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How Financial Experts Are Partnering with Protected Areas to Launch New Revenue Programs

There are some excellent publications available to guide protected areas in developing new revenue streams, including IUCN's Sustainable Financing of Protected Areas, several reports by the Conservation Finance Alliance, and more. (Following this article, this issue of MPA News contains a library of resources on conservation financing.)

But implementing new revenue strategies based simply on guidelines from a report may not always be easy. This is particularly the case if your management team does not already have a background in business or financing. In this situation, having a partner institution to serve as an experienced guide can be a great help in diversifying revenues successfully.

A growing number of institutions is providing such guidance. Here we examine cases in which institutions with financial expertise are helping protected areas put new revenue streams into practice.

A. The RESCCUE Project: Applying a range of economic and financial tools to support Pacific MPAs and coastal communities

In the Pacific region, there is a five-year project underway to help increase the resilience of the region's ecosystems and societies facing climate change. Called RESCCUE (its French acronym translates to English as Restoration of Ecosystem Services and Adaptation to Climate Change), the project is implemented by the Pacific Community, with funding from the French Development Agency and French Global Environment Facility.

RESCCUE is operating at pilot sites in four countries and territories — New Caledonia, Vanuatu, Fiji, and French Polynesia. In addition to partnering with local institutions to strengthen coastal management and climate adaptation, the project aims to ensure those activities are financially sustainable in the long term. That involves developing new and durable revenue streams.

RESCCUE Project Coordinator Raphaël Billé holds advanced degrees in environmental economics and regional planning. He spoke with MPA News about how RESCCUE is partnering with protected areas on financing.

MPA News: How important are economic and financial mechanisms to the RESCCUE project, and how has RESCCUE partnered with MPAs so far?

Raphaël Billé: Economic and financial mechanisms to support integrated coastal management in the long term are a key component of the RESCCUE project. RESCCUE is actually the first regional initiative in the Pacific to put such innovative mechanisms to the test at all its pilot sites.

Some of these mechanisms concern MPAs. An example includes backing the creation and management of the Vatu-i-Ra Conservation Park located in the Ra Province of Fiji. A voluntary contribution scheme for the park is being developed through a partnership between local communities and dive operators, and which also involves the Ra Provincial office and customary resource owners. (The process is being facilitated by the Wildlife Conservation Society with support from RESCCUE.) Through this marine conservation agreement, dive operators visiting the park will contribute voluntarily to an administrative body; that body, in turn, will manage and disburse the funds to the park in return for agreed conservation objectives, including a permanent no-take area within the MPA.

On the island of Moorea, one of the two RESCCUE pilot sites in French Polynesia, we are working with the Government, the local municipality, and the French MPA Agency to deploy managed mooring areas in the most sensitive and visited parts of a 5000-ha lagoon that is an MPA. It is anticipated that user fees will apply to sailboats using these moorings and will contribute to implementation of the MPA's management plan.

Those are just two examples. We are also looking at:

- A payment-for-ecosystem-services scheme between tourism operators and pineapple producers in Moorea;
- Ecolabelling for black pearl production in the Gambier archipelago, our other French Polynesian site;
- The establishment of conservation funds in North Efate, Vanuatu, to sustainably and efficiently manage tourists' contributions to the two networks of locally managed areas; and
- Public-private partnerships to ensure financial sustainability of management committees and associated MPAs set up under UNESCO World Heritage designations in the Northern Province of New Caledonia.

Our understanding is that RESCCUE is also looking to apply broader economic tools across the region.

Billé: Yes, we have put two emerging issues on the regional agenda. We would like to strengthen the implementation of the mitigation hierarchy, including the use of biodiversity offsets to counterbalance the impacts of development. [Editor's note: MPA News reported on the concept of marine biodiversity offsets in 2014.] And we would like to reform, or "green", harmful taxes and subsidies. The main sectors with harmful taxes and subsidies in the Pacific include mining, real estate, tourism, energy, agriculture, and fisheries. Although these are mostly land-based activities, they can have significant impacts on the marine environment from a ridge-to-reef perspective. Like in most parts of the world, taxes and subsidies often contradict environmental policy objectives and hamper environmental law implementation.

In your view, what are the main challenges to implementing innovative financing mechanisms for marine conservation in general, and for MPAs in particular?

Billé: In the Pacific, and based on our experience so far, key challenges include:

- The complexity of marine and land-sea ecological processes, and the lack of data to assess ecosystem functions, services, and interconnections in a robust way. This does makes it harder to bring stakeholders to the negotiation table to discuss how their interconnectedness can translate into innovative financial mechanisms.
- The relatively low population density combined with a subsistence economy – not everywhere but in a majority of islands. Economic and financial mechanisms as we know them are often better suited for places where the beneficiaries of ecosystem services are plenty and inserted in a market economy.
- Legal obstacles. In Fiji, for example, the so-called "surfing decree" prohibits applying compulsory entrance fees to any marine area, whether it is protected or not.
- The key role that customary land and marine resources tenure still plays in many Pacific countries and territories. While not an obstacle in itself, cohabitation between customary and common law can complicate efforts toward innovative financial mechanisms, or at least prevent the replication of successes met in different contexts around the world.
- Last, funding needs for coastal MPAs do require innovation given the structural weakness of support that most environmental administrations are able to provide. But such needs are often quite low in small, scattered islands. This makes the issue of transaction costs a key one: in other words, are expected benefits high enough to justify external support by projects like RESCCUE? We need to closely monitor transaction costs and actual impacts of the mechanisms we are implementing.

Does the Pacific region offer particular opportunities for innovative finance for marine conservation that other regions do not?

Billé: In the Pacific, some key opportunities relate to the overall good status of coastal and marine ecosystems, and to the importance of a tourism industry that depends heavily on ecosystem services. In addition, most Pacific nations rely heavily on coastal and pelagic fisheries, and there are definitely opportunities to examine the actual use and the potential of various fisheries-related mechanisms such as transferable quotas, subsidies, license fees, etc. In the Northern Province of New Caledonia, for instance, RESCCUE is working with local authorities to implement license fees and transferable quotas for sea cucumber fisheries management.

International climate talks have also progressively put the fate of Pacific islands under the spotlight. This translates into increasing funding being made available for climate resilience and disaster risk reduction in the region. This can provide massive opportunities for sustainable marine and coastal resources management, including more effectively and equitably managed, ecologically representative, and well-connected networks of MPAs — if nature-based solutions are promoted wherever possible. In addition, blue carbon could also provide interesting funding perspectives in the future should the demand for carbon credits increase as some anticipate.

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B. WWF and the 'Project Finance for Permanence' model: Looking to apply a funding model from the Amazon to protected areas elsewhere, including MPAs

The Amazon Region Protected Areas Program (ARPA) is an enormous endeavor. An initiative of the Brazilian Government with support from WWF, other NGOs, and major donors, its purpose is to expand protected area coverage of the Amazon rainforest and ensure the long-term financial viability of those protected sites. The ARPA system now encompasses 114 protected areas covering 583,000 km^2, including both strict conservation areas and sustainable-use reserves supported by local communities.

To carry out a program of this size and to ensure the protected areas are sustainable for the foreseeable future, a relatively new planning model was applied — the Project Finance for Permanence (PFP) model. Drawing upon private finance practices, it was originally applied to conservation to support a protected area network in Costa Rica and forest conservation on the Pacific coast of Canada The PFP model was adapted by WWF and partners for the Amazon project in 2014.

Key to its application in Brazil is the establishment of a sinking fund that guarantees financing for the Amazon protected areas until the Brazilian government can cover the full costs of the protected areas by itself. To draw from the fund, protected areas must demonstrate compliance in meeting the project's rigorous management standards. This helps ensure that the money does not go to waste.

ARPA's Protected Areas Trust Fund is US$215 million, which was raised from multiple large donors including the Global Environment Facility, the Gordon and Betty Moore Foundation, the German development bank, and the Margaret A. Cargill Foundation, among others. MPA News has reported on the establishment of trust funds before but none of them have been of the scale of ARPA, and none have applied the PFP model.

Meg Symington formerly served as the managing director of WWF's Amazon program (she is now Senior Director, Forests, for WWF-US) and Carlos Pineda is WWF's Senior Director for Conservation Areas Financing. They spoke with MPA News about the PFP model and its potential applications elsewhere.

MPA News: In your view, what was the biggest challenge WWF encountered in making ARPA happen, and what will be the main challenge in implementing it?

Meg Symington: Maintaining a focus on what was needed to make ARPA successful over the long term and then prioritizing those things for the donor resources was a challenge. There are always so many needs that being disciplined about what activities and costs should be covered is difficult.

In terms of challenges going forward, the current economic recession in Brazil will pose challenges for increasing government revenue at the rate anticipated in the ARPA financial model. Bringing online innovative sources of revenue — like environmental compensation for infrastructure development, and payment for the hydrological services provided by intact forests within protected areas — will be critical to increasing state and federal government budgets to help implement ARPA.

Carlos Pineda: In ARPA, as in every PFP initiative, viable sustainable financing mechanisms are central for governments to meet their commitments to funding PAs in perpetuity. This is key because without them there would be no 'permanence' to this innovative PA financing approach.

In that context, would you generally recommend that planners consider the existence of natural revenue streams when deciding where to place new protected areas?

Symington: I definitely think that the various kinds of ecosystem services that natural areas provide should be taken into account in the design of national protected areas systems. That means not only looking at areas important for biodiversity representation and endangered species, but also looking at areas that are important for economically valuable species like pollinators, areas that are important in securing water quality and quantity for cities, etc. These ecosystem services can not only generate revenue streams for PAs, but also build strong constituencies for protected areas in government and nearby communities.

What plans does WWF have to apply the PFP model to marine protected areas in the future?

Pineda: We hope to include MPAs in our portfolio of PFP projects, especially as we create the first global platform for PFP development. Our goal is to help nations meet the Aichi targets of the Convention on Biological Diversity, which include national territory targets of both 17% terrestrial and 10% marine protected areas. We are evaluating the potential of several exciting project concepts — and we are at the stage of beginning to socialize these endeavors internally — but we have not begun project-specific work. We look forward to working with our partners and other important stakeholders in the months to come.

With PFP and other financing models, WWF has a lot of experience in developing sustainable funding plans for protected areas. What would you say is the most common mistake that protected area managers make when it comes to financing for their sites?

Symington: In my experience, protected area managers are so used to making do with limited resources that they don't stop to think about the level and kinds of resources they need to achieve effective management. They are so used to an economy of scarcity that developing a real cost estimate of what they need to do their jobs seems like a fruitless exercise. But having this information — "I need *x* to achieve *y*" — can be the key first step toward long-term financial sustainability.

For more information:

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C. Conservation Finance Alliance: Providing guidance on financing for 14 years

The Conservation Finance Alliance (CFA) was formed in 2002 to increase collaboration on the sustainable financing of biodiversity conservation. It now has more than 600 members, including government agencies, for-profit companies (including global financial firms), NGOs, donors, and academic institutions worldwide. The CFA has produced multiple useful publications over the years, and currently has three working groups — on innovative financing mechanisms, protected areas financing, and environmental funds.

Sylvie Goyet is on the CFA executive committee. In her day job she serves as the director of environmental sustainability and climate change with the Pacific Community. She spoke with MPA News about how MPA practitioners can benefit from the CFA.

MPA News: The CFA has a great amount of information at its fingertips. What advice do you have for MPA managers on how they can approach the CFA for assistance?

Sylvie Goyet: The CFA website is a very rich source of information. Its library, toolbox, experts' blog, and various reports and publications can all be accessed, and they provide a great amount of information on conservation finance, including on ocean and marine issues. In addition, by joining the CFA (it is free of charge), members receive regular newsletters and can participate in topic-specific webinars and discussions. Guidance at present is mostly in the form of learning from others' experiences, although links can be made with the institutions being referenced — NGOs, consultants, aid agencies, and others.

However, in the near future — the second or third quarter of 2017 — the CFA will be able to provide more specific assistance to members. This will include our launching an incubator to encourage the development and testing of innovative conservation finance initiatives, tailored guidelines, and other information. Watch the website!

The CFA has been in operation for 14 years. In what ways have financial opportunities changed in marine conservation over that span?

Goyet: We have seen an increased number of protected areas, and MPAs in particular, develop business plans. This is a key first step to developing a proper financial plan for a protected area. It involves costing the management plan, assessing existing revenue, identifying possible other sources, reviewing options for sustainable channeling of funds to the protected area, and setting up a monitoring system for the flow of funds. This provides clarity and transparency, and also allows for a sound forecasting of the financial situation of the MPA over the medium term.

Over the past 10 years, we have also seen growth in conservation trust funds, some of them dedicated entirely to MPAs. These include the Banc d'Arguin and Coastal and Marine Biodiversity Trust Fund (BACoMaB) in Mauritania; the MAR Fund to support MPAs of Central America; and theCaribbean Biodiversity Fund for marine ecosystems in the Caribbean. More recently, the establishment of PACÍFICO, consolidating the collaboration of five environmental funds in Central and South America, is entirely dedicated to coastal and marine protection. These instruments go a long way in channeling sustainable funding to marine and coastal conservation. They deploy creative outreach to collect endowment money and should be encouraged to do even more, such as by tapping into biodiversity compensation payments, shares of fisheries agreements or shipping licenses, tourism fees, and fines from illegal activities.

Finally, I would like to highlight that we are seeing more and more innovative finance initiatives at MPAs, piloted by various groups, NGOs, and institutions. These include working with diving operators in Central America to generate revenues; investment in sustainable fisheries practices; and blue carbon-related actions in Madagascar. Recently as well, the development of blue bonds in the Seychelles has been associated with a full range of marine planning, a trust fund, and debt swaps in the context of developing a blue economy strategy. This all confirms a promising outlook for MPA financing.

In what ways have the financial challenges of MPAs changed over time?

Goyet: Challenges remain, whether for individual MPAs or for networks:

Setting up sustainable financing mechanisms like conservation trust funds is no easy task;

- The pool of official development assistance (ODA) funding that is channeled to marine conservation is not growing at a pace to match the increasing number of MPAs;

- Impact investing in monetized sustainable resource exploitation (like fisheries or tourism) is still timid, and may not be in a position to cover MPAs where there is little to no natural resource use (e.g., remote no-take areas);
- Blue carbon, while promising, requires much more attention and methodology to become as reliable an instrument as the REDD facility for terrestrial systems; and
- Large MPAs may pose unique funding challenges, such as to finance the cost of surveillance across very broad areas.

The CFA would welcome hearing more from MPA News readers of initiatives in marine conservation finance, in order to share lessons, bring support, or publicize the work.

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BOX: New US$48-million MPA fund will be managed by Wildlife Conservation Society

This past September, a new fund to support the expansion, planning, and management of MPAs worldwide was launched. Jointly announced by the Wildlife Conservation Society (WCS), the Waitt Foundation, the blue moon fund, and the Global Environment Facility (GEF), the fund is anticipated to grow eventually to US$48 million or more.

As part of the fund, WCS, Waitt, and the blue moon fund have together committed a minimum of $15 million toward MPA designation and expansion efforts. GEF has committed an additional $33 million toward projects to expand or improve the effectiveness of MPAs. WCS will continue to solicit additional donations to the fund beyond these commitments.

MPA News spoke with Caleb McClennen, Vice President, Global Conservation, of WCS about the new fund.

MPA News: WCS is a partner in many existing MPA-related projects worldwide. Will the new fund be open to applications from non-WCS projects, or is it solely intended to support WCS-associated MPA work?

Caleb McClennen: We do not anticipate being a new funder for non-WCS projects. The fund is intended as more of a funding commitment for WCS to finance MPA expansion projects in at least 20 countries where we have existing projects.

However, depending on the scale of resource raise — in other words, if WCS raises more than $15 million (not including the GEF contribution) — we may open up the fund to non-WCS projects in the countries we work, and beyond.

The fund’s ultimate purpose is to help countries and the world get to 10% MPA coverage by 2020. The countries in which WCS has MPA programs are currently around 1-2% MPA coverage.

The 2020 target is coming up relatively soon. What is your timeline for disbursing the fund?

McClennen: We are capitalizing the fund through the end of the year. Then Year 1 of the fund will be dedicated to science and planning, including creating spatial plans and conducting Marxan-type optimization of MPA sites. Year 2 will focus on stakeholder engagement and community outreach on the MPA plans. And Year 3 will involve putting together legal instruments and management plans for the new MPAs.

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