

**A Role for Effective, Efficient, and Equitable Conservation Concessions
in Conserving Natural Resources in Indonesia**

Vth IUCN World Parks Congress

**Finance and Resources Stream: Conservation Incentive Agreements
Durban, South Africa, September 2003**

Conservation and Community Investment Forum (CCIF)

Andreas Merkl, John Claussen, and Heather Thompson

August 2003

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Conservation: *A careful preservation and protection of something; especially: planned management of a natural resource to prevent exploitation, destruction, or neglect (Merriam-Webster Dictionary, 2003)*

Concession: *A right or an advantage that is given to a group of people, an organization, etc., especially by a government or an employer (Oxford Dictionary, 2000)*

Background

Indonesia's natural resources are a priority for conservation. Indonesia lies at the biodiversity bulls eye for marine species diversity. Its forest and coral reef ecosystems play a large role in supporting this diversity and contributing to the abundance of Indonesia's natural resources. It is clear, however, that these resources are being exploited at unsustainable rates. In many regions, the forests and reefs have been virtually wiped out. Pressures on these resources range from regional to global issues such as urban encroachment and pollution to global climate change. A large factor contributing to the destruction of these resources, however, is their rampant over-extraction through legal, or more likely, illegal concessions and licenses granted to commercial interests. Logging companies, large multinationals or local cooperatives are destroying large swaths of forests across the archipelago. Similarly, large foreign fishing fleets and local destructive fishing practices are taking their toll on the marine resources of Indonesia. These pressures pose intense and immediate threats to Indonesia's resources and the communities and ecosystems that depend on them.

Wiser use, improved understanding and ongoing protection of resources in Indonesia are critical, but existing efforts come up short. Much more needs to be done. Conservation efforts must begin to react to pressures with new approaches and tactics that employ the same understanding, access to power structures and decision making as those who are actively destroying the resources. To do this, conservationists must put themselves in a position to compete directly with the commercial interests bent on the unsustainable and destructive extraction that is commonplace today.

Conservation of biodiversity-rich habitats presents a challenge to nations wishing to develop their natural resources for economic ends. Logging, mining, and other resource development activities offer the prospect of tangible, short term economic benefits – including employment and income, foreign currency from exports, and public tax revenues – but are often environmentally destructive. Although sustainable resource management seeks to provide these benefits while conserving natural ecosystems, experience suggests that a number of obstacles limit both the adoption of sustainable practices and their usefulness in conservation strategies.

One option for addressing this problem lies in the use of *conservation concessions* as an alternative to traditional concessions to provide the Indonesian government and local communities with the means to generate revenue and

History of Conservation Concessions

USA: Conservation concessions were gaining ground in the US by the late 1970'S, and currently some 12-15m hectares of land is leased by the Conservation Reserve Program at an annual cost of \$1.5 bn (Ferraro, 2001).

Costa Rica: The Costa Rican Government passed a forestry law enabling payment to forest owners for environmental services (carbon fixation, biodiversity conservation, watershed services, and scenic value); 250,000 hectares had been contracted by 2001 at a cost of \$57m. 1996.

Peru: The Peruvian Government passed a Forestry and Wildlife law, formalizing the legality of conservation concessions. Shortly afterwards an American NGO, Conservation International (CI), assisted in the purchase of a 130,000 hectare, 40-year conservation concession (Hardner and Rice, 2002; Ferraro, 2002).

Guyana: CI purchased a 200 acre, 30-year conservation concession for \$0.15 per acre per annum. Approximately 31% is being paid to the Guyana government, 8% is being paid to local communities, and 61% is being spent on monitoring, training, and employing local rangers, management plans, and community outreach efforts. 2002.

Future Projects: CI is currently developing approximately 10 additional concessions (including in Ecuador, Bolivia, Papua New Guinea, Indonesia, and a further one in Peru). WWF and Birdlife International are also experimenting with the mechanism.

provide for the needs of the community. Another opportunity is to work closely with concessionaires to protect specific, ecologically important habitat through conservation easements or other mechanisms. In Indonesia, however, conservationists are at a disadvantage as there is little collective knowledge, nor driving force, by conservation organizations to pursue these types of strategies.

The Conservation and Community Investment Forum (CCIF)¹ has teamed with partners at Hardner and Gullison Associates (HGA) and Conservation International (CI) to investigate how concessions can ultimately be used in the service of conservation in Indonesia and elsewhere. Both CI and HGA have successfully designed and implemented conservation concessions worldwide. CCIF is working with both to evaluate and design one of the first successful marine conservation concessions in Indonesia. To do so, CCIF believes that it is essential to understand the nature of how traditional commercial concessions are awarded, implemented and managed. In order to compete with commercial interests seeking to extract natural resources in a potentially unsustainable manner, we (and the conceptual framework behind the concession model) contend that by treating conservation as a crop and securing conservation concessions using the strategies of private developers, we will not only immediately protect ecosystems from certain irrecoverable damage, but also preserve future options of sustainable business practices for local economies. If conservation concessions are to present an alternative opportunity for Indonesia to capitalize on vast areas of high conservation value, they must be designed, implemented and managed to succeed in a difficult setting.

Two Approaches: Private and Public Park Concessions

Conservation concessions are one of many possible conservation solutions, but are most commonly used to replace a national park or more traditional protected area approach. A conservation concession may be more appropriate in some circumstances and less so in others – depending on the political, cultural, or economic conditions of a given area. As such, conservation concessions can be viewed as a compliment to existing parks and protected area approaches – to be used in areas where a third, strategic option is desired. The process for implementing a conservation concession includes:

- Estimating the value of resource exploitation conducted by local communities;
- Negotiating an agreement with those communities to curtail exploitation of resources;
- Determining an area and assist the community in applying to the government for legal recognition of the area;
- Assisting the community in designing and implementing a strategy to conserve the conservation management area;
- Monitoring the community's performance in managing the area;
- Providing technical assistance and economic incentives.

The concept of the conservation concession entails two options for implementation; the “public park concession” and the “private conservation concession”. Each offers exciting prospects for the prevention of destructive industry practices and the preservation of diverse ecosystems.

Concession Models

National Parks: Conservation concessions can be used to enhance the conservation benefits of parks. In one scenario, putting areas zoned for exploitation adjacent to parks into conservation concessions expands the effective area of natural habitat around parks, and in some cases can provide connectivity, or corridors, between parks. In another, inhabitants of areas surrounding parks can enter concession agreements where protection of areas inside and bordering parks buttress existing park management.

Private conservation concession agreements: Conservation concessions treat biodiversity as a crop; where previously private firms purchased concessions to extract resources (i.e. logging, ornamental fishing, etc.), now conservation organizations can buy concessions that preserve or restrict the use of these resources in an environmentally and economically sustainable manner.

¹ The nonprofit Conservation and Community Investment Forum (CCIF) works on behalf of private, corporate, and multilateral investors seeking direct and immediate conservation returns on their investments. CCIF specializes in applying the tools, strategies, and capital sources of the private sector to address urgent conservation issues worldwide (www.cciforum.org).

Public Park Concessions

In many countries national parks exist as parks on paper but receive no funding from the government for management or enforcement of the legal status. The park concession provides an actual framework for the funding, enforcement, and management for existing parks where this type of support is lacking. Putting areas zoned for exploitation adjacent to parks into conservation concessions expands the effective area of natural habitat around parks, and in some cases can provide connectivity, or corridors, between parks. The concept of leveraged conservation transactions have been employed with great success in national parks such as the Maya Biosphere Reserve (MBR) in Guatemala, a reserve with a multiple-use zone which allows commercial extraction of terrestrial resources on the periphery of a restricted-use core. There are numerous other examples of successful park concessions.

Private Conservation Concessions

Private conservation concession agreements treat terrestrial or marine concession areas as crops; where previously private firms purchased concessions to extract resources (i.e. logging, ornamental fishing, etc.), conservation organizations can buy concessions that preserve or restrict the use of these resources in an environmentally and economically sustainable manner. The process of securing a private conservation concession entails learning the anatomy of previous commercial-use agreements, how they are typically structured on the ground, and how they are awarded. Ascertaining the total cost of the concession itself and socioeconomic benefits the local community is to receive, the structure of the deal (whether or not payments are contingent on performance), which individual, organization, or bureaucracy is to receive payment, the duration of a typical concession, and how the payment is distributed are imperative in purchasing and successfully implementing a conservation concession.

Where to Start?

CCIF has investigated the potential for both private and public park concessions in Indonesia, including conducting a feasibility study in Wakatobi National Park, the Togean Islands in Sulawesi, Raja Ampat, West Papua, Indonesia, and studying the Nature Conservancy's efforts in Komodo National Park. In addition, CCIF has evaluated existing commercial concessions in Indonesia. It is clear that if we are to position conservation as a viable alternative to these concessions, it is important to understand the anatomy of how commercial concession deals are cut - in terms of legal and economic issues - and how they are awarded. Essentially, on what basis are others granted the rights over these resources? Private interests are well financed, quick, flexible, understand local practices and are willing to take risks in the field. It is important to begin to shed light on many of these issues and provide a detailed understanding of how conservationists can position themselves to compete for actual concession rights or collaborate with existing, well-intentioned concessionaires, communities and authorities.

Merely assessing which ecosystems are good candidates for a conservation concession is a challenging task. Such a task is made more difficult by the need to work at the local level to develop the social systems and local ownership as well as bring together people and information from the different areas. Adding to the challenge is the fact that the policy and legal framework for resource-development commercial concessions in developing regions is poorly understood and is inconsistently applied to the detriment of the resources and the communities that depend on them. In East Kalimantan, Indonesia the current system has been designed to accommodate various bureaucracies, government and military interests, and fails at most levels to accommodate local socio-economic, ecological or social justice issues. The recent enactment of local autonomy laws has created further confusion and overlapping authorities, and has provided local governments with a new means for revenue generation.

On the other hand, the Togean Islands, in central Sulawesi, provides an interesting context for a conservation concession. The application involves communities acquiring the rights from the government to manage an area for conservation (most likely a combination of terrestrial and marine) and eliminating illegal activities in those areas. Extended across the Togeans, multiple villages would manage a variety of key areas for conservation. We believe this

could be accomplished by engaging fewer than 10 villages in concession agreements. In exchange, conservationists will provide periodic economic compensation for associated costs of enforcement and reductions in income from curtailed activities such as live-fish harvesting. The advantages of the conservation concession model are that it facilitates community-based conservation management, it can address all of the current anthropogenic threats to biodiversity, it is direct – swapping compensation for measurable conservation actions, and it enables communities to implement alternative economic activities and improve local well-being. The disadvantages are the length of time required to set-up and implement deals with villages, the potential of inter-village conflict based on delineation of management areas and potential jealousies from non-participating villages, and intra-village conflicts related to the distribution of benefits from a compensation package.

Factors for Success – The 3 E’s

The current orientation of conservation organizations revolve around research, policy analysis, and integrated coastal development planning. These are critical activities in any successful conservation solution. However, the application of the private conservation concession requires skilled business negotiators, lawyers, and conservation area managers. CCIF concedes that two important changes need to happen for conservation concessions to get off the ground and to compete with commercial concessions; a concerted emphasis on funding the recurring costs of protection and the development of skills needed for deal making in international conservation groups. CCIF and our partners make these criteria central to our efforts.

In addition, these efforts must be guided by three principle factors for success. They must be effective, efficient, and equitable. CCIF will explore these factors for success in greater depth during our presentation at the World Parks Congress in Durban.

Effective

In order to be effective a conservation concession must be recognized by all stakeholders involved. In addition, jurisdictional authority and land tenure rights should be clearly understood and recognized. Effectiveness in managing a conservation concession is improved if the existing threats to biodiversity are clear and non-complex. In a remote area, such as the Raja Ampat islands in the far northwestern tip of Papua Province, threats exist but are limited in their complexity, with random destructive fishing by transient fishermen contributing to ecosystem degradation. Communities in Raja claim traditional rights over a vast uninhabited marine and island territory. Under these conditions, PT Atlas Pacific was awarded a 25 year lease for a large area of terrestrial and marine environment for their pearl farm operations. While Atlas ultimately signed the agreement with the family owning the property, it was “approved” by the head of the sub-district, district level fisheries authorities, and the head of the district. Atlas now operates an effective pearl farm with proper management and enforcement of the area and destructive fishing activities in this area is virtually non-existent.

While the current agreement is effective for Atlas Pearl, it is by no means secure. In Indonesia especially, the legal sustainability of concession agreements is a major concern.

Efficient

Conservation concessions provide investors with an opportunity to realize high conservation value of local biodiversity per dollar invested. In Bolivia, Conservation International paid a logging company \$100,000 to retire its timber concession. As part of the deal, the Bolivian government agreed to integrate the area into adjacent Madidi National Park (Hardner and Rice. Scientific America, May 2002). The bottom line, an area three times the size of Washington, D.C. received permanent protection for less than the average price of a house in that city.

Actual implementation of the terms of a concession should also be efficient, allowing allocation of funds by an experienced fund manager for pre-determined activities with minimal bureaucracy. Payment structures should be clear and contingent on performance.

Equitable

Even if a conservation concession is effective and efficient it will fail – and should not be pursued – if it is not equitable to the community(ies) involved in the agreement. Resource valuations must be transparent and fair. Payment conditions and contingencies must assure benefits to the most affected parties. Sovereignty issues (honoring local sovereignty and local rights) must be respected, and transparency of local power structures has to be assured.

While not a conservation concession per se, Atlas Pearl’s consideration of community objectives in Raja Ampat to a great extent assisted them in securing the rights to operate their pearl farm (see text box). While less formal, conservation considerations are also in place. The communities are becoming more aware of the need to establish protection systems for their natural resources as part of the agreement. In both aspects, there is an opportunity to establish a mutually recognized evaluation system.

Conclusion

Conservation concessions enable host countries to capitalize on their ample supply of biodiversity-rich habitats and stimulate economic development by mimicking the payment structure of other business transactions and offer immediate, transparent protection for resources in question. The conservation community may have been quick to dismiss concessions for protected areas as a tool for developing countries. Indeed, with modifications based on local community norms, CCIF believes that concessions may be the perfect tool for conservation. By studying our competition in the commercial extraction industry, we find that we do in fact have an effective set of tools for creating protected areas. CCIF is currently designing a fund to establish and fund conservation concessions in Southeast Asia.

Atlas Pearl- 25 year “Equitable” Agreement in Raja Ampat

- Paid a one time direct cash payment of 75 million Rp or \$40,000USD (1997, 2,000 Rp per \$1USD).
- A “royalty” on their product
- Government fees, VAT, land tax
- Purchase most materials locally
- Built a jetty, community office, market place, medical center, church, and school
- 2million Rp for community celebration
- 3 full scholarships for tertiary school
- Leases housing for students
- Water transport for villagers and goods
- Purchased a 40 horse power engine and generators for the village
- Hires enforcement patrol (has stopped virtually all bombing in vicinity)
- Hired anthropologist to direct community development activities (for 2 years)

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