



Final Report

Reporting Period: 15 May – 30 December 2021

Programme Title & Project Number
Programme Title: Blue finance ECRE Philippines Programme Number: [Refer to GATEWAY]
Recipient Organisation/s
<ul style="list-style-type: none">Blue finance ECRE
Total Approved Budget
Total Budget: USD 131,182

Programme Location
Country/ies: Philippines
Programme Duration
<ul style="list-style-type: none">Start Date¹: 18-may-21End Date: 30-dec-21
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¹ The start date is the date of the first transfer of the funds from the MPTF Office as Administrative Agent. Transfer date is available on the [MPTF Office GATEWAY](#)

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I. Executive Summary

Status:

During the reporting period, all expected deliverables and outputs have been delivered.

Deliverables & outputs:

1. A full Programme Proposal has been submitted to the GFCR Global Team in November 2021 with detailed scoping of 'quick-wins' of revenue streams in VIP. When implemented, the full programme proposal will contribute to the protection and resilience of over 30,000 ha of coral reefs through the effective management and financial sustainability of 3 high-biodiversity Marine Protected Area (MPA) networks (total 80 MPAs). The programme details the development of a pipeline of four reef-positive investment ready projects in and around the Marine Protected Areas with a potential to unlock US\$9M from private sector. The programme provides inputs on the design of the MPA blended finance investment facility.
2. Management and enforcement and monitoring systems of Blue Alliance SPE in VIP have been strengthened
3. Establishment of a Development Facility to structure a pipeline of investment ready reef-positive sustainable businesses and projects within and around the MPA networks of Calamian Island and VIP.
4. Identify and confirm a potential co-investment of US\$1.4M from the Sustainable Ocean Fund into the Blue Alliance SPE and associated businesses in VIP.

Initial fundraising activities have been deployed with a pool of investors & donors in order to blend donations, concessionary loans and impact investment. Committed co-investment so far is US\$1.4M from 2 impact investors and donors.

Challenges:

Local Government Units and People's Organizations (POs) can feel unsecure with innovative blended finance approach for marine conservation.

Pandemic has created delays in finalizing negotiations with government partners and other enabling actors. COVID travel restrictions prevented also visits from the international experts from the three project developers .

Pandemic has an important impact on eco-tourism sector due to the drop in the visitations, affecting our business models for the MPAs. Several mitigation actiones have been designed and are being implemented.

Lessons learnt

- Collaborative work. Important to bring together experimented partners with a track record in developing and financing agreements for MPAs and institutional partners facilitating the process of negotiations with governments;
- Recruit a credible team to implement project with a comprehensive mix of expertise and appropriate track record in MPA management, entrepreneurship, community development, marine ecology, conservation finance, public-private partnerships and business planning;
- Be patient. The design and conclusion of the projects with governments and local stakeholders can be a long process (up to 12 months for a lease agreement) and the funding of this critical phase cannot come from the impact investor side.

II. Results & Implementation

A. Outputs & Activities

1. Full Programme Proposal has been submitted to the GFCR Global Team

A full Programme Proposal has been submitted to the GFCR Global Team in November 2021 with detailed scoping of 'quick-wins' of revenue streams in VIP. Key elements included in the full Programme Proposal are:

- Evidence of resilient reefs;
- Blended Finance to promote sustainable revenue streams with positive impact on coral reef ecosystems and dependent communities;
- Consortium of partners;
- Clear strategy for implementation in all three target areas;
- M&E Strategy;
- Budget and workplan tied to clear milestones

The Proposal with annexes is attached as D1.0.

2. Strengthen management and enforcement and monitoring systems of Blue Alliance SPE in VIP

The NGO Blue Alliance has been strengthening its management activities through comprehensive analysis and planning of the work plans around 4 pillars of activities : Community Development & Engagement, Biodiversity Conservation & Science, Sustainable Revenues, Law Compliance/Park protection.

A template workplan is attached as D2.1.

Enforcement and monitoring activities have been strengthened with a complete analysis of legal and regulatory context. 3 critical categories of enforcement powers have been assessed, Search and Seizure, Adjudication of Violations / Presumptions about location and legality of catch and Penalties.

The enforcement plan is attached as D2.2.

3. Development Facility to structure a pipeline of investment ready reef-positive sustainable businesses

A MPA Development Facility has been created. It is led by a consortium of 3 project developers providing scientific & technical assistance to construct MPA projects with high-quality environmental, social and

financial design, and providing technical assistance for the development of investment-ready reef-first business models.

The Development Facility (DF) is led by a consortium of 3 project developers and UNCDF Blue Bridge:

- Blue Finance - a non-profit organisation specializing in the management of MPA concessions, the development of sustainable revenue streams and the implementation of impact investment solutions for MPAs in South East Asia and globally; BF acts as the convening agent and will be leading all the DF activities linked to MPA management, science, MPA fee revenues, community engagement and reef-positive businesses linked to ecotourism
- Ubá Sustainability Institute - specializing in blue carbon projects with work ongoing with mangroves in the Philippines. Uba will be coordinating the DF activities linked to blue carbon credits for MPAs.
- Blueyou - specialized in private sector led, coastal community-based, sustainable aquaculture and fisheries improvement programs, with a 10-year track record in developing projects for impact investment and ongoing program implementation in the Philippines; Blueyou will be coordinating the DF activities for reef-positive businesses linked to aquaculture of overfished reef species.
- UNCDF Blue Bridge is a development-focused financial services entity to support the Global Fund for Coral Reefs, its implementers and partners. Blue finance and UNCDF have already structured an initial performance grant for the SPE 'Blue Alliance VIP' (from GFCR funding). UNCDF will be leading also the due diligence process for the investments and will provide on-demand financial advice.

The DF works in close partnership with Rare, UNDP, Conservation International Philippines and the University of the Philippines, which hold extensive track records in conservation activities across the 3 MPA networks. Strong partnerships have been built with the Government, local NGOs, private sector companies such as MELIOMAR and Community Organizations.

4. Potential co-investment of US\$1.4M impact investment

Co-financing for senior debt is soft committed from Mirova Natural Capital (US\$1M) and for junior debt with UBS optimus for an impact loan (US\$0.5M). Other discussions are in progress with family offices such as Rs Group and Mana impact.

Co-financing for grant is confirmed with IUCN Global EbA facility (US\$0.25M). Discussions are in progress with IUCN BNCFF.

Draft term sheets are attached (D4.1)

B. Implementation Status

Outputs & Activities	Indicators / Deliverables	Target Completion	Implementation Status & Actual Completion Date
Full Programme Proposal submitted to the GFCR Global Team in November 2021 with detailed scoping of 'quick-wins' of revenue streams in VIP.	D1.0 Full Programme Proposal submitted to the GFCR Global Team	Completed	Activities completed as expected
Strengthen management and enforcement and monitoring systems of Blue Alliance SPE in VIP	D1.1 Workplan template	Completed	Activities completed as expected
	D1.2 Compliance plan for Or.Mindoro MPA network	Completed	Activities completed as expected
Development Facility to structure a pipeline of investment ready reef-positive sustainable businesses	The Development Facility is led by a consortium of 3 project developers and UNCDF Blue Bridge	Completed	Activities completed as expected
Potential co-investment of US\$1.4M Sustainable Ocean Fund	D4.1 Term sheet with Sustainable Ocean Fund - Mirova Natural Capital	Completed	Activities completed as expected

III. Progress, Challenges and Lessons Learned

1. Identification and Description of Priority Areas	
Summary	Activities have included identifying MPA networks based on ecological, legal, management and business criteria through a desk study and preliminary consultations with local stakeholders. Priority MPA(s) have been selected in collaboration with Government and partners and based on the 50 reefs priority listing. A scoring decision tool has three major components – Impact Feasibility, Legal Feasibility, and Business Feasibility with a total of 54 indicators.
Objectives Achieved	<p>Our 3 priority areas will help to protect some of the most productive and biodiverse marine ecosystems in the world.</p> <ul style="list-style-type: none"> • The Verde Island Passage alone is home to some 319 coral species, more than half of documented fish species worldwide (Carpenter and Springer, 2005). It is also touted as the “center of the center” of the world’s marine shorefish diversity, with 1,736 overlapping marine species over a 10-kilometer area; the highest concentration of marine life in the world. In this area alone, >11,500 ha of coral will be protected. • The Calamian Islands are among the 14 hotspots identified by the Philippine government as “extremely high priority” for marine conservation. With relatively intact fringing reefs, it is considered one of the most biodiverse groups of islands in the Philippines (some MPAs have 95% coral cover). Approximately 5 400 ha of coral reefs in these protected spaces, will be impacted by our projects. • The Tañon Strait Protected Seascape is known as one of ten most important fishing grounds in the country, its coastline is bordered by fringing reefs home to one of the richest marine ecosystems on Earth. Within the Straits are 16,300 hectares of coral reefs (NOAA 2010) which are mostly fringing reefs along the Negros and Cebu coastline, will be protected.
Challenges	<p>Time series data on fish, coral reef and climate change indicators are very limited with irregular quality.</p> <p>Baseline socio-economic data to quantify impacts on livelihood will have to be collected (e.g. Socmon)</p>
Lessons learned	Implement best practice in the negotiation and governance of co-management arrangements between governments and co-management partners, recognizing the importance of tailoring site level efforts to the local political, legal and cultural context;
2. Partnerships	
Summary	<p>The programme has implemented a MPA Development Facility (DF) led by a consortium of 3 project developers and UNCDF blue bridge providing scientific & technical assistance to construct MPA projects with high-quality environmental, social and financial design, and providing technical assistance for the development of investment-ready reef-first business models;</p> <p>The DF works in close partnership with Rare, UNDP, Conservation International Philippines and the University of the Philippines, which hold extensive track records in conservation activities across the 3 MPA networks. Strong partnerships have been built with the Government, local NGOs, private sector companies such as MELIOMAR and Community Organizations.</p> <p>The DF will set-up MPA blended finance investment facilities (BF-IFs) to syndicate investments from impact investors, donors and UNCDF.</p>
Objectives Achieved	The MPA Development Facility (DF), managed by three business developers with support from UNCDF, will provide scientific, business & technical

	<p>assistance to construct MPA projects with high-quality environmental, social and financial design to develop reef-positive businesses supporting the MPA networks.</p> <p>The DF is formed by a team of professionals implicated to project origination, preparation and execution:</p> <ul style="list-style-type: none"> • 26 professionals comprise the international senior management team (16 experts from Bf, 6 from Blueyou and 4 from Ubá) • 12 professionals comprise the Philippines team • The DF’s team is directly involved in “on the ground” MPA activities working with our established (and well-embedded) local partners and communities. • The DF’s team is formed by a multi-disciplinary team with 30+ years of cumulative experience in MPA operational management, 80+ years in coral reef and fishery science, 50+ years in community enterprise and nature-based tourism, 20+ years in carbon certification projects and 15+ years in blended finance • The Development Facility partners have structured US\$10M in blended finance for MPAs and sustainable fishery projects in other countries. <p>Partnerships have been forged with more than 30 partners to cover and address all the needs of the MPA ecosystem. In particular, the DF works in close relationship with UNDP which is implicated in the development of co-management agreement national framework and has a long experience in community engagement and environmental planification.</p> <p>Other partners include Conservation International Philippines, Rare and the University of the Philippines which holds an extensive track record in conservation activities in the 3 initial MPA networks. Strong partnerships have been built with the government, local NGOs, private sector companies such as MELIOMAR (an impact investment case of Blueyou) and Community Organizations. The Sustainable Ocean Fund acts as the initial anchor impact investor.</p>
<p>Challenges</p>	<p>The main challenges to be addressed by the DF are:</p> <ul style="list-style-type: none"> • Consolidating MPA long-term management concessions, and establishing the SPEs with local partners (The programme will initially focus on the 3 MPA networks of the VIP, CIG and TSPS). • Develop investment readiness and direct revenue generation mechanisms for MPAs • Source 2 new MPA networks (scoping and selection) • Validate feasibility of Reef-positive businesses • Prepare Investment ready transactions • Implement Investment (Post-transaction) • Impact monitoring reporting for different stakeholders
<p>Lessons learned</p>	<p>Collaborative work. Important to bring together experimented partners with a track record in developing and financing agreements for MPAs and institutional partners facilitating the process of negotiations with governments;</p>
<p>3. Pipeline identification</p>	
<p>Summary</p>	<p>The approach relies on arranging long-term management concessions for the MPAs structured as Special Purpose Entities, on developing tangible revenue models for the management of these MPAs and on securing their up-front financing needs through private investment capital. The approach will be</p>

	<p>implemented through a Development Facility and Blended Finance Investment Facilities for MPAs.</p> <p>Initial revenue models include MPA user fees, visitor center and sales of blue carbon credits. The MPA SPEs will invest also in reef-first businesses linked to eco-tourism, coastal aquaculture of overfished reef species and reef fisheries transition. This allows the MPA SPEs to contribute to the design of the reef-first businesses to ensure synergies with MPA management and receive dividends that contribute to MPA SPE management costs.</p>
Objectives Achieved	<p>The facility will develop the following sustainable revenue models for the MPAs:</p> <ol style="list-style-type: none"> 1. Direct MPA incomes: Incomes will flow into the SPEs through MPA fees, visitor center entrance tickets and sales of blue carbon credits. In that aim, the SPE management teams will implement nature-based programmes for visitors incl. 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. 2. Indirect MPA incomes: income will flow into the SPEs from investment returns from reef-positive businesses in & around the MPAs. 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, their capacities and financial integrity. The businesses will generate investment returns (dividends, revenue sharing) and professional fees to the SPEs, improving MPA management and reducing several drivers of coral reef ecosystem degradation.
Challenges	<p>The programme will have to target the bottlenecks that hinder private investment in reef-positive initiatives such as MPAs. The programme will prepare and design MPA projects that are investment grade, implement and manage those bankable projects, fundraise, train, and establish a robust M&E framework to monitor impact. The programme will have to prepare activities include detailed business plans, the negotiation of terms and commitments by all participating project partners and stakeholders, robust financial projections and scenario analyses, investment structures including farmer's and fisher's incentives, the generation of financial returns and benefits for participating farmers, fishermen, local stakeholders and investors, and design of the blended finance facility (catalytic grant and debt capital).</p> <p>The DF will have to negotiate the terms with all relevant stakeholders (MPA SPE, community, government, and commercial or other private sector partners) as well as preparing all relevant interventions on policy, governance, fishery and farming governance and seafood processing levels including the underlying detailed investment and business plans subject to detailed financial analysis and due diligence. These preparatory activities are realized with our local partners.</p>
Lessons learned	<p>Recruit a credible team to implement project with a comprehensive mix of expertise and appropriate track record in MPA management, entrepreneurship, community development, marine ecology, conservation finance, public-private partnerships and business planning;</p>
4. Stakeholder engagement	
Summary	<p>Stakeholder engagement and stewardship for the programme will be secured through regular information to:</p>

	<p>Target audiences include the private sector (tourism industries, dive shops, investors), government (including national and local government units that focus on fisheries, conservation, and tourism, among others), coastal community groups (women’s, youth, fishers, and other groups), law enforcement agencies, conservation and economic development NGOs, foundations, investors and local financial institutions, and other donors. Each will require a differentiated strategic approach. In addition, it cannot be assumed that all audiences will have regular access to the internet. There will therefore be a strong focus on both offline and online communications strategies and tools.</p> <p>Project developers also recognize that visibility for donors and investors is important and there will be a strong focus in communications and outreach in telling the story behind who is involved the project, the different roles they are playing, who is providing financial support, and ensuring that partners’ logos and branding are included systematically in the different communications products developed by the project. There will also be a focus on internal knowledge management to ensure that information, and key resources are effectively shared internally across the different partners.</p>
Objectives Achieved	<p>During the first 6 months of the project, the project team has developed a gender sensitive communications and outreach action plan that details key milestones and budget requirements next to different activities. A more detailed plan is included in the annex, however key elements include:</p> <ul style="list-style-type: none"> - Project logo and graphics - Compelling online presence (website, social media etc.) - Standardized signage across sites - Investor liaison (including prospectus material etc.) - Community outreach - Educational outreach (e.g. schools etc.) - Communications with visitors and tourism - Visibility for donors - Visibility for project partners <p>Internal knowledge management (e.g. intranet)</p> <p>Initially in Oriental Mindoro, there are four towns with protected areas co-managed by BA that for now are each managed and marked differently. A cohesive signage and branding strategy has been put in place to link each of the MPAs into the Mindoro MPA Network.</p>
Challenges	<p>Local Government Units and People’s Organizations (POs) can feel insecure with innovative blended finance approach for marine conservation.</p>
Lessons learned	<p>Set a focus on telling diverse stories about the project. For example, stories may illustrate the marine ecosystem and its significance to Filipinos (such as spotlights on people and their views of the reefs). Or they may focus on the importance of fisheries stewardship, and the steps Filipinos can take to protect the reefs. Communications with youth and schools may give more attention to the wildlife inhabitants of the marine ecosystems and the impact of climate change and human behavior on their survival. Whenever possible, our communications work aims to use images and graphics that demonstrate how the reef is dependent on all of us for its health – thus giving life to the marine ecosystems themselves. Information and communications for investors will combine stories about local impact (on both people and ecosystems), but will also emphasize the strong investment opportunities and financial performance to-date of the various interventions. Investor prospectuses and investment fairs will be part of the communications strategy to prospective investors.</p>