



Conservation and Community Investment Forum

# **Developing the Financial Strategy for an Indo-Pacific MPA Network**

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***Project Introduction – Andreas Merkl, Executive  
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Conservation and Community Investment Forum

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## – 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

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- 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

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## 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....

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### 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

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### 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

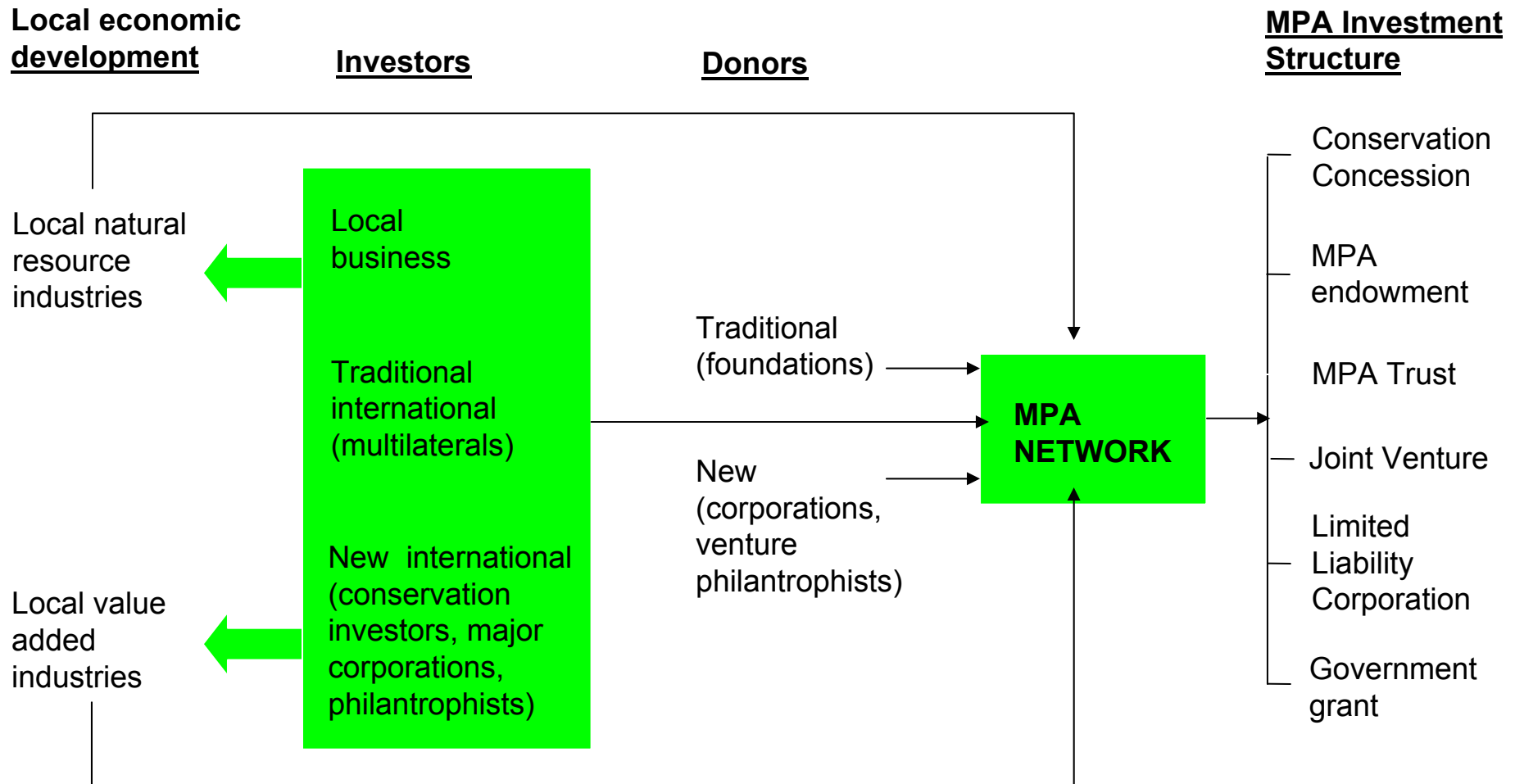
Provides financing source/mechanism for government-driven national strategy:

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



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## Major issues to be addressed

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**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

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## 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**

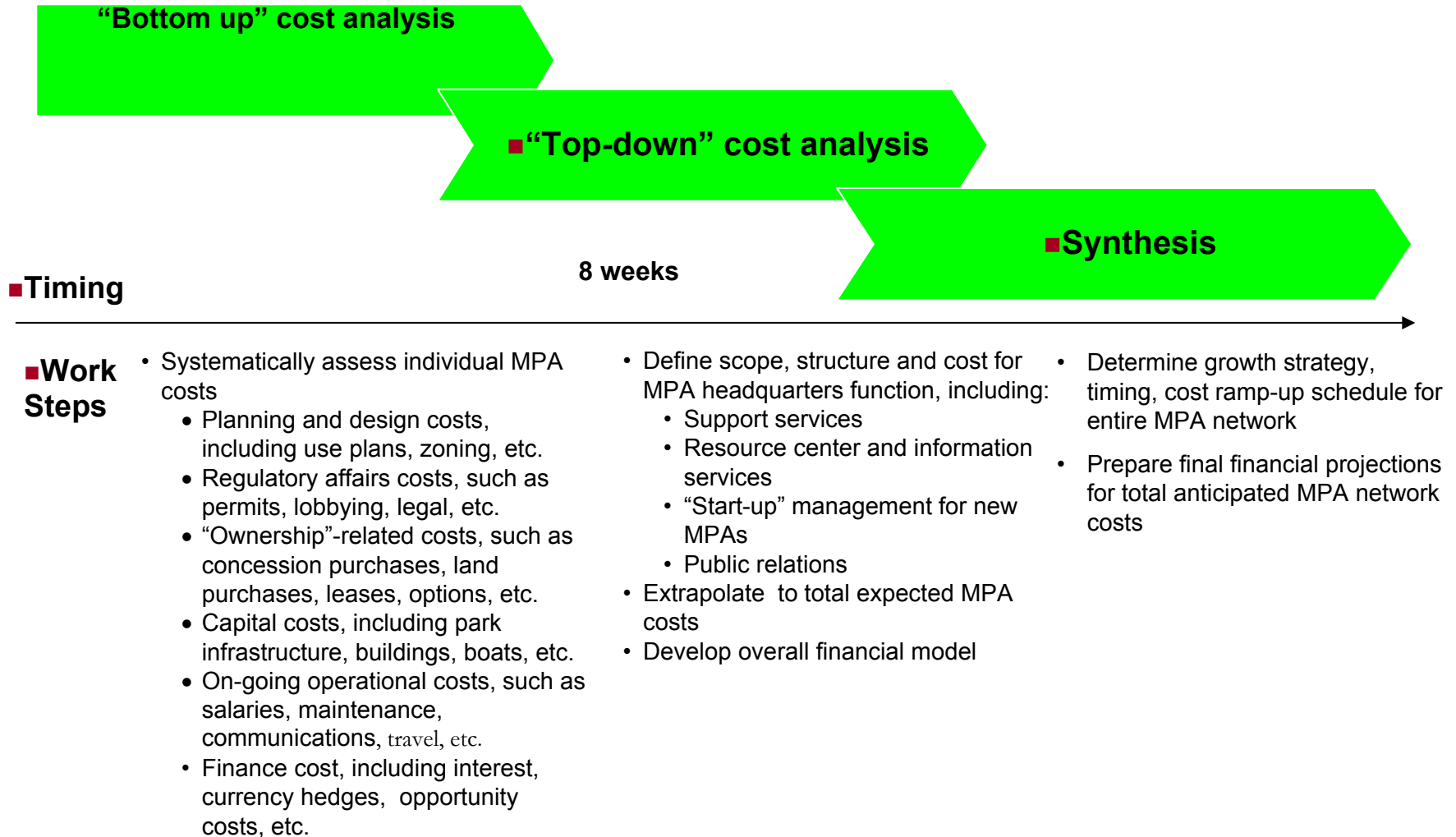
**MPA 3**

**MPA 4**

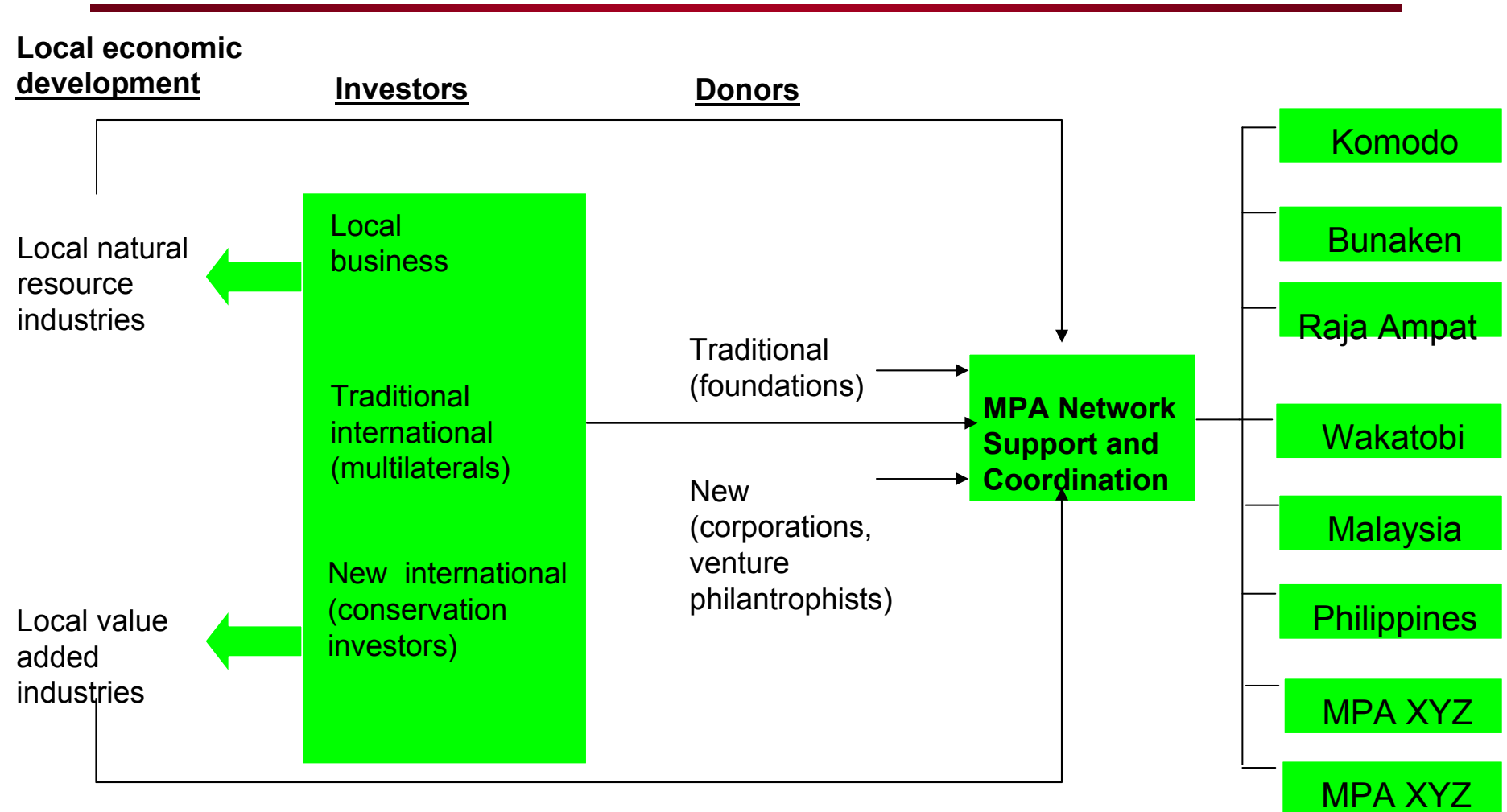
- Planning, design costs
- Regulatory affairs and permit costs
- Ownership and capital costs
- Operational costs
- Finance cost

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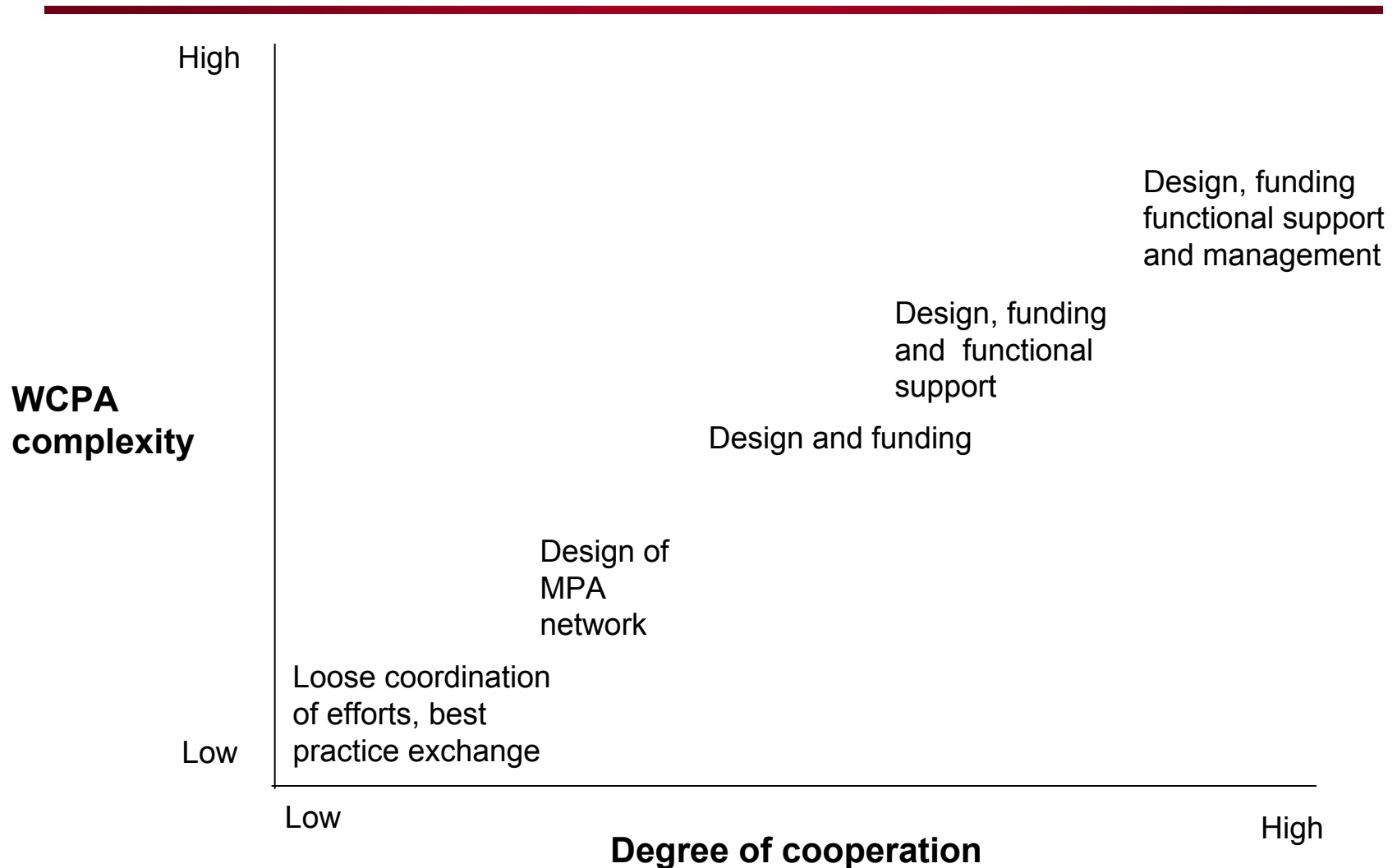
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# WCPA organizational design options



## Structural issues for MPA investments

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- 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....