

## **Participation of Private Sector in Financing of Marine Protected Areas: Initial Findings from the Blue-finance Project**

### **Participation du Secteur Privé dans le Financement des Aires Marines Protégées: Résultats Initiaux du Projet Blue-finance**

### **Participación del Sector Privado en la Financiación de las Áreas Marinas Protegidas: Resultados Iniciales del Proyecto Blue-finance**

NICOLAS PASCAL<sup>1</sup>, JULIE BELMONT<sup>2</sup>, MELISSA WALSH<sup>3</sup>,  
ANGELIQUE BRATHWAITE<sup>1</sup>, and TANYA BRIAN<sup>4</sup>

<sup>1</sup>*Blue-finance, Marine Biodiversity Finance, Foster Hall, St John, Barbados.*

*[npascal@blue-finance.org](mailto:npascal@blue-finance.org), [abrathwaite@blue-finance.org](mailto:abrathwaite@blue-finance.org).*

<sup>2</sup>*SPAW-RAC/UNEP-CEP, Parc National de la Guadeloupe Saint-Claude, 97120 Guadeloupe.*

*[julie.belmont.carspaw@guadeloupe-parcnational.fr](mailto:julie.belmont.carspaw@guadeloupe-parcnational.fr).*

<sup>3</sup>*Marine Conservation Finance Consulting, ABN 301599157221 Anderson Road,  
Lord Howe Island, NSW 2898 Australia. [Melissa@marineconservationfinane.com](mailto:Melissa@marineconservationfinane.com).*

<sup>4</sup>*GRID-ARENDAL, Postboks 183 N-4802, Arendal, Norway. [Tanya.Bryan@grida.no](mailto:Tanya.Bryan@grida.no).*

KEY WORDS: Marine conservation finance, public-private-Partnership, Barbados

#### **EXTENDED ABSTRACT**

The Barbados Marine Management Area (BMMA) is the pilot site for the Blue Finance project, which has proposed a Public Private Partnership (PPP) as a means of sustainably financing the Protected Area. There are very few examples of financing biodiversity with the private sector in the marine and coastal environment (Pascal et al., 2014a) and the potential of such instruments, while appearing to be positive, still has to be proven. Funding opportunities adapted to the *for-profit* supply side and compatible with marine conservation targets has to be demonstrated. One of the main priorities for the ensuing years is therefore to provide empirical experiences of conservation funding mechanisms, with the primary beneficiaries of the ecosystem services of coral reefs; the tourism sector. Implementation will demonstrate the potential of this instrument in a coral reef setting, prior to considering its application at a larger scale and replication in other countries. It is expected that the experiences will contribute to updating existing guidance on PPPs and tourism concessions to support their increased use in coral reef areas.

Many recent studies have confirmed that total funding for protected areas and biodiversity conservation has to be increased dramatically to achieve the targets set at national or international levels (e.g. Convention of Biological Diversity's Aichi targets). Today, 80% of biodiversity finance is generated from non market mechanisms (Parker et al. ed. 2012) and with the exception of philanthropy, these are public sector mechanisms which depend heavily on regulations for their implementation. While many governments do play a role in the conservation of marine ecosystems, the amount allocated varies with political cycles and political will and is therefore usually neither adequate nor sustainable. In addition, the global recession has resulted in budgets for marine conservation shrinking. New revenue streams, which are long term and sustainable are in dire need (Forest Trends and The Katoomba Group, 2010) and market-based mechanisms, which have a greater potential to increase in scale, seem almost "tailor made" for financing marine protected areas. The market-based mechanisms could generate up to 50% of biodiversity finance for coral reef by 2020 (Parker et al. 2012). While Governments should play a role in the management of nature, involving those who most directly benefit from the ecosystem services of marine ecosystems, i.e the Private sector, in the financing and management of protected areas is a sensible option. Thus via Public Private Partnerships (PPPs), the costs can be shared.

PPPs are agreements between government and the private sector that allow sharing of funding, expertise, and access to technology and resources. They often end up leveraging significant new funds and interest for and in conservation. Their aim is to define some form of privatization of park management and can take a wide range of forms, which vary in the degree of involvement of the private entity in a traditionally public infrastructure. A PPP is generally memorialized in a long term contract or agreement (over 10 years), which outlines the responsibilities of each party and clearly allocates risk. The agreement, which ultimately will be used, will be decided via negotiations between the public and private stakeholders. The objectives are to balance between biodiversity conservation and business enhancement (Delmon 2010).

The Bluefinance Project (BF), supported by the United Nations Environmental Programme (UNEP) and BlueSolutions, and coordinated via the Regional Activity Centre for the Specially Protected Areas and Wildlife Protocol (SPAW/RAC) represents a portfolio of projects developing financing mechanisms for marine conservation and management. The project team is providing technical support to the Government of Barbados, for the sustainable financing and management of the BMMA. The Barbados Government is in the process of designating this area, which will encompass approximately 20 km<sup>2</sup> on the west and south coasts of Barbados, with both biodiversity conservation and economic objectives.

The BF project followed a logical and successive framework, with the financing gaps for marine conservation being first evaluated on the basis of investment and resources needs. The beneficiaries of the ecosystem services produced were then identified and the underlying economic cash flows estimated. A financial gap was found between what is required to finance conservation areas and the current conservation budget and based on this information, as well as other results, the PPP was presented as the most appropriate financial instrument. A feasibility study was then carried out of the economic, legal, administrative, social and potential political aspects that would be required for its implementation. The primary advantages of the PPP include:

- i) Their flexibility to set fees and charges,
- ii) Establish funding mechanisms such as concessions,
- iii) Respond to customer needs, their ability to retain the money they earn (which gives a resulting incentive to generate funds through greater entrepreneurship), and
- iv) Their freedom to implement staffing policies based on efficiency and market salaries (Delmon 2010).

In Barbados, the Private Sector, represented primarily by Hoteliers, will form a consortium of Investors (hereafter called BMMA Operators) who will be responsible for up front investment, operational costs and marketing. They will receive a Return on Investment via user fees and pay a concession fee to the Government of Barbados. The initial investment will include upgrading of the non natural features in the Management Area, and adding features such as underwater web cams, observation trials and sculptures which are both attractive to visitors and compatible with the “blue” image of the management area. Other initial costs will include the moorings and the acquisition of patrol boats, while operational costs will include staff salaries, maintenance and marketing activities. The Government will continue to be responsible for regulation of use and zonation, validation of management plans, beach maintenance and safety, management of fishery resources, enforcement and monitoring. Benefits to the Government include that all financial risks are supported by the BMMA operator, there is no on-budget public investment, no increase in public debt, enhancement of the marine area, stable revenues paid by the operator and the addition of a private sector team who can assist/complement existing activities of understaffed Government agencies.

We present here the initial findings from this Blue finance initiative. Early results show that:

- i) Coral reef ES beneficiaries with potential payment capacity are mainly the tourism industry, end-users, real estate owners and impact investors,
- ii) These beneficiaries are interested in investing with profit to enhance the ES of scenic beauty, coastal protection (against coastal flood and beach erosion) and fish biomass,
- iii) Business models to make the project investable must now be tested in the field, and

- iv) Agreement with the public sector, through PPPs must define clearly the management of funds, the obligations of each part as well as marine tenure rules. This is a preliminary step that must be defined before designing PES or other financial mechanisms.

Next steps include the negotiation of the PPP agreement, which is in the process of development, formal stakeholder consultations, Fishers workshops for Cost Per Unit Effort (CPUE) monitoring in the BMMA, socio-economic studies via SocMON and the completion of short information videos on marine conservation.

#### LITERATURE CITED

- Delmon, J. 2010. Understanding Options for Public-Private Partnerships in Infrastructure: Sorting out the forest from the trees: BOT, DBFO, DCMF, concession, leases. *Policy Research working paper WPS 5173*. The World Bank, Finance Economics & Urban Department Finance and Guarantees Unit, Washington, D.C. USA.
- Forest Trends, The Katoomba Group. 2010. Payments for Ecosystem Services Getting Started in Marine and Coastal Ecosystems: A Primer. Technical Report, Forest Trends, The Katoomba Group, and UNEP IISBN: 978-1-932928-42-6. 80 pp.
- Parker, C., M. Cranford, N. Oakes, M. Leggett (eds.) 2012. *The Little Biodiversity Finance Book*. Global Canopy Programme, Oxford, England. 142 pp.
- Pascal, N., T. Agardi, E. Carter, S. Dujmovic, F. Quétier, and S. Pioch, 2014. *Private financing for MPAs: concrete experiences. Proceedings of the 3rd International Marine Protected Areas Congress*, Marseille, France. 8 pp.