecosystems, the main ecosystem services provided are fish biomass, tourism landscapes, shoreline protection and bequest value. All of them create specific opportunities for private sector market based instruments. Another element of sound conservation financing explored was the optimization of management costs and revenues through sound business planning.

Regarding specific and innovative experiences, the Chumbe Island (CHICOP) experience has proven that private MPA establishment and management can be a solution in a specific tourism context, and can provide self-financing of MPAs. The MPA is 100% financed by ecotourism revenue since 2000. It operates on business principles with a concession framework, and was commended as the ‘worlds best example of Payment for Ecosystem Services’ in the 2012 UN Secretary Generals report to the General Assembly on Protection of coral reefs for sustainable livelihoods and development (Rio+20 UNSD preparations).

Another marine PES example is the case study of San Andres (Colombia) where The Marine Ecosystem Services Program (MARES) has been working with the Corporation for the Sustainable Development of the Archipelago of San Andres, Old Providence, and Santa Catalina (CORALINA) to design and implement a marine PES project to maintain beach production and coral reef health. Negotiations are currently engaged around a PES scheme involving major resort owners, whose payments would go to enhancing management of the reefs, ensuring that beach setback regulations are not violated, and compensating fishers for avoiding catch of beach sand-producing parrotfish. This project is helping contribute to the overall financing of the Seaflower MPA implementation plan.

In a similar way, in Puerto Morelos (Mexico, Riviera Maya), The MARES program, along with local partner(s) Comunidad y Biodiversidad (COBI), has been developing a pilot marine and coastal Payments for Ecosystem Services (PES) project in the Riviera Maya (Puerto Morelos and Akumal). The purpose of the PES project is to develop new funding sources for the protection of a portion of the MesoAmerican Reef along the Riviera Maya Region in Mexico, e.g., by getting the private sector to finance protection of those habitats that provide to them valuable ecosystem services, such as fisheries and tourism. COBI is working with fishing cooperatives to catalyze the implementation of a system of no-take zones, endorsed by the park authority (CONANP) which developed the no-take plan with stakeholders but cannot finance the management of the zones. The PES scheme being designed involves payments from tourism operators (dive operators primarily) directly to the fishers as compensation for lost fishing opportunity. It is envisioned that as the no-take areas contribute to enhance fisheries productivity through spillover effects, the compensation can be reduced.

Since the 1990s, the concept of “no net loss” has been a core principle to require that developers with impacts on wetlands finance wetland restoration projects, to offset their impacts. These restoration projects are increasingly operated by specialized third parties, who carry out restoration ahead of impacts (the restoration gains are “banked”). This also allows offsets for multiple impacts to be mutualized in dedicated “Mitigation banks”. This mechanism, based on compensatory mitigation requirements under *Section 404 of the Clean Water Act* (1972), the *Memorandum Of Agreement Between The Department of the Army and The Environmental Protection Agency on The Determination of Mitigation under the Clean Water Act Section 404(b)(1) Guidelines* (1990) and favored under the *Compensatory Mitigation Rule* (2008), effectively channels private funding (around 2 to 3.4 Billion USD according to Madsen, 2011) towards restoration and subsequent protection and management of large areas of wetlands in the USA (580 625 acres in 1 792 “banks”). The preference for banking arose from the frequent failure of bespoke offsets and in-lieu fee mechanisms whereby funds and responsibilities were transferred to a third-party in charge of implementing

restoration if possible. Banking offers restoration ahead of impacts and higher guarantees of protection, management and funding.

The banking mechanism has been applied to coastal mangrove forests and coral areas. The bank acts as an ecological credit “seller” (ecological engineering to restore ecosystem and assess their ecological value or gain), providing a service to a credit buyer (a land consumer for projects like road, harbor, which got debit due to losses of ecosystem). This system requires good oversight and strong involvement from regulatory bodies. In the USA, it is managed by the US Army Corp of Engineers, the Fish and Wildlife Service, and the Environment Protection Agency. In coastal settings, NOAA also intervenes. Together, these regulators propose rules and methods to score the gains and the losses of ecological credits and ensure high level of long term performance. In practice, “habitat banking” mechanisms are akin to the creation of privately-run MPAs, funded by coastal development through regulatory offset requirements.

Such offset requirements exist in a number of jurisdictions, and in the absence of banking mechanisms, developers can be required to fund restoration and conservation actions carried out by public or private conservation bodies. A recent case in France saw the expansion of a harbor in the Mediterranean island of Corsica fund the creation and expansion of a network of MPAs on the island, with funds going to the MPA agency. Similar offsets are being considered for offshore developments related to renewable energy projects, in France, as in many areas across Europe. Funding MPAs through offsets raises a number of scientific and technical issues, as well as institutional issues. As the US experience shows, dedicated institutions must be built if funding is to deliver on the ground conservation outcomes.

The case of Brijuni National Park (Croatia) showed that in some circumstances it is possible to set up a self-sustainable MPA based mostly on tourism incomes. The Park is supported by the State through salaries for a certain number of employees but the major incomes (more than 90%) are through entrance fees from day trips and through accommodation in hotels and villas that are owned by the Park (organization of congresses, weddings, holidays...). Other considerable incomes are through boats moorings, fees for diving, boat trips of private agencies, projects, selling of goods (souvenirs, ice cream, restaurants...), etc. To be financed in this way a protected area has to be managed as a MPA and as a company in the same time. To be successful it is important to make a recognized brand of the MPA with some added values for visitors and to have good marketing.

Main recommendations:

Various common features were identified across case studies and across different financing mechanisms that are recommended to parties exploring replication of such initiatives. These are outlined here.

Payments for Ecosystem Services (PES):

For the development of PES the following conditions were identified as common across case studies:

- The presence of a trusted mediator to establish the scheme is essential
- There needs to be an imminent threat or loss of service recognized as already happening
- The current capacity to manage for sustainable use in many regions is inadequate, and a niche is available for greater capacity to be engaged
- It is important to demonstrate hard facts and well developed projections to convince private sector parties that investment in natural capital (INC) makes business sense
- The price for safeguarding valuable ecosystem services needs to be negotiable and considering many ranging factors

Compensation Schemes:

Enabling conditions for a compensation scheme were identified as:

- The Presence of a clear regulatory framework
- Enforcement of the 'banked' habitat needs to be viable
- Development of transparent metrics (type and quality) to measure success are essential
- In many cases the possibility to transfer liabilities and / or to sell credits on a scheme (i.e. restoration etc) is required
- Easements to protect land into perpetuity need to be supported legally
- Endowment funds and / or financial guarantees to ensure long-term management is viable is required

Tourism User Fees (TUFs):

For the success of TUFs, it is important to take into account the following points:

- Ensure transparency in the use of the funds (public access)
- There needs to be clear private sector buy-in of conservation efforts
- Communication of results to all stakeholders is essential

In a general way, the replication potential for private financing under all the above scenarios requires the following conditions to be met:

- Political will to provide a security of tenure for investors (business model)
- Long-term management commitment and the development of monitoring and evaluation systems to determine the effectiveness of conservation actions.
- Strong community engagement & support

We are at a very early stage of adopting and using economic instruments for marine management and marine conservation financing. The potential to leverage private sources of funding for reef management must be assessed in more detail, including tourism user fees, payment for ecosystem services; impact offset schemes, biodiversity or carbon credits, impact investment bonds, and business plan optimization. This has to be done at different scales, from local MPA to national to regional ICZM. This also needs to include strategic identification of instruments that have higher opportunities to work in specific contexts.

The awareness of available economic instruments and how they can be used is limited among most stakeholder groups and needs to be improved through pilot projects and effective communications to share experiences. Implementation of demonstration projects will be useful to illustrate how economic instruments can be developed and used to support coral reef management. Such projects must prioritize replicability. It is essential that the benefits of such projects are monitored and audited to ensure that they are being delivered to partners as intended (equity sharing). Appropriate and robust means of verification and auditing need to be included from the project design stage.

Additionally, enabling conditions in each country/territory need to be better understood and defined in order to develop appropriate and meaningful systems that work and are culturally and socially acceptable (as well as economically sustainable). Lessons learned from all over the world can be used to identify enabling conditions for using economic instruments in reef management (e.g. relating to tenure arrangements, understanding ecosystem service values, policy and governance frameworks, social sustainability, and capacity required at different levels among different stakeholders).

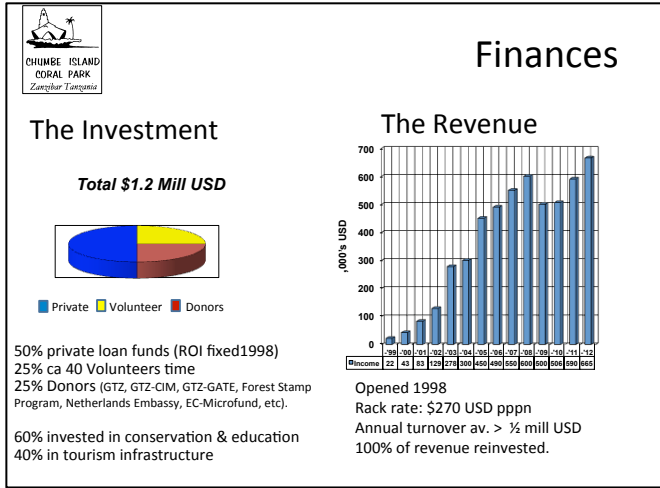


FIGURE 1: ILLUSTRATION OF MPA FINANCING WITH PRIVATE SECTOR