Financing Coral Reef Conservation and Management with Tourism-Related Tools

David Meyers, Conservation Finance Alliance
Overview

• Introduction - Main Issues
• Tourism Planning
• Site Entry and Activity Fees
• Tourism Concessions
• MPA Governance alternatives
• Public Private Partnerships
• Tourism Taxes
• Voluntourism / Philanthropy
Main Issues

- Coral Reefs are under severe threats
- Multiple impacts simultaneously – climate, pollution, overuse, damage, etc.
- Insufficient funding to meet conservation mgt needs
- Array of financing tools may seem overwhelming
- Local and national capacity limitations
- Need for process or framework for evaluating options

Photo: Cristina Mittermier, Coral Reef Image Bank
Working guide on finance tools for reef conservation

Resource for PA Managers and others charged with achieving conservation and protection of coral reefs

Builds on ICRI / Vertigo Lab’s “Innovations for Coral Finance” (2018)

Online @ cfalliance.org
(CFA Publications)
Overview of finance tools

• Analyzed coral reef finance options, including factors such as revenue potential, conservation priorities being addressed, and ease of implementation.

  - Bonds
  - Markets and Impact Investing
  - Conservation Trust Funds
  - Taxes and levies

  - Donations/Philanthropy
  - Direct government expenditure
  - Entrance/Access Fees
  - Special Use Permits
  - Concessions

  **Medium ease of implementation**

  - Biodiversity Offsets
  - Payments for Ecosystem Services (PES)
  - Impact Bonds
  - Debt for Nature Swap
  - Insurance Schemes
  - Conservation Enterprise Incubators

  **Higher ease of implementation**

  **Lower ease of implementation**
Benefits of Tourism for Conservation

• Build a constituency of support for the conservation of nature and culture
• Actively contribute to conservation through involving visitors in management tasks and direct contributions of finance
• Justify political support and better funding for management by recognizing the importance of nature and tourism for local and regional economies.
• Ameliorate tourism impacts through sensitive infrastructure planning, remediation of damage caused, and visitor impact mitigation techniques
• Enhance the social and cultural benefits - providing appropriate interpretive services and educational opportunities.
• Provide a major incentive, through direct social and financial benefits, for communities in or near conservation sites to safeguard wildlife and tolerate some negative wildlife impacts.
• Stimulate local economic linkages through local ownership of tourism assets, management of tourism businesses, employment, alternative livelihoods, and entrepreneurship in the tourism supply chain
Feasibility Issues

• Tourism should provide (or have potential to provide) a net financial benefit for the management of a site

• Revenues > Costs (infrastructure, managing quality, risks, and impacts)

• Demand is dependent on site location, attractiveness, accessibility, market demand, proximity to other tourism destinations, quality of marketing, national security, presence of local tourism businesses and infrastructure, and quality of competing tourism destinations.

• Managers and staff should have sufficient capacity:
  • to manage tourism
  • to set, collect, retain, and allocate revenues from tourism
  • to monitor and mitigate impacts

• Legal and administrative framework must allow the site to generate revenue and retain some, if not all, of that revenue for conservation activities.
Challenges and Safeguards

• Managing Tourism Revenues for Conservation
• Managing Tourism to Minimize Negative Impacts

Methodology and Practice Standards

1. Scoping phase
2. Feasibility study
3. Design phase
4. Implementation phase
5. Monitoring, evaluation, and adaptive management

Sites should have two plans in place:

1. A management plan, which lays out the overall management goals of a site and the specific strategies and programs for achieving these goals.
2. A business plan that explores revenue options and develops cost estimates for implementing the management plan over a five to ten year period, including, for example: staff salary, equipment, communications, park infrastructure, and travel.
Tourism Planning

• Tourist assets
• National and local tourism circuits
• Infrastructure needs and availability
• Key stakeholders
• Social and economic values and beneficiaries
• Management needs and capacity
• Financial needs
• Startup financial resources
Business Planning for coral reefs and associated protected areas

What is a business plan?

• A written document developed through consultation and analysis
• Summarizes an entity’s plan to achieve their identified objectives through sound management and financing
• Can be written for a PA, NGO, CSO, CTF, or a for-profit or cooperative business
• Language and style that potential investors and donors respect
Business Plan Outline

• Executive Summary
• Background
  • Vision and Mission
  • Physical and Biological Description
• Operations and Management
  • Organizational Structure and Governance
  • Program Plan
  • Risk Analysis
  • Measurement and Evaluation
• Strategic Priorities
  • Value Proposition / Competitive Analysis
• Institutional Gap Analysis
• Implementation Plan
• Cost / Benefit Analysis
• Marketing Plan
  • Stakeholder Analysis
  • Messaging
  • Communications
  • Fundraising
• Financial Plan
  • Historical Financial Statements
  • Financial Projections and Needs
  • Sustainable Financing
Tourism Finance Solutions

- **Entrance fees** – Fees charged to tourists for access to or use of facilities inside a PA or natural site of interest
- **Activity fees** - Fees charged to tourists to participate in a recreational activity in a PA or natural site of interest e.g. scuba diving, snorkelling, camping, mooring a boat, wildlife viewing, etc.
- **Other park-based fees** – licences, special use-fees, accommodation, sale of goods
- **Concessions** - is the right – granted by a government, company, or other controlling body – to undertake a tourism-related operation in a protected area or natural site, usually in exchange for a fee
- **Visitor taxes**
- **Volunteering / Donations**
Entry and Activity Fees

Economic Model:
User Pays for Recreational Services, Aligning interests through retaining and sharing fees

Conservation Result – Ecological Integrity, Tourist Satisfaction

Finance Source – Tourists / Tour Operators

Park Management / Trust / Government

Budget / Grants

Actions

M&E

Entrance Fees
Multiple Objectives of Fees

- Balance income generation with public access to a public good
  - Tiered fees -
  - Use categories: Entrance for basic, dog walkers, mountain bikers
- Balance visitor numbers with impact on ecosystem
- Balance income generation with cost to collect fees and build/maintain infrastructure
Entrance and Activity Fees - Practice Standards (1)

• Fee systems should be part of robust PA management plans
• Fee pricing should be based on a systematic financial assessment
• Targeted marketing campaigns can help attract a regular flow of visitors
• Facilitate local ownership of the system and revenues collected and adjusted - reviewed every two years
• Institutional capacity should be established early
Entrance and Activity Fees - Practice Standards (2)

• A strong communication strategy will help to build acceptance
• Retention of revenues by PA agencies provides manager incentives
• Local community participation in planning and management
• Building community revenue-sharing agreements
• Part of a diverse profile of revenue sources.
Tourism Concessions

Economic Model:
User Pays for Recreational Services, Outsourcing for efficiency

Finance Source – Tourists / Tour Operators

Conservation Result – Ecological Integrity, Tourist Satisfaction

Park Management / Government

Concessionaire

Actions

M&E

Tourism Services

Concession Fees
Two Types of Tourism Concessions

Commercial concessions
• A concessionaire pays a fee for the right to undertake a specific commercial operation in a PA, in accordance with the ‘user-pays’ principle.
  • Diving Sites
  • Guided Tours
  • Snorkeling
  • Restaurants
  • Hotels in a conservation area

Management concessions
• A concessioning authority outsources responsibility for the management and conservation of a PA or other natural site to a concessionaire with greater capacity – usually in the form of Public-Private Partnership (PPP).
Concession Models

- Concession
- Lease
- Permit
- License
- Management contract
- Service agreement
Concession

• A concessionaire pays a fee for the rights (10-40 years) to design, build, and manage tourism facilities (e.g. accommodation, restaurants, shops etc.)

• Concessionaire usually taking responsibility for all investment.

• For example: SANParks (Ngwakwe & Mokgalong 2016).
Lease

- A concessionaire pays a rental fee to lease land (for 5-30 years) with existing facilities (e.g. telecommunication, accommodation, restaurant, retail etc.)
- Concessionaire assumes full operating responsibility
- The concessioning authority usually remains responsible for capital expenditures on assets.
Permit

• A temporary form of permission (up to 10 years) to access an area to do a lawful activity (e.g. guided walking, canoeing, or climbing) in exchange for a fee.

• For example: tourism operators in the Phoenix Islands Protected Area, Kiribati (PIPA 2010-2014).
License

• Permission given to a legally-competent authority (typically for up to 10 years) to exercise a certain privilege that, without such authorization, would constitute an illegal act (e.g. diving in a protected areas)

• A license differs from a permit in that it requires due diligence by the competent authority. For example: tour vessels using the Galapagos National Park and Marine Reserve (Epler 2007).
Management contract

• A concessionaire enters into an agreement (5-30 years) to manage land or existing facilities (e.g. accommodation, restaurant)
• May include responsibility for operations and maintenance of assets
• Concessioning authority remains responsible for all investments
• Unlike a lease, the concessionaire typically receives rather than pays a fee.
• For example: Bonaire National Marine Park is managed by an NGO, Stichting Nationale Parken Bonaire (STINAPA), which is responsible for enforcement, education, maintenance and research (DCNA 2014).
Service agreement

• A concessionaire receives the right to manage a PA, usually with responsibility for all investments (e.g. vehicles, vessels, equipment, visitor centres) and main operational expenditures.

• In exchange, the concessionaire is granted the right to collect entrance and activity fees.

• For example: A non-profit consortium has signed a PPP with the Government of the Dominican Republic for co-management of the sanctuary, Arrecifes del Sureste (CFA 2018).
Blue finance: Shared governance in marine ecosystems

Each project developed by Blue finance relies on an exclusive agreement between government and a non-profit Special Purpose Entity (the NGO) to co-manage the Marine Protected Areas.

**Government**
- Regulations
- Enforcement
- Management plans

**Agreement with the NGO**

**Protected Area**
- Improvement of ecosystems
- Community livelihood enhancement
- Zonation and compliance
- Monitoring
- Support to tourism activities

**Activities**
- Co-management Committee
  - Government, civil society, private sector
  - Approve Annual workplans,
  - Monitoring and financial review

**NGO**
- Non-profit company
- Formed by local stakeholders
- Annual performance review
- User fee collection
- Initial funding from Impact Investors
Blue Finance: Shared governance in marine ecosystems

- Co-management agreement between government and local NGO - 10 year, renewable
- Agreed upon annual work plan
- NGO covers costs: equipment, operational, personnel
- NGO sometimes pays annual fee to govt
- NGO receives irrevocable mandate to charge user fees
- Independent auditor, termination of agreement for under performance
- Govt: No increase in public debt, no on-public budget allocation, no transfer of property
- MPAs – sub-areas, including fisheries, tourism and conservation
- Initial funding from impact investors
- Caribbean and SE Asia (9 countries)
Concessions - Practice Standards (1)

• Put conservation first and accept that not all areas are suitable for tourism
• Value and maximize the wider benefits of tourism – job creation and local revenue generation
• Strive to make tourism sustainable
• Value local community participation
• Establish market viability early on to ensure that operations are sustainable and profitable
• Develop stakeholder awareness and strong engagement
• Ensure a sound concessions framework, which includes legal and regulatory structure, governance and institutional set-up, as well as practical tools and guidelines for implementation
• Rely on robust site management plans
Concessions - Practice Standards (2)

• Select the appropriate concession model (i.e. lease, concession, license, permit, or management contract)
• Transparent and clear procurement procedures - a balanced deal, a qualified investor, and a viable, sustainable project
• Equitable contracts that protect the interests of both parties
• Manage contracts - ensure that a mutually beneficial, long-term relationship develops
• Effective risk management by identifying, mitigating, and monitoring risk through stakeholder engagement, site assessments, regular reporting, adequate due diligence, and employing experienced/reputable technical personnel
• Monitor and evaluate progress to continually learn from experience.
Different governance types offer different opportunities

- May improve cost effectiveness — e.g. private sector doing what it does best; no land purchase
- Directly reduce drivers of management — e.g. reducing poaching
Tourism Taxes

• Taxes – required fees charged by government on a per person or similar basis
• Examples include
  • Airport arrival or departure
  • Hotel beds
  • Cruise or airline tickets
• Usually collected by private business (airline, hotel) and remitted to government
• Can go directly to the Treasury, but in some cases are managed by Funds – e.g. PACT – Belize.
Volunteering / philanthropy

• Private citizens assist with PA management, research, conservation
• Growing opportunity
• Combination of $ and time donation
• Promotes the sites
• Cultivates support and commitment to conservation
Some Additional Tourism Resources


Thank you for your participation.

Please visit our website at [www.cfalliance.org](http://www.cfalliance.org) to see the latest Conservation Finance news, sign up for our newsletter, or become a CFA member.
Continue the Discussion:

- Go to: forum.reefresilience.org/network/
- Click on Join Forum and fill out and submit the registration form, you will receive an email when your account has been approved

Already a member? Log in and join the conversation!