

Fact Sheet

Title of the proposed Joint Programme Investing in Coral Reefs and the Blue Economy

UNCT Papua New Guinea

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RCO focal point Constance Vigilance

Lead UN entity and contact person

UN entity	Name	Email
United Nations Development Programme (UNDP)	Edward Vrkic	edward.vrkic@undp.org

Participating UN entities and contact persons

UN entity	Name	Email
United Nations Capital Development Fund (UNCDF)	Jagdeep Dahiya	jagdeep.dahiya@uncdf.org
United Nations Environment Programme (UNEP)	Liesel Vanast	liesel.vanast@un.org

Relevant UNDAF Outcome/s and Output/s

The Joint Programme closely aligns with the current UNDAF, specifically outcome area 3.0 and output areas 3.1 and 3.2. Together, these aim to improve the sustainable management of Papua New Guinea's marine and terrestrial resources, address the impacts of climate change and increase the resilience of communities through improved and sustainable livelihoods.

Relevant objective/s from national strategic document/s

The Joint Programme proposal closes aligns with the objectives of the following strategic documents in Papua New Guinea, namely:

- Papua New Guinea's Protected Area Policy.
- Climate Change Management Act.
- Medium-term Development Plan; Vision 2050.
- National Sustainable Resource Strategy.
- Conservation and Environmental Protection Act.

SDG targets on which the progress will be accelerated (includes targets from a range of SDGs and development pillars)

Goal 1: End Poverty

Goal 2: Zero Hunger

Goal 3: Good Health and Well-Being

Goal 4: Quality Education

Goal 5: Gender Equality

Goal 6: Clean Water and Sanitation

Goal 7: Affordable and Clean Energy

Goal 8: Decent Work and Economic Growth

Goal 9: Industry, Innovation and Infrastructure

Goal 10: Reduced Inequalities

Goal 11: Sustainable Cities and Communities

Goal 12: Responsible Production and Consumption

Goal 13: Climate Action

Goal 14: Life Below Water

14.1

14.2

14.4

- 14.5
- 14.6
- 14.7
- 14.a
- 14.b
- 14.c

Goal 15: Life On Land

Goal 16: Peace, Justice and Strong Institutions

Goal 17: Partnerships for the Goals

- 17.1
- 17.3
- 17.4
- 17.5
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Self-Assessment

The proposal reflects the integrated nature of the SDGs Yes

The proposal is based on an inter-agency approach (two or more UN entities involved), with RC coordinating Joint Programme preparation and implementation Yes

The proposed results are part of the UNDAF and aligned with national SDG priorities Yes

The proposed Joint Programme will be led by government and include key national stakeholders Yes

The proposal is based on country level consultations, as explained in the Concept note, and endorsed by the government (the letter of endorsement) Yes

The proposal is based on the standard template for Concept Notes, it is complete, and it includes: Yes

- **Theory of Change demonstrating contribution to SDG acceleration and transformation to implement the 2030 Agenda and awareness of relevant financial policy efforts at regional or national level,**
 - **Results-oriented partnerships, including a strategy to engage and partner with IFIs/MDBs,**
 - **“Quick wins” and substantive outcome-level results, and**
 - **Initial risk assessment and mitigation measures.**
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The proposal is expected to leverage resources for the SDGs at scale Yes

Proposal for Joint Programme

1. Summary of the Joint Programme

This Joint Programme proposes scaled interventions across four countries (Fiji, Papua New Guinea, Philippines, and Samoa) to offset the loss of coral reefs and catalysing blue economy initiatives for marine stewardship. Through this Joint Programme, UN organizations, national governments, businesses, philanthropists and investment partners will launch targeted programming to leverage financial capital and investments for a blue economy centred on coral reefs.

Coral reefs are at the frontline of climate change, subjected to multiple anthropogenic threats such as over-fishing, pollution, and coastal development. Without bold, decisive action we may lose 70% to 90% of our remaining reefs, compromising the livelihoods and security of hundreds of millions of some of the most vulnerable people (IPCC 2018).

The global investment required for coral reefs is five times greater than current funding levels (CBD High-Level Panel).

Considering that ecosystem services from coral reefs are valued at \$375billion pa more needs to be done to protect, recover, and transform these valuable ecosystems.

The expected results by the end of the Joint Programme period are to address this gap by:

- (1) Executing targeted investments across instruments, including MPA financing, reef insurance, blue enterprise funds, bonds, recoverable grants, and grant financing.
- (2) Establishing a diversified pipeline of investments and grant opportunities.
- (3) Demonstrating proof of concept for scalable business models to catalyze further investment for reef protection and the blue economy.
- (4) Creating, measuring and verifying positive impacts to vulnerable coastal communities and the environment.

The proposed financing solution is to use the Global Fund for Coral Reefs (GFCR) as the central vehicle to make investments, a flexible holding company that accommodates debt, equity, and grants with an evergreen structure and broad capacity in terms of governance, technical assistance provision, and financial efficiency.

The current stage of the initiative is at the feasibility and piloting stage measured in terms of:

- (1) Stakeholder engagement – national governments (Fiji, Papua New Guinea, Philippines, and Samoa), private sector outreach in terms of donors and investors (started Q4 2019), entities from the insurance and fund management sectors.
- (2) Vehicle establishment – MPTFO has been advising on aligning the correct legal structures and administrative frameworks since mid-2019. The financing instrument will be launched by the IUCN Congress in June 2020.
- (3) Pipeline identification and execution – Papua New Guinea has developed a national climate finance plan and is currently initiating a national protected area finance and investment strategy to identify opportunities.

2. Thesis and theory of change of the Joint Programme

PNG's coral reefs are of global significance. They lie at the epicenter of the Coral Triangle. These reefs are home to over 1500 species of coral reef fish and at least 514 species of coral. The reefs are critical for PNG's coastal communities, providing food security, protection from coastal erosion and provide livelihoods for tourism and fisheries. Unlike many other countries in the region, much of PNG's reefs remain intact highlighting the need for urgent action to limit degradation.

The Joint Programme will have an impact on multiple SDGs directly and indirectly, including but not limited to:

- (1) Restored reef systems, and stewardship of its marine environment (SDG 14 and 13). producing a sustainable source of protein (SDG 2, 3 and 12) for coastal communities and marine ecosystems.
- (2) Demonstrating innovative partnerships with the private sector, showcasing new inclusive business models (SDG 17), thereby creating more diversified and resilient livelihoods opportunities for coastal communities (SDG 1 and 8).
- (3) Capacity development support to communities to provide greater access to information, markets and opportunities (SDG 4 and 10).
- (4) Championing new blue economy businesses established by women and youth (SDG 5).

The project addresses the blockage in private capital as no dedicated global financial instrument exists to protect coral reefs or their communities holistically. The financial landscape is fragmented naturally risk adverse. The project will focus efforts and resources to blue economy solutions by establishing a portfolio that shows how new, large-scale solutions. This will demonstrate proof of concept for investments in coral reefs, reduce risk, and integrating coral reef finance into broader investment portfolios.

To achieve this transformative change the Joint Programme will promote a 'protect-recover-transform' approach in priority locations.

This would include protecting functioning and healthy reef systems, helping coral reefs to recover from human activities and bleaching, which will help transform coastal communities by implementing sustainable fishery management, alternative livelihoods, and reef-first business models

To achieve the Protect-Recover-Transform vision, the Joint Programme is designed with the following three priority outcomes in mind:

Outcome 1: Technology and innovation

Coral reef restoration and adaptation technology is scalable, cost-efficient and applicable to a variety of contexts, with proven outcomes for ecological resilience.

Outputs:

- Restoration technologies developed and piloted
- Strategies for high-impact restoration
- Identification of priority restoration sites

Outcome 2: Instruments for reef protection and the blue economy

Private sector-led investment in reef protection and restoration is combined with targeted public financing to support urgent conservation and restoration efforts.

Outputs:

- Local tourism levies, reef risk insurance, impact bond.
- Strengthened national policy framework based on robust business case for coral reef restoration and maintenance that is integrated into existing area policy and legislation.

Outcome 3: Sustainable livelihoods

Reduced reliance on degraded coral reefs and associated ecosystems in highly reef-dependent communities.

Outputs:

- Community-based projects for sustainable fisheries, aquaculture, eco-tourism and marine pollution.
- Sustainable value chain development and educational programmes to support opportunities for alternative livelihoods.
- Communication and educational campaigns to drive and sustain behavioural change.

3. What are the expected results of the proposed Joint Programme?

The proposed programme is expected to deliver both (i) project-realised results and (ii) longer-term results, namely:

Project-realised results:

- Expansion of PNG's Marine Protected Area (MPA) system, specifically in Kimbe Bay, under a marine spatial planning process.
- Increased and diversified employment opportunities in coastal fisheries and ecotourism, as well as the establishment of new value-adding sub-sectors.
- New sources of financing to scale up investment in MPAs of global significance, namely the Coral Triangle of which PNG is key to protecting.
- Established financing arrangements that directly support the sustainable funding of SDG action to achieve stronger natural resource

management and address the impacts of climate change.

- Strengthened regulatory framework to support the improved protection and management of PNG's reefs.

Longer-term results:

- Conservation Impact: Improved coastal resilience and restoration of reefs through the propagation of new climate resilient coral species.
- Development/Adaptation Impact: Transformation and diversification of economic sectors in coastal communities
- Financial/Blue Economy Impact: Stimulation of economic opportunity through growth in sustainable coastal fisheries and eco-tourism.

To measure the contribution of programme outcomes to the SDGs, the Programme will produce a set of social, economic, and environmental impact metrics tied to improving resilience, including:

- Areas of reef under effective management and reef health (SDG 14 and 13)
- Stock levels of key indicators species, catch levels and income generated by coastal communities (SDG 2, 3 and 12).
- Number and value of innovative partnerships with the private sector, showcasing new inclusive business models (SDG 17),
- New diversified and resilient livelihoods opportunities and income for coastal communities (SDG 1 and 8).
- Number of communities receiving access to information, markets and opportunities (SDG 4 and 10).
- Number of women and youth establishing and operating new blue economy businesses (SDG 5).

The result areas proposed directly contribute to the achievement of the country's national policy and legislative architecture including PNG's namely:

- Protected Area Policy.
- Medium-term Development Plan.
- Vision 2050.
- National Sustainable Resource Strategy.
- Climate Change Management Act; and
- Conservation and Environmental Protection Act.

These results are also closely aligned with the current UNDAF and in particular outcome area 3.0 and output areas 3.1 and 3.2.

Together, these aim to improve the sustainable management of PNG's marine and terrestrial resources, address the impacts of climate change and increase the resilience of communities through improved and sustainable livelihoods.

4. Describe the innovative nature of the Joint Programme

The innovation of the approach stems from the financial standpoint, the applicability to a new sector, attracting new participants, and first of its kind collaboration within the UN system—addressing all four pillars of innovativeness in this call.

The Joint Programme foremost targets the blockage in flows of private and public capital to the blue economy. Between 2010 and 2016 only 314 active projects worldwide focused on coral reef protection, valued at just \$1.9 billion and funded by a handful of investors and donors. To address this gap, the Programme aims to unblock capital flows by: (1) identifying a wider pool of stakeholders and capital targeting coral reefs and blue economy across geographies and (2) identifying more capital-efficient and results-based models to tie

outcomes to finance, through our theory of change.

The Global Coral Reef Fund will establish a holding company, which will allow for patient capital and fee structures that can accommodate a growing regulatory environment and impact measurement, while providing ongoing support like technical assistance.

This blended finance model uses public and philanthropic bodies to take on the high-risk and more policy-sensitive tranches of an investment, encouraging private investors to fill the remaining gap at lower risk. Blended finance instruments provide an opportunity for a wider group of investors to start participating in traditionally more challenging asset classes like natural capital and emerging markets' infrastructure. Such instruments include grants, recoverable grants, outcome-based financing, guarantees, debt, blue bonds and reef insurance.

How it builds on existing initiatives:

Working with the PNG Government, UN agencies are delivering an expansive environment and conservation portfolio of projects. These focus on climate adaptation, mitigation and modernizing the protected area regime in PNG consistent with its constitution and its unique land tenure system which sees approximately 95% of land held under customary ownership. UNDP has supported the development of associated legislation and has begun the commissioning of a national biodiversity fund. The capitalized fund could offer a complementary vehicle to the Joint Programme by providing early stage seed-financing to community-based blue economy businesses. The fund and Joint Programme could work in tandem to be mutually-reinforcing.

As a member of the International Coral Reef Initiative (ICRI), PNG has committed to develop a new coral reef target as part of the post-2020 global biodiversity framework. This includes identifying innovative financing mechanisms in support of coral reef conservation.

5. Expected added value of the UN and the Joint SDG Fund

Under a Business as usual" scenario unsustainable harvesting of marine resources would continue, leading to overexploited fish species, unrecoverable coral reef systems and reduced livelihood and income opportunities. Private sector financing would, without evidence of more innovative and sustainable business models, continue to support activities that contribute to wider environmental degradation.

The SDG Fund is a particularly appropriate tool for such a partnership at the country level, because it fosters and incentivizes the collaboration indicated above, and in this case, it also provides much needed funds for a critical global issue. Mixed with UN partner existing resources, the SDF fund financing will find not a tabula rasa, but a fertile field, where its finances will immediately build upon and leverage additional resources.

The value addition of the UN in PNG is its strong reputation for creating enabling conditions for good governance, capacity development, institutional building and policy development in PNG. It has existing transformative initiatives on governance of risk, financial planning and budgeting; the development of national action plans across climate mitigation, adaptation and beyond. This is necessary for work in the blue economy setting as well and a central pillar of our contribution.

The UN will use its power in leveraging grants (an estimated \$125 million US dollars) and partner assets deployed through holding companies or other mechanism (\$375 million US dollars) and demonstrating success, the fund could mobilize a significant amount of capital (~\$2-3 billion US dollars). Finances will be used to sustainably manage coral reefs, thereby assisting the 500 million people who depend on healthy reef ecosystems. Structuring underused and fragmented investments through a global portfolio approach can steer global finances towards coral reef protection.

6. Leadership and implementation of the Joint Programme

During the fourth United Nations Environment Assembly (UNEA-4) in March 2019, resolution 4/13 was passed on sustainable coral reef management. In it, Member States and United Nations Environment (UN Environment) recommended a series of actions and called for greater coordination between countries in implementing policies related to the conservation and management of coral reefs at international, regional, and local levels.

With regards to vulnerability, livelihoods at risk, and tying together coastal development with natural capital,

UNDP will bring together its expertise at the Country Office level coupled with government inputs and consultant support to deliver. At a country level, UNDP will build the institutional capacity of both the national and provincial governments to better manage the ocean-land interface. It will support the better regulation of poor industry practice and support improved town planning in coastal areas to further minimise the impact of population growth and urbanisation on coral reefs. This would involve Resident Representative's Office—government relations, policy; Environment Unit—risk, vulnerability; and Technical Advisors.

UNDP Headquarter staff working on the project includes: Senior Innovative finance specialist; Global Team Leader for Insurance and Risk Finance; Adaptation and GEF programme implementation team.

UNEP's role will aim to address larger global challenges, namely the impacts of rising ocean temperatures and acidification. Considering the role of communities in managing protected areas, this component will work to enhance local capacity to deliver smart and sustainable solutions to reef restoration that can be delivered at scale in a way that seeds greater socio-ecological resilience to climate change.

UNCDF will focus on generating and/or increasing livelihoods. UNCDF will identify and implement sustainable financing mechanisms to ensure long-term protection of coral reefs, such as climate related community insurance.

A national steering committee will be established including national and provincial government, civil society, financial institutions in PNG and Kimbe Bay.

7. Expected period of implementation

The implementation period of four years is proposed. This period is necessary in order to ensure that the analysis and stakeholder dialogue is enough to ensure that the outcomes of the project are sustainable. The decentralized governance system in PNG, the local

land tenure structure and the difficulty to access specific sites necessitates a longer programme period.

Key critical milestones in the programme implementation include:

- Assessment of the value of environmental services provided by reefs, categorized by industry sector, community group, etc.; this could entail additional modeling to compare and prioritize different location options within a country.
- Marine spatial plan for Kimbe Bay to prioritize reef restoration adopted by Government.
- Blue economy road map for coral reef and coastal livelihoods in PNG launched.
- First financial mechanism implemented, leveraging large-scale private capital.
- First monitoring report of the implementations of a new blue business model.
- Documentation of scalable business models shared with other participating countries.

8. Cost, co-funding, and co-financing of Joint Programme

The overall cost of implementation for PNG is calculated at 4million USD. The programme funds will be utilized between:

- Implementation of activities: 80%
- Capacity building, communication and research: 15%
- Management and coordination: 5%

Co-financing per country will be leveraged from the following sources:

- Global Fund for Coral Reefs (GFCR): 5million USD
- UNDP GCF Submission: 2.5million USD

The GFCR will be able to match the Joint SDG contribution and mobilize working capital in the range of 25% grant 75% investment. It is intended to actualize this through the proposed business models sourced for the pipeline, specifically screening for revenue generation and private finance participation. As a result, the working capital to be leveraged is estimated to be 22.5million USD.

Other co-financing opportunities to be tapped are through Donor Advised Funds. This model can be used to collect individual contributions as well as to deploy capital. Gaining traction in conservation spheres, DAFs have been used to fund projects as diverse as forestry and landscape regeneration to land purchases and blue economy as well, although with limited visibility. DAFs are accessible through charitable accounts at many of the US banks and brokers, to be channeled to a wide range of conservation causes (Sierra Club, national parks). In the case of oceans, we can imagine using DAFs as The Ocean Foundation does (<https://www.oceanfdn.org/our-work/services/advised-funds>). They promote DAFs among their donors to flexibly contribute cash, securities, real estate, and/or other assets to support the oceans in a range of coastal and ocean conservation activities, while creating a charitable legacy and receiving a tax deduction. At the Ocean Foundation, a DAF can be channeled via a Fund Investment (donated funds are managed by TOF's financial services partner (or your own advisor if you wish and your DAF is over \$1 million), where TOF manages all aspects of the DAF; (oversight of all the revenues and expenditures, monthly financial reports, budgetary tracking, payment of all invoices, audit and governmental reporting, all tax returns, and training in budget preparation and financial management.)

9. Risk assessment

Climate investment risk – Mitigation: including barriers for adopters and financiers, such as lack of familiarity with climate technologies, quality concerns regarding installation and maintenance, and other performance-related uncertainties, which may be addressed with guarantees, insurance, or other risk sharing facilities.

Extreme weather risk – Mitigation: improving resilience and reducing vulnerability to climate impacts, particularly of poor and vulnerable communities, including through index-based flood or drought crop insurance, disaster risk insurance for microfinance institutions, and emergency liquidity facilities.

Risks arising from lack of awareness and resistance to nature-based financial products in communities, impacting the ability to work on the reefs. Mitigation: Ongoing community impact and public awareness campaigns through government meetings and workshops led by UNDP, and stakeholder meetings at the community level facilitated by the UNCP CO. Working with government counterparts to build understanding and demand, in parallel with existing initiatives mentioned above.

Risks arising from scarcity of domestic investor capital (debt and equity), and domestic investors' lack of familiarity with blended financing structures. This could affect the capitalisation of the vehicle for the long term and ability to deploy capital for investments in the reef, the ecosystem, and onshore assets. Mitigation: Reform of the domestic financial sector is under way in the countries in the proposal, discussions with both donors and investors are under way through UNPD and partners like TNC and Swiss Re bring strong networks to support financial resource mobilization.

Risk arising from a mix of cross-cutting political, economic, institutional and social characteristics. Mitigation: UNDP is working on fiscal instruments and tax incentive programs that can be applied to the countries in this proposal, and the strong local relationships with government will allow for conversations on policymaking and insurance issuance to move forward. In April, S&P upgraded the Philippines' credit rating to BBB+ on the back of the country's consistent economic growth, solid fiscal accounts, and good position in the external environment in addition to solid government fiscal accounts, low public indebtedness, and the economy's sound external settings.

10. Convening the private sector and engaging IFIs/DFIs

The private sector will form an essential role in this project. As seen in the business models described above, financial institutions will be integrated into the project's delivery. UNDP has developed the Private Sector Resource Mobilization (PSRM) Toolkit to select, initiate, formalize, scale-up, and monitor and evaluate private sector partnerships, with a focus on resource mobilization, which can be used for this Joint Programme.

UNDP's services facilitate access to resources such as knowledge, skills, networks, technology, finance and business opportunities, enhancing the private sector's competitiveness while providing incentives and impetus for a bottom-up transformation towards more sustainable business practices. This is a key UNDP value-add and reflects the importance of the disparate needs and opportunities of the sector. Partnerships and founding role in ocean/natural capital-facing organisations like ORRAA, the IDF, and the Global Fund for Coral Reefs are the clearest example of success as a convener of mobilizing a diverse set of private sector actors around a blue economy development agenda.

Key potential partners such as Credit Suisse, BNP Paribas, Althelia, and Standard Chartered will be engaged throughout the process. Tourism establishments, boat operators and dive companies based in Kimbe Bay will be key partners in the project's implementation.

11. Leverage and catalytic function

The Joint Programme intends to leverage additional capital through the proposed business models sourced for the pipeline, specifically screening for revenue generation and private finance participation. Several of these preselected models include:

Pay-for-performance instruments, outcome-based financing, results-based financing, and impact bonds all can be structured to be revenue generating and are part of the new suite of financial products UNDP has in its toolkit. For the blue economy, this financing model may have several applications, including ocean and coastal biodiversity conservation and restoration (e.g., coral or mangrove restoration, or coral regrowth projects), and youth unemployment programmes with a focus on blue economy jobs and training.

Fees can be raised to diminish tourists after a tipping point, or simply to generate more income (while maintaining sustainable use). International commitments seek a minimum 10% of marine and coastal areas to be effectively protected by 2020 – this remains to be achieved in most countries. Recent studies have reported that 65% of existing MPAs have inadequate budgets for basic management and 90% have inadequate staff capacity (linked to budgets). As a result, many MPAs fail to meet their social and ecological objectives.

Reef insurance: Under way in Mexico already, reef insurance is being expanded into Southeast Asia jointly with UNDP. By capitalizing a local vehicle buying the insurance (i.e., a trust) it is possible not only to have a payout in the case of disasters, but to create a revolving loan vehicle to lend to on-shore facilities for disaster proofing, mitigating waste into the ocean, etc. Parametric insurance instruments, which can incentivize sound planning, management, and risk reduction through lowered premiums, can also ensure rapid payouts in response to impacts.

Blue bonds and debt restructuring: Blue Bonds leverage upfront philanthropy to catalyze as much as 40 times more in additional investments (as per the Seychelles model), which can be used to protect predefined areas around the world's oceans in a set amount of time. This is essentially a debt restructuring instrument, likely relevant to the SIDS and LDCs involved, where the use of proceeds is linked to coral reefs and where debt relief is needed. Blue bonds can provide annual cash flows into a trust fund or other local vehicle for investments in coastal protection and resilience and provides fiscal space for an indebted country.

12. Technical support and seed funding

The drafting of a full proposal would require financial support totaling 100,000 USD for the four participating countries. The seed funding would allow UNDP, as the lead agency for the preparatory work, to contract a qualified expert to complement their existing in-house technical expertise. It would also finance a regional workshop between participating countries to finalise and endorse the proposal. The appointed expert would have extensive experience in conservation finance with a specialization in marine finance. Experience establishing large scale finance mechanisms in the Asia-Pacific region would be considered an advantage. The consultant would conduct national level consultations and site visits in each participating country, before facilitating a regional workshop to finalise and endorse the proposal.

A regional steering committee will be established to manage, review and endorse the proposals developed by the consultants. The committee will seek additional pro-bono technical inputs from financial institutions, such as Credit Suisse, BNP Paribas, Althelia on the design and formulation process.

It is envisaged that the development of the full proposal will be completed within six months.

Signatures

Signed Signature Form

[SDG Fund_ Concept Note_ Signatory Page_ 31 Mar 2020.pdf](#) 599 KB

Government Endorsement

Letter of Endorsement

[CEPA Endorsement letter - Joint SDG Fund proposal.jpg](#) 385.41 KB