



GLOBAL FUND FOR  
**C****RAL REEFS**  
2021 CONSOLIDATED  
ANNUAL REPORT

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## Executive Summary

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Launched during UNGA75 in September 2020, the Global Fund for Coral Reefs (GFCR) is the first blended finance instrument dedicated to coral reefs globally. To protect coral reefs from extinction, the GFCR: Convenes a global coalition of partners dedicated to bridging the coral reef funding gap; Facilitates an innovative ‘Reef-Positive Investment Ecosystem’ with an array of financial tools designed to incubate, de-risk and unlock public and private market-based investment aligned to coral reef climate refugia conservation; and offers an implementation tool for national marine biodiversity conservation and blue economic transition ambitions. The GFCR is designed to mobilise and catalytically deploy an initial \$625 million through two core fund financial vehicles of the Investment Ecosystem, the Grant Fund and Equity Fund, to expand and diversify the SDG14 funding landscape for reef-positive solutions.

During 2021, GFCR had a strong focus on building its initial operational structures and designing initial programmes. This report covers calendar year 2021 activities. Over the course of the year, the GFCR Executive Board took several key decisions including:

- Approval of the GFCR Investment Plan (IP)
- Approval to allocate USD 0.95M for seven (7) preparatory grants for programme proposal development and USD 23.7M for five (5) programme proposals.
- Approval of the initial version of the Executive Board Rules & Procedures, outlining general terms on membership, convening of meetings, decision-making, and addressing conflicts of interest.
- Approval of Institutional Partnerships with the International Union for Conservation of Nature (IUCN) and Ocean Risk and Resilience Action Alliance (ORRAA)
- Approval of Advisory Board Terms of Reference (TOR)
- Approval of the “GFCR Blue Bridge” service to be managed by UNCDF and with the aim of providing businesses and projects identified by GFCR Convening Agents with concessional loans, guarantees, and grants in various forms to help reef-positive businesses grow and hence attract private investment and scale impact for coral reefs and communities.

### **Building the Reef-Positive Investment Ecosystem**

#### **Approach, Business and Financial Models**

The Investment Plan, developed by UNDP and the Conservation Finance Alliance (CFA) with support from Swedish International Development Agency (SIDA), has served as an angular piece to guide the GFCR’s programmatic approach. The IP recommended the prioritization of 34 countries for GFCR programming based on coral reef and biodiversity value, reef resilience to climate change, ODA and climate finance eligibility, and absence of trade restrictions to enable a blended finance approach that generates sustainable revenue streams for addressing local drivers of coral reef degradation while providing alternative livelihoods to empower local communities.

GFCR programmes are multi-pronged in sector and expertise, requiring a coalition of partners to achieve the objectives. This requires a lead implementer, called the Convening Agent, to bring together a diverse partnership of organisations with different capacities in sectors related to coral reefs, science, development, and finance. The Convening Agent, as lead implementer for a priority programme, is responsible for assembling the partnership, developing the strategy, coordinating implementation, engagement with the government, conducting oversight and consolidating reporting of the coalition. The Convening Agent is the focal point for the GFCR Grant and Equity Fund for each programme.

Core to the GFCR strategy is connecting Grant Fund programmes activities to Equity Fund investments to scale impact. Collaboration between programme implementers and the GFCR Equity Fund is a process during proposal development and implementation to identify large anchor investments that can be part of the integrated financial ecosystem approach and have potential for scale and replication. Both the Grant and Equity Fund operate under the same Theory of Change. To design and incubate these investments, Convening Agents are essential as they provide expertise in environmental and socio-economic context and can seize on Technical Assistance Facilities or Incubators to provide pre- and post-investment technical assistance to ensure positive impact and augment investment attractiveness for impact investors.

Achieving the outcomes of the Fund requires the identification, development, financing, and successful implementation of a wide range of business models and finance instruments (or mechanisms) that support coral reef conservation and reduce the drivers of reef degradation. The Investment Plan outlines archetypes for revenue generation from three categories:

1. Coral conservation activities are those projects and programmes whose primary objective is to achieve reef conservation and use a blended finance approach to achieve these outcomes.
2. Ecosystem conservation activities address the goals of the Fund through targeting drivers of degradation.
3. Conservation finance instruments or mechanisms provide economic, market-based, or institutional means to generate, manage, and deploy capital and incentives towards achieving conservation outcomes.

Applicable business models and financial instruments to leverage financing for threat mitigation and coral reef resilience while providing greater income, food security, and employment opportunities for reef-dependent communities, include but are not limited to:

- Financing facilities
- Incubators
- Financial instruments and mechanisms (e.g. bonds, debt-swaps, blue carbon, parametric insurance, payment for ecosystem services)
- Ecotourism
- Sustainable fisheries and mariculture
- Sustainable agriculture
- Sewage and water treatment
- Plastic recycling facilities

## GFCR Coalition

### **Resources mobilization**

Over the first year of operation, the GFCR made substantial progress in convening a powerful coalition of donors, institutional and strategic partners and like-minded institutions. The coalition members play different, but complementary roles, in terms of mobilising catalytic resources, contributing to build a GFCR global programme portfolio of reef-positive solutions, increasing visibility and establishing the communications foundation of the Fund and reef-positive solutions to facilitate the positioning of GFCR as a global leader in SDG14 finance.

In 2021, the Secretariat unlocked a total of \$13.7M in contributions from philanthropies and Member States for the GFCR Grant Fund. In June 2021, the UK launched the Blue Planet Fund at the G7 and committed to the GFCR being one of the first Fund recipients. The UK further announced a second allocation of GBP £1 million to the GFCR during the UNFCCC COP-26 in November. A third allocation is now under discussion for Q1/Q2 2022. In July 2021, President Macron announced France's commitment of €3 million to join the Fund. In November 2021, Prime Minister Trudeau announced Canada's commitment of \$6 million CAD pledge to the Fund during COP26. The Secretariat further initiated outreach with several additional prospective donors and provided briefings throughout the year, including Bloomberg Philanthropies, the Packard Foundation and Lukas Walton's newly launched Builders Vision, and the United States. In November of 2021, following a funding proposal submission by the GFCR Secretariat, Builders Vision announced an intention to join the GFCR in 2022 at UNFCCC COP-26 in Glasgow.

The GFCR Equity also achieved substantial progress in capitalization in 2021. At its Board meeting in October 2021, the GCF approved a commitment to a first-loss tranche of USD 125 million to the GFCR Equity Fund. As GCF's first at-scale private sector programme in the blue economy, the commitment is intended to de-risk investments for private investors at the fund level, thereby bridging the gap between public and private investors. GCF will serve as an anchor investor in the GFCR Equity Fund.

### **Partnerships**

Throughout 2021 and continuing in 2022, the GFCR Secretariat furthered the establishment of Fund-level partnerships to advance the GFCR goals. GFCR partnerships include both strategic and institutional partners. Two of GFCR's key strategic partners are the International Coral Reef Initiative (ICRI) and the Secretariat of the Convention on Biological Diversity (SCBD). In the case of ICRI, during 2021 the Secretariat continued to strengthen the partnerships by coordinating common actions in several international events. In addition, ICRI is poised to take on the role of 1<sup>st</sup> Co-Chair for the GFCR Advisory Board. The GFCR Institutional Partnership modality enables the formalisation of the collaboration with like-minded international organisations or consortiums in ocean conservation with an aim to identify synergies through knowledge sharing, co-implementation and co-financing in similar geographies and blue economy sectors related to coral reefs. The first institutional partnership was established in June of 2021 with the Ocean Risk and Resilience Action Alliance (ORRAA). In October 2021, the second Institutional Partnership was finalized with the International Union for Conservation of Nature (IUCN).

Discussions for additional partnerships are underway with the United Nations Educational, Scientific and Cultural Organization (UNESCO), Blue Nature Alliance (BNA), and the Coral Research & Development Accelerator Platform (CORDAP), and others.

### **Policy and Knowledge Architecture**

#### **Investment Principles**

Led by CFA, a set of 10 general investment principles for the GFCR have been drafted and will be submitted for Executive Board endorsement in early 2022. Investment principles for individual sectors (ecotourism, aquaculture, solid waste management, wastewater management, microfinance / SMEs, marine protected areas and other effective area-based conservation measures, coral restoration, blue infrastructure, blue carbon, fisheries) are in the process of being elaborated along with supporting “Best Practices” documents. The principles will guide activities towards achievement of the GFCR outcomes and SDGs, specifically enabling investors and enterprises to align their activities in specific sectors with the Fund’s target outcomes. A clear framework will be established for integrating SDG impacts into project and investment decision-making and M&E.

#### **Monitoring & Evaluation**

UNEP has provided expertise to develop the Monitoring and Evaluation Strategy for the GFCR, as well as the indicators and methodologies for monitoring the various investments made by the GFCR. The overall goal of the M&E strategy is to monitor the impact, both positive and negative, of the funded interventions on the environment and on the livelihoods of coral reef communities. A draft M&E strategy has been developed and will be submitted to the Executive Board for approval in 2022.

Two associated products are currently being developed by UNEP and its partners which will assist the implementation of the M&E strategy for the GFCR. First, UNEP is developing an M&E toolkit to serve as a step-by-step process document to guide funding recipients and convening agents through the project monitoring and reporting processes required by the M&E strategy. Second, the GFCR knowledge management system (KORAL) is being developed by UNDP in collaboration with GFCR partners including UNEP. Relevant information collected by the M&E process will be shared to the public via KORAL to facilitate learning and demonstrate successes of the GFCR activities.

#### **Social and Environmental Safeguards and Gender Policy**

Led by UNDP, a GFCR wide risk management system and two complementary policies will be developed. The GFCR Risk Management System will provide the Fund with a way to identify and mitigate programmatic, institutional, and contextual risks that might impact the Fund’s performance and reputation – and ensure that we maximize gains and minimize harm or losses at all levels of operations from global to local. The GFCR Environmental & Social Safeguards Policy will underpin the Fund’s commitment to mainstream social and environmental sustainability directly in projects and deals. An accountability mechanism to deal with any complaints or concerns about the Fund’s operations will also

be established. The GFCR Gender Policy will ensure that gender equality and women's empowerment is at the heart of GFCR's mandate and actions.

### **Knowledge Management Platform**

The goal of this activity is the delivery of a knowledge management and solutions (KMS) system that supports peer-to-peer exchange and lessons sharing, as well as the identification and origination of innovative coral reef-positive business solutions. The KMS will drive the replication and scaling of GFCR successes, which is a priority for GFCR. UNDP and CFA will work closely with the GFCR Secretariat and core partners to create the KMS (to be known as KORAL). KORAL will be accessible to global, national and local partners, including businesses and communities. KORAL will position GFCR as the global leader for the demonstration and conservation of highly threatened coral reef ecosystems through blended finance. Key actions in 2021 focused on initiating the recruitment process of a consultant to develop the overall KMS platform.

### GFCR Programme Portfolio

As mentioned earlier, the GFCR Global Team used the Investment Plan longlist of 34 priority coral-reef countries to guide priority programme development. Round 1 of GFCR Grant Fund priority programmes were fully identified using the IP:

- |                    |                       |
|--------------------|-----------------------|
| (1) Fiji           | (5) Mesoamerican Reef |
| (2) Indonesia #1   | (6) Papua New Guinea  |
| (3) Kenya-Tanzania | (7) Philippines       |
| (4) Maldives       | (8) The Bahamas       |
|                    | (9) Solomon Islands   |

For Round 2, the Secretariat applied a more comprehensive set of criteria to select the next round of programmes. The list of "Round 2" programmes was approved at the third GFCR Executive Board meeting:

- |                        |                             |
|------------------------|-----------------------------|
| (1) Brazil             | (8) Melanesia and Polynesia |
| (2) Colombia           | (9) Micronesia              |
| (3) Dominican Republic | (10) Mozambique             |
| (4) Gulf of Aqaba      | (11) Seychelles             |
| (5) Indonesia #2       | (12) Sri Lanka              |
| (6) Madagascar         | (13) Viet Nam               |
| (7) Malaysia           |                             |

By the end of 2021, the Round 1 and Round 2 GFCR country/region programmes prioritization had been completed, totaling twenty-two (22) programmes in the GFCR pipeline. Approval of Round 1 programme full proposals will be completed in 2022, with Maldives and Solomon Islands being the only pending EB approval. For Round 2, programmes will be considered by the Executive Board in 2022 and into 2023.



## Shaping the Global Narrative: Communications and Events

In 2021, the Secretariat led the development of the GFCR Joint Communications Strategy. The Strategy aims to position the Fund as the globally unified and integrated source of financing coral reef rescue. Throughout 2021 the GFCR Secretariat produced various communications tools and materials to inform key stakeholders and support demonstration of GFCR's innovative blended finance approach, including the Fund Deck, Brochure, Branding Guidelines, Fund Profile Document, Quarterly Newsletters, and a GFCR Communications Toolkit.

In 2021, the GFCR Secretariat facilitated several key events to showcase the GFCR.

- **IUCN World Conservation Congress** - GFCR held the Reef-Positive Investment event which showcased the Fund's innovative model, progress achieved over the first year since launch, as well as a new contribution announcement from France.
- Side-lines of **76th United Nations General Assembly** - a virtual side event was co-hosted with the UNCDF and the Joint SDG Fund showcasing innovative aspects of the Fiji programme.
- **UNFCCC COP-26** - Throughout the COP, the GFCR participated in 9 high level and side events which showcased the power of blended finance in the effort to facilitate climate adaptation action and protect marine biodiversity's last strongholds.

The events and features throughout 2021 contributed not only to visibility, but also to build strong political commitment from the highest levels of government in programme countries, supporting increased action and finance for coral reefs through the dedication of national attention, prioritisation and resources. In late 2021, the Secretariat further established a "Road to Lisbon and Beyond" plan outlining the GFCR's strategy for key international events in 2022, with emphasis placed on high-level moments and ambitions for the UN Ocean Conference to be held in Portugal in June-July as well as the UNFCCC COP-27 in Egypt.

## A Look into 2022/2023

During 2021 there was a strong focus on building the initial operational structures of the GFCR and designing initial programmes. Due to substantial progress, in 2022 and 2023 there will be strong growth in programmes development accompanied by a significant transition to programmes implementation and supervision with aligned resources mobilisation efforts. Further, emphasis will be placed on finalizing the consolidation of the Secretariat into the UN Global Team, as well as coordination and alignment across the two core GFCR vehicles - the Grant Fund and Equity Fund. A two-year work plan that will provide greater stability and predictability for planning purposes will be elaborated. The Two-Year Work Plan encompasses activities in five key workstreams:

1. Programme Development and Implementation
2. Monitoring and Evaluation
3. Strategic Engagement and Communications
4. Governance, Policies and Operations
5. Knowledge Sharing

## I. Introduction

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The Annual Report covers calendar year 2021 activities for the Global Fund for Coral Reefs (GFCR).

Launched during UNGA75 in September 2020, the GFCR is the first blended finance instrument dedicated to coral reefs globally. To protect coral reefs from extinction, the GFCR: Convenes a global coalition of partners dedicated to bridging the coral reef funding gap; Facilitates an innovative ‘Reef-Positive Investment Ecosystem’ with an array of financial tools designed to incubate, de-risk and unlock public and private market-based investment aligned to coral reef climate refugia conservation; and offers an implementation tool for national marine biodiversity conservation and blue economic transition ambitions.

The GFCR is designed to mobilise and catalytically deploy an initial \$625 million through two core fund financial vehicles of the Investment Ecosystem, the Grant Fund and Equity Fund, to expand and diversify the SDG14 funding landscape for reef-positive solutions. The GFCR further offers proof points for the role of an innovative blended finance structure in fostering the enabling environment for investment in emerging economies, building sustainable and replicable reef-positive pipelines. The Fund offers immense demonstration potential as it builds a track record that shows investment in coral reefs creates value for investors, accelerates sustainable development, supports adaptation for coastal communities, and protects and expands blue carbon sinks.

## II. Structure and Governance

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### A. Grant Fund Set-Up

As Trust Fund Administrator, the Multi-Partner Trust Fund Office (MPTFO) was responsible for fund design and set-up, conclusion of the legal agreements with UN entities and donors, the receipt and administration of donor contributions, the disbursement of the approved funds to Participating Organizations upon instruction from the Board, and provision of periodic consolidated narrative and financial reports. To ensure transparency, the Trust Fund Administrator, through the MPTF Office Gateway maintained a [public on-line platform](#) that contained key information about the fund, its funding decisions, and real-time financial information on contributions and transfers to Participating Organizations, and periodic expenditure data.

### B. Executive Board

The GFCR Executive Board (EB) is the highest decision-making body of the Grant Fund and has provided overall strategic guidance and direction for the GFCR initiative. Over the course of 2021, the Executive Board expanded from six members at the start of the year to nine members by December 2021, including:

- Two Philanthropies
  - Paul G. Allen Family Foundation (Incumbent Chair of the Board)
  - Prince Albert II of Monaco Foundation

- Three Member States
  - Germany, represented by the German Federal Ministry for Economic Cooperation and Development
  - United Kingdom, represented by the Department for Environment, Food & Rural Affairs
  - France, represented by the Ministry for Europe and Foreign Affairs
- Three UN agencies
  - UN Environment Programme (UNEP)
  - UN Capital Development Fund (UNCDF)
  - UN Development Programme (UNDP)

Four Executive Board meetings took place in January, June, September, and November 2021. A formal Board Catch-up Conference was also held in July 2021. During these Executive Board Meetings, twenty-three (23) decision items were issued, including, among others:

Over the course of the year, the GFCR Executive Board took several key decisions including, but not limited to:

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- Approval to allocate USD 0.95M for seven (7) preparatory grants for programme proposal development and USD 23.7M for five (5) programme proposals.
- Approval of the initial version of the Executive Board Rules & Procedures, outlining general terms on membership, convening of meetings, decision-making, and addressing conflicts of interest.
- Approval of Institutional Partnerships with the International Union for Conservation of Nature (IUCN) and Ocean Risk and Resilience Action Alliance (ORRAA)
- Approval of Advisory Board Terms of Reference (TOR)
- Approval of the “GFCR Blue Bridge” service to be managed by UNCDF and with the aim of providing businesses and projects identified by GFCR Convening Agents with concessional loans, guarantees, and grants in various forms to help reef-positive businesses grow and hence attract private investment and scale impact for coral reefs and communities.

In addition to official decisions, the EB also held strategic discussions on other topics as part of its strategic guidance function, and which are expected to result in future decisions:

- Monitoring and Evaluation Framework
- Safeguards and Risks Management System
- Gender Policy
- Memorandum of Understanding between the Grant Fund and Equity Fund

### C. Advisory Board

The GFCR Advisory Board (AB) is a multi-stakeholder body composed of an independent group of experts designed to provide recommendations and advice to the Executive Board of the Grant Fund and the Investment Committee of the Equity Fund. The primary functions of the Advisory Board are to:

- Discuss progress, challenges, and lessons learned, and relay best practices for coral reef protection and management.

- Advise on strategic issues put forward by the Executive Board and Investment Committee.
- Review coordination between Grant and Investment window and recommend ways to enhance alignment.
- Support the GFCR engagement in international initiatives, high-level events, and relevant forums.

The Advisory Board will consist of 11 Members, two of which will serve as Co-chairs, and that will include a range of scientists, government, and blue economy/finance advisors. At least seven members are required to be from the Global South, with a preference for GFCR target countries.

In August of 2021, the Secretariat initiated the process for establishing the AB, including producing the AB Terms of Reference (officially approved in October 2021), launching an Open Call for the nine regular Advisory Board members (which closed on December 2021), and initiating the application evaluation process. A key challenge in finalising the AB composition has been ensuring the gender and geographic balance required. It is anticipated that the AB members selection process will be concluded in Q2 2022.

#### D. Secretariat: Structure and Roles

The GFCR Secretariat was established in 2021 as the dedicated management structure supporting the GFCR Executive Board and administratively hosted by the UN MPTFO. The first Secretariat Project Document was approved by the GFCR Executive Board in March 2021, with a start date of 1 April 2021 and a first-year budget of \$840,000 allocated for activities and resources up to 31 March 2022 for the core team. The first year of operations included the Secretariat's core team building process with hiring and onboarding concluded by the third quarter of 2021. The five core team members comprising the GFCR Secretariat are:

- Head of Fund Secretariat
- Deputy Head of Fund Secretariat
- Programme Analyst
- Secretariat Coordinator
- Strategic Engagement & Communication Specialist

The Secretariat led the structuring and operationalization of the GFCR, ensuring strong alignment between the two core fund vehicles (Grant Fund and Equity Fund), as well as the development of tools and partnerships needed to support GFCR programmes in implementation and access to diverse sources of financing to close the coral reef funding gap.

In its role, and as a key function, the Secretariat supported the EB through meeting preparation and facilitating the documentation of all substantive agenda items. Ahead of each Executive Board meeting, the Secretariat held a preparatory call for members to ensure they were fully briefed and prepared for key decision points and Board discussions. To execute financial decisions of the EB, the Secretariat further guided funding recipients to meet the GFCR Administrative Agent's requirements towards the successful disbursement of allocations approved by the EB. The Secretariat also served as the main bridge between the Executive Board and meeting presenters (i.e., Convening Agents, implementing partners) by cascading the Board's strategic direction leading up to and following Executive Board meetings.

Programmatically, the Secretariat managed and guided seven (7) Convening Agents through the successful development of programmatic Concept Notes for preparatory grant approval. The Secretariat further conducted evaluations and iterative reviews of at least five (5) full programme proposals for endorsement prior to the Board meetings. As a result, the Secretariat produced evaluation memos and budget evaluations for the Executive Board to reference in decision-making discussions.

## E. Equity Fund Set-up

In Q1 2021 the GFCR required the identification of a financial organisation to act as the asset manager of the GFCR Equity Fund. The Secretariat, in coordination with BNP Paribas, conducted a landscape analysis of nine financial organisations and assessed investment experience, private sector expertise, value alignment and GCF funding application capabilities. Following close consultation with the GCF Secretariat, Pegasus Capital Advisors (PCA) was identified as the most suitable GCF Accredited Entity to serve as the asset manager due to its strong background in investing in sustainability and capacity to secure GCF financing demonstrated by PCA's GCF accreditation and their successful GCF proposal for the Sub-National Climate Fund.

Following this landscape analysis and in adherence to UNDP's Policy on Due Diligence and Partnerships with the Private Sector, the Secretariat assisted the MPTFO in conducting the due diligence with additional support from DDIQ (Cognitive Computing Due Diligence). Following completion of Due Diligence protocols, the Secretariat initiated the development of the Memorandum of Understanding with PCA. Negotiations with PCA are ongoing and several drafts have been produced and discussed with UNDP's legal counsel. The MOU is expected to be signed before the end of March 2022 and covers how the GFCR partnership between the UN coalition and donor governments and Secretariat will collaborate with PCA to uphold the GFCR's single Theory of Change and coordinate efforts in the areas of pipeline development, safeguards, monitoring and evaluation, resources mobilization, communications, and other areas.

## III. Building the Reef-Positive Investment Ecosystem

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### A. Approach

In 2021, the GFCR Executive Board endorsed the first iteration of the Fund's Investment Plan (IP), developed by UNDP and the Conservation Finance Alliance (CFA) with support from Swedish International Development Agency (SIDA). CFA is a technical advisor to the Fund under the UNDP GFCR project "Partnerships and Knowledge Management". To guide the GFCR's programmatic approach, CFA collected and assessed a wealth of information from independent research and a widely disseminated Request for Information (RFIs) across academia, international and local NGOs, blue economy private sector, UN agencies and other actors in development and marine conservation. UNDP was instrumental in coordinating the IP process and provided strategic input based on the GFCR Theory of Change, early lessons learned from Fiji and early frameworks of Grant Fund and Equity Fund modes of collaboration.

The IP recommended the prioritization of 34 countries for GFCR programming based on coral reef and biodiversity value, reef resilience to climate change, ODA and climate finance eligibility, and absence of trade restrictions to enable a blended finance approach that generates sustainable revenue streams for addressing local drivers of coral reef degradation while providing alternative livelihoods to empower local communities. Seven criteria were assessed for the prioritization of the coral reef countries:

- **Climate Change Resilience Ratio** (50% of total weighted score) – The number of r of sites within the country identified as climate refugia from the following studies: (1) 50 Reefs; (2) UNEP Coral Bleaching Futures (2017); (3) UNEP Coral Bleaching Futures (2020); (4) WWF Reef Rescue. This metric was highly weighted as implementation in resilient sites is a corner stone of the GFCR strategy.
- **Exceptional Reef Value Ratio** (10% of total weighted score) – Ecological reef value was calculated using coral reef extent using the UNEP Coral Reef Atlas, number of coral species, presence of RAMSAR sites, UNESCO World Heritage Sites, Blue Hope Spots and Bright Spots. This metric captures the ecological value of the sites and the potential to build strong stories that can resonate with communities, governments, and the public at large.
- **Reef Policy Ratio** (10% of total weighted score) – The reef policy ratio was calculated using the number of government commitments and pledges to different international coral reef initiatives. These include signing of the Coral Reef Life Declaration, Member of the high-Level Panel for a Sustainable Ocean Economy, Member of ICRI, and others. This metric aims to capture the baseline enabling environment conducive to implementing a blended finance approach for coral reef resilience.
- **Investment Environment Ratio** (15% of total weighted score) – The investment environment ration was calculated using World Bank scores of Ease of Doing Business, Enforcing Contracts, Control of Corruption, as well as annual inflation average, credit ratings from S\*P and Moody’s. This metric captured the investment friendliness of the country to attract international private sector investment to scale GFCR programme interventions.
- **Reef Dependence Ratio** (15% of total weighted score) – The reef dependence ration was calculated with data on coral reef tourism, number of coral reef fishers, value of coral reef fisheries, and value of coastal protection for local communities.

The result of the Investment Plan country prioritization analysis is provided in the table below.

## B. Business and Financial Models

Achieving the outcomes of the Fund requires the identification, development, financing, and successful implementation of a wide range of business models and finance instruments (or mechanisms) that support coral reef conservation and reduce the drivers of reef degradation. The Investment Plan outlines archetypes for revenue generation from three categories:

1. **Coral conservation activities** are those projects and programmes whose primary objective is to achieve reef conservation and use a blended finance approach to achieve these outcomes.
2. **Ecosystem conservation activities** address the goals of the Fund through targeting drivers of degradation.

3. **Conservation finance instruments** or mechanisms provide economic, market-based, or institutional means to generate, manage, and deploy capital and incentives towards achieving conservation outcomes.

The report includes figures of how coral conservation activities; ecosystem conservation activities and conservation finance instruments can be implemented synergistically to achieve an integrated ecosystem approach that address multiple local drivers of coral reef degradation. Below, a discussion on common models within the GFCR portfolio.

#### *Technical Assistance Facilities*

During the design of programmes in 2021, Convening Agents identified the challenge of limited existing investment-ready pipeline opportunities that align with the archetypes identified in the IP. Additionally, some opportunities that exist need to be adapted to ensure a measurable impact on coral reef ecosystems, to truly be “reef-positive”. To address this, Technical Assistance Facilities (TAFs) or Incubators have been integrated into GFCR programmes as key operational structures that allow for continuous pipeline incubation, adaption of business models to strengthen mitigation potential of local drivers of coral reef degradation and incorporate fundamental connections to priority protected coral reef areas such as financially contributing to the management costs of coral reef MPAs. Further, these TAFs may support the development of larger-scale financial instruments that can provide sustainable financing for coral reef conservation and restoration while also serving as the main coordination mechanism by creating linkages between interventions to achieve the integrated ecosystem approach.

TAFs also serve as focal point of collaboration between the GFCR Equity Fund and the Convening Agent programmes to identify and design deals that can be supported by technical assistance and matured to a stage that fits the investment criteria for larger equity investments. The model has already found success in Fiji, for which a TAF, managed by Matanataki a local partner, has identified 20+ potential interventions that are being vetted and improved for positive coral reef impact and financial viability. Three of these interventions are being explored by the GFCR Equity Fund to determine potential investment opportunities.

TAFs in the portfolio can also aggregate smaller interventions within investable portfolios to attract capital from the financing ecosystem of impact investment firms, development and commercial banks and others who would otherwise be unable to invest at small scales. The aggregation of deals, pre- and post-investment technical assistance and partner presence to monitor impact, provides investors with a holistic set of services that de-risks their investments and ensures quality M&E to communicate the environmental and socio-economic benefits of those investments. In some cases, such as the Philippines programme, a Financing Facility has been included to take on this more targeted role of sourcing investment capital and ensuring investor needs are met.

Of the five GFCR programmes approved in 2021, all include a TAF or incubator that will serve this function and provide pre- and post- technical assistance to supported interventions. Further, of the four programmes in the proposal development stage, the approved Concept Notes also included TAFs and are expected to be included in the final programme proposals.

### *Coral Conservation Activities*

Coral conservation activities are separated into three “sectors” which are protected areas (e.g., MPAs and LMMAs), coral restoration, and invasive species management. Within the portfolio of the five GFCR approved programmes, there are eight interventions specifically targeting the development of revenue streams for protected area management and enforcement.

The predominate model is the establishment of a Special Purpose Entity (SPE) through a co-management agreement between government, local organisations, or community groups, and sometimes the Convening Agent coalition. This model has been developed by Blue Finance, Convening Agent for the GFCR Philippines programmes but also a co-implementer in other GFCR priority programmes (i.e., Fiji, Kenya-Tanzania, The Bahamas).

SPEs are staffed by local community members and are responsible for the effective management, enforcement, and monitoring of specific MPAs, LMMAs and often networks of MPAs/LMMAs. The Convening Agent and partners provide technical assistance to strengthen the capacity of the SPEs to conduct their responsibilities. To generate revenue for management costs, SPEs can receive financing from eco-tourism, carbon credits, sustainable fisheries and other revenue generating interventions within and around the protected area.

Regarding coral reef restoration, this is a dynamic sector that includes permitting hurdles prior to implementation. In the 2021 approved programmes, the BahamaReefs programme includes two reef restoration interventions that are developing business models to become financially independent. In the other programmes, Convening Agents had difficulty in identifying coral reef restoration opportunities with revenue potential. To fill this existing gap, all TAFs include the scoping for and incubating of coral reef restoration opportunities and the GFCR expects there to be larger representation of identified implementers to progress on GFCR Outcome 3.

Invasive species management is addressed through effective protected area management that can physically remove the species as well as mitigate drivers of degradation that allow for their propagation. In other words, by reducing fishing pressure, improving water quality, limiting boat traffic, etc., the resilience of endemic species can be strengthened and reduce the chance of being outcompeted by invasives species.

### *Ecosystem Conservation Activities*

Ecosystem conservation activities are separated into eleven sectors ranging from sustainable fisheries, waste-water treatment, coastal agriculture, green shipping and others. The full list of sectors can be found in Section 4.4.2 of the Investment Plan. GFCR Convening Agents and TAFs identify opportunities within this sector list to address local drivers of coral reef degradation. In all cases, but especially for interventions that may have relatively less of a direct connection to mitigating local drivers of coral reef degradation, (e.g., seaweed mariculture) Convening Agents design interventions to strengthen linkages to priority coral reef areas through various modalities including providing alternative livelihood to reef fishers and business revenue contributing to the management costs of protected areas.



The predominate business models incorporated into the five approved GFCR programmes are ecotourism, aqua/mariculture, fisheries, coastal agriculture, and waste management. Ecotourism businesses seize on the value of healthy coral reefs to attract tourists and generate alternative livelihood incomes that in turn decreases the need to fish on the reef. Ecotourism is a familiar sector for most Convening Agents requires fewer intensive efforts for scoping and business model design.

Overfishing, destructive and illegal fishing are major drivers of coral reef degradation. In addition to physical damage that can result, depleted stocks of key species can lead to coral reef degradation. For example, overfishing of herbivorous fish results in less grazing of algae which can easily outcompete coral recruitment and growth, especially during the aftermath of a bleaching event. To address this driver and paired with stronger management and enforcement of protected areas, Convening Agents are developing sustainable fisheries through such modalities as prepaid fish models, supply chain improvements and micro-credit to fishers in exchange for transition towards sustainable practices and certifications (e.g., no-take periods, fishing quotas, etc.).

Aquaculture is a rapidly growing sector with high potential to scale and attract private sector investment. However, in the past, the sector has been a leading cause of degradation for coral reefs and associated ecosystems such as mangroves and seagrasses. Convening Agents have included interventions in sustainable mangrove aquaculture, sea cucumber hatcheries, and seaweed aquaculture that are properly designed to rehabilitate a degraded environment, ease fishing pressure, and increase livelihood opportunities for communities that rely heavily on coral reef fisheries for their subsistence and income.

Land-based coastal agriculture and poor waste management can be significant drivers of coral reef ecosystem degradation. Poor agriculture practices can result in eutrophication and sedimentation of coastal waters. The programme in Fiji, for example, aims to address the impact of the sugar cane sector by providing farmers with training in best practices in fertilizer application to avoid erosion while also offering cost-competitive non-synthetic fertilizer that has improved water and nutrient retention and thus reducing inputs into waterways. Similarly, waste management is a significant issue for coral reef countries, particularly Small Island Developing States (SIDS). Convening Agents in Fiji and elsewhere are scoping the development and improving of waste and waste-water management infrastructure including materials recycling components. In addition to tourism and sustainable food production, waste management is an investment pillar of the GFCR Equity Fund, and they are collaborating with the Convening Agents to structure and design these interventions to make the suitable for a large-scale Equity Fund investment.

### *Financing Instruments*

Different types of conservation finance instruments, including market based and commercial finance, can provide sustained financing for protected areas and support reef-positive livelihood development. Types of finance instruments include direct equity, debt (commercial and concessional loans), financial guarantees, Debt-for-Nature Swaps, Blue Bonds, Blue Carbon, and insurance products.

Equity investments are the primary investment modality of the GFCR Equity Fund which is de-risked by a GCF USD 125M investment in the junior tranche of the Equity Fund. Concessional debt and financial

guarantees are essential to de-risk investments and build financial track-record. These instruments can de-risk early-stage interventions for the Equity Fund or serve to de-risk non-equity investment opportunities that can then be invested in by other commercial investors after reaching financial milestones. These concessional instruments can come from a variety of sources including the GFCR Blue Bridge or other local and regional institutions with the capacity to do so. The de-risking power of these diverse forms of capital are catalytic to unlock investment capital at scale for reef-positive solutions.

Blue Carbon credits are represented in all five of the approved programmes and the GFCR expects further inclusion in all programmes. Following the success of terrestrial Carbon Credits to leverage financing for conservation, Blue Carbon credits which are currently on the Voluntary Carbon Market, have seen exponential growth in recent years. With the high connectivity between mangroves and coral reef ecosystems, Convening Agents have identified Blue Carbon credits as an avenue for finance. The programmes intend to focus blue carbon feasibility studies and implementation for mangrove and seagrass habitats tightly linked with priority sites. In addition to providing financing for restoration and protection of mangroves and seagrasses, the sale of blue carbon credits will also contribute to the management costs the associated MPAs and LMMAs. For example, the GFCR supported Blue Carbon intervention in the Philippines programme can generate USD 14.2M over 30 years in gross revenue. Further, the BahamaReefs programme intends to explore the feasibility of pairing carbon credits with the value of resilience and even biodiversity as an innovative approach to attract buyers to projects by including the additional value of biodiversity and resilience into the credit.

Parametric reef insurance is also being explored by programmes, particularly the BahamaReefs programme as TNC, the Convening Agent, developed the instrument for Quintana Roo in Mexico. The premium paid by the government or sectors benefiting from coral reef ecosystem services, is used to pay for reef brigades that conduct coral reef restoration after major storms events.

Although the GFCR is not currently supporting Debt-for-Nature Swaps or the development of Blue Bonds, there is high probability that enabling work for these financial instruments will be included in future proposals. Further, GFCR programmes intend to seize on these financial instruments as part of the financial ecosystem. One such example is the programme in PNG, where a new national Biodiversity and Climate Fund will explore a Blue Bond which may contribute to the activities of the programme. In Fiji, a Blue Bond may also provide de-risking to pipeline deals to attract investors, but the discussions are in the very early stages. In the Kenya-Tanzania Transboundary Conservation Area programme led by WCS as Convening Agent, during the initial phase the programme will explore the feasibility of Nature Stewardship Bonds and Corporate Biodiversity Bonds to contribute financing to coral reef conservation and restoration.

### C. Lessons learned

Following the first year of programming, the challenges of acquiring information on environmental, including location of climate refugia, and socio-economic baselines became apparent. During proposal development, Convening Agents were limited in their ability to identify specific focal areas and the scale and point sources of local drivers of degradation. Further, global studies like 50 Reefs are a first step in the prioritization process but the identified Bio-Climatic Units (BCUs) are 500km<sup>2</sup>, an area much larger

than the scale of most focal areas for GFCR programmes, thus, additional ground truthing is needed. In many countries within the GFCR portfolio, this critical baseline information is missing or outdated.

Additionally, Convening Agent pipeline scoping during proposal development for reef-positive interventions proved to be a significant challenge. Business models with assured impact on coral reefs and that were financially viable were limited as the reef-positive blue economy is nascent and capacity in GFCR countries needs to be strengthened.

To address these issues around lack of baselines and limited pipeline, programmes moved toward a phased approach. An initial phase of one to two years is recommended to conduct baseline and feasibility assessments, set-up operational structures, policy work, partnership building and engagement with stakeholders. In collaboration with the Equity Fund and Convening Agent partners, the initial phase will still include pipeline incubation, revenue generation, policy work and commercial investments but out of necessity, foundational work is key in the initial phase to strengthen enabling conditions, inform design and priorities of a programme's blended finance approach. Following the initial phase, a second phase sets the objective of scaling and replication of successful and promising interventions by increasing both concessional and commercial investment, including direct investments by the GFCR Equity Fund. Throughout a programme's lifetime, adaptive management will be needed as new developments come forth in coral reef science, restoration technologies, blended finance, etc.

A third lesson learned was the need for capacity building of Convening Agents to bridge conservation objectives with scalable revenue generating interventions that can attract diverse sources of investment capital to close the coral reef funding gap. Convening Agents are experts in conservation and small-scale livelihood development, however, partnerships with the private sector can be limited. This may lead to a strategy that does not integrate programme activities and milestones that meet the investment viability requirements that can attract private sector investment and amplify impact. During proposal development, this required several iterations of feedback with Convening Agents to improve their programme strategy, which led to the inclusion of organisations like Okavango Capital, NatureVest, GFCR Blue Bridge joining programme coalitions to ensure private sector expertise is encompassed within the programme's coalition of partners. Further, the GFCR, with partners and technical advisors, is planning a series of Convening Agent webinars on blended finance and business incubation to accelerate the learning curve in this relatively new space for the blue economy and coral reef conservation.

A similar challenge was the GFCR Equity Fund not being fully established, with the first priority being the proposal to the GCF to de-risk investments. Following the approval of the GCF investment in the junior tranche of the Equity Fund, and proof-of-concept engagement between the TAF in Fiji, more clarity was provided to Convening Agents in the latter half of 2021. This included information on GFCR Equity Fund appropriate ticket sizes, applicable sectors, and how to operationalize collaboration with the Convening Agent. A need identified was the ability to have flexible grant funding within incubators and TAFs to design scalable business models with pre- and post- investment technical assistance to strengthen the impact case and investment attractiveness. In 2022, the engagement strategy between Convening Agents and the GFCR Equity Fund will establish clear modes of collaboration as the GFCR Equity Fund team is fully in place and the five GFCR programmes being initial implementation.

Finally, an important lesson learned was the need to build the financial investment ecosystem through new partnerships and networks as not all interventions will meet the criteria of the GFCR Equity Fund. The GFCR Equity Fund is one piece of the financial ecosystem and Convening Agents would benefit from new investor relationships as their existing networks have limited investor representation. By strengthening Fund-level GFCR partnerships with impact investing firms, development banks, commercial banks, and others at the Fund level such as the Asian Development Bank who is bolstering their support for Blue Economy initiatives; the GFCR can connect programme pipeline with investor capital. In addition to building the GFCR network of blue economy investors, guidance was provided to Convening Agents to incorporate investor fundraising into their programme activities so that capacity to do so is strengthened at the local level.

## IV. GFCR Programme Portfolio

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This section provides an overview of the 2021 GFCR Programme Pipeline, including the development process. Over the course of the year, the GFCR Executive Board approved USD 0.95M for seven (7) preparatory grants for programme proposal development and USD 23.7M for five (5) programme proposals.

### A. Programme Development

#### *Geographic Prioritization*

As presented in Section III, the GFCR Global Team used the Investment Plan longlist of 34 priority coral-reef countries to guide priority programme development. Round 1 of GFCR Grant Fund priority programmes were fully identified using the IP and are listed in Table 2 below. For Round 2, the Secretariat applied a more comprehensive set of criteria to select the next round of programmes. The criteria included were:

- Countries on the IP longlist and additional consultations with CFA;
- Review of IP Request for Information (RFI) site and business model submissions database;
- Potential for a regional programme to address challenges of scale and catalyze regional cooperation for marine conservation;
- Eligible Official Development Assistance (ODA) status (2021);
- NOL status of countries on the Pegasus Green Climate Fund proposal to establish the GFCR Equity Fund;
- Positive confirmation of Grant Fund programme interest by Pegasus during the GFCR Retreat in August 2021;
- BIOFIN presence to explore potential collaboration on creation of sustainable finance solutions and;
- Presence of marine sites on UNESCO World Heritage List;
- Additional input from partners and the GFCR Executive Board.

The list of “Round 2” programmes was approved at the third GFCR Executive Board meeting and is included in Table 2 below. By the end of 2021, the Round 1 and Round 2 GFCR country/region programmes

prioritization had been completed, totaling twenty-two (22) programmes in the GFCR pipeline. Approval of Round 1 programme full proposals will be completed in 2022, with Maldives and Solomon Islands being the only pending EB approval. For Round 2, programmes will be considered by the Executive Board in 2022 and into 2023.

*Table 1: Countries and Regions selected as the GFCR Round 1 and Round 2 programme pipeline.*

<b>Round 1</b>	(1) Fiji; (2) Indonesia #1; (3) Kenya-Tanzania; (4) Maldives; (5) Mesoamerican Reef; (6) Papua New Guinea; (7) Philippines; (8) The Bahamas; (9) Solomon Islands
<b>Round 2</b>	(1) Brazil; (2) Colombia; (3) Dominican Republic; (4) Gulf of Aqaba; (5) Indonesia #2; (6) Madagascar; (7) Malaysia; (8) Melanesia and Polynesia; (9) Micronesia; (10) Mozambique; (11) Seychelles; (12) Sri Lanka; (13) Viet Nam

### *Programme Design*

The GFCR Global Team implemented a standard process for the development of programmes which followed three stages.

- 1. Pre-selection of Convening Agents** - Open calls disseminated through UN and partner networks to assess suitability of organizations to act as Convening Agents for specific geographies. These open calls include the Request for Information conducted by CFA in 2020 and the Expression of Interest (EOIs) conducted twice by the GFCR Secretariat in 2021. Following and assessment of the submissions, the GFCR Global Team conducted follow-ups with potential organisations to further gauge capacity and interest in the Convening Agent role. By the end of 2021, of the thirteen (13) Round 2 countries and regions, the EOI process was not able to identify suitable candidates to act as Convening Agent for only three priority geographies.<sup>1</sup>
- 2. Concept Note**— Following the pre-selection of Convening Agents, the GFCR Secretariat invited the organisations to develop a Concept Note. This is a collaborative process between the organisation, the GFCR Secretariat, and the GFCR Equity Fund. During this process, Convening Agents develop a budget and workplan for the full programme proposal development process and can be awarded up to USD 100,000 for programme proposal development. Once evaluated by the Secretariat, the Concept Note goes for consideration by the GFCR Executive Board. If approved, the organisation is awarded the preparatory grants and is officially the GFCR Convening Agent for the priority geography. The role of the Equity Fund focuses on identifying how potential Grant Fund interventions in any given programme could be linked to the GFCR Equity Fund.
- 3. Programme proposal** – During the development of the programme proposal, Convening Agents conduct a variety of activities to inform the design process. This includes, engaging with potential local partners from diverse sectors, stakeholder meetings with local communities and government officials, site-visits, and conduct scoping to identify ‘quick-wins’ interventions. This too is a collaborative process between the Convening Agent, the GFCR Secretariat, and the GFCR Equity Fund and typically takes from five months to a year. Once the proposal is deemed to adhere

<sup>1</sup> A third EOI is expected to be conducted in May 2022, to identify potential Convening Agents for (1) Dominican Republic; (2) Melanesia and Polynesia; (3) Vietnam.

to the GFCR Theory of Change and overall approach by the Secretariat, it is shared with the Executive Board for consideration.

## B. Approved Programmes

This section provides an overview of the five (5) programme proposals that were approved by the Executive Board in 2021. This includes an overview of the programmatic approach and activities conducted during the proposal development period.

By 2030, these five programmes intend to increase the resilience of more than 150k hectares of coral reefs by addressing local drivers of coral reef degradation, provide enhanced ecosystem services to over 380k local beneficiaries, create 2,500 jobs, incubate more than 50 reef-positive interventions, and utilize GFCR grants to leverage by x4 the investment into reef-positive solutions.

Country/Region	Hectares of coral reefs with greater resilience (ha)	Beneficiaries	Jobs created	Reef-positive Interventions Incubated	GFCR Grant to Investment Leverage
Fiji	49,000	40,000	350	15+	1:9
The Bahamas	TBD	83,000	200	15+	1:2
Kenya-Tanzania	34,000	100*	TBD	6*	TBD
Papua New Guinea	23,300	10,000*	250*	10*	1:4
Philippines	56,000	250,000	1,700	10+	>1:2
<b>TOTAL</b>	162,300	383,100	2,500	56	~1:4

An asterisk (\*) indicates a for the initial phase only

### Fiji - Investing in Coral Reefs and the Blue Economy (CRBE)

#### Snapshot and Impact Targets

**Convening Agent:** UNDP  
**Approval Date:** February 2021  
**Programme Lifetime:** 2021-2030  
**Grant Approved (USD):** \$4.7M  
**Grant Disbursed (USD):** \$1.0M  
**Est. Target for Coral Reefs Area Improved:** 49,000 ha  
**Beneficiaries:** 40,000  
**Jobs created:** 350  
**Reef-positive Interventions Incubated:** 15+  
**Est. Private Sector Leverage:** 1:9

#### Overview

The Joint Programme (JP), Investing in Coral Reefs and the Blue Economy (CRBE), is supported by the GFCR and the UN Joint SDG Fund (JSDGF), and was approved in Q1 2021 by both the GFCR and JSDGF Executive Boards for a total grant cost of USD 10M (GFCR = USD 4.7M; JSDGF = 5.4M).

The Convening Agent, UNCDF and UNEP are working with implementing partners to develop a pipeline of reef-positive bankable projects by providing a blend of technical assistance, performance grants and concessional capital to incubate and de-risk reef-positive interventions, attract private sector investment, and monitor progress in addressing local drivers of coral reef degradation while providing livelihood opportunities to local communities. Technical assistance and pipeline deals are primarily identified and incubated by:

- **LMMA Blended Finance Facility managed by Blue Finance:** The facility aggregates investments into Special Purpose Entities (SPEs) that will effectively protect, manage and monitor Locally Managed Marine Area (LMMA) networks of priority coral reef sites in Fiji. Due to limited self-financing capacities, MPAs and LMMAs often lack the resources to adequately protect, manage and improve coral reef ecosystems. To address this issue, the facility aggregates investments into the SPEs with revenue streams from new and existing reef-first businesses within and around the LMMAs. The JP provides grants, public investment, concessional loans and loan guarantees to de-risk the private impact investments into the SPEs.
- **Technical Assistance Facility managed by Matanataki:** A gender-responsive Technical Assistance Facility (TAF), coordinated by UNCDF in collaboration with Matanataki (local partner) to identify, design and incubate reef-positive businesses that can attract private sector investment. Two of the initial transactions being supported are a non-synthetic fertilizer company to reduce eutrophication and sedimentation from the sugar cane sector to improve reef health; and a waste management facility with a recycling component to reduce solid waste and landfill leaching impacting Fijian coral reefs. The GFCR Equity Fund is interested in both these transactions as well as other deals identified by the TAF.

The dual support from the JSDGF and GFCR and early approval of the CRBE programme, allowed the GFCR to have its first programme under implementation in the Fund's first year of operations.

#### *Milestones Achieved*

In this first year of implementation, the Participating UN Organizations (PUNOs) highlighted two main achievements:

1. **Coordination, Collaboration and Consistency** – The three PUNOS (UNDP, UNCDF, UNEP) were able to mobilise support for and enhance collaboration with Non-UN Organizations (NUNOs), Fijian Government agencies and local communities involved in the implementation of the JP. UNDP, as the Convening Agent, worked with UNCDF and UNEP to coordinate internal resources to facilitate JP deliverables in the most efficient way possible despite numerous limitations due to COVID-19, demonstrating a 'One UN' approach for common development objectives. The PUNOs worked with NUNOs to sequence and coordinate specific activities and deliverables that could be delivered within the COVID-19 and Tropical cyclone constraints. Constant planning meetings, idea sessions and fund disbursement planning meetings between the PUNOs and NUNOs ensured that most of the JP deliverables were achieved in a timely manner. The PUNOs also worked with the NUNOs to engage Government agencies and communities on JP interventions. For example, PUNO reps were part of meetings held with the Galoa Village community to disburse initial funding support to help the community better understand the JP objectives. PUNO reps were also part of meetings with the Ministries of Economy, Fisheries and Environment to introduce the JP deliverables before and after the first Steering Committee Meeting which includes representation from the Fijian government. PUNO representatives were also part of discussions with stakeholders working on Fiji's Blue Bond issuance to chart blended financing synergies with the ICRBE programme. Such collaboration between PUNOs, NUNOs, Government and communities not only helped to continue the ICRBE momentum amongst stakeholders but helped managed

expectations on deliverables and find innovative ways to keep the JP implementation going despite numerous COVID-19 restrictions.

2. **Timely Mobilization and Utilization of Resources for Reef-Positive Deliverables** - NUNOs have done exceptionally well to utilize funds that have been released to them despite the fact that all grant and loan agreement were finalized from August 2021 and onwards giving only four months to utilize funds for implementation until 31 December 2021 coupled with COVID-19 restrictions.

A detailed overview of the activities conducted by NUNOs and PUNOS during the reporting period is provided below.

### **LMMA Blended Finance Facility**

Blue Finance is constructing a pipeline of bankable projects providing a blend of technical assistance, performance grants and concessional capital for de-risking the development and implementation of revenue streams for the effective management of LMMA sites. The model establishes Special Purpose Entities to manage the LMMA network and associated revenue streams.

The projects will leverage finance from private investors and other financing facilities with expected private sector investment in a USD 10M blended finance facility for effective management of 30 Locally Managed Marine Areas (LMMAs). In 2021, USD 100k has been provided to Blue Finance to identify a pipeline of LMMAs that can be financed through a SPE blended financing model.

LMMA screening feasibility study has been completed by Blue Finance which has identified three additional LMMA sites, in addition to the nine in the Korolevu-i-Wai LMMAs initially proposed, that can be part of the overall LMMA financing pipeline. The three new LMMA sites that have been identified are Beqa Lagoon Conservation Park, Mamanucas Marine Park and Somosomo Straits Initiative. The new sites were sourced from the Fijian Government, PUNO partners and Blue Finance project partners. The project stakeholders and potential partners identified in the assessment are now being consulted by Blue Finance to ascertain interest to participate in the JP and leverage resources from the blended finance facility being established.

At the heart of the Coral Coast, the **Korolevu-i-Wai district** was identified as a priority LMMA network when the IBRCE programme was approved. Blue Finance has been advising the Coral Coast Conservation Center, a Fiji-registered conservation organization, on securing preliminary consent from villagers about a co-management arrangement for LMMA management. Blue Finance has also received USD 120k in grants to develop a Sea Sensorium visitor centre for the district to support LMMA SPE revenue generation. A business model, business plan and market analysis were completed outlining tentative fee structures, revenue estimates and market demand modeling. Two potential sites have been identified for construction of the Sea Sensorium and project proponents are now working on socializing the components of the Sea Sensorium with nearby tourism operators who can be market partners and include the Sensorium as part of their tourist packages. The combined indoor and outdoor experience is expected to have visitors engaging with not only the natural environment but with coastal communities near the Sea Sensorium – Vatoua Village is expected to be the immediate beneficiary in this regard.



In 2022, the project proponents will be working on developing a Sea Sensorium masterplan and finalizing site selection, designing eco-tourism programmes with tourism operators in and near the Korolevu-o-Wai area, undertaking operational enhancements to the current LMMA (e.g., setting up buoys and moorings, MPA signages, undertaking fishery improvement programmes) and building off current efforts of the Coral Coast Conservation Center such as coral spawning activities. Further consultations are planned for early 2022 with the villagers in the district to discuss the plans for the LMMA network. The intention is to create a local visitors market as well to help create national awareness on LMMA and MPA issues in the context of coral reef preservation.

Additionally, within this programme pillar and in the Korolevu-i-Wai district, Beqa Adventure Divers (BAD) received a grant of USD 67k in November 2021 which it used to immediately conduct community consultations and an information session in Galoa Village with regard to BAD's operations in the Serau Shark Reef Marine Reserve (SSRMR). Galoa Village are in an agreement to adhere to fishing restrictions in the SSRMR in exchange of receiving periodic payments from revenue generated by BAD through visitor user fees.

Through the grant provided to BAD, a USD 5k payment was issued to Galoa Village as partial compensation for the lack of user fees collected levied at the Shark Reef Marine Reserve (SRMR) during Fiji's lockdown at the height of COVID-19 pandemic. Half the payment was made to each of the five Mataqali clans of Galoa Village and half transferred to the Galoa Village Account for community development needs. A brush cutter, as per a direct request by the village, was purchased using those funds. These payments were crucial to compensate the community for not receiving any revenue from the SRMR and still abiding by the 'no take' law of the SRMR Marine Protected Area. Alternatively, the Village could have quietly begun to fish in the SRMR to catch more fish and sell for revenue but according to BAD's monitoring, the Villages abided by the 'no take' zone.

Furthermore, BAD used the grant funds to conduct extensive consultation with Ministry of Fisheries and local government authorities. This resulted in consistent Poaching Patrols ('PPs') done in the SRMR. During the reporting period, BAD ran a total of 19 PPs: 8 Daytime; 11 Night-time. The objective of these initial PP was to both educate and deter would-be poachers, as further consultations are conducted to ensure collaboration with local fisheries. During the PPs, BAD encountered, and/or surprised groups of poachers. They informed and educated them on the status of SRMR, prohibited activities and boundaries in addition to issuing warnings of future apprehension and penalties for continued illegal activity.

At the end of 2021, BAD began the process of hiring an experienced local consultant to undertake a Benthic Assessment for the SSRMR. The assessment will entail analyzing changes in benthic community of macro-invertebrates in relation to the organic enrichment associated with anthropogenic activities affecting reef systems. Baseline reports for the SSRMR are expected to be completed by early 2022 and fieldwork and staff trainings to support BAD staff will be done between April 2022 and May 2022. This will be followed up with resurveys and data analysis six months after initial training is completed for BAD staff.

## Technical Assistance Facility

Matanataki, a local financial advisory firm focused on financing solutions for sustainable projects and businesses, is leading the Technical Assistance Facility (TAF) programme pillar to identify and incubate businesses with a reef-positive impact. Two early transactions were integrated into the approved proposal due to their investment readiness, a non-synthetic fertilizer factory and a sanitary landfill with refuse stations.

Matanataki has received grant funding of USD 150k for preparatory works of the TAF. Matanataki has put together a TAF advisory board, named the Matanataki Hatchery, consisting of professionals in agriculture SMEs, marine projects, finance, etc. Of the five members that are part of the Matanataki Hatchery, three are women. The Matanataki Hatchery has met once and has been able to identify two projects, in addition to the fertilizer factory and sanitary landfill, that are ready to be developed further under the TAF. These projects are a business that will dry and process sargassum and crown-of-thorns starfish for bio-fertilizer and a sea cucumber aquaculture business that uses hatchery-grown juveniles which are grown out by farmers in nearby communities.

Matanataki received a grant of USD 190k for preparatory work regarding The Fertile Factory Company (TFFC) transaction. Using the funds received, Matanataki and Waste Clear Fiji (TFFC project proponents) developed a comprehensive farmer training programme that is centered around sustainable soil management using organic/natural fertilizers and farming practices. Such trainings are expected to help farmers understand the need to switch away from chemical-based fertilizers due its adverse impact on not only soil acidity but on the broader ecosystem that include waterways, rivers, and the associated coral reefs. Over a two-week period, TFFC conducted the abovementioned training programme with 13 famers of which three were women, with more trainings planned for 2022. These farmers are expected to be champions for sustainable agriculture and organic farm fertilizers that will ultimately benefit reef health.

Furthermore, a comprehensive Environment Impact Assessment (EIA) of the TFFC was completed using part of the JP grant funds. The EIA ensures that the operations of the TFFC will be in line with Fiji's national laws and regulations and provides an additional layer of assurance that the TFFC work will be aligned to reef-positive principles. The EIA has been lodged with the Department of Environment in December 2021 and is now awaiting final feedback.

The Western Landfill Project (WLP) project's Phase I (landfill and core refuse transfer stations) investment is estimated to be USD 8.5M. Currently, Fiji generates around 200,000 tons of municipal solid waste annually. Much of this is disposed of at the sanitary landfill at Naboro, located some 24 km from the capital Suva City. By being the second sanitary landfill, it will help divert waste and extend the longevity of the Naboro landfill.

The landfill will service 350,000 people in the Western Division, and eventually 900,000 tourists that come to Fiji (peak numbers when tourism return to normal levels). Jobs will be created through the construction work and operations of the landfill and refuse transfer stations. For example, the Materials Recovery Facility which will be built out in Phase II will create approximately 30 construction jobs and 18 operational jobs. The vision of the landfill is to create a space for adjacent businesses such as those in

recycling/upcycling to incubate their business ideas and integrate into the landfill value chain. About 100,000T/y of waste is expected to be redirected away from coastal dumpsites that are currently directly causing coastal pollution which affects Fiji's reef systems. Having a sanitary landfill will prevent waste and leachate into coastal waters, and 0.5ha p.a. mangrove forest loss is expected to be avoided. As a result, 560MT fish stock on a 1,000ha area is expected to be replenished and 30,000 t/y in GHG emissions offset.

Matanataki has been designing the deal structure with Althelia-Mirova, Pegasus Capital Advisors, and UNCDF. Initially the expectation was debt from Althelia-Mirova and UNCDF, and equity from Pegasus. Given keen interest from the two commercial investors in the project, UNCDF's capital may be deployed as a guarantee to de-risk the commercial investments. The investment structure will take more concrete shape in Q1 2022, also as Matanataki sets up a Special Purpose Vehicle to manage the TAF's portfolio of interventions. A cause for delay is due to the Fijian Government requirement for an open tender process to select a private sector partner to implement the WLP. Preliminary discussions were held between the Minister for Economy and Matanataki in August 2021 during which the Minister informed that the Fijian Government can only commit to an exclusive Public Private Partnership arrangement if a tender process is followed. The tender process will enable the Fijian Government to commit to aspects such as guaranteed gate fees, exclusivity of operations, first right options upon eventual long-term exit of private sector operator and any state land commitments.

### *Challenges*

The JP implementation progress was severely affected by complete COVID-19 lockdowns in Fiji that restricted any form of collective movement and gathering. Moreover, international entry into Fiji was extremely limited and only permitted for emergency cases. This prevented technical experts to come to Fiji for field studies. The JP was mainly limited to desk top research/study and strategy definitions in 2021. While this resulted in minor on the ground activities, it gave plenty time to clearly strategize the best implementation plan. Field work was to begin in early January 2022 but has been delayed due a cyclone. However, all deliverables are now on track to accelerate with all project proponents gearing up for on ground implementation from February 2022.

The Government and the UN typically have longer lead times and requirements to execute approvals compared to the private sector. Lead times were further exacerbated by the Covid pandemic due to work from home arrangements and travel restrictions, delaying the timeline for acquisition of baseline assessments of coral reef health which is to be prioritized in 2022.

In the case of The Fertile Factory Company, substantial investment readiness time was spent on securing the land lease. To address this, the UN provided letters of support to the TFFC team to provide extra assurance to the Ministry of Lands. Going forward, to speed up execution, the UN will also provide advisory support to the Government to roll out public tenders for public and private partnership projects. In the case of TFFC, the spike in global shipping costs also has an impact on the cost of the setting up the production facility. The UN provided a letter of support so that the proprietor could mobilise initial funding to put in a deposit for the equipment and is in advanced stages of the investment due diligence process.

Delays in recruiting the project management team was another challenge until all recruitments were finalized in December 2021.

## The Bahamas - Impact Funding for BahamaReefs (BahamaReefs)

### Snapshot and Impact Targets

**Convening Agent:** TNC  
**Approval Date:** September 2021  
**Programme Lifetime:** 2021-2030  
**Grant Approved (USD):** \$8M  
**Grant Disbursed (USD):** \$500K  
**Est. Target for Coral Reefs Area Improved:** TBD  
**Beneficiaries:** 83,000  
**Jobs created:** >200  
**Reef-positive Interventions Incubated:** 15+  
**Est. Private Sector Leverage:** 1:2

### Overview

The Nature Conservancy (TNC) is the Convening Agent for the GFCR Bahamas programme, Impact Funding for BahamaReefs (BahamaReefs). At the 3rd GFCR Executive Board meeting, the programme proposal was approved for a total grant cost of USD 8M to support the vision to 2030.

BahamaReefs objective is to create and operationalize innovative financial mechanisms that leverage private funding and support reef protection, restoration, and reef-positive businesses. Four high-level interventions will be implemented through BahamaReefs: (1) Research and planning; (2) Pipeline development; (3) Execution of investment opportunities; and (4) Monitoring and Evaluation.

TNC identified seven pipeline opportunities during proposal development that are prioritized for implementation and designed to generate revenue while address local drivers of coral reef degradation:

- a. **Blue Economy Programme Accelerator (BEPA)** – TNC is collaborating with the Bahamas’ Access Accelerator Small Business Development Centre (SBDC) to establish a Blue Economy Programme Accelerator focused on identification and incubation of MSMEs operating reef-positive businesses in sustainable tourism, sustainable fisheries and aquaculture, wastewater/plastic waste management, organic agriculture, and ecosystem restoration services.
- b. **Blue Carbon and Resilience Credits** – Development of credits to be commercialized in the voluntary credit market that combine the value of carbon offset and coastal resilience to finance mangrove conservation and restoration projects in priority coral reef MPAs.
- c. **Reef and mangrove insurance** – Replication of the Mexico’s Quintana Roo reef insurance mechanism developed by TNC to secure investments in Bahama reefs restoration and recovery following storm impact. The reef insurance mechanism in The Bahamas is in feasibility phase, with grant support requested for the development of the business case. TNC is also looking to expand the concept to be inclusive of mangroves in priority MPAs.
- d. Minimizing the ecological impact of tourism in Elizabeth Harbour
- e. **Blended finance for the effective management of MPAs** – Implementing Partners, Bahamas National Trust (BNT) and Blue Finance are partnered to develop tangible revenue mechanisms for the effective management of the MPAs, with initial focus on the Andros MPA network.
- f. **Coral Vita** – This implementing partner uses an innovative approach to coral reef restoration, as its primary emphasis is on land-based coral aquaculture rather than ocean-based nurseries. This offers key advantages, such as being able to acclimate corals to predicted future ocean conditions, accelerated coral growth rates through micro-fragmenting, and improve the

economies of scale for farming. Coral Vita takes a commercial approach to unlock critically needed sustainable financing to support ecosystem-scale restoration. Simultaneously, the farm serves as a revenue-generating eco-tourism attraction as well as establishing restoration service contracts with the government or the private sector for restoration services.

- g. **Reef Rescue Network** – Led by the Perry Institute of Marine Science (PIMS), this intervention aims to build the business case implement a viable model for coral reef restoration through tourism reef restoration packages.

The Programme will follow a pipeline approach where initiatives evolve gradually from a pilot phase, when they are mainly supported through grants, to development and maturity phases, when they are able to access other types of capital, including concessional and commercial debt and equity.

#### *Impact and Leverage Potential*

Environmental impact targets will be defined in the inception phase of the programme to begin in 2022 when TNC and the partners develop the specific M&E plan for each intervention and conduct baseline assessments. It is estimated that 83,000 Bahamians will benefit from healthier reefs at the initial implementation sites through food security, improved income and increased coastal protection. The Blue Economy Programme Accelerator alone is anticipated to create at least 100 additional jobs.

The projected total investment capital leverage for BahamaReefs is USD 15.5M. Approximately USD 10M of equity investment will be sought from the GFCR Equity Fund, while the remaining USD 5.5 million will be sourced through external debt financing. Not considering the projected revenues from BahamaReefs initiatives, the expected programme leverage ratio of grants to investment capital is 1:2. If the leverage potential considers the projected revenues as private finance attracted to coral reefs, the total leverage ratio becomes 1:9.

#### *Partnerships and Engaged Stakeholders*

The Programme is led by TNC as Convening Agent and partnered with the TNC investment team NatureVest as a key technical partner with support from GFCR Blue Bridge. Other implementing partners and stakeholders of the programme include:

- **National authorities:** Ministry of Environment and Housing, Ministry of Agriculture and Marine Resources
- **Civil society organizations:** Access Accelerator Sustainable Business Development Center (SBDC), Bahamas Protected Areas Fund (BPAF), Perry Institute for Marine Science (PIMS), Elizabeth Harbour Conservation Partnership (EHCP), Bahamas National Trust (BNT), Blue Finance, NatureVest
- **Private sector:** Coral Vita
- **Other:** GFCR Blue Bridge

*Proposal Development (February-September)*

Three key achievements occurred during the proposal development stage:

- TNC designed a project pipeline with 7 interventions to address reef degradation, transform local communities and increase coral reef resilience;
- Multiple stakeholder consultations were conducted to raise awareness about GFCR, encourage support, promote collaboration and to mobilize resources for the BahamaReefs Programme and support from the government was secured with a Letter of No Objection of the BahamaReefs Programme was successfully obtained from The Bahamas Government.

Challenges encountered during proposal development included:

- The BahamaReefs Programme was met with some trepidation by local actors and stakeholders due to novel funding concepts such as reimbursable grants, concessionary loans and equity investments.
- Due to compressed timelines and limited resources, further work is needed to validate and ground truth coral refugia sites near focal areas. Additionally, a lack of relatively recent baseline assessments regarding coral reef sites and local drivers of degradation hindered the ability to set targets for indicators at the proposal stage.

Lessons learned during the preparation grant phase:

- Partnerships are invaluable, The BahamaReefs Programme provides a great opportunity to establish new relationships in the world of sustainable conservation financing.
- TNC should consider being more strategic in assessing how current interventions within the project pipeline can be combined to improve project efficiency and to scale-up impact.
- The impacts of COVID-19 and the advancements in technology have outpaced and displaced many Bahamians. If the BahamaReefs Programme is to be successful, the project must employ innovative strategies to reach local communities.

## Kenya-Tanzania - Miamba Yetu: Sustainable Reef Investments

### Overview

#### Snapshot and Impact Targets

**Convening Agent:** WCS  
**Approval Date:** September 2021  
**Programme Initial Phase:** 2021-2023\*  
**Grant Approved (USD):** \$3.1M  
**Grant Disbursed (USD):** \$2.8M  
**Est. Target for Coral Reefs Area Improved:** 34,000 ha  
**Beneficiaries:** 100\*  
**Jobs created:** TBD  
**Reef-positive Interventions Incubated:** 6\*  
**Est. Private Sector Leverage:** TBD

*An asterisk (\*) indicates a target for the initial phase only*

The Wildlife Conservation Society (WCS) is the Convening Agent for the regional programme for the Kenya-Tanzania Transboundary Conservation Area (TBCA). At the 3rd GFCR Executive Board meeting, the initial phase of the programme (two-years) was approved for a total grant cost of USD 3.1M.

The Trans-Boundary Conservation Area (TBCA) is a unique example of a transboundary conservation initiative in East Africa. It contains a network of marine parks, marine reserves and community-managed areas that have a high degree of ecological and social connectivity but

suffer critical gaps in management effectiveness and infrastructure. The coral reefs in the TBCA are generally rich in marine biodiversity, demonstrate recovery trajectories after bleaching events and support many local fishing communities. There are over 380 species of bony fishes, and the critically endangered coelacanth has been recorded in the Tanga Coelacanth Marine Park along with multiple species of sharks, sea turtles and other emblematic species. With rapid economic growth in the region, the area is threatened by coastal development, solid waste including plastic, agricultural run-off and unsustainable fishing pressure.

The programme is designed with the following interventions:

- **SME Facility** that will invest into reef-positive pipeline transactions. Potential early investments include a plastic recycling project, micro-forestry project and two coastal tourism interventions, one of which is in Pemba.
- **Venture Studio** for smaller scale community initiatives with a longer time horizon to maturity and investment readiness.
- **Nature Stewardship Bonds**, an innovative model developed by Conservation Capital through Mwenzi Capital to leverage the positive power of democratized business ownership as a tool for driving enhanced social equity and environmental impact.
- **Corporate Biodiversity Bonds**, a bond jointly issued by a company and a conservation organization to fund the implementation of biodiversity offsets (or other conservation driven activities) in accordance with the mitigation hierarchy.

WCS chose to take an inception phase approach to allow for scientific/feasibility studies, triage evaluation of economic and coral reef benefits of interventions prior to investment, development of the SME Facility and Venture studio, and preparation of two “quick-win” deals for early-stage investment. The foundational activities during the inception phase will inform WCS of the impact targets, pipeline opportunities and programme costs for the next phases of the programme.

### *Impact and Leverage Potential*

During proposal development, WCS identified regional gaps in baseline data and interventions that were investment ready and/or were properly designed to maximize mitigation of local drivers of coral reef degradation. Thus, the impact targets will be informed during this inception phase as activities related to pipeline incubation and baseline assessments are conducted. WCS will conduct socioeconomic and ecological assessments for twenty sites within and around the TBCA and provide USD 900k to two early pipeline deals within the inception phase.

### *Partnerships and Engaged Stakeholders*

The Programme is led by WCS as Convening Agent and partnered with the Okavango Capital Partners as a key implementing partner with support from GFCR Blue Bridge. Other implementing partners and stakeholders of the programme include:

- **National authorities:** Ministry of Agriculture, Livestock, Fisheries and Cooperatives (Kenya), Ministry of Livestock and Fisheries (Tanzania), Ministry of Blue Economy and Fishery (Zanzibar)
- **Civil society organizations:** Kwanini Foundation, Blue finance, Mwenzi Capital
- **Private sector:** Okavango Capital Partners, Conservation Capital, Manta resort
- **Other:** GFCR Blue Bridge

### *Proposal Development (February-September)*

During the proposal development phase, WCS was able to marry its scientific and conservation expertise with the necessary financial capabilities of OCP and Conservation Capital to deliver a blended finance. The team identified a core area for investments within the TBCA as well as another five sites where investments could be focused to achieve results (Malindi, Pemba, Zanzibar, Tanga and Dar es Salaam). The approach would allow for the expansion beyond the core area to better create linkages with potential investment opportunities and to explore opportunities to address emerging threats from large investment projects.

Achievements during the design of the programme included:

- New and stronger partnerships between WCS and finance-oriented organisations.
- Design of a financing mechanism using a Special Purpose Vehicle (SPV) for the region that will help leverage funding from GFCR to attract other financing for projects approved as part of the program implementation.
- Identification of a quick-win opportunity working with Blue Finance in Pemba. The intervention will use GFCR grant funding and leverage loan funding from other sources to support tourism and MPA management in an important coral reef site.

Challenges and lesson learned encountered during the same period included COVID-19 restrictions hindering engagement with potential stakeholders, few existing investable projects linked to coral reef conservation, requiring significant effort to develop a pipeline of investable projects that also support reef conservation. Further, any of the opportunities identified based on current threats are small-scale



meaning time and resources will be required to incubate and aggregate new enterprise opportunities to invest at scale to increase impact.

## Papua New Guinea - Gutpla solwara, gutpla bisnis ('Good oceans, good business')

### Snapshot and Impact Targets

**Convening Agent:** UNDP  
**Approval Date:** September 2021  
**Programme Lifetime:** 2021-2025\*  
**Grant Approved (USD):** \$4.5M  
**Grant Disbursed (USD):** \$2.0M  
**Est. Target for Coral Reefs Area Improved:** 23,300 ha  
**Beneficiaries:** 10,000  
**Jobs created:** 250  
**Reef-positive Interventions Incubated:** 10  
**Est. Private Sector Leverage:** 1:4

*An asterisk (\*) indicates a target for the initial phase only*

### Overview

The UNDP Country Office is the Convening Agent for the Papua New Guinea (PNG) Joint Programme (JP) supported by the GFCR and UN Joint SDG Fund (JSDGF). The programme was approved at the 3<sup>rd</sup> GFCR Executive Board meeting, for a total cost of USD 5.2M, of which USD 4.5M was awarded by the GFCR and USD 0.7M by the JSDGF. This proposal and associated cost reflect initial GFCR support for four years, after which the need for additional support will

be assessed. The programme did not receive a preparatory grant for proposal development from the GFCR.

The JP will establish the *Blue Economy Enterprise Incubation Facility* (BE-EIF) to accelerate sustainable livelihood opportunities linked to the marine environment in Papua New Guinea with implementation in two focus areas:

1. Kimbe Bay, New Britain – One of the world's most biodiverse marine environments comprising of a wide variety of shallow marine habitats (coral reefs, mangroves, seagrass) and deep-water marine habitats (oceanic waters, seamounts and possible deep-sea canyons and hydrothermal vents).
2. Louisiade Archipelago, Milne Bay – The area encompasses the most extensive coral reef area of any province in Papua New Guinea with coral reefs scattered over 265,000 km<sup>2</sup> of marine area. The overall fish fauna of Milne Bay consists of 1,109 species, the highest for any area in the Melanesia region.

Prior to the establishment of the BE-EIF, the JP will support the development of a national Blue Investment Strategy with a focus on incubating marine focused women-led businesses. Simultaneously, multiple-use MPAs will be established for the focal areas seizing on two main sources of co-financing.

- Kimbe Bay – USD 450k in finance secured through the UNDP-GEF Sustainable Financing of PNG's Protected Area Network project to create a 1.3-million-hectare marine protected area (MPA).
- Milne Bay – With GFCR support confirmed to establish an MPA in the Conflict Islands (Milne Bay), an agreement has been reached with a private sector tourism operator to invest USD 720k toward the management of the MPA and provide support to local fishers during the programme period with continued annual investment of USD 180k secured through environmental levy payment to supplement grant financing from the GFCR.

In parallel the BE-EIF will be designed and then operationalized to provide technical assistance (TA), grants, guarantees and subordinated debt finance for blue enterprise development with a special focus on businesses that have a positive impact on coral reef ecosystems. The facility will be established within the PNG National Biodiversity and Climate Fund as a dedicated financing “window”. The BE-EIF is being structured to capture a share of the revenues of the conventional and innovative finance streams under the National Biodiversity and Climate Fund. These include biodiversity offsets, blue carbon, payment for ecosystem services, environmental fees and taxes and others. The programme intends to crowd in private capital and develop partnerships with domestic financial institutions by offering a pipeline of investable opportunities that are supported by BE-EIF blended finance capital and technical assistance services.

Through this approach, the JP aims to be the first to put in place the structures that will enable long-term private investment in the blue economy sector in Papua New Guinea. The JP aims to incentivize the domestic financial sector to use its substantial liquidity through the JP’s use of early-stage finance and risk guarantees, helping to shape and create a new market in Papua New Guinea.

#### *Impact*

The JP is expected to achieve multiple results tied to its desired environmental, economic, and social impact.

- 23,286 hectares of coral reef under protection and 1.33M hectares of marine space under protection by 2026
- >10,000 community members impacted by project activities
- > 250 local sustainable ocean-based jobs created
- At least 5 new blue economy initiatives demonstrating proof of concept
- New financing lines established in the country by domestic banking sector for blue economy
- At least USD 180,000 yearly in private revenue generation for management operations of MPAs

#### *Leverage potential*

Leveraged private investment (in debt and equity) is expected to achieve US\$4 million from domestic financial institutions (National Development Bank, Bank South Pacific, MiBank and Kina) in targeted credit lines. The facilitation of the creations of domestic credit lines and products will be implemented through UNCDF and their expertise with the domestic financial market in PNG.

Once the JP is completed, it is expected that the BE-EIF will have sustainable revenue streams from multiple sources to enable it to carry-out and scale-up its functions to allow for effective management of coral reef ecosystems and continue the incubation or reef-positive pipeline. These include reflows from credits and revenues from the finance streams put in place by the National Biodiversity and Climate Fund, such as tourism/environmental fees and biodiversity offsets. The National Biodiversity and Climate Fund has a target to source finance from “innovative” sources of US\$50 million over 5 years. The BE-EIF will aim to capture at least US\$2 million of these revenues over 4 years.

*Partnerships and Engaged Stakeholders*

The Joint Programme (JP) is led by UNDP as Convening Agent and partnered with the UNCDF Country Office as an implementing partner with support from GFCR Blue Bridge. Other implementing partners and stakeholders of the programme include:

- **National authorities:** Conservation and Environment Protection Agency (CEPA); Provincial Government of West New Britain; National Fisheries Authority (NFA); Investment Promotion Agency of Papua New Guinea
- **Civil society organizations:** Mahonia Na Dari, Conflict Islands Conservation Initiative.
- **Private sector:** National Development Bank of Papua New Guinea; Bank South Pacific; Women’s Micro-Bank Limited (WMBL); Conflict Islands Group; Carnival Cruises.
- **Other partners:** National Biodiversity and Climate Fund; Centre for Excellence on Financial Inclusion (CEFI); Small and Medium Enterprise Corporation (SMEC); Business Link Pacific (BLP); Market Development Facility (MDF).

**Philippines - Mamuhunan sa mga MPAs (‘Responsible investment in MPAs’)**

*Overview*

**Snapshot and Impact Targets**

**Convening Agent:** Blue Finance  
**Approval Date:** September 2021  
**Programme Lifetime:** 2022-2030  
**Grant Approved (USD):** \$3.4M  
**Grant Disbursed (USD):** \$2.8M  
**Est. Target for Coral Reefs Area Improved:** 56,000 ha  
**Beneficiaries:** 250,000  
**Jobs created:** 1,700  
**Reef-positive Interventions Incubated:** 10+  
**Est. Co-financing Leverage:** 1:2

Blue Finance is the Convening Agent for Philippines programme, approved at the 4<sup>th</sup> GFCR Executive Board meeting for an initial allocation of just under USD 3.4M for the first 18-24-months of implementation. The programme’s objective is to develop well-managed and sustainably financed MPAs through: (i) Establishment of Special Purpose Entities (SPEs) comprised of local stakeholders that manage the MPAs on behalf of local governments; (ii) Implementing sustainable revenue models for the MPAs; and (iii) Structuring blended finance solutions for the

initial capital needs of the SPEs. The programme has a three-year pilot phase (2022-2024) followed by an upscaling phase following proof concept (2025-2030).

The programme will initially focus on three priority MPA networks in the Verde Island Passage, Calamian Islands, Tañon Strait Protected Seascape which were selected for their resilience to climate change, biodiversity value and potential to develop economic opportunities that address local drivers of coral reef degradation. Following the initial phase, an upscaling phase is planned which will add two MPA networks that have yet to be identified. The SPEs will be financed by the following:

- **Direct MPA incomes:** Income will flow into the SPEs through MPA fees, visitor center entrance tickets and sales of blue carbon credits. The SPE management teams will implement nature-based

programmes for visitors including new underwater attractions and set-up of nature fees, develop innovative and engaging visitor center facilities and certify blue carbon mangrove restoration and conservation projects.

- **Indirect MPA incomes:** Income will flow into the SPEs from investment returns from reef-positive businesses in & around the MPAs. The business sectors include nature-based ecotourism, aquaculture of overfished reef fishes, fishery supply chain improvement projects and micro-finance for fisher communities. Businesses have been selected based on their abilities to reduce specific drivers of coral reef ecosystem degradation and their financial integrity. The businesses will generate investment returns (dividends) and professional fees to the SPEs for monitoring impact services.

The programme is designed with the following core operational structures:

- **MPA Development Facility (DF)** led by a consortium of three project developers (Blue Finance, Blue You, Ubá Sustainability Institute) providing: (1) scientific & technical assistance to establish SPEs and construct MPA projects with high-quality environmental, social and financial design; (2) providing technical assistance for the development of investment-ready reef-first business models; (3) Fundraising for the BF-IFs.
- **MPA blended finance investment facilities (BF-IFs)** set-up for each MPA as the central vehicle through which concessionary and commercial capital will be channeled to the projects under each MPA network. Each BF-IF syndicates investments from impact investors, donors and UNCDF Blue Bridge, reducing transaction costs and improving the risk profile of the transaction thus attracting private sector investors.

### *Impact*

For the three priority areas identified during proposal design, the impact targets are:

- >30,000ha of coral reef with improved management and health with sustainable flows of financing for reef conservation from threat abatement interventions
- Improved biodiversity and +50% increase in biomass of key reef fish in the priority sites +
- >1,700 coastal community members with new jobs and greater incomes from incubated reef-positive interventions
- Increased recovery potential and climate resilience of 250,000 individuals from reef communities (Approx. 2.5% of 1,000,000 households benefited from enhanced protection against coastal flooding and erosion)

### *Leverage potential*

The Programme seeks to unlock USD 23.5M from impact investors and other funding partners mainly for initial investment needs. During the lifetime of the programme the DF will fundraising for the BF-IFs to scale blended finance resources for the various interventions.

The proposal estimates USD 92M in revenue generated over the life of the programme from MPA activities (user fees, blue carbon, ecotourism) and reef-first businesses (ecotourism, aquaculture of

overfished reef fishes, fishery supply chain improvement projects and micro-finance for fisher communities)

#### *Partnerships and Engaged Stakeholders*

The programme's core capacity building team within the MPA Development Facility is comprised of Blue Finance (MPAs and SPEs), Ubá (Blue Carbon), Rare (fisheries, tourism and community engagement) and Blue You (aquaculture and fisheries). Their roles are delineated by sector expertise and focused on capacity building. The Steering Committee of the DF includes MPA SPE Board Members, government representatives (national, provincial, local). The programme is further supported with strong technical partners such as Conservation International, Rare and UNDP Philippines. Further the GFCR Blue Bridge is a co-recipient of the programme, supporting the due diligence and financial structuring activities of the programme.

- **National/Local authorities:** Department of Environment and Natural Resources, Palawan Council for Sustainable Development (PCSD), Local Government Units from Mindoro and Calamian Islands;
- **Civil society organizations:** Rare, Blue Alliance VIP, Conservation International Philippines, Path Foundation Philippines Inc. (PFPI), Mindoro State College for Agriculture and Technology, IUCN Blue Natural Capital Finance Facility;
- **Private sector:** Blueyou, Ubá Sustainability Institute, Meliomar Ltd., Ropes & Gray, International Climate Initiative (IKI);
- **Other:** GFCR Blue Bridge, UNDP Philippines,

#### *Proposal Development (February-November)*

In addition to the preparatory grant, ~USD 250k was approved at the 1<sup>st</sup> GFCR Board meeting for Blue Finance to support early operational needs of the new Verde Island Passage SPE, Blue Alliance, responsible for the management of 9 Marine Protected Areas (MPAs) (5,200 ha of marine biodiversity). This early support from the GFCR allowed the following key achievements:

- A strategy to generate sustainable revenue has been drafted with local partners and private sector. The strategy details the business models for (1) MPA fees paid by divers, snorkelers and day-tour visitors to access the MPA and other under-water attractions (e.g., wreck, events and shows); (2) Entrance fees to a high-tech marine life exhibit center ("the Sea Sensorium Center"); (3) Sales of blue carbon credits from mangrove conservation (1,600 ha) and restoration (85,000 up to 170,000 tCO<sub>2</sub>e) over 20 years.
- Two impact investors and one catalytic donor have been identified with financial arrangements under progress;
- Most of the critical planning documents for the effective management of the MPAs have been produced by local and international stakeholders (e.g., annual work plan, organizational chart, enforcement plan);
- Critical staff has been recruited for the Blue Alliance SPE and basic initial MPA equipment is under procurement including a patrol vessels, vehicle and other basic equipment.

The greatest challenge in 2021 was the Philippine’s strict COVID-19 lockdown for most of the reporting period. This caused some delays in implementation, but most activities set out in the preparatory grant’s workplan were achieved.

### C. Programmes in Proposal Development

#### Indonesia - Terumbu Karang Sehat Indonesia

##### *Overview*

Conservation International was approved as the Convening Agent and awarded a preparatory grant to develop a full programme proposal at the 1<sup>st</sup> GFCR Executive Board meeting. CI’s GFCR programme for Indonesia will focus on two priority areas, the Bird’s Head Seascape (BHS) and Pulau Sumba. BHS harbor 266,924 ha of coral reefs and 75% of the world’s known species with over 600 species of hard coral and 1,850 species of reef fish, the BHS has some of the highest levels of endemism globally. Pulau Sumba comprises an estimated 15,448 ha of coral reefs which are characterized by high levels of coral diversity: 204 species of coral from among 42 genera and 15 families. BHS is projected to go through rapid economic development as it aims to become a premier tourism destination in Indonesia. In Pulau Sumba, coral reefs are threatened by the rapid expansion of seaweed mariculture.

##### *Proposal Development (February-ongoing)*

Over the course of 2021, CI was able to conduct scoping activities to inform the development of the programme proposal for Indonesia. Key achievements during this period include:

- **Partnerships & Stakeholder Engagement** – Programme development efforts in Sumba Timur (East Sumba) enabled CI to engage more strategically with the provincial government of Nusa Tenggara Timur (East Nusa Tenggara, “NTT”) and regency government of Sumba Timur, while expanding seaweed industry partnerships. Algae Sumba Timur Lestari (ASTIL), a regency-owned enterprise and public-private development lead for seaweed sector development, trade and investment in East Sumba and Cargill Inc., a leading global seaweed off-taker with significant sourcing interests in Indonesia—both of which are essential to mobilizing efforts to promote reef-positive development of the seaweed sector in this region. The programme development phase also enabled CI to reinforce existing partnerships with government and local stakeholders in the Bird’s Head Seascape, providing new opportunities to support and guide tourism recovery and development efforts in this region.
- **Quick-Win Interventions** – The programme development process enabled CI to design programme strategies to align with and complement the government’s own marine protection and seaweed sector development and growth ambitions, garnering strong public and private sector support for proposed programme activities in this region. Similarly, in the Bird’s Head Seascape, the opportunity to mobilize targeted support to enable the newly formed Badan Layunan Umum Daerah (BLUD) in Bomberai to adapt and replicate MPA revenue models proven

in Raja Ampat have reinvigorated dialogues around diversified MPA funding as the region recovers from the economic impacts of COVID-19 and associated declines in tourism activity.

- **Secured Co-Financing** – Through financial landscape and market analyses developed as part of the GFCR planning grant, CI and its key implementing partner, Yayasan Konservasi Cakrawala Indonesia (“Konservasi Indonesia”), were able to secure co-financing from Conservation International Ventures LLC (“CI Ventures”) which will enable the incubation of reef-positive enterprise investments that could unlock larger-scale commercial investments from both the GFCR Equity Fund and other private sector financing. During the programme development phase, CI, through CI Ventures were able to identify an indicative pipeline of opportunities, some of which are already being evaluated for co-investment by the Asian Development Bank (ADB), and other private equity and debt funds.

A significant challenge that led to the delay of proposal submission in 2021 was the transition of CI’s Indonesia Country Program –an International Non-Governmental Organization (“INGO”)—to an independent Yayasan (domestic non-profit foundation). During the transition period, certain limitations on INGO activities restricted CI’s ability to fully engage with government and private sector partners essential to the design and development of the programme. With the independent Yayasan now formally established, the final proposal is expected to be presented for consideration at the GFCR Executive Board meeting in February 2022.

A key lesson learned during this period was that the nature of blended finance was a new concept to most potential partners for this programme. Partners require early and repeated socialization to the blended finance approach.

## Maldives - Holistic Reef Management in Maldives

### *Overview*

The Maldives UNDP Country Office was approved as the Convening Agent and awarded a preparatory grant to develop a full programme proposal at the 1<sup>st</sup> GFCR Executive Board meeting. The Maldives’ coral reef ecosystem is considered as the 5<sup>th</sup> most biodiverse and 7<sup>th</sup> largest reef system in the world. The total reef area accounts for 451,500 ha and comprises 2,041 distinct coral reef formations, comprising about 3.14% of the global reef area. Maldives is considered as one of the flattest countries in the world with more than 70% of the islands less than one meter above sea level. This makes the country highly vulnerable to adverse impacts of global climate change, sea level rise and natural hazards such as tidal waves and coastal inundation during extreme weather events. Paired with its relative isolation, Maldivian way of life and resilience are strongly intertwined with the health of its coral reef ecosystems

### *Proposal Development (February-ongoing)*

Based on consultations with key stakeholders and the GFCR Secretariat, the programme proposal has undergone several review and revision processes. Over the course of 2021, the GFCR proposal was reoriented per the Programmatic Vision that sets out three interconnected and mutually reinforcing workstreams that fully respond to the GFCR mission and Theory of Change. It is framed by and supports

the implementation of Maldives' Blue Economy Vision, and the ongoing Marine Spatial Planning process and ambition to protect 20% of the EEZ. Proof of concept or target Sites have been identified in Addu and Fuvahmulah Atolls. The programme is being designed to unlock direct private sector engagement in each workstream through a) investment in coral-positive businesses in Blue Economy sectors; or b) financial/market-based instruments (such as impact or blue bonds) that deliver defined coral reef benefits.

Achievements during the development phase include extensive engagement with key governmental entities, primarily the Ministry of Fisheries, Marine Resources and Agriculture and the Ministry of Environment, Climate Change and Technology, Maldives Marine Research Institute, SME Development Financing Corporation (SDFC) and the Business Center Corporation (BCC). Through these engagements, the proposal development team identified the key outcome areas and required activities to undertake. The consultative process, coupled with available empirical data, allowed for all partners to reach consensus on which activities to undertake and which capacities to extend to the project implementation process. These include:

- Proposal alignment with national and governmental development priorities.
- Established concept model for MSME incubation and financing through the BCC and SDFC with the inclusion of a credit guarantee. Both partners are on board to develop a coral positive blue economy window within their respective business models.
- Partnership with the Maldives Marine Research Institute (MMRI) to establish integrated database and monitoring protocols for the coral reefs of the Maldives focusing on both drivers of degradation as well as drivers for resilience.
- Established concept model for public private investment into sub-national MPA management through MPA management offices in Addu and Fuvahmulak that have been identified as quick wins.

The development of the proposal encountered major challenges which stalled the development of the programme including the novelty of blended financing and partner limitations in fully understanding the application potential, COVID-19 and a government cabinet reshuffle. A key lesson learned to develop reef positive business opportunities is that the Blue Economy sector development needs to ensure that the several aligned complimentary but independent initiatives underway at national level are weighted against their unique value addition and progress timelines and this modality can serve as the GFCR programme's own unique added value. The final proposal is expected to be presented for consideration at the GFCR Executive Board meeting in June 2022.

## Mesoamerican Reef – MAR+Invest

### *Overview*

The MAR Fund was approved as the Convening Agent and awarded a preparatory grant to develop a full programme proposal at the 2<sup>nd</sup> GFCR Executive Board meeting. The Mesoamerican Reef (MAR), shared by Belize, Guatemala, Honduras and Mexico, has 123,000 hectares of coral reefs. Rich in biodiversity, it includes the longest barrier reef in the Western Hemisphere and a complex array of reef types. It is home



to about 65 coral species, over 500 fish species and 300 mollusk species, including 53 species listed under the IUCN Red List of threatened species such as sea turtles, whale sharks and staghorn and pillar corals. Through the support of Healthy Reefs Initiative, a co-implementer of the MAR+Invest partnership, 18 Coastal and Marine Protected Areas (CMPAs) were identified during proposal development for priority implementation with strong representation across the four MAR countries. The CMPAs identified include 77,000 ha of coral reef, or ~63% of the coral reef area in the MAR.

#### *Proposal Development (July-ongoing)*

During the development of the proposal, three main achievements were accomplished: 1) strengthening of the MAR+Invest partnership, which includes New Ventures Group, Healthy Reefs Initiative (HRI), Mexican Fund for Conservation of Nature (FMCN), GFCR Blue Bridge and MAR Fund; 2) securing of direct co-financing for the project with entities such as the GEF Small Grants Program-United Nations Development Program, The Ocean Foundation, Smithsonian Institution and MAR Fund, and engagement with other stakeholders with potential to attract catalytic capital, such as the IUCN, or technical assistance, such as T.I.E., and 3) a pipeline of projects has been identified for the MAR that have the potential to be replicated along the region. Five interventions were identified for the inception portfolio, and the following three are expected to attract capital to the ecoregion during inception:

- Shrimp farming modernization in Belize with the adoption of an intensive farming system that recirculates water and has zero discharge of harmful aquaculture runoff to the marine ecosystems and tied to the financial sustainability of priority CMPAs;
- Blue carbon;
- Enterprise development for fisheries and ecotourism in Guanaja, Honduras.

Further, modeling and planning will be carried out for king crab mariculture to graze algae competing with coral reefs and seaweed farming. All interventions were adapted to be linked to the identified priority CMPAs, to increase connection to coral reefs through direct mitigation of drivers of degradation and/or contribute to the financial sustainability of the CMPAs. MAR+Invest partners have been in conversations with Pegasus, specifically regarding shrimp farming and wastewater treatment plants and the possibility of working via equity for these initiatives.

The main challenges encountered during this period were: 1) few value propositions aligned with coral positive impact, 2) lack of baselines to demonstrate coral positive impact of the interventions, 3) dearth of businesses focusing on sustainable use of resources/conservation, and 4) lack of business readiness in the region.

Several lessons learned were identified during the development of the MAR+Invest proposal, such as the need to strengthen capacities in all partners about the other partner's sector(s) and opportunities, including blended finance, development, climate and conservation finance, financing for innovation in philanthropic markets, among others. MAR Fund also identified the need to strengthen the capacity of regional actors in finance innovation and the design of market projects and to understand blended finance. Lastly, there is the need to collaborate among sectors and barriers need to be eliminated to achieve the development of coral positive investments. These lessons learned are to be integrated as core activities of the programme's early implementation phase, such as targeted calls for proposals for reef-

positive investments and reflected in the final proposal for GFCR Executive Board consideration in February 2022.

## Solomon Islands - CRRRI Solomon Islands Program

### *Overview*

The WWF was approved as the Convening Agent and awarded a preparatory grant to develop a full programme proposal at the 3<sup>rd</sup> GFCR Executive Board meeting. The Concept Note outlines the vision for a GFCR supported programme in the Solomon Islands. The programme is linked to WWF's global Coral Reef Resilience Initiative (CRRRI) with co-financing from the Global Environment Facility (GEF) and Green Climate Fund (GCF). Sources of co-finance will be sequenced and directed towards specific outputs of the programme.

The Solomon Islands is identified as harboring resilient reefs by three studies: [50 Reefs](#); [Coral Bleaching Futures](#); and [Bright Spots Among the World's Coral Reefs](#). The country has 485 known species of coral from 76 genera, second in coral reef diversity only to Raja Ampat. Priority areas for field-based action in the Solomon Islands are in four provinces (Central Island Province, Malaita, Isabel, and Temotu). Focal areas within the provinces are to be identified following a survey of current conditions of coastal ecosystems and communities with GCF Funding for proposal feasibility studies in early 2022. The country has 485 known species of coral from 76 genera, second in coral reef diversity only to Raja Ampat. Priority areas for field-based action in the Solomon Islands are in four provinces (Central Island Province, Malaita, Isabel, and Temotu). Focal areas within the provinces are to be identified following a survey of current conditions of coastal ecosystems and communities with GCF Funding for proposal feasibility studies in early 2022.

The central objective of the programme is to enable the creation and development of reef-positive businesses that attract private investments and provide livelihood opportunities within and in proximity to climate refugia. The key outputs of the programme which will be reflected in the programme proposal include:

- Enhanced protection and restoration of Bio-Climatic Unites (BCUs) with low exposure and identified climate refugia through NbS and EbA approaches;
- New financial mechanisms implemented to attract additional and sustainable finance for NbS and EbA approaches, including in LMMAs and new and existing MPAs;
- Development Facility (DF) to channel impact investments into small and medium enterprises
- Community Facility (CF) to support micro and community-based businesses with grants
- Market Access Agency (MAA) to support the Development Facility, Community Facility, and other impactful businesses in strategic sectors to achieve positive financial and environmental returns

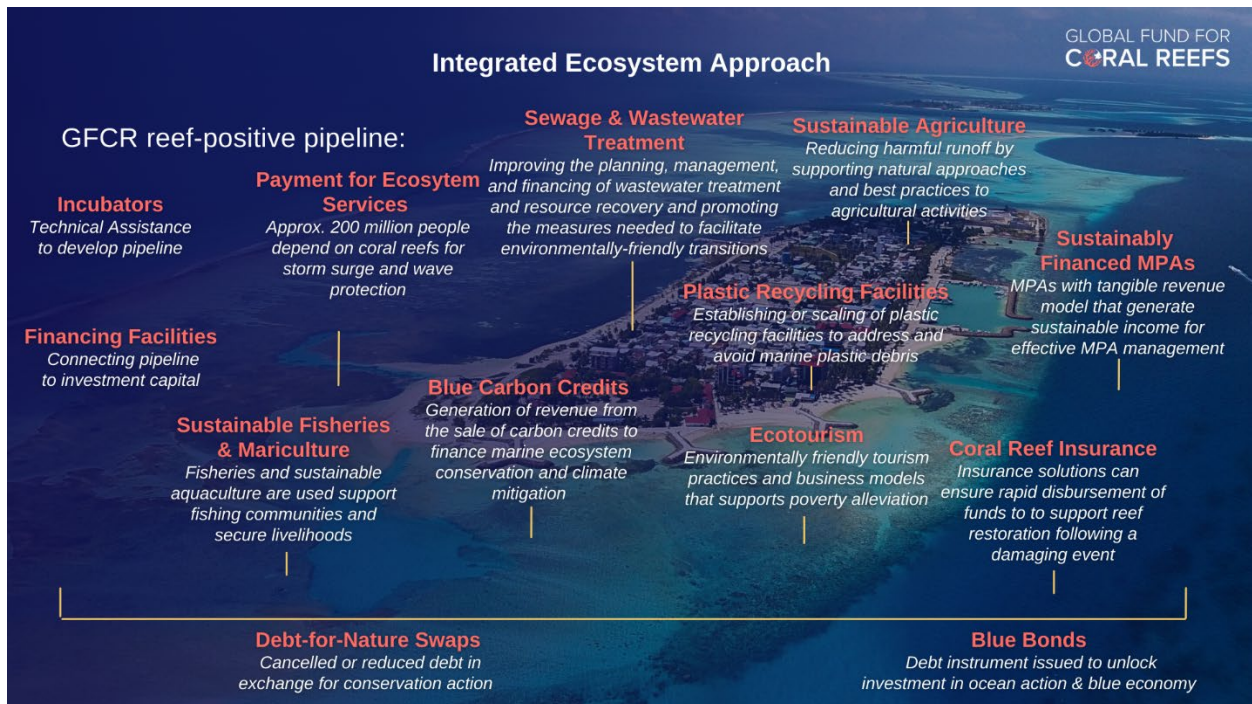
### *Proposal Development*

Full programme proposal development is to be begin in early 2022, aligning with the prefeasibility assessments for the linked GCF proposal. The proposal is to be considered by the GFCR Executive Board in September 2022.

	Country	Coral Reef Area (km <sup>2</sup> )	Climate Change Resilience Ratio	Exceptional Reef Value Ratio	Reef Policy Ratio	Investment Env. Ratio	Reef Dependence Ratio	Total Score Weighted
1	Indonesia	51,020	1.00	0.75	0.60	0.44	0.33	0.75
2	Philippines	25,060	1.00	0.42	0.20	0.39	0.58	0.71
3	Eritrea	3,260	1.00	0.00	0.00	0.32	0.00	0.55
4	India	5,790	1.00	0.25	0.20	0.44	0.08	0.62
5	Bahamas	3,150	0.80	0.25	0.00	0.72	1.00	0.68
6	Tanzania	3,580	0.80	0.08	0.20	0.51	0.33	0.55
7	Malaysia	3,600	0.80	0.08	0.20	0.63	0.33	0.57
8	Brazil	1,200	0.60	0.42	0.00	0.53	0.00	0.42
9	Egypt	3,800	0.80	0.00	0.20	0.34	0.25	0.51
10	Maldives	8,920	0.60	0.08	0.40	0.49	0.67	0.52
11	Kenya	630	0.60	0.00	0.60	0.41	0.25	0.46
12	Thailand	2,130	0.60	0.25	0.20	0.54	0.42	0.49
13	Fiji	10,020	0.40	0.17	1.00	0.64	0.75	0.52
14	Solomon Islands	5,750	0.40	0.42	0.00	0.51	0.42	0.38
15	Mozambique	1,860	0.40	0.08	0.00	0.32	0.25	0.29
16	Comoros	430	0.40	0.08	0.00	0.24	0.00	0.24
17	Papua New Guinea	13,840	0.40	0.33	0.00	0.27	0.33	0.32
18	Madagascar	2,230	0.40	0.33	0.20	0.33	0.42	0.37
19	Vietnam	1,270	0.40	0.17	0.20	0.48	0.08	0.32
20	Sri Lanka	680	0.40	0.00	0.40	0.43	0.17	0.33
21	Haiti	450	0.40	0.00	0.00	0.30	0.42	0.31
22	Cambodia	<50	0.40	0.08	0.00	0.21	0.08	0.25
23	Djibouti	450	0.40	0.08	0.00	0.35	0.00	0.26
24	Dominican Republic	610	0.40	0.17	0.20	0.38	0.42	0.36

	Country	Coral Reef Area (km <sup>2</sup> )	Climate Change Resilience Ratio	Exceptional Reef Value Ratio	Reef Policy Ratio	Investment Env. Ratio	Reef Dependence Ratio	Total Score Weighted
<b>25</b>	Timor Leste	~ >500	0.40	0.17	0.20	0.24	0.00	0.27
<b>26</b>	Costa Rica	970	0.20	0.50	0.40	0.66	0.25	0.33
<b>27</b>	Panama	720	0.20	0.33	0.40	0.40	0.50	0.31
<b>28</b>	Mexico	1,780	0.20	0.75	0.80	0.45	0.17	0.35
<b>29</b>	Kiribati	2,940	0.20	0.33	0.00	0.59	0.00	0.22
<b>30</b>	Tuvalu	710	0.20	0.00	0.00	0.81	0.00	0.22
<b>31</b>	Ecuador	<50	0.20	0.33	0.00	0.46	0.00	0.20
<b>32</b>	Seychelles	1,690	0.20	0.33	0.40	0.66	1.00	0.42
<b>33</b>	Belize	1,330	0.20	0.17	0.40	0.49	0.75	0.34
<b>34</b>	Colombia	940	0.20	0.33	0.40	0.41	0.08	0.25
	Total / Average	160,810						
	% of Total	57%						

Through the RFI process, the IP also outlined relevant business models and reef-positive solutions applicable to the GFCR Theory of Change. Below, an overview of applicable business models and financial instruments to leverage financing for threat mitigation and coral reef resilience while providing greater income, food security, and employment opportunities for reef-dependent communities.



A more detailed discussion of the GFCR business models is provided in Section IV-D. Further, the IP is public and available online on the GFCR and CFA websites that provides a full discussion on business models, financial instruments and country prioritization. To note, the IP is a living document that will be revised and evolve with the Fund as programmatic approaches are tested in the field and in blended finance structures

GFCR programmes are multi-pronged in sector and expertise, requiring a coalition of partners to achieve the objectives. This requires a lead implementer, called the Convening Agent, to bring together a diverse partnership of organisations with different capacities in sectors, science, development, and finance. The Convening Agent, as lead implementer in a priority country, is responsible for assembling the partnership, developing the strategy, coordinating implementation, engagement with the government, conducting oversight and consolidating reporting of the coalition. The Convening Agent is the focal point for the GFCR Grant and Equity Fund for each programme.

Core to the GFCR strategy is connecting Grant Fund programmes activities to Equity Fund investments to scale impact. Collaboration between programme implementers and the GFCR Equity Fund is a process during proposal development and during implementation to identify large anchor investments that can be part of the integrated financial ecosystem approach and have potential for scale and replication. Both the Grant and Equity Fund operate under the same Theory of Change. This is demonstrated by Equity Fund's three target investment sectors which are aligned with the outputs of the GFCR: (i) Sustainable Ocean production, (ii) Sustainable Tourism, and (iii) Sustainable Infrastructure and Waste Management. To design and incubate these investments, Convening Agents are essential as they provide expertise in environmental and socio-economic context and can seize on Technical Assistance Facilities or Incubators to provide pre- and post- investment technical assistance to ensure positive impact and augment investment attractiveness for impact investors.

Sustainable ocean production to address overfishing, destructive fishing techniques and enhance food security includes investments in sustainable fisheries (e.g. by-catch reduction, ghost net reduction, monitoring control & surveillance, post-catch processing, supply chain traceability), sustainable mariculture (e.g. seaweed farming, finfish or shrimp mariculture), sustainable aquaculture (e.g. shrimp, alternative feed, etc.) and coral farming (e.g. artificial reefs ventures, assisted evolution tech companies, coral gardening and sexual propagation ventures). Convening Agents through Technical Assistance Facilities are critical to design and incubate these ventures through activities such as supporting sustainable certification and/or negotiated no-take zones with local fishery cooperatives in exchange for financial support in transitioning fisheries into sustainable models that can yield premium prices on caught fish.

Sustainable tourism, such as an investment in a hotel within or near a coral reef protected area can serve to attract tourists to sites that will in turn pay user fees to contribute to the management of the protected area. Models being explored in Fiji include a hotel that would make purchase agreements with smaller-scale businesses incubated by the Convening Agent such as sea cucumber mariculture to ensure communities have a buyer for their product. Further, the hotel can direct tourists to local tour operators to diversify livelihoods away from fishing and increase income for local communities.

Sustainable infrastructure and waste management Equity Fund investments are easily scalable and can have substantial positive impacts in addressing local drivers of degradation. These often larger-scale deals can benefit from the Equity Fund's investment and expertise while relying on the Convening Agent to in from design to maximize impact and ensure the integration of safeguards and benefits to communities.

From Concept Note development and into implementation, Convening Agents and the Equity Fund collaborate to understand the needed enabling environment for investment into reef-positive solutions at scale. This may include advocating for blue economy policy to be integrated into national priorities, pre- and post- investment technical assistance for businesses to meet sustainability criteria, and mapping how Equity Fund anchor investments can catalyze an integrated ecosystem approach in priority sites. This collaborative process also serves to identify needs and gaps for incorporating other sources of diverse capital whether it be from the GEF, national Blue Bonds, impact investment firms, multi-lateral development banks, etc. to supplement the financial ecosystem and unlock additional catalytic capital for de-risking and/or investments for smaller-scale initiatives.

With regard to site prioritisation, the programme approach starts with the identification of priority sites or focal areas based on resilience, ecological and socio-economic value. Based on the principles of Modern Portfolio Theory<sup>2</sup>, GFCR programmes prioritize sites that demonstrate resilience to the impact of climate change (i.e., increase in Sea Surface Temperature) to channel limited resources to climate refugia which have the best chance of survival under climate predictions. For this site prioritisation, studies like 50 Reefs and UNEP's Coral Bleaching Futures can serve as an initial prioritisation exercise, supplemented by other scientific studies and local knowledge of communities, universities, and other organisations.

Following the identification of sites with climate resilience, impressive biodiversity and importance of ecosystem services to coastal communities, an analysis of local drivers of degradation of the coral reefs is conducted. This analysis provides the foundation for developing the programme's Theory of Change incorporating blended finance principles to catalyse sustainable revenue streams to mitigate drivers of degradation and promote protection, transformation, restoration and recovery of the site's coral reefs. Programmes may identify anywhere between one to four priority sites for implementation.

With the drivers identified, the Convening Agent, Equity Fund and implementing partners scope for relevant reef-positive business models and financial instruments to incubate. These can be quick wins if there are existing opportunities that are mature and impactful, or interventions that will need technical assistance and various forms of capital (e.g., grants, performance-based grants, recoverable grants, concessional loans, guarantees) to be incubated to a stage where they are revenue generating and investment ready. These different forms of capital are often sequenced during the incubation period, starting with more reliance on grants and moving toward concessional forms of investment capital until ready to receive more traditional forms of investment. It is critical to achieve an *integrated ecosystem approach* whereby multiple drivers of degradation are addressed through complementary initiatives in priority sites. This approach is the ideal scenario, however, in certain circumstances, business

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<sup>2</sup> Modern Portfolio Theory (MPT) is a model that is used in finance and investments to identify a portfolio of options that can maximise return on investment. The Coral Reef Rescue Initiative and GFCR has applied this approach to coral reef conservation planning to identify a portfolio of reefs that are expected to be among the least impacted by climate change, while also safeguarding against the uncertainty of future climate conditions.

opportunities will drive the programming approach as there may be a poor enabling environment in select sites to incubate some reef-positive business models or they may be inappropriate for the site due to remote location, regulatory restrictions, etc. Although GFCR programmes are relatively long-term (7 to 10 years), the urgency of coral reef crisis requires the GFCR to scope investment pipelines simultaneously during proposal development and initial implementation phases to fill these threat mitigation and financial gaps.

Grants deployed as concessional finance instruments is a key element of the blended finance approach by helping businesses grow as they create sound credit history and hence are able to attract private investment and scale impact for coral reefs and communities. In the early years of a venture, smaller investments are used and grow progressively with corporate development and revenue growth. This approach is relatively new to conservation-oriented Convening Agents, and thus Convening Agents partner with organisations and financial institutions that can provide blended finance services. Such partner organisations can be local or regional, however, the expertise and flexibility to support early-stage reef-positive interventions may not always exist in GFCR priority areas. Should this be the case, Convening Agents may partner with the GFCR Blue Bridge, managed by UNCDF, which was approved at the 4<sup>th</sup> Executive Board meeting as a blended finance service to support GFCR priority programmes, as the need for such a modality became clear during programme development over the first year.

The GFCR Blue Bridge service provides businesses and projects identified by GFCR Convening Agents with concessional loans, guarantees, and grants in various forms – paired with Technical Assistance when needed - to help the business grow, create sound credit history and hence attract private investment and scale impact for coral reefs and communities. As programmes mature, the need for Blue Bridge service is expected to decrease and as local capacity is strengthened, and local financial institutions gain confidence in reef-positive interventions.

The wide range of investment sizes of different interventions requires programmes to attract investors not only from the GFCR Equity Fund but the entire financial ecosystem which includes microfinance institutions, impact investment firms, development banks and national banks among others.

In addition, GFCR Convening Agent coalitions conduct activities to strengthen the enabling environment for coral reef conservation, restoration and reef-positive livelihood development. This includes promoting related policy measures, securing co-management agreements for protected areas, building partnerships and conducting additional pipeline scoping, etc. These enabling conditions should promote effective management and support for the development of a reef-positive blue economy that strengthens the resilience of coral reefs and the communities that rely on them. Although GFCR programmes are unique in their blended finance approach in the marine conservation space, Convening Agents build on the foundation of past and current ocean and blue economy initiatives to avoid working in silos. By seizing on the existing enabling environment and implementation frameworks, GFCR programmes can accelerate achievement of objectives by coordination opportunities of co-implementation and co-financing.



## V. Policy and Knowledge Architecture

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Under the guidance and with the support of the Secretariat, UNDP and the Conservation Finance Alliance are leading the development of the Fund’s investment principles, policy architecture, including a risk management system, safeguards and gender policy, and sector-specific standards to guide investments. The Secretariat supported the onboarding of new UNDP experts and ensuring these policies are integrated into and applied through the Monitoring & Evaluation Strategy under development by UNEP.

### A. Investment Principles

Led by CFA, a set of 10 general investment principles for the GFCR have been drafted and will be submitted for Executive Board endorsement in early 2022. Investment principles for individual sectors are in the process of being elaborated along with supporting “Best Practices” documents. These will cover the following sectors:

- Fisheries
- Ecotourism
- Aquaculture
- Solid Waste Management
- Wastewater Management
- Microfinance / SMEs
- Marine Protected Areas (MPAs) and Other Effective Area-Based Conservation Measures (OECMs)
- Coral Restoration / Coral Farming
- Blue Infrastructure
- Blue Carbon

Led by CFA, the sector-based Investment and Impact Standards are under development. Seven (7) sectors have been completed and the additional 3 sectors will be prepared during 2022. The Standards will guide activities towards achievement of the GFCR outcomes and SDGs, specifically enabling investors and enterprises to align their activities in specific sectors with the Fund’s target outcomes. The list of sectors is provided above. Sector based principles guide positive recommended actions to support the Funds outcomes and reduce drivers of degradation. These recommended actions are outlined in Best Practices documents under preparation and integrated into the M&E system. A clear framework will be established for integrating SDG impacts into project and investment decision-making and M&E. In addition, a paper will be produced to define what should and should not be funded by GFCR.

### B. Monitoring & Evaluation

UNEP has provided expertise to develop the Monitoring and Evaluation Strategy for the GFCR, as well as the indicators and methodologies for monitoring the various investments made by the GFCR. The overall goal of the M&E strategy is to monitor the impact, both positive and negative, of the funded interventions

on the environment and on the livelihoods of coral reef communities. A draft M&E strategy has been developed and will be submitted to the Executive Board for approval in 2022.

The draft M&E strategy has been designed to be:

- Participatory: An inclusive approach to actively engage a range of stakeholders, including community members in M&E activities
- Results-based: Based on the theory of change of the GFCR, making sure that programmes monitor the achievement of clearly-stated results, and
- Adaptive: Ensure the capacity to facilitate learning opportunities and incorporate adjustments to maximise positive project outcomes.

The main components of the M&E strategy align with the GFCR Core and Sector-based Principles and Safeguards, contribute to agreed programme development plans, monitor both the biophysical and socio-economic conditions at intervention sites, monitor the financial performance of investments and businesses, support building and maintaining capacity, monitor the engagement process through awareness and uptake, and inform the overall management of the fund.

Adaptive management is central to the M&E strategy with an adaptive project cycle that is organised around three main phases: planning phase, implementation, and evaluation and learning; with six (6) key steps across these three phases. This project cycle and steps will form the backbone of the M&E toolkit which is still under development but will provide step-by-step guidance for convening agents to plan and implement their M&E strategy.

A key step to developing the M&E strategy was to develop and appoint a Scientific and Technical Advisory Group for Monitoring and Evaluation (STAG) for the GFCR. The Terms of Reference for the STAG was developed and invitations sent to experts in Q4 of 2021. The STAG is currently composed of a diverse group of 31 experts with a range of expertise from coral reef ecology to socioeconomics and sustainable blue economy. The experts also represent various backgrounds, from leading academics to government officials and coral reef managers. The group is comprised of 14 women and 17 men, with 6 members from the “Global South”.

An orientation session for the STAG will be organised in early 2022. The next proposed task for the STAG is to review the sector-level indicators by Q2 2022.

Two associated products are currently being developed by UNEP and its partners which will assist the implementation of the M&E strategy for the GFCR. First, UNEP is developing an M&E toolkit to serve as a step-by-step process document to guide funding recipients and convening agents through the project monitoring and reporting processes required by the M&E strategy. Second, the GFCR knowledge management system (KORAL) is being developed by UNDP in collaboration with GFCR partners including UNEP. Relevant information collected by the M&E process will be shared to the public via KORAL to facilitate learning and demonstrate successes of the GFCR activities.

## C. Social and Environmental Safeguards and Gender Policy

### *Risk Management System*

Led by UNDP, the GFCR Risk Management System will provide the Fund with a way to identify and mitigate programmatic, institutional, and contextual risks that might impact the Fund's performance and reputation – and ensure that we maximize gains and minimize harm or losses at all levels of operations from global to local. An international consultant specialized in the development and application of Risk Management Systems will be recruited in early 2022 to develop the System. The GFCR Risk Management System will be linked to the GFCR project management cycle, SES and Gender policies as well as the Fund's M&E Strategy.

### *Environmental & Social Safeguards Policy*

Led by UNDP and building on UNDP's gold standard SES policy, the GFCR Environmental & Social Safeguards Policy will underpin the Fund's commitment to mainstream social and environmental sustainability directly in projects and deals. An accountability mechanism to deal with any complaints or concerns about the Fund's operations will also be established. An international consultant specialized in the development and application of corporate Safeguards systems will be recruited in early 2022.

### *Gender Policy*

Led by UNDP and building on UNDP's gold standard Gender policy, the GFCR Gender Policy will ensure that gender equality and women's empowerment is at the heart of GFCR's mandate and actions. An international consultant specialized in the development and application of corporate Safeguards systems has been recruited. Work is under way with a draft Gender Policy due by Q2 2022. The consultant has already undergone an initial orientation with the GFCR Global Team to establish the scope, structure, timeline, and application of the GFCR Gender Policy at Fund- and project-level; and will continue to coordinate with GFCR partners and donors to define the GFCR Gender Policy, with links to the GFCR project management cycle, Risk Management System, Safeguards policy and M&E Strategy.

### *Training and Capacity Development Program*

In close coordination with the GFCR Secretariat, UNDP and CFA will develop this Program during 2022 to support effective implementation of and compliance with the above articulated policies, standards and norms for adherence by the Grant and Investment Windows. Planned sessions included a Convening Agent Webinar Series to introduce the GFCR policy architecture and its application.

## D. Knowledge Management Platform

The goal of this component is the delivery of a knowledge management and solutions (KMS) system that supports peer-to-peer exchange and lessons sharing, as well as the identification and origination of innovative coral reef-positive business solutions. The KMS will drive the replication and scaling of GFCR successes, which is a priority for GFCR. UNDP and CFA will work closely GFCR Secretariat and core partners

to create the KMS (to be known as KORAL). KORAL will be accessible to global, national and local partners, including businesses and communities. KORAL will position GFCR as the global leader for the demonstration and conservation of highly threatened coral reef ecosystems through blended finance. A consultant is expected to be hired in early 2022 to develop the overall KMS platform.

The KMS will support:

- Peer-to-peer exchange, lessons learned and best practice sharing across a range of topics relevant to global GFCR programming and demonstrations
- Provide training and guidance on GFCR policies, requirements and systems for effective programme development and implementation in line with GFCR Objectives, Outcomes and Theory of Change
- Build the capacities of Convening Agents and project implementers to ensure on-the-ground interventions in line with GFCR Objectives, Outcomes and Theory of Change
- Support the development of effective community engagement and management structures, and sustainable and blended finance approaches, in GRCR programmes
- Generate success stories and highlights that can be leveraged for GFCR communications, outreach, and reporting
- Establish new opportunities for the development, financing, and replication of reef-positive businesses at scale

Through these entry points, the KMS will play a central role in the GFCR investment ecosystem, and especially the ‘missing middle’, by building important strategic and technical partnerships with microfinance institutions, incubators, technical assistance facilities, entrepreneurs, innovators and investors at the local and national level, while connecting to and leveraging the networks and initiatives of regional and global actors, including BINGOs and coral reef coalitions as well as the Critical Ecosystem Partnership Fund (CEPF), Blue Nature Alliance, Ocean Risk and Resilience Action Alliance (ORRAA), ICRI, Joint SDG Fund, etc.

The platform will be fully integrated into the GFCR web site and will pivot on three axes:

- Knowledge sharing and learning through a range of curated sector-specific Communities of Practice, that will bring together a range of GFCR actors including but not limited to Convening Agents and implementing partners, GFCR global team, strategic partners, experts, innovators, policy decision makers, investors for active engagement in digital forums, communications and facilitated knowledge exchanges.
- An extensive knowledge database of user-friendly case studies and stories of GFCR projects, best practices and other solutions and applications, actively disseminated through the platform, to inform and enhance project implementation. This database will directly depend on and integrate with the GFCR M&E system.
- An innovative solutions database that supports peer-to-peer exchange and lessons sharing to catalyze, scale and replicate coral reef conservation and financing solutions as a key part of the GFCR investment ecosystem.

Importantly, GFCR's M&E System will integrate with the KMS to ensure that learning and the sharing of knowledge generated through programme design and implementation is collected and shared to improve interventions on the ground and generate new scenarios for saving coral reef ecosystems. Evidence reflection sessions at the country or programme level involving the presentation of results can help to identify challenges and successes in implementation. Sessions and reports that focus on the consolidation of lessons learnt for specific sectors or initiatives will be developed and made available via KORAL.

Knowledge content will also be used to support the development of technical and scientific papers that demonstrate the GFCR's impact through blended finance solutions on coral reef ecosystems and the people that rely on them, supported by evidence-based monitoring and evaluation. Subjects will build on evidence-based learning from GFCR initiatives and focus on such themes as impact investing for coral reef conservation, etc. Currently, there exists significant rhetoric on impact investment without much real concrete evidence whether it works for communities, the types of impacts and if the impacts differ from traditional funding approaches. These papers will be used to monitor the positive as well as any unintended negative consequences of interventions and investments.

## VI. GFCR Coalition

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Over the first year of operation, the GFCR made substantial progress in convening a powerful coalition of donors, institutional and strategic partners and like-minded institutions. The coalition members play different, but complementary roles, in terms of mobilising catalytic resources, contributing to build a GFCR global programme portfolio of reef-positive solutions, increasing visibility and establishing the communications foundation of the Fund and reef-positive solutions to facilitate the positioning of GFCR as a global leader in SDG14 finance.

At a global level, the Secretariat leads coordination of the coalition, including the engagement with philanthropies, Member States, UN agencies and current private sector partners. Initial coalition partners include the Paul G. Allen Family Foundation; the Prince Albert II of Monaco Foundation; the Government of Germany; the International Coral Reef Initiative (ICRI); the United Nations Development Programme (UNDP); the United Nations Environment Programme (UNEP); and the United Nations Capital Development Fund (UNCDF). Over the course of 2021, the coalition expanded to include the governments of the UK, Canada and France; Pegasus Capital Advisors (PCA); and the Green Climate Fund (GCF).

### A. Resource Mobilisation

#### *Grant Fund*

The Secretariat made substantial progress over the course of 2021 by unlocking a total of \$13.7M in contributions from philanthropies and Member States for the GFCR Grant Fund. In June 2021, the UK launched the Blue Planet Fund at the G7 and committed to the GFCR being one of the first Fund recipients. This announcement was formalized and promoted by the UK government in August 2021 with an initial commitment of GBP £5 million. The UK announced a second allocation of GBP £1 million to the GFCR during the UNFCCC COP-26 in November. A third allocation is now under discussion for Q1/Q2 2022. In July 2021, President Macron announced France's commitment of €3 million to join the Fund. This

announcement was further amplified during the GFCR's World Conservation Congress event on September 6 by Jean-Yves Le Drian, the French Minister of Europe and Foreign Affairs. In November 2021, Prime Minister Trudeau announced Canada's commitment of \$6 million CAD pledge to the Fund during COP26.

The Secretariat further initiated outreach with several additional prospective donors and provided briefings throughout the year, including Bloomberg Philanthropies, the Packard Foundation and Lukas Walton's newly launched Builders Vision, and the United States. In November of 2021, following a funding proposal submission by the GFCR Secretariat, Builders Vision announced an intention to join the GFCR in 2022 at UNFCCC COP-26 in Glasgow.

### *Equity Fund*

The GFCR Equity also achieved substantial progress in capitalization in 2021. At its Board meeting October 2021, the GCF approved a commitment to a first-loss tranche of USD 125 million to the GFCR Equity Fund. As GCF's first at-scale private sector programme in the blue economy, the commitment is intended to de-risk investments for private investors at the fund level, thereby bridging the gap between public and private investors. GCF will serve as an anchor investor in the GFCR Equity Fund.

In Q1 of 2021, GFCR's Executive Board issued a decision supporting PCA to proceed with the Green Climate Fund proposal development and submission in coordination and with support from the Secretariat and UNDP. Starting in early 2021, the Secretariat provided substantial input to the GFCR Equity Fund Concept Note and subsequently a proposal to the GCF was filed in August 2021. The Secretariat support included providing technical comments as well as responses to GCF technical comments, participating in several teleconference calls requested by the GCF Secretariat and the GCF independent Technical Advisory Panel (iTAP) to answer questions on the relationship between the Grant Fund and Equity Fund, and overall GFCR structure. In addition, the Secretariat supported and mobilised the GFCR network, such as UNDP, to support PCA outreach to government GCF National Designated Authorities in the effort to secure Non-Objection Letters (NOLs) for the GCF project. By the time of proposal submission, 17 NOLs were secured, a notable achievement as GCF does not often support regional/global initiatives. Secured NOLs allow the Equity Fund to make investments in those countries.

The Secretariat also attended the GCF Board meeting during which the PCA submission was approved and was available as a resource for PCA. In October 2021, the USD \$125 million funding proposal for a junior tranche of the GFCR Equity Fund was approved by the GCF Board. The GCF committed to being the anchor investor to the Equity Fund with a USD 125 million investment commitment, encouraging further public and private sector investment in the areas including sustainable ocean production, ecotourism, and sustainable infrastructure and waste Management.

Following GCF approval, the Secretariat further supported PCA in identifying the technical capacity, including marine conservation in priority geographies, needed for the establishment of a dedicated GFCR Equity Fund Investment Team. A GFCR Equity Fund Investment Team recruitment process was already under way by the end of 2021. The team will have deep knowledge on marine biodiversity and sustainable

fisheries, as well as empowerment of local communities and debt and equity investments experience in geographical priority areas.

The Secretariat further supported PCA discussions with potential investors throughout the year by presenting upon investors request the role of the UN in the GFCR as well as coral reef and local community needs, grant programme pipeline overview, de-risking and incubation benefits. In December of 2021, the Secretariat and PCA co-drafted the GFCR's Joint Resource Mobilisation Strategy anticipated to be finalized in Q1 2022.

## B. Partnerships for the Goal

Throughout 2021 and continuing in 2022, the GFCR Secretariat further the establishment of Fund-level partnerships to advance the GFCR goals. GFCR partnerships include both strategic and institutional partners.

GFCR strategic partners normally include similar global partnerships or other global institutions which are key for the international coral reef agenda. Two of GFCR's key strategic partners are the International Coral Reef Initiative (ICRI) and the Secretariat of the Convention on Biological Diversity (SCBD). In the case of ICRI, during 2021 the Secretariat continued to strengthen the partnerships by coordinating common actions in several international events. In addition, ICRI is poised to take on the role of 1st Co-Chair for the GFCR Advisory Board.

The GFCR Institutional Partnership modality enables the formalisation of the collaboration with like-minded international organisations or consortiums in ocean conservation with an aim to identify synergies through knowledge sharing, co-implementation and co-financing in similar geographies and blue economy sectors related to coral reefs. The first institutional partnership was established in June of 2021 with the Ocean Risk and Resilience Action Alliance (ORRAA), a multi-sector collaboration between governments, financial institutions, the insurance industry, environmental organisations and stakeholders from the Global South. In October 2021, the second Institutional Partnership was finalized with the International Union for Conservation of Nature (IUCN), a membership Union harnessing the experience, resources and reach of its more than 1,400 Member organisations and the input of more than 18,000 experts in a combined effort to conserve nature and accelerate the transition to sustainable development. Discussions for additional partnerships are underway with the United Nations Educational, Scientific and Cultural Organization (UNESCO), Blue Nature Alliance (BNA), and the Coral Research & Development Accelerator Platform (CORDAP). The scoping process for partnerships continues to be underway.

## VII. Shaping the Global Narrative: Communications and Events

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### A. Communications and Recognition

In 2021, the Secretariat led the development of the GFCR Joint Communications Strategy. The Strategy aims to position the Fund as the globally unified and integrated source of financing coral reef rescue. Two priority objectives of the Communications Strategy are identified accordingly:

- To raise awareness, encourage support, and promote collaboration and learning among participant countries, key GFCR stakeholders, and the engaged public, to support continued resource mobilization; and

- To integrate communications throughout Fund’s operations by using it as a supportive tool to accomplish GFCR objectives, as outlined in the Fund TOR with an emphasis on showcasing the GFCR as a demonstration fund and thought leader.

Throughout 2021 the GFCR Secretariat produced various communications tools and materials to inform key stakeholders and support demonstration of GFCR’s innovative blended finance approach, including the Fund Deck, Brochure, Branding Guidelines, Fund Profile Document, Quarterly Newsletters, and a GFCR Communications Toolkit. Online, the GFCR’s increased presence raised awareness of its blended finance approach and actions for coral reefs. In 2021, the GFCR Secretariat had produced 11 articles and published them on the GFCR website. These articles have allowed GFCR to convey key achievements on partnership progress, issue calls for expressions of interest, relay news on new programmatic developments, and convey high level event plans. These online articles were supplemented by Quarterly Newsletters providing nearly 1,000 recipients an overview of GFCR progress and relevant updates. Aligned with visibility and awareness aims of the Communications Strategy, in 2021 the Secretariat launched social media channels for GFCR on Twitter, LinkedIn and YouTube. Over 100 posts during the reporting period contributed to over 56,000 impressions on LinkedIn and over 240,000 impressions on Twitter, as well as approximately 2,000 account followers. The Fund Secretariat further posted 11 videos on YouTube leading to over 800 views.

The Strategy further sets emphasis on the optimal use of opportunities, focusing on high-level or milestone events where decision-makers/target audiences are present.” Over the course of 2021, the GFCR Secretariat led the hosting/co-hosting of 4 events and was featured in various additional events, contributing greatly to an increase of Fund visibility, demonstration of the innovative blended finance model and resource mobilization efforts.

## B. Key Events

In September of 2021, the GFCR Secretariat facilitated two key events. At the IUCN World Conservation Congress, the GFCR held the Reef-Positive Investment event on September 6 which showcased the Fund’s innovative model, progress achieved over the first year since launch, as well as a new contribution announcement from France. H.S.H. Prince Albert II of Monaco relayed opening remarks as the keynote speaker and event co-host, followed by the French Minister for Europe and Foreign Affairs and the UN Secretary-General’s Special Envoy for the Ocean. Elizabeth Maruma Mrema, Executive Secretary of the Convention on Biological Diversity, also related remarks. In part, the Executive Secretary stated, “By aligning its work with the goals of the Post-2020 Global Biodiversity Framework, the Global Fund for Coral Reefs can be a powerful tool for implementation, for tracking of progress towards global goals and targets for biodiversity, and for elevating awareness on our collective goals for a future with healthy and robust coral ecosystems.”

Later in the month, on the side-lines of 76th United Nations General Assembly, a virtual side event was co-hosted with the UNCDF and the Joint SDG Fund showcasing innovative aspects of the Fiji programme. This innovative event focused on showcasing how the programme for Fiji is facilitating reef-positive blue economy through local community entrepreneurship. A presentation was provided to showcase the



various modalities being utilized to deploy capital and their catalytic potential to mobilise private sector innovation and commercial investment to address local drivers of reef degradation.

In November, throughout the UNFCCC COP-26, the GFCR showcased the power of blended finance in the effort to facilitate climate adaptation action and protect marine biodiversity's last strongholds. Several high-level private and public sector leaders championed the first UN-back blended finance vehicle dedicated to SDG 14 and highlighted achievements, including high-level commitments and launch of reef-based resilience programming across the globe. During COP26, the GFCR received ample recognition through high-level events including:

- The flagship GFCR COP26 event hosted in the GCF Pavilion on November 5

This high-level GFCR event showcased the power of blended finance to catalyse reef-positive investment and climate adaptation solutions for developing countries. The panel discussion focused on the detailing the mechanisms of the Fund, how private sector finance is de-risked and unlocked, the resilient reef ecosystems prioritized, and the investment pipeline underway. The event was opened by an inspiring address from Ambassador Peter Thomson, the UN Secretary-General's Special Envoy for the Ocean, and featured a variety of speakers including Executive Director of the Green Climate Fund, Yannick Glemarec; Preeti Sinha, Executive Secretary, UNCDF; Executive Secretary of the Convention on Biological Diversity (CBD), Elizabeth Maruma Mrema; GFCR's Executive Board Chair, Chuck Cooper, Managing Director of Policy and Government Relations at Vulcan, representing the Paul G. Allen Family Foundation; Shenique Albury-Smith, The Bahamas Program Director for the Nature Conservancy; Jodi Smith, Business Pipeline Lead at Matanataki, and the Green Climate Fund's Private Sector Facility Director, Henry Gonzales.

- The GFCR co-hosted Ocean & Finance: Blue Economy for Ocean Health event on Nov. 1

Ocean-positive blue economy, unlocked by blended finance mechanisms, is increasingly attracting investors, insurers, banks, and policymakers as an immense source of prosperity and climate action. The flagship event of the Virtual Ocean Pavilion co-hosted by the Global Fund for Coral Reefs and the Prince Albert II of Monaco Foundation showcased how the finance and investment community has a strong role to play in driving mitigation and adaptation interventions for vulnerable communities and natural marine habitats. Panelists will share pathways for increasing the share of climate finance for ocean-based mitigation and adaptation strategies, including by implementing appropriate policy and regulatory frameworks. The GFCR was featured as a demonstrative model for reef-positive investment.

- The GFCR feature during the *Closing the Funding Gap – Innovations for Investing in Nature-Based Solutions in Coral Reef Conservation* on November 3 at the World Wildlife Fund (WWF) Pavilion;

At the 26th UN Climate Change Conference of the Parties (COP26), the GFCR was spotlighted at the Coral Reef Rescue Initiative's event focused on making the case for the urgency of investing in nature-based solutions for coral reef conservation and community resilience in the face of escalating climate change impacts. The GFCR was featured in the Keynote Address by the Prime Minister of Fiji, Hon. Josaia V.

Bainimarama, and was further presented in detail by the Fund's Deputy Head of Secretariat, Yabanex Batista.

- The GFCR feature on central stage at the Ocean Action Day on November 5 hosted by UNFCCC;

This high-level Ocean Action Day central stage event showcased leading actions and strategies implemented by key stakeholders (e.g., governments, local communities, private sector entities, NGOs, and scientists) to scale-up sustainable ocean-based climate solutions for a resilient, net-zero, equitable, and nature-positive future. The Global Fund for Coral Reefs was presented as an innovative mechanism for ocean action and the Fund's Equity Fund partner, Pegasus Capital Advisors, provided an overview of GFCR during the high-level pitch session focused on scaling ocean impact finance.

- UNFCCC Climate Champions, Race to Resilience feature article

On the designated COP26 Ocean Action Day, the GFCR was further recognized and promoted through a feature article by the UNFCCC Climate Champions titles 'First and only global blended finance instrument dedicated to coral reefs launches'. The article offers a deep dive covering the GFCR Theory of Change, blended finance approach, coalition members, key 2021 announcements, and a highlight of the Fiji programme.

Additionally, at COP26 the GFCR was also featured through:

- The GFCR feature at the Climate Change Mitigation and Adaptation through Coastal Ecosystems Conservation and Restoration on November 3 at the European Union Pavilion;
- The GFCR feature at the New Public – Private Financial Mechanism Cooperation for Climate Action on November 4 at the Ernest & Young Pavilion;
- The GFCR feature at the Corals and Climate Change; Addressing Threats through Global, National, and Local Approaches on November 4 at the Commonwealth Pavilion where the Fiji programme was showcased; and
- The GFCR Interview Session on COPTV on November 5.

In addition to the above stated events, the GFCR was further recognized through various articles and features during the reporting period, including:

- Highlight during The Sixth GCRMN Status of Coral Reefs of the World: 2020 event held at the World Conservation Congress through the speech UNEP Executive Director, Inger Andersen;
- Highlight through the Net zero is not enough – we need to build a nature-positive future article published by The Guardian, co-written by UNDP Administrator Achim Steiner;
- GFCR feature article by Devex, Can this new fund save coral reefs before it's too late?; and
- Feature in the Convention on Biodiversity COP-15 Action Agenda, emphasizing GFCR as tool to "help developing countries implement the post-2020 Global Biodiversity Framework".

The events and features throughout 2021 contributed not only to visibility, but also to build strong political commitment from the highest levels of government in programme countries, supporting

increased action and finance for coral reefs through the dedication of national attention, prioritisation and resources.

In late 2021, the Secretariat further established a “Road to Lisbon and Beyond” plan outlining the GFCR’s strategy for key international events in 2022, with emphasis placed on high-level moments and ambitions for the UN Ocean Conference to be held in Portugal in June-July as well as the UNFCCC COP-27 in Egypt.

## VIII. A Look into 2022/2023

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During 2021 there was a strong focus on building the initial operational structures of the GFCR and designing initial programmes. Due to substantial progress, in 2022 and 2023 there will be strong growth in programmes development accompanied by a significant transition to programmes implementation and supervision with aligned resources mobilisation efforts. Further, emphasis will be placed on finalizing the consolidation of the Secretariat into the UN Global Team, as well as coordination and alignment across the two core GFCR vehicles - the Grant Fund and Equity Fund. A two-year work plan that will provide greater stability and predictability for planning purposes will be elaborated. The Two-Year Work Plan encompasses activities in five key workstreams:

- A. Programme Development and Implementation
- B. Monitoring and Evaluation
- C. Strategic Engagement and Communications
- D. Governance, Policies and Operations
- E. Knowledge Sharing

In 2022, GFCR’s programme development is expected to grow significantly in accordance with the Executive Board decision taken in September 2021 (3rd EB Meeting) which mandated an additional ten (10) country and three (3) regional programmes be pursued. The addition of these programmes will result in a total of 22 GFCR programmes. Expected Round 2 programmes concepts and full proposals include:

- |                       |                                     |
|-----------------------|-------------------------------------|
| 1. Brazil             | 8. Seychelles                       |
| 2. Colombia           | 9. Sri Lanka                        |
| 3. Dominican Republic | 10. Viet Nam                        |
| 4. Indonesia (#2)     | 11. Gulf of Aqaba                   |
| 5. Madagascar         | 12. Micronesia                      |
| 6. Malaysia           | 13. Polynesia and Eastern Melanesia |
| 7. Mozambique         |                                     |

During this work plan period, programmes activities of the UNGT will also be characterized by a strong alignment with the GFCR Equity Team to ensure, from the inception of programme development, identification of pipeline opportunities that can be co-supported by the Grant Fund and Equity Fund. The coordination with the Equity fund Team will also entail dedicated follow-up with Convening Agents to ensure their understanding of the relationship and benefits of GFCR’s core financial vehicles.

In addition, with the expected conclusion of the design of key policies and frameworks, including investment principles, monitoring and evaluation, safeguards, gender and risk management; the UNGT work will also concentrate on ensuring that currently approved and new Convening Agents integrate these into their work and programme designs. As a result of GFCR's rapid evolution during 2021, the Investment Plan is expected to be updated to serve as an additional reference and tool to support Convening Agents throughout programme design and implementation.

During the work plan activities period, the UNGT will prioritize Grant Fund resources mobilisation efforts utilizing the following criteria:

UN Members States:

- Member States that have a strategic fit – e.g., focus on biodiversity/ocean/climate;
- Members of the International Coral Reef Initiative (ICRI)

Philanthropies:

- Philanthropies that have a strategic fit – e.g., focus on ocean/climate (including related priorities e.g., foundations connected to shipping or fishing); and
- Philanthropies that are part of partners' relevant networks and could follow peers into joining the initiative

In close alignment with resource mobilization and communications efforts, several major events will take place over the course of 2022 in GFCR is expected to attend, make announcements and showcase its progress. The first event includes the Our Ocean Conference (April 13th - 14th, 2022) in Palau, where calls to action will emphasize the needs of reef ecosystems and set ambitions for acceleration of reef-based commitments early in the year. This will be followed by the UN Ocean Conference (July 27th - July 1st, 2022) in Lisbon as the top priority event of the year. Following Lisbon, the GFCR will engage at the Convention on Biological Diversity COP-15 and culminating the 2022 calendar of international events a larger moment for programme announcements is expected at the UN Framework Convention on Climate Change COP27 in Egypt.

In 2022, knowledge sharing efforts will concentrate in two main areas:

- Support the development of the GFCR Knowledge Management Platform (KORAL), and
- Implement, in partnership with Pegasus Capital Advisors, Phase 1 of GFCR Webinars and Training Series.