

## **Conservation Concessions - Concept Description**

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### **Introduction**

Conservation of biodiversity-rich habitats presents a challenge to nations wishing to develop their natural resources for economic ends. Logging, mining and other resource-development activities offer the prospect of tangible economic benefits – including employment and income, foreign currency from exports, and public tax revenues – but are often environmentally destructive. Although sustainable resource management seeks to provide these benefits while conserving natural ecosystems, experience suggests that a number of obstacles limit both the adoption of sustainable practices and their usefulness in conservation strategies.

To address this problem, the Center for Applied Biodiversity Science at Conservation International (CI) has been working in collaboration with Hardner & Gullison Associates, LLC, to develop the concept of a "conservation concession," a novel approach that seeks to directly reconcile resource protection with development.

Conservation concessions hold the potential to protect a wide variety of critical terrestrial and marine habitats, ranging from vast tracts of Amazonian rain forest to sensitive fisheries and coral reefs in the South Pacific. The tool may also be used to protect the habitat of particular threatened or endangered species, such as the Asian elephant, American mahogany, or Thick-billed Parrots in the mountains of northern Mexico.

Under a conservation concession agreement, national authorities or local resource users agree to protect natural ecosystems in exchange for a steady stream of structured compensation from conservationists or other investors. In its simplest form, a conservation concession might be modeled after a timber concession, whereby a logging company pays the government for the right to extract timber from an area of public forestlands. Rather than log the concession area, the conservation investor would pay the government for the right to preserve the forest intact. The conservation concession thus presents an alternative opportunity for countries to capitalize on vast tracts of forest or other areas of high conservation value. With ultimate objectives that include both the long-term protection of biodiversity and the stimulation of economic development, this new mechanism offers a land use alternative that conservationists, development agencies, governments, and local communities alike can support.

CI's efforts to establish conservation concessions have met with ground-breaking success in a number of countries. In July 2002, CI signed a 30-year agreement with the Government of Guyana to establish a conservation concession that will protect approximately 80,000 hectares of pristine forest. In April 2001, the Indonesian Minister of Forestry issued a public declaration in support of conservation concessions. In Peru, the government recently approved new regulations for its Forest and Wildlife Law that for the first time enable conservation bidders to compete for the land-use rights of its 67.6 million-hectare forest estate. In late July 2001, the country's first conservation concession under this law was granted to the Asociación para la Conservación de la Cuenca Amazónica (ACCA), a Peruvian NGO.

### **Components of a Conservation Concession Agreement**

A conservation concession requires a negotiated agreement between an investor and a government or other resource owner. Negotiated elements of the agreement might include:

- The amount of payments intended to compensate for setting an area aside or foregoing specific uses;
- Duration of the concession agreement;
- The investment portfolio where these payments will be directed, and;
- Norms and guidelines for monitoring and enforcing natural resource protection.

*Payments.* A conservation concession typically involves periodic payments in return for the conservation of a specified area. The opportunity costs of foregoing natural resource exploitation, including lost employment and government revenue from taxes, may serve as a basis for determining the amount of the payment. Payments may also reflect other costs such as government administration and enforcement burdens required as a part of concession operations. The benefits that are preserved by maintaining resources intact, such as traditional uses or watershed protection as well as the low-risk nature of the conservation payments should also be considered. In some cases, the investment required to effectively manage the area may constitute a sufficient payment in and of itself.

*Duration:* As with other approaches to conservation, the purpose of conservation concessions is to contribute to the permanent protection of ecosystems. Conservation concessions can accomplish this in a number of different ways. First, even though individual conservation agreements are of a finite duration (typically 15 to 40 years), permanent conservation can be achieved through automatic renewal at the end of each term. Concessions can also serve a valuable bridging function by providing a politically acceptable transitional status between lands allocated to resource development and those given permanent protection. As an alternative, conservation concessions can be used to conserve large areas of land over an entire region as a temporary measure until a formal network of protected areas can be planned and implemented. In this case, even if some land is ultimately returned to resource development, the conservation concessions will have played a valuable role in preserving options and maintaining ecosystems in pristine condition until parks can be formally established.

*Directed Investments.* To ensure that the conservation objective is embraced by local stakeholders, payments should be directed toward activities identified in consultation with those affected by the concession that provide employment and improve human welfare. Although the role of the investor is not to guide government public-investment decisions, it is reasonable to expect that concession payments should provide tangible benefits for those who might otherwise benefit from extractive activities. The concessionaire may also voluntarily support investments that benefit key stakeholders who are not a formal party to the agreement.

*Conservation Norms and Guidelines.* To provide a concrete basis for monitoring and enforcement of the concession terms, a conservation concession agreement should include clearly defined norms and guidelines. Norms specify the mutually agreed-upon balance between conservation and development, which may range from no development to traditional uses, to sustainable harvests of specific resources. Guidelines define the means for achieving this level of protection for the area, including standards for regulatory oversight and contingency plans to counter unexpected pressures on the area.

### **Benefits and Limitations of the Conservation Concession Approach**

Conservation concessions are one of many possible conservation interventions and are more appropriate in some situations than others. Conservation concessions may not be appropriate, for example, where guaranteed permanence is of preeminent importance or payments are impractical for political or institutional reasons. It is therefore important to view conservation concessions as a complement rather than as a replacement to national parks and other traditional protected areas. Many see the creation of a representative system of parks as a fundamental responsibility of any government, even those in developing countries. At the same time, it is clear that many countries are hampered in their ability to carry out this responsibility. Conservation concessions and more direct funding for protected areas in general should help to ease this constraint. Although the broad adoption of a conservation program based on direct compensation could create an expectation that all conservation should involve compensation, similar problems hold for other types of internationally funded conservation initiatives as well. Ultimately, governments and the conservation community must work together to manage these expectations by deciding which conservation mechanism is best suited to a particular situation.

Apart from these limitations, the use of conservation concessions for resource protection offers a number of distinct benefits.

*Stable source of funds for economic development:* Many economic activities, including conventional natural resource extraction yield revenue flows that are subject to unpredictable fluctuations. Logging, mining, and tourism revenues, for instance, depend on international market conditions. Government revenue streams, moreover, are vulnerable to weaknesses in the capacity needed to capture all taxes and fees. Alternatively, a conservation concession offers regular, low risk payments of a known amount, denominated in a stable foreign currency, for as long as the terms of the agreement are met.

*Direct, transparent conservation investments:* A conservation concession yields immediate, transparent conservation that can be easily identified on a map and monitored based on readily verifiable norms. Therefore this approach can demonstrate clear conservation benefits to potential biodiversity investors. Although international willingness to pay for conservation is substantial and increasing, there is a growing trend emphasizing outcome-based rather than process-based indicators of effectiveness of conservation funds. The methodology and concrete geographic basis of conservation concessions respond to this trend.

*A market mechanism for conservation:* Under a conservation concession, conservation becomes a product that can be purchased directly and provided according to clearly established criteria. In combination with payments, the limited term of a conservation concession makes it an attractive option for resource owners. At the same time, long-term conservation is possible because of renewable terms, low opportunity cost, and high willingness and ability to pay.

### **Next Steps**

The conservation concession approach creates a new market for biodiversity, a market that is now in its infancy. Several parallel efforts are needed to move this market forward. First, the search for concession opportunities must deliberately target a diversity of ecosystems and geographic locations, and demonstrate the wide range of possibilities for this biodiversity conservation mechanism. For example, CI is examining the potential for a conservation concession in Namibia's biologically diverse arid coastal region, as well as marine concessions in Southeast Asia. Second, exploring a variety of partnership arrangements with governments, development agencies, NGOs, indigenous groups, and private corporations will expand the number of market participants and draw on the strengths of various actors in conservation and development. Third, on the supply side, market development will require the creation of appropriate institutional, legislative, and regulatory infrastructure in host countries, such as the legal instruments CI has promoted in Peru and Guyana. Finally, initiatives to leverage new sources of funding will catalyze the demand side of this budding market for biodiversity, for example by targeting private sector companies seeking environmental offsets. This comprehensive set of efforts, which combines research and development with direct implementation of the conservation concession approach, will expand the horizons of the market, clarify the potential roles of different participants, and set in motion this novel market for biodiversity conservation.

## **Annex: Examples of current and potential conservation concessions**

The following illustrate the range of different types of conservation concession agreements that are currently underway or being considered.

Concessions with governments:

- *Guyana*: In July 2002, CI was granted a renewable 30-year Timber Sales Agreement to manage 80,000 ha in southern Guyana for conservation. The agreement involves payment of acreage fees and royalties comparable to an active timber concession. The project also involves a separate agreement with three nearby communities establishing a voluntary community investment fund.
- *Peru*: After discussions with CI and its partners in 2000 and 2001, the Peruvian Government included a provision in its new Forestry Law that legally permits conservation concessions as a competitive land use. In late July 2001, the Asociación para la Conservación de la Cuenca Amazónica, a local Peruvian NGO, became the first group to be granted a conservation concession under the new law. The concession encompasses an area of approximately 135,000 hectares in the lower portion of the Los Amigos River watershed.
- *Cameroon*: The government of Cameroon recently set aside an area of timber concessions between the Boumba-Bek and Dja Reserves, to be occupied by profitable conservation uses. CI is investigating the potential for a conservation concession in this context.

Contracts with indigenous/community groups:

- *Guatemala*: The national government of Guatemala has issued timber concessions to local communities within its 2 million hectare Maya Biosphere Reserve. Working under this framework, CI is proposing a conservation concession contract with two communities. The concessions would be designed to pay salaries for conservation managers, to invest in projects such as guiding tourists to nearby archaeological sites and to provide community services such as education and health care, in exchange for not logging. The conservation concessions would extend the protection offered by nearby national parks and help to preserve approximately 75,000 hectares containing pristine forests and impressive Maya ruins.

Projects targeting specific species:

- *Mexico*: In early 2000, the Tucson based Wildlands Project and five Mexican conservation groups signed an agreement with a local land cooperative to protect nesting sites of half of the world's remaining Thick-billed Parrots. The 15-year renewable agreement, the first of its kind in Mexico, will compensate members of the cooperative for forgone timber revenues through cash payments and other benefits.
- *Cambodia*: CI is considering a conservation concession with local residents around the proposed Cardamom Mountains protected area to reduce hunting of tigers and forest elephants. The contract under consideration would provide payments, employment, and support for community projects conditional on residents meeting mutually agreed upon conservation criteria.