



Commonwealth Blue Charter

Impact Investing for Marine Sanctuary “Arrecifes del Sureste” by Blue Finance, Dominican Republic (*on-going*)

“Quite simply, MPAs [Marine Protected Areas] are one of the best tools we have right now for improving the health of the marine ecosystems. We can’t depend only on governments and grants to pay for marine conservation. We need a new source of financing that will allow for proper management – sustainable financing – and that is our role, to find investment opportunities that will contribute to better marine reserve management.”

Nicolas Pascal, Founder and Director of Blue Finance¹



Summary

The Marine Sanctuary Arrecifes del Sureste (“the Sanctuary”) in the Dominican Republic provides for the sustainable use of almost 8,000 km² (800,000 ha) of highly biodiverse marine park, covers 100 km of coastline and supports the livelihoods of approximately 15,000 households. The Sanctuary is one of the largest Marine Protected Areas (MPAs) in the Caribbean,

consisting of the Eastern, Central and Southern Marine Management Areas. It encompasses vibrant coral reef ecosystems, several major urban centres and two of the country’s primary tourism centres that receive over 4 million visitors annually and consists of fisheries, tourism and conservation areas. However, protection of the Sanctuary has not been implemented (essentially relegating the Sanctuary to the status of a “paper park”)

¹ Avery, H. (2018) “Blue Finance: Why Marine PPPs Could Be a Win-Win-Win”. Euromoney, 5 June.

as the Dominican Republic's government struggles to deliver and enforce effective protection measures. The problem is not restricted to the Dominican Republic or the Caribbean: inadequate budgets and staffing are problems for many MPAs, making it difficult to meet even basic management needs.²

Blue Finance is a social enterprise³ that has partnered with the Dominican Republic's government, communities, non-governmental organisations (NGOs), investors and entrepreneurs to design a novel co-management framework to enable the conservation of the Sanctuary. The co-management framework is a system of carefully crafted public-private partnership agreements that deliver social, environmental and economic outcomes to benefit all parties. It is a 10-year renewable agreement that involves the creation of two co-management bodies (NGOs) that are expected to be financially sustainable and to generate their own incomes from a mix of sources such as user fees and innovative tourism models. The approach relies on the concept of innovative management leases for MPAs by co-management bodies that rely on tangible revenue models, leveraged by blended finance, to empower local communities.

Blue Finance designed the co-management agreement with the government of the Dominican Republic, developed an investable model and the necessary secured blended finance from impact investors and philanthropic sources. Blue Finance is supported by the UN and has forged strong partnerships with impact investors Mirova-Althelia and other partners such as the Paul Allen Foundation.

The issue

Establishing Marine Protected Areas (MPAs) is still one of the best ways to protect and manage coral reef ecosystems that can benefit coastal and wider communities. MPAs, when well managed, can support and improve ecosystems, thereby enhancing food supply, resulting in incomes for local and indigenous communities from (traditional) fishing, nature-based tourism businesses and protection of shorelines, leading to better resilience to climate change. A 10 per cent conservation target has been set as part of UN Sustainable Development Goal 14, with several nations supporting a 30 per cent target by 2030. Funding for MPAs is often piecemeal, insufficient and short-

term, and, without the necessary starting capital and basic social entrepreneur skills, MPAs cannot become financially sustainable on their own and over the long term. Meanwhile, impact investors and donors have communicated a clear need for a pipeline of viable investable projects in marine conservation.

The Sanctuary Arrecifes del Sureste was created in 2009 but its protection has remained mostly inactive because the government does not have the required financial or human resources to manage the area. The region faces a number of challenges, both ecological and social in nature. Local impacts include degradation as a result of coastal development, tourism activities (especially diving), vessel groundings, anchor damage and fishing (recreational and subsistence). Meanwhile, the area has immense aesthetic value, resulting in a proliferation of coastal development. There is an urgent need for the Sanctuary to start the process of zoning and defining regulations with local stakeholders through a participatory approach.

The response

Two non-profit co-management organisations have been established, one each to look after the Eastern and the Southern sections of the Sanctuary. The co-management bodies develop the management plan and zonation of their areas with local stakeholders. They are also responsible for hiring and managing staff and purchasing the required equipment to carry out the activities agreed to by the government.

The co-management organisations comprise local conservation non-governmental organisations (NGOs), local foundations of the major tourism holdings in the country and other associations.

The co-management organisations are guided by an Advisory Committee comprising public and private members. An independent, internationally recognised institution will audit the performance of the co-management groups annually. Implementation will be guided by annual work plans, prepared by each co-management body, reviewed by the Advisory Committee and approved by government. These activities, with collaboration from existing institutions, include the following: improving the health of marine habitats; monitoring, zonation and enforcement; community engagement and livelihood enhancement; support to tourism activities; and maintenance, management and marketing.

The Sanctuary is divided into different conservation zones, a No Take Zone and recreation, fishery and transport areas. Each zone has its own regulation framework and management strategies. Currently, the Management and Marine Spatial plan is being developed.

2 Gill, D., Mascia, M., Ahmadi, G., Glew, L. et al. (2017) "Capacity Shortfalls Hinder the Performance of Marine Protected Areas Globally". *Nature* 543: 665–669.

3 A social enterprise is a business that seeks to achieve social goals, and in some cases also environmental goals. It may be a not-for-profit organisation or a for-profit venture. The emphasis is on the clear social and environmental mandate set by the organisation, which often emerges at the onset of the enterprise.



Location of Marine Sanctuary "Arrecifes del Sureste" in the Dominican Republic and subdivision that led to the creation of the two conservation co-management bodies. Source: <http://blue-finance.org/?p=1740>

One of the co-management bodies has arranged major financing for initial capital expenditure (purchase of vessels, buoys, tourism facilities, etc.) through an eight-year loan from the Sustainable Ocean Fund. The Sustainable Ocean Fund is an impact investment fund managed by Althelia-Mirova. It is dedicated to creating, accelerating and executing sustainable fishery, aquaculture and coastal conservation projects globally, while applying best-in-class social and environmental governance.

Partnerships and support

The Ministry of Environment and Natural Resources (Dominican Republic) has spearheaded the co-management project. The co-management company for the Eastern part of the Sanctuary (the Alianza Arrecifes del Este) includes Fundación Grupo Punta Cana (FGPC), Clúster Turístico Altagracia, Asociación de Hoteles Altagracia, Asociación Deacuáticas and Blue Finance Dominicana. The co-management company for the Southern part of the Sanctuary (the Consorcio Arrecifes del Sur) is formed by Fundación Grupo la Romana, Clúster Turístico Bayahibe, Asociación de Hoteles Bayahibe, Fundación Dominicana des Estudios Marinos (FUNDEMAR) and Blue Finance Dominicana.

Several NGOs that are part of the co-management organisations played a role in setting up the co-management bodies, as outlined below.

FGPC was integral in drafting the co-management plan for the protected area and getting approval for a

co-management agreement. FGPC is an NGO with extensive experience in marine conservation. It has pioneered one of the Caribbean's largest coral reef restoration projects and created several market-based community development projects, such as Zero Waste, the Dominican Republic's first and largest corporate recycling programme. FGPC has also successfully implemented several innovative alternative livelihood programmes for local fishers and their families.

FUNDEMAR is another NGO partner that is dedicated to promoting the sustainable use of coastal marine ecosystems and resources through research, education and support for the development of conservation projects. It has a multidisciplinary technical team of biologists, ecologists, social scientists and educators capable of carrying out actions and projects with scientific rigour.

CODOPESCA (Consejo Dominicano de Pesca y Acuicultura) is the Dominican government agency in charge of regulating, developing, promoting and supervising the management (including research) of fisheries and aquaculture. CODOPESCA establishes policies, strategies, norms, regulations and other instruments related to the use of fishery resources, based on participatory processes that encourage changes in user behaviour, leading to more responsible and sustainable development.

The United Nations Environment Programme (UNEP) SPAW-RAC is the Regional Activity Centre implementing the Protocol on Specially Protected Areas and Wildlife

in the wider Caribbean region, from the Gulf of Mexico to the Caribbean Sea. The SPAW Protocol has a focus on marine and coastal biodiversity, such as sea grass beds, coral reefs, marine species (such as cetaceans and turtles), MPAs, etc. One of its objectives is to promote and assist in the development and implementation of the guidelines on protected area establishment and management under the SPAW.

Results, accomplishments and outcomes

The co-management agreement was signed between the Ministry of Environment (Dominican Republic) and the co-managers of the two co-management bodies (the *Allianza* and the *Consortio*) in February 2018. The agreement prescribes which organisation is responsible for the delivery and management of the various social, environmental and economic outcomes. The Marine Spatial Plan under development and in the co-management bodies is in the final stages of preparation for investment.

The early-stage activities are funded through direct cash and in-kind support from the founder members as well as grants from international institutions. Initial fees collected from users are expected to bring additional funding.

The early-stage activities involve planning and strategic work – namely (i) completion of the management plans of the Sanctuary with stakeholders, (ii) design of the business plan of the co-management bodies, (iii) financial arrangements and (iv) legal arrangements. Blue Finance seeks to upscale the approach used here to other five MPAs by 2021 in developing countries (with a final aim of 20 MPAs by 2030). The five MPAs have relevant works already underway, including late-stage developments in Belize, Cape Verde and Philippines.

Challenges

Developing complex co-management strategies for MPAs has taken much longer than initially anticipated, and this has been exacerbated by COVID-19. While the co-management agreement was signed fairly quickly, getting

agreement from the co-managers has taken time. NGOs are not accustomed to dealing with financial instruments that require repayment, relying instead on government subventions or grants. Considerable effort is still needed to instil an entrepreneurial mindset among local stakeholders and to educate them in such approaches.

The investment required for a single MPA is usually much less than the investor's minimum investment size. Blue Finance had to assemble a portfolio of projects to make MPAs attractive for investors. As this is a new approach, information on financial performance and expected returns from MPAs is limited, resulting in some hesitation by governments and investors. A very thorough financial feasibility assessment was carried out to ensure that adequate revenue would be generated. Key Performance Indicators have yet to be agreed to by both parties.

Key lessons learnt

The co-management approach represents a type of public-private partnership, an undertaking known for being complex and time-consuming. However, the co-management approach can be replicated and scaled, making the time and effort invested in the developing the project and negotiating contracts applicable in other situations.

The experience illustrates the value of using blended finance wisely, such as leveraging public funding (grants or philanthropic) to assist early-stage development.

Developing and fostering entrepreneurial skills among local communities will remain vital to the success of the Sanctuary. These skills will need to be developed among locals to operate tourist visitor centres and other small tourism businesses to benefit from the conservation of the MPA.

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The Commonwealth
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