

Developing the Financial Strategy for an Indo-Pacific MPA Network

Project Introduction – Andreas Merkl, Executive Director

Conservation and Community Investment Forum

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Contents



– Introduction/Objectives

- Traditional approach to conservation funding unlikely to succeed in financing complex network of Marine Protected Areas (MPAs).
- Comprehensive business planning effort required to establish new financial support model
- Governing organization for MPA network will require significant planning and collaboration by WCPA members

Meeting expectations

- Agree on the need for an intensive, comprehensive financial planning effort for the planned integrated MPA network in Indonesia/Indo-Pacific
- Agree on an analytical approach to the financial planning effort
- Discuss funding and management of the financial planning effort
- Define concrete work steps over the next four months

Introduction: WCPA Structure

TO COME

Introduction: WCPA Marine Working Group Mandate

Marine Working Group

Support an effective, self-sufficient, representative system of marine reserves which:

- is managed by an empowered, responsible citizenry to sustain biodiversity and human uses
- is designed to adapt to local and global environmental changes.
- provides product/livelihood resources to local communities that support marine conservation
- Furthers local ownership of natural resources

Sustainable Finance Task Force

Develop an innovative portfolio of financing mechanisms which support a network of Marine Protected Areas (MPAs) throughout Southeast Asia.

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Local economic development not a panacea....

Natural assets are inexpensive

- Total yearly income of Indonesia aquarium fishers: \$5-6 million
- Total cost of 10-yr. protection of 5.5 sq..mile reef in Fiji: \$30,000 patrol boat
- Logging concessions are radically underpriced

BUT...

Low resource costs rarely translate into local wealth

- New sustainable enterprise rarely source of major conservation funding
 - Capital and management resources often unavailable
 - Short-term profits not competitive with destructive practices
 - Small local industries and ecotourism usually below scale
- Existing resource industry practices very difficult to transform
 - Transformation of practices extremely complex
 - Requires lots of investment capital
 - Conservation funding very rare
- In many highly remote/unstable areas, local business development not an option at all

...but conservation concessions offer complementary approach

What it is

Local communities agree to protect natural ecosystems in exchange of a steady stream of structured compensation of from conservationists or other investors

How it works

Negotiated community/investor agreement:

- Amount of compensatory payments
- Duration of agreement
- Distribution mechanism
- Monitoring and enforcement norms

Provides financing source/mechanism for government-driven national strategy:

Benefits include:

- Stable source of funds for economic development
- Direct, transparent conservation investment (outcome-based investment)
- Market mechanism for investment

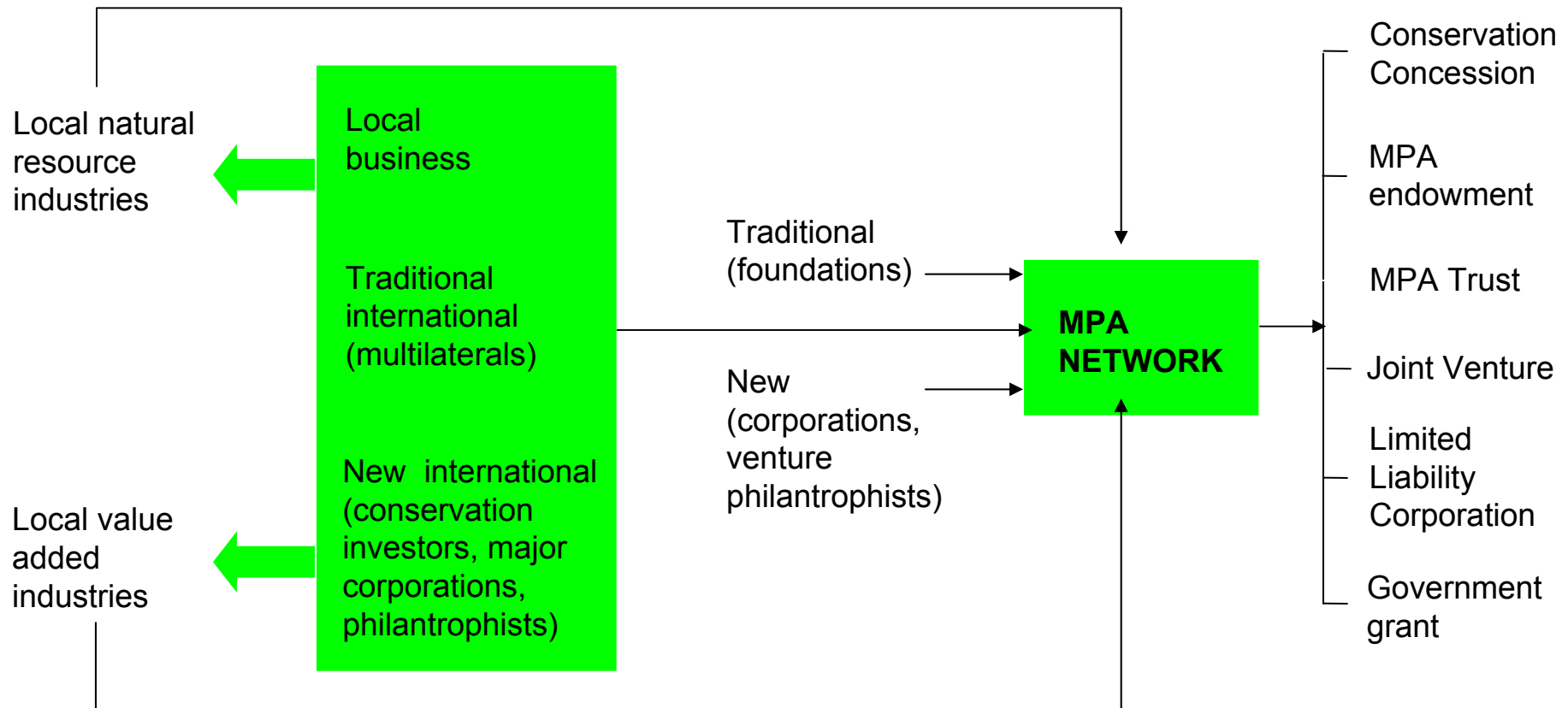
An integrated MPA network requires an integrated finance network

Local economic development

Investors

Donors

MPA Investment Structure



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Major issues to be addressed

**MPA network business
plan for Indonesia**

What does it cost to finance this network?

How can these costs be funded?

What are the major structural implications for WCPA?

MPA “network” proposed for initial analysis

Selection criteria

- Proven wealth of biodiversity
- Proven donor interest
- Maximum combined interest of WCPA members

Proposal MPAs

Indonesia:

- Komodo National Park
- Bunaken National Park
- Wakatobi National Park
- Raja Ampat

.Malaysia:

- TBD

Philippines:

- TBD

What does it cost to finance this network?

**“TOP-DOWN
ANALYSIS”**

**Coordinating
and service
function**

- Planning, design, science, legal support
- Best practices
- Resource center
- Start-up management
- Administration, accounting
- Public relations

MPA 1

MPA 2

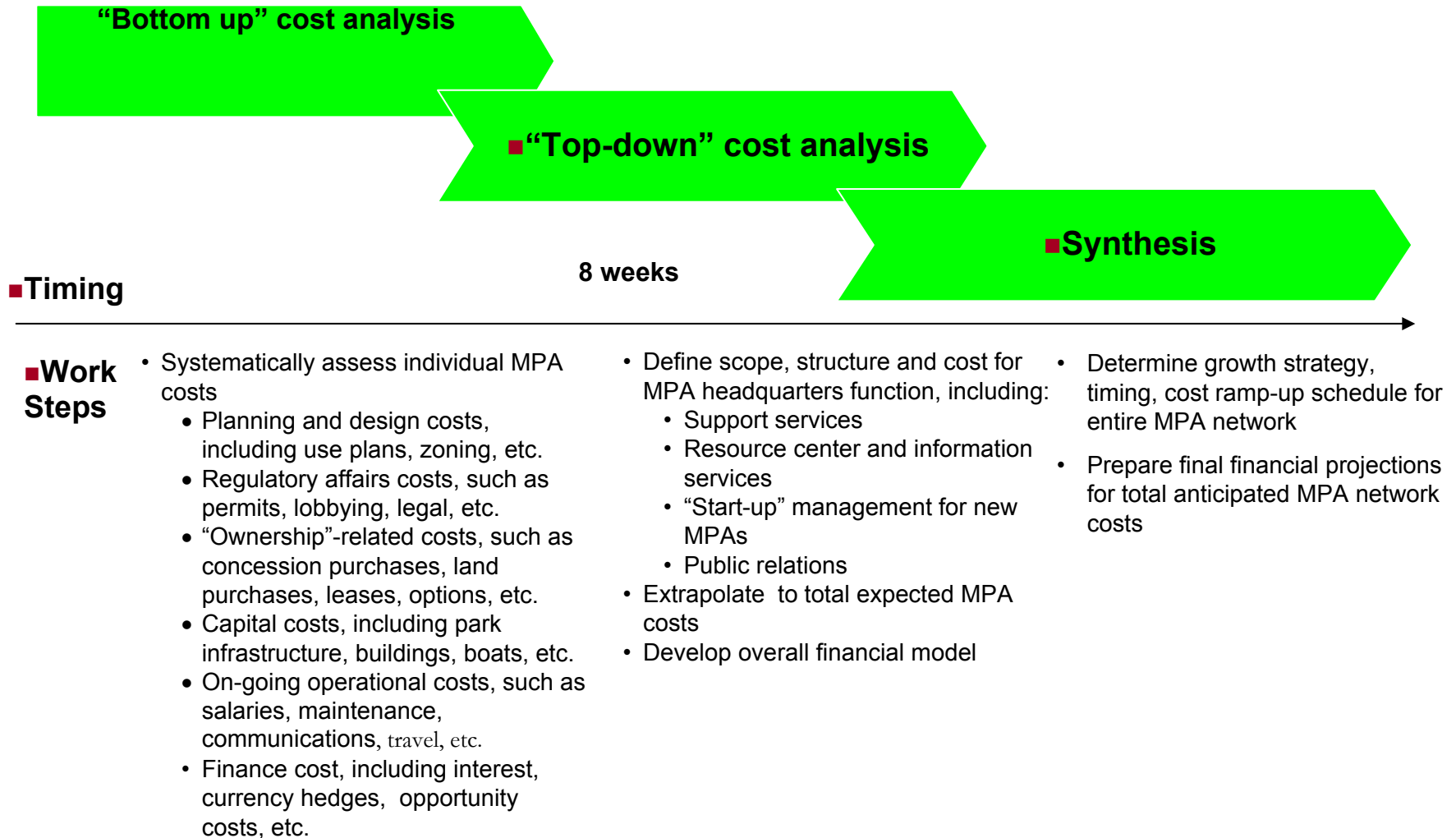
MPA 3

MPA 4

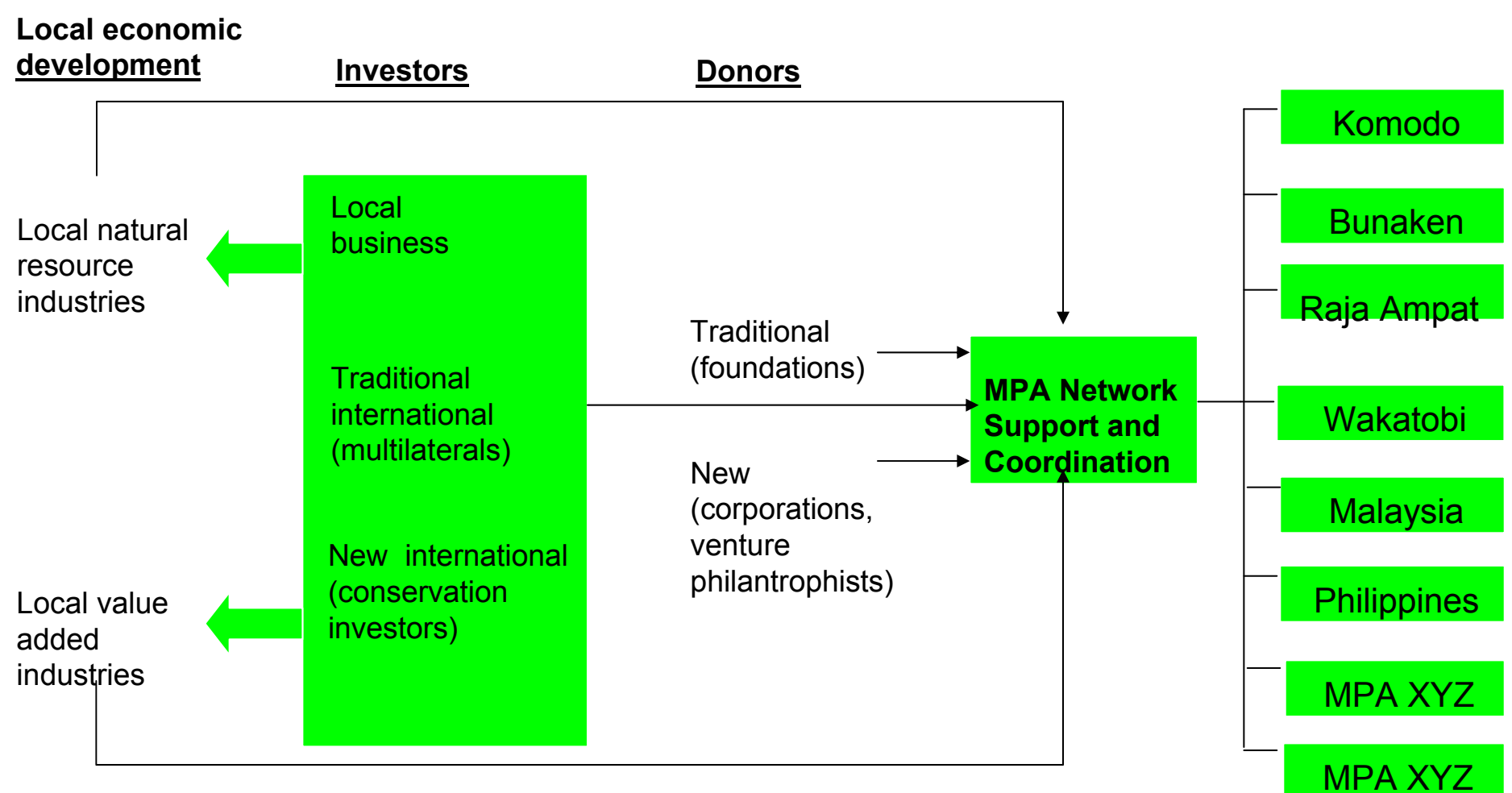
- Planning, design costs
- Regulatory affairs and permit costs
- Ownership and capital costs
- Operational costs
- Finance cost

**“BOTTOM-UP
ANALYSIS”**

What does it cost? Doing the numbers....



How can these costs be funded?



Who will pay? Finding the money...

Assess local business development opportunities

■ Assess “traditional” funding sources

■ Address innovative funding sources

Timing

8 weeks

Work Steps

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Evaluate potential business dynamics: <ul style="list-style-type: none"> • Type of business • Capital requirements • Sources of capital • Local management capacity • Scale • Profitability • Assess potential contribution to MPAs <ul style="list-style-type: none"> • Direct (Cash) • Indirect (Alternative employment, elimination of destructive practices) | <ul style="list-style-type: none"> • Quantify current MPA funding commitments to WCPA members • Review MPA network cost projections with “traditional” funders (foundations, multi-lateral organizations) <ul style="list-style-type: none"> • Concept verification • Interest • Funding priorities • PRI funding opportunities • Conditions of funding • Forecast overall level of probable funding support | <ul style="list-style-type: none"> • Identify new potential funding sources <ul style="list-style-type: none"> • Multi-national corporations • Philanthropists • Public/private partnerships • Assess “product” and “service” features/benefits/packaging required for funding • Determine required investment structure • Determine operational requirements • Forecast overall level of probable support |
|---|---|---|

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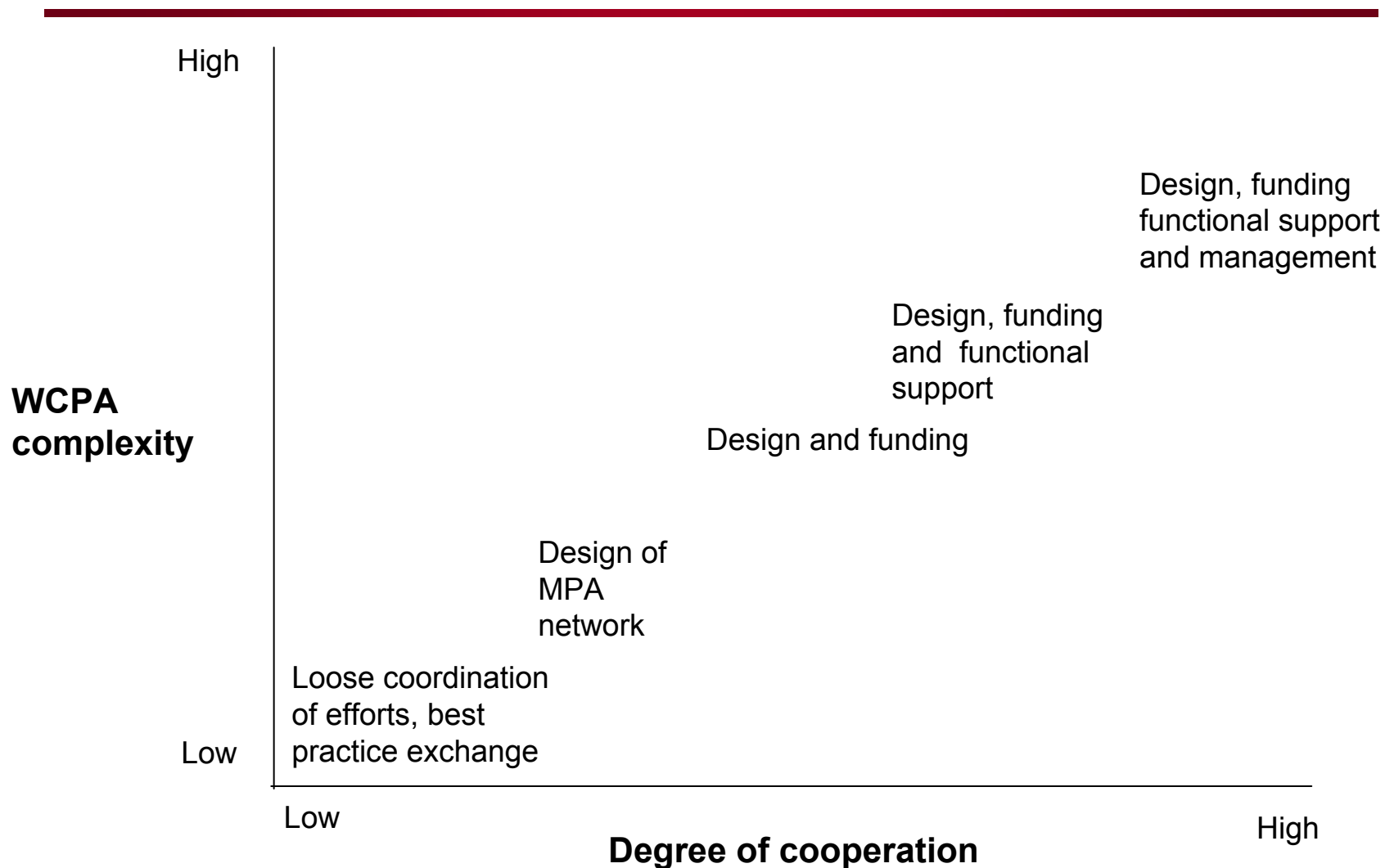
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WCPA organizational design options



Structural issues for MPA investments

- Which legal entity will be entrusted with the management of the MPAs?
- How will these entities partner with WCPA members?
- How will WCPA funding be allocated to these partnerships?
- If actual ownership of land or leases is involved, who will own these leases?
- Will separate legal business entities be set up in advance for each MPA?
- Who will distribute conservation concession funding to local stakeholders?
- Etc....