



# NAMPAN

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## Charting a new course for MPA finance: Practitioners explore new concepts like public-private partnerships, the use of financial technology, and more

Even before the COVID pandemic started, the MPA field was in need of new ideas and tools for financing, with many sites chronically underfunded or too reliant on a single source of revenue. Now amid the pandemic, with government budgets being cut and tourism dwindling, the need for robust and diverse revenue streams is clearer than ever.

This month, MPA News highlights three new concepts for MPA finance, and how practitioners are exploring their possibilities:

- A. MPAs, public-private partnerships, and collaborative management - by Nicolas Pascal
  - B. Using mobile financial technology to incentivize local communities to protect marine wildlife - an interview with Sari Tolvanen
  - C. Building MPA financing mechanisms around a network of quantifiable climate management tools - by Chris Butler-Stroud
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### A. MPAs, public-private partnerships, and collaborative management

By Nicolas Pascal

**Editor's note:** Nicolas Pascal is Executive Director and Co-Founder of *Blue finance*, which partners with governments, stakeholders, donors, and investors to develop joint partnerships and blended finance solutions for the collaborative management of MPAs.

For MPAs globally, insufficient finance is considered a major factor stymieing management effectiveness. At the same time, some of these protected spaces can become financially sustainable, and seem ripe for blended finance investment opportunities, especially as traditional sources of public interventions, like grants and philanthropy, are insufficient.

Impact Investing – the new kid on the block – can assist with closing the financing gap. However, investing still carries a whiff of negativity in the conservation world and this, along with inadequate knowledge, harms the ability of MPAs to tap into this source.

Impact Investing is defined as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.” It is growing globally. The Global Impact Investment Network reported the worth of deals increasing from US \$35 billion in 2017 to almost US \$69 billion in 2019.

Conservation on the whole, however, has not received much investment attention so far, and marine projects even less so. The reasons for this can be categorized as:

1. Lack of investment readiness of MPA projects.
2. Insufficient knowledge – of opportunities (both from the investor and investee side), of baseline data to assess impact, and of investment success stories.
3. Fear of change, including the need for NGOs to transition from grants to loans, and for governments to transition from full management to co-management.

However, as recently demonstrated in the Dominican Republic, MPAs can become ‘bankable’ especially for specific financial products such as contingent refundable grants<sup>1</sup> and concessionary loans.<sup>2</sup> Impact investors and donors have a clear need for a pipeline of blended finance investments<sup>3</sup> for marine conservation, with tangible business models.

In short, for MPAs to be ‘bankable’, they must be able to generate revenue and become self-financed. This is linked to basic entrepreneurial skills and targeted marketing. Importantly, these are two areas in which governments often do not excel. Therefore, collaboration with a non-governmental entity allows for responsibilities to be shared (whether fully or partially) and offers a way for the strengths of both entities – public and private – to be utilized.

## **Collaborative management**

Collaborative management can take different forms in terms of the degree of delegation of responsibilities, which should be set out in a service agreement, signed by both entities. Partners can include a variety of organizations, but most often are non-profit enterprises, NGOs, and community groups. These non-governmental partners generally have a stronger business approach, as well as greater degrees of flexibility and the incentive to raise capital and retain and reinvest profits.

Primary business models used to raise revenues in MPA sites are linked to tourism through user fees, eco-tourism enterprise, and innovative visitor center solutions. Other emerging income generators include the sale of blue carbon credits and Payments for Ecosystem Services.

There are many good examples of co-managers that are progressing toward financial sustainability with their MPAs. These include the Belize Audubon Society; Chumbe Island Coral Park Limited, in Zanzibar; the National Parks Bonaire Foundation; the Punta Cana Foundation in the Dominican Republic; and the Bahamas National Trust. (For a brief on any of these projects, please contact Blue finance at [info@blue-finance.org](mailto:info@blue-finance.org).)

## **How to get started**

The question is, Where and how to start? This is a challenge. In one scenario, MPAs would have the resources to hire external experts to identify and assess the potential business models to be developed. There are also several guidebooks on MPA finance that have been published over the past two decades. However, crafting a business plan or revenue strategy and bringing it to reality requires time, dedicated staff, entrepreneurship skills, market knowledge and...money for initial capital expenditures. The reality is that most MPAs do not have extra financial resources to implement these mechanisms, and most MPA managers are already overwhelmed with their day-to-day work. MPA managers may also lack basic business skills.

In a second scenario, MPA project developers and aggregators such as Blue finance have a role to play. Such companies, usually repaid through the success of the investment project, can work together with the MPAs to improve their financial sustainability. At the same time, they will improve the quality of the project design and execution while building entrepreneurial capacities, and ensuring that MPA investment projects meet the donors’ and investors’ criteria. Services include the design of a blended finance facility, mixing grants, performance grants, concessionary loans, and de-risking mechanisms.<sup>4</sup> Many donors and certainly investors will ask for this kind of specialized technical assistance alongside their investment, to reduce the risk of providing capital to “inexperienced investees” that are expanding from traditional non-profit programs to innovative self-financing models.

Building local capacity for improved management and financial sustainability in social and conservation entrepreneurship is a key aspect to successfully introducing a business approach to MPA management. Mechanisms can only be smoothly implemented when capacity building takes place at the operational level with MPA managers, local administration officers, NGO employees, and local communities clearly understanding the mechanism and its contractual approach.

With the right business model, partners, and training, some MPAs can produce adequate returns to support their management needs.

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### **Footnotes:**

<sup>1</sup> *Contingent refundable grants* are grants that are refundable to the grantor if the grantee secures financing from another lending institution.

<sup>2</sup> *Concessionary loans* are loans that offer more generous terms than market-rate loans, allowing borrowers to access capital at terms that are more affordable.

<sup>3</sup> *Blended finance* refers to the use of development finance and philanthropic funds to mobilize the flow of private capital to

emerging markets, resulting in positive results for both investors and communities.

<sup>4</sup> *De-risking mechanisms* involve leveraging public finance and policies to lower the financial risk for private investors. This is a way to encourage private investment in sustainability-related programs.

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## **B. Using mobile financial technology to incentivize local communities to protect marine wildlife**

A new app for smartphones –[Ocean Eye](#) – uses mobile financial technology to raise funds for local communities through tourist sightings of marine wildlife. In short, the platform creates a way for communities to be paid for effective marine conservation.

Here's how it works. Through the app, dive centers and other marine tourism operators report sightings of particular marine charismatic species by their customers. Each report is then linked to a small payment from those same customers, and the payment goes to local communities. The more wildlife the tourists see, the more they pay and the more the communities benefit.

The app is being piloted now in Morotai, one of the northernmost islands in Indonesia, and known for its shark diving. A new MPA is in the process of being designated there. Ocean Eye is partnering with three local dive operators and three local communities. The money received will be used locally for monitoring of the MPA, education, women's business development, and environmental restoration. (Domestic dive tourism is still active in Morotai during the pandemic.)

Sari Tolvanen, CEO of Ocean Eye, says the app could revolutionize the way coastal communities are incentivized to support long-term marine conservation, while helping to support the recovery of critical species. According to the company's models, the expected payments attached to sightings in Morotai could reach US \$400,000 by year 6, or US \$10.20 per diver per day. The model takes into account increased wildlife sightings as species recover, as well as related tourism increases in Morotai.

MPA News spoke with Tolvanen about the new Ocean Eye app.

**MPA News: When we first learned of your app, we imagined tourists tapping their smartphones each time they saw a particular animal. But your user will actually be the marine tourism operator, as opposed to the tourists themselves.**

**Sari Tolvanen:** Yes, for Ocean Eye (and the upcoming terrestrial counterpart) the idea is that the operators who take the tourists out – be they a ranger, other MPA staff, or a private sector player – will operate the app. That ensures a good scientific standard of identifying animals, and means the data can be put into good use for management. Operators can also view their own sightings data and trends over time, which they can then use to sell and promote their activities.

**The app is designed for places where there are MPAs, tourists, and local communities. If an MPA has no tourists, or maybe no nearby communities, could it still benefit from the app?**

**Tolvanen:** For the time being, the payments will rely on visitors being there and being willing to pay for the ecosystem services, i.e., the animals. We do have some plans for when we expand to regions like Antarctica that lack local communities, in which payments could be collected and then channeled to communities elsewhere – perhaps places that are critical and have communities but receive no visitors. We are open to ideas, and want this to work in as many situations as possible.

**What are your next steps?**

**Tolvanen:** We are running the Morotai pilot in the last half of 2020 and will make sure everything is working well. Then we'll be ready to expand more globally at the start of 2021. Even if international tourism is still slow at that point, there are many places where domestic tourism can be making a stronger conservation and community impact already.

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## **C. Building MPA financing mechanisms around a network of quantifiable climate management tools**

**By Chris Butler-Stroud**

**Editor's note:** *Chris Butler-Stroud is CEO of [Whale and Dolphin Conservation](#), an international NGO based in the UK that has been investigating the contributions that whales make to MPAs, and vice versa, since the early 2000s.*

MPAs require sustainable funding strategies if they are to be a success. At present, MPA financing in developed countries has usually come from government budgets. Whereas in developing countries, international donors as well as other instruments such as user fees, trust funds, and taxes can constitute an important source of MPA finance. Innovations in financing MPAs of interest to managers include biodiversity offsets, Blue Bonds, and payments for ecosystem services such as carbon sequestration.

There is growing evidence, and resultant calls, for nature recovery for marine species as critical components in climate nature-based solutions. Chami et al. (2020) have valued whales in terms of delivered ecosystem services, including carbon capture in whale bodies and through phytoplankton enhancement, fisheries enhancement, and ecotourism – suggesting an average asset class value for the great whales at some US \$2 million per whale.

Mariani et al. (2020) note that, “Since 1950, fisheries have emitted 0.2 gigatons of carbon (GtC) into the atmosphere and prevented the sequestration of  $21.8 \pm 4.4$  megatons of carbon (MtC) through blue carbon extraction.... If we include a recovery, even partial, of marine mammals and all...fish species, then we may expect far more.”

The authors go on to argue that the rebuilding of fish populations to sustainable levels (i.e., where biomass is greater than maximum sustainable yield) could induce a much higher amount of carbon sequestered by large marine vertebrates. Indeed, the sequestration could be comparable to coastal nature-based solutions for climate change such as the carbon mitigation potential of coastal wetland restoration (54 to 233 MtC per year). This thinking points to the need for a broader natural capital approach where extractive resource quotas are considered within the wider context of environmental management of marine natural capital, rather than only as a commodity extraction issue within MPAs and other effective conservation measures (OECMs).

Climate-smart MPAs, OECMs, and no-take MPAs within the context of national waters and UN high seas negotiations could play a crucial role in creating a network of quantifiable marine climate management tools. Allied with funding mechanisms that incentivize this rebalancing of extraction and the utilization of currently often zero-priced ecosystem services, we can create a more sustainable framework for states, businesses and financial institutions to cooperate in ensuring the resilience of tools such as MPAs.

Certainly, where large marine vertebrates such as cetaceans or tuna populations move from one jurisdiction to another, careful analysis of temporal and spatial habitat use will be critical to considering additionality and non-permanence issues – key factors in determining carbon sequestration. This is where cooperation through bodies such as the Convention on Migratory Species will be as important as cooperation within and between regional fishery management organizations.

## **Managing MPAs for their carbon sequestration potential and investment opportunities**

Managing MPAs for their carbon sequestration potential will involve medium- to long-term time thresholds. Planning for 25 years plus, with intermediate targets, would allow for a vision for recovery, as well as being a long-enough timeline for investors to see real returns from supporting such initiatives.

We can be even more imaginative in how finance markets can work to fund MPAs. An enhanced ‘natural capital approach’ can allow managers to create frameworks that can model assets, flows, and benefits that allow measurement metrics that work for conservation managers and investors to see and value gains. It may be that some highly protected or no-take MPAs are established primarily to enhance adjacent fisheries; but the fact that enhanced fish population growth could also benefit increased carbon capture gives us an additional value to be attached to the MPA. Effectively, the approach means that more arguments can potentially be identified to support the establishment and maintenance of an MPA. And understanding the multiple benefits of MPAs and spillover effects for ocean recovery can then be codified, enabling us to potentially access a wider source of funding opportunities.

Organizations such as Whale and Dolphin Conservation are now exploring how a future market within National Declared Contributions (NDCs)<sup>1</sup> could be used in overseas development aid and blended finance mechanisms. This could allow countries and businesses to invest in MPAs and benefit from growing carbon sequestration assets and future carbon price increases. Investments in MPAs could see reciprocal returns against their own NDCs for ‘donor/investing’ countries as well as delivering for recipient states.

Blue bonds or similar instruments issued by states could also allow businesses such as pension funds to make long-term investments and see real returns – namely by receiving tradable carbon offsets/credits that would increase in value over time while reducing their carbon outputs.

This is all, of course, challenging. Governments, businesses, and conservation managers must be convinced that deep blue carbon should be an issue that can affect policy and investment decisions with respect to ocean recovery. The evidence base is growing but there is some considerable work still to be done. In addition, some conservationists and governments may be reluctant, or at least highly cautious, when discussing whether markets can play a role in conservation. That investing states could benefit from what historically would have been labeled ‘development aid’ may also cause concern.

However, if such mechanisms could increase the overall level of investment, we need at least to explore these potential opportunities. Initiatives such as the '30x30' campaign being championed by several governments mean that MPAs will need new creative funding mechanisms where managers, visitors, investors – and nature – benefit.

**For more information:**

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**Footnote:**

<sup>1</sup> NDCs embody the efforts by each country to reduce national emissions and adapt to the impacts of climate change. They are reported every five years.

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