

## Payment for Ecosystem Services through Marine Conservation Agreements

Private for-profit ventures often acquire rights to marine and coastal areas for purposes that degrade ocean resources. Such ventures include, but are not limited to, various fishing activities, sand and gravel mining, energy facilities, marinas, utility lines, and mariculture farms. Recently, The Nature Conservancy (TNC) and other organizations have sought opportunities to acquire or direct similar rights to ocean environments through Marine Conservation Agreements (MCAs) for purposes that protect ocean resources and improve local communities.

*Marine Conservation Agreements* include any formal or informal understanding in which one or more parties commit to delivering explicit economic incentives in exchange for one or more other parties committing to take certain actions, refrain from certain actions, or transfer certain rights and responsibilities to achieve agreed-upon ocean or coastal conservation goals. MCAs provide ecosystem services, including the protection of biodiversity, by encumbering sites to prevent them from being used in the future for incompatible activities or by changing the habits of users so their activities are undertaken in more compatible and sustainable ways. MCAs can be entered into by governments, local communities, indigenous groups, and private parties (including nongovernmental organizations). MCAs can include, but are not limited to, leases, easements, management agreements, purchase and sale agreements, concessions, and contracts. MCAs have been used to consummate and execute terms of Marine Protected Areas (MPAs), no-take zones (NTZs), fisheries projects, eco-tourism activities, scientific research and collection projects, restoration projects, and alternative livelihood ventures.

The use of MCAs globally, however, has been limited for several reasons, primarily a lack of recognition, understanding, and collaboration among the marine conservation community. With funding provided by the Walton Family Foundation (WFF), TNC is addressing the limitations by working with partners to analyze the role and feasibility of MCAs in four geographies around the world.<sup>1</sup> The Coral Triangle<sup>2</sup> was the first of these geographies to be examined (in late 2009) focusing on Indonesia, and questions have been addressed to determine if and how MCAs can complement other conservation strategies, identify priority field projects and local implementers, determine indicators of success, and develop action plans.

The study identified 20 known and suspected MCAs and one De facto MCA (DMCA) ranging in scale from 12 hectares to 36,600 hectares. We also identified 20 opportunities and 21 direct economic incentives that can be used to move forward programmatically with MCAs. Revenues from ecotourism and mariculture were two forms of sustainable financing that had been achieved at existing MCA and DMCA sites.

Our analysis revealed that the necessary enabling conditions are generally present in Indonesia, but experiences with MCAs in the field have been mixed. MCAs are being used and are making positive impacts but are not achieving their full potential primarily due to issues of design, execution, and timing. We also found, however, that well designed, executed, and timed MCAs can significantly help other ocean and coastal management strategies protect important marine biodiversity. As legal instruments that consummate payments for ecosystem services, MCAs have demonstrated the ability to deliver results.

Inherent in MCAs is an exchange of explicit economic incentives in return for conservation commitments. The economic incentives are used as both motivators for compliance and sanctions for noncompliance. Well-designed and executed MCAs can ensure, through the application of these economic incentives and quid pro

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<sup>1</sup> the Coral Triangle (CT), Eastern Tropical Pacific (ETP), Gulf of California (GCA), and Gulf of Mexico (GMX)

<sup>2</sup> The Coral Triangle includes: Indonesia, Malaysia (Sabah), Philippines, Solomon Islands, Papua New Guinea and Timor Leste.

quo agreements, that land and resource owners, managers, and users are engaged in and committed to establishing long-term, appropriately scaled protective zones and enforcement activities focused on coral reefs and associated fish species, mangroves, and sea turtles, among other elements of marine biodiversity. Most MCA projects must work within and be authorized through customary<sup>3</sup> and formal legal frameworks, specifically in eastern Indonesia.

In implementing MCAs, careful attention must be paid to specific concerns such as over setting precedents of “paying” for No-take Zones, the need for strong community structure, the potential for infringing or being perceived as infringing upon Indonesian sovereignty, and the need to clearly establish the long-term relationship between economic incentives and conservation commitments.

Several types of incentives appropriate for use in MCA projects were identified during our analysis. Direct cash payments are best used sparingly and only as sanctionable benefits. Grants and alternative livelihoods should only be used as community support incentives and when the chances of achieving success through the activities are very high.