

Joint SDG Fund – Component 2 – SDG Financing

Template for the Joint Programme Final Progress Report (preparatory funding)

Purpose: to provide the UN Joint SDG Fund’s donors with evidence that preparatory funding provides good value for money - so that we can continue allocate resources to your programming.

Instructions: be succinct and to the point; emphasize only results and issues that you want to bring to the attention of the Fund; do not go over the max number of pages.

Deadline: January 31st, 2021

Cover page

Reporting period: June 30 – December 31, 2020

Country: Papua New Guinea

Joint Programme (JP) title: Investing in Coral Reefs and the Blue Economy: Blue Economy Enterprise Incubation Facility (BE-EIF)

Short title: Investing in coral reefs and the blue economy

List of PUNOs: UNDP, UNCDF, UNEP

RC (name): Gianluca Rampolla

Representative of Lead PUNO (name and agency): Dirk Wagener, UNDP

Government JP Focal Point (name and ministry/agency): Gunther Joku, Managing Director Conservation and Environment Protection Authority (CEPA)

RCO JP Focal Point (name): Kesang Choden Phuntsho E-mail: kesang.phuntsho@un.org

Lead Agency JP Focal Point (name): Andrew Rylance E-mail: andrew.rylance@undp.org

Budget (Joint SDG Fund contribution): US\$ 100,000

Budget Expenditures: US\$ 100,000

Delivery Rate 100% - Prep Funding Rate (%) = $\frac{\text{Expenditures PUNO}}{\text{Total transferred funds Jan 2020 to December 2020}}$:

Short Description of the Joint Programme (1 paragraph for each section)

This description will be used to update your country page in our online platform (please scan the website before answering) <https://sdginvest.jointsdgfund.org/proposals>

Financial leverage (estimated target in US\$):

- Joint SDG Fund contribution: US\$ 4.3 million
- Estimated co-financing: US\$ 12.6 million
- Estimate private sector leverage: US\$ 14.2 million

Challenge:

Explain the key challenge(s) the JP aims to tackle with reference to both development and financing challenges and how they interconnect.

Papua New Guinea (PNG) is classified as one of seventeen “megadiverse” countries in the world and its marine ecosystems are of international significance. Its coral reefs are part of the Coral Triangle – the area with the highest levels of marine biodiversity in the world. Despite its extraordinary natural heritage, most of PNG’s highly biodiverse marine and coastal ecosystems and species are not well protected or resourced, and are subject to multiple anthropogenic pressures. With a few exceptions, there is no revenue being generated by protected areas for active conservation management, and little incentive to manage natural resources sustainably. At the same time, local communities lack the skills, knowledge and finance to develop conservation-first business models connected to the marine and coastal environment, which could provide both livelihoods and conservation outcomes (as well as improved nutrition outcomes). This is particularly the case for women who remain marginalised in the business and labour markets. There is also limited technical assistance available to support entrepreneurship or social and community enterprise development, in particular as it relates to the blue economy, a largely underexplored and untapped market.

Innovation (financial instrument/mechanism/approach):

Summarize the financial mechanism(s) proposed and why the approach is different from conventional and/or alternative approaches and how it is fit for purpose to address the challenge described above.

The joint programme will establish a “Blue Economy Enterprise Incubation Facility” (BE-EIF) to accelerate the identification and development of sustainable blue economy livelihood opportunities, and catalyse private sector investment at-scale. It will have a particular focus on small- and medium-sized enterprises (SMEs), social and community enterprise models, and on women, youth and other marginalised communities. The BE-EIF will have an initial focus on Kimbe Bay, New Britain, which has exceptional biodiversity and coral reef systems, with plans to expand to two further sites over 10 years. The BE-EIF is well-timed since US\$450,000 in finance has recently been secured through the GEF6 programme to create a 1.3 million hectare marine protected area (MPA) in Kimbe Bay. Supporting small-scale business development connected to this MPA represents a smart development opportunity. The Facility will be established as a dedicated and highly-specialised financing “window” within the newly-created National Biodiversity Fund (similar to the private sector window within the World Bank’s IDA Fund for low-income countries) (see graphic). With this structure, the BE-EIF will be able to leverage the institutional structures, technical expertise, financial resources, social and environmental safeguards framework, and high-level political buy-in enjoyed by the new fund, in addition to its own resources. This structure will: (i) maximise operational efficiencies; (ii) maximise synergies with broader conservation activities in the country; (iii) reduce transaction costs. The Blue Economy Enterprise Incubation Facility (BE-

EIF) will be created as an initial US\$4 million facility. It will have two inter-related “arms” structured to provide cradle to exit support for conservation-centred business models connected to the marine environment.

SDG Impact:

Please describe the development impact the JP aims to achieve. Do not list the SDGs.

The Joint Programme will have an impact on multiple SDGs directly and indirectly. The focus of the joint programme and the interlinkages are as follows:

1. Restored reef systems, and sustainable stewardship of PNG’s marine environment, will boost biodiversity and resilience and produce a sustainable source of protein, improved health and nutrition for coastal communities.
2. Innovative partnerships with the private sector will showcase new inclusive and sustainable business models and leverage new finance from the private sector creating more diversified and productive livelihoods opportunities for coastal communities, especially for women, leading to reduced poverty and inequalities.
3. Capacity development support to communities will provide greater access to information, new markets, finance and business opportunities.
4. Companies supported to integrate sustainable practices and sustainability into company reporting cycles, boosting investor confidence, crowding-in new capital and leading to better marine stewardship.

Partners:

Please list key partners involved in implementation as well as secured investors. Do not mention more than 4-5 partners. Do not mention generic stakeholders (e.g. Government, private sector), but only specific institutions/partners.

1. Conservation and Environment Protection Agency (CEPA)
2. Provincial Government of West New Britain
3. United Nations Development Programme (UNDP)
4. United Nations Capital Development Fund (UNCDF)
5. United Nations Environment Programme (UNEP)

Final Progress Report (MAX 3 PAGES)

1.1. Progress achieved

Provide brief description of the project's developments, results and achievements during the preparatory phase including 1) financial vehicle design; 2) market assessment; 3) feasibility study; 4) pipeline assessment; 5) legal assessment; 6) investor mapping and matching; 7) others. Please list the names of strategic documents developed (if any).

The preparatory phase of the JP developed the first financial vehicle design in Papua New Guinea with an explicit focus on the blue economy, thus far an underexplored and largely untapped economic sector. It is also unique in its focus on blue enterprise development, and on supporting women, youth and marginalised communities to maximise the opportunities presented by this high-development potential sector. It will be the first to offer dedicated financial resources and technical expertise on the blue economy.

Furthermore, it conducted the first market and pipeline assessments of blue economy opportunities in Kimbe Bay, the proposed project site. It will also be the first to put in place the structures to enable long-term private investment in this sector in Papua New Guinea.

Finally, the JP preparatory stage facilitated the first time that the three PUNOs collaborate on a joint programme in PNG in the marine environment space. This project is an ideal opportunity to demonstrate the complementary skills of different UN agencies to effectively deliver as one. This collaboration could be expected to continue once the joint programme concludes and as the work of the BE-EIF continues and expands to other regions over time. PNG contains over 2.4 million km² of ocean that includes over 7,000km² of coral reefs and 4,200km² of dense mangrove forest. The opportunities for replication are significant, especially considering global calls to commit to 30% of marine protection by 2030.

1.2. Challenges faced

Did the UNCT face any major challenges in the preparatory phase? Briefly explain the challenges, their impacts, and how you overcame those.

Two main challenges were faced in the development of the full JP proposal namely:

1. Impact of COVID on consultation and field assessments: Significant COVID travel restrictions, both internationally and nationally, were enforced during the entire period of the preparatory as well as a period of full Business Continuity Plan (BCP) for PUNOs in Papua New Guinea. Consequently, the lead international consultant was unable to travel to Papua New Guinea to conduct direct consultations and field assessment. As a result, a national consultant was also appointed to conduct investment pipeline mapping and market assessments in Kimbe Bay, although travel and consultation was also restricted domestically. The project team aimed to conduct consultations remotely, through zoom, where possible with government representatives and international institutions. However, this was more challenging when consulting local communities and the domestic private sector.
2. Timeframe to achieve leveraged private investment: The key success criteria for JP proposals was communicated as leveraged private financial investment with letters of commitment provided. The timeframe was insufficient in order to (i) conduct market assessments, (ii) design the project pipeline and then (iii) secure private financial investment. In the absence of a pre-determined pipeline before the start of the preparatory stage, the timeframe to achieve the key criteria was not possible. All private partners consulted expressed their interest in and importance of the proposal, but noted that greater time for analysis and dialogue was required before guaranteeing private impact investment, considering that blue economy was in its infancy in Papua New Guinea. However, the JP has provided the foundation for further dialogue and investigation with the domestic financial sector in the country.

1.3 Partnerships leveraged

Did you leverage new partnerships during the preparatory phase (e.g. government, private investors, IFIs, bilateral/multilateral banks, etc.)?

- Yes
 No

Provide in bullet points the main highlights on strategic partnerships and with whom.

- Domestic financial market institutions expressed a keen interest to jointly investigate blue economy opportunities. Banks in Papua New Guinea noted that there was high liquidity in the domestic market and their portfolios were underrepresented in the marine space.
- Government partners, specifically the Conservation and Environment Protection Authority (CEPA), have an interest to develop new blue economy initiatives as a result of the JP proposal. The JP proposal is a timely initiative as a new national Oceans Policy has recently been endorsed and CEPA is enthusiastic how the proposal Blue Enterprise Incubation Facility can finance the implementation of this policy.

1.4. Co-funding mobilized

Did you secure additional funding or in kind support for the proposal during the preparatory phase?

- Yes
 No

If yes, please include amounts committed during the prep-phase.

Source of funding	Yes	No	Type? (\$ or in kind support)	Name of organization	Amount (USD)	Comments
Government	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Finance	Government of Papua New Guinea	US\$5 million	GoPNG to the new National Biodiversity Fund to support PNG's protected area network (finance committed)
			In-kind	Government of Papua New Guinea	US\$2 million	In-kind support from the national and provincial governments to support local capacity development, ensure coherence with environmental conservation plans and work with local communities to identify potential projects and screen for community and environmental benefits and risks
Donors/IFIs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Finance	Global Environment Facility	US\$2.7 million	Grants from the GEF6 programme channelled through the new National Biodiversity Fund for protected area management (finance secured)
			Finance	Global Environment Facility	US\$500,000	Grants from the GEF6 programme to fund the management, administration and operations of the National Biodiversity Fund secretariat over five years (finance secured)

			Finance	Global Environment Facility	US\$450,000	Grants from the GEF6 programme channelled via UNDP to establish a Marine Protected Area (MPA) in the pilot project site of Kimbe Bay (finance secured)
Private sector	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Finance	New Britain Palm Oil	US\$1.23 million	Grants from New Britain Palm Oil to support high value conservation areas around the pilot site of Kimbe Bay, especially mangrove restoration (finance secured)
			Finance	Walindi Plantation Resort	US\$470,000	Grants from the Walindi Plantation Resort to fund community awareness and educational work around marine conservation, as well as training and skills development around tourism and sustainable fisheries (finance secured)
UN/PUNOs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Finance and in-kind	UNCDF / EU	US\$250,000	Grants and technical assistance from UNCDF for developing financial products and services specifically for fisheries value chains under the EU funded STREIT project. UNCDF will also provide support from its investment team in New York to help structure deals (finance secured)

1.5. Budget changes (if relevant)

If there were changes in the actual budget from the one shared as part of the Fund Transfer Request, please briefly justify these changes.

Please, explain briefly:

Minor changes were made to the actual budget compared to the Fund Transfer Request, namely:

1. Travel (budget line 5) was combined with contractual services (budget line 4) under the individual contracts for the international and national consultants. As the international consultant was unable to travel to Papua New Guinea, as a result of COVID restrictions, this budget line was reallocated to the national consultant budget.
2. Transfers and grants to counterparts (budget line 6) did not take place. Due to the (i) limited timeframe to complete the JP proposal, (ii) administrative requirements to transfer grants between PUNOs and (iii) the limited total size of transfers (US\$10,000) it was agreed that UNDP, as the lead agency, would manage the contracting of consultants under the JP.