



GLOBAL FUND FOR
CORAL REEFS

ANNUAL NARRATIVE REPORT:

Programa Nossos Corais

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Report submitted by:

Fundo Brasileiro para a Biodiversidade - FUNBIO

Fernanda F C Marques, Portfolio Manager – National and International Donations

fernanda.marques@funbio.org.br

+55 (21) 99162-9966



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I. Programme Overview – Concept Note

Programme Title & Project Number		Programme Duration	
Programme Title: Programa Nossos Corais		Start Date: March 2022	
Programme Number: 00131881		End Date: November 2023	
Total Approved Budget			
Total GFCR Prep Grant Budget: USD 99,970			
Convening Agent: Fundo Brasileiro para a Biodiversidade - FUNBIO			

II. Executive Summary

Programa Nossos Corais seeks to help tackle the lack of financial mechanisms, financial vehicles, and structured business models, which hinder private sector engagement and systematic investment into Brazil's main coral reef ecosystems. The concept of the program evolved more quickly and is nearing completion. The main strategic partnerships are established with the Ministry of Environment and Climate Change, the National Parks Agency - ICMBio, the National Bank for Social Development - BNDES and the Government of the State of Pernambuco. In 2024 we have an important political window. The Federal Government recently made a clear demonstration of its commitment to the creation and expansion of marine areas, creating two new Protected Areas. A second important step was taken by Funbio in partnership with the Ministry of Environment and Climate Change, the launch of the call for proposals for the execution of the Marine Spatial Planning – PEM, which will organize the uses of the marine environment in the Northeast region of Brazil, where the 3 territories where the program operates are concentrated. The partnership with BNDES took an important step in the Bank's internal approval structure.

III. Programme Objectives

Programa Nossos Corais seeks to help tackle the lack of financial mechanisms, financial vehicles, and structured business models, which hinder private sector engagement and systematic investment into Brazil's main coral reef ecosystems.

To improve this situation, the programme will mobilize and direct additional finance to Marine Protected Areas (MPAs) and to sustainable community-based businesses to reduce the drivers of degradation of coral reefs. With this approach, it is anticipated that in the long-term, Brazilian coral reefs are recovered, conserved, and will provide services to reef-based livelihoods, with increased resilience of ecosystems and communities.

The programme will pursue the following outcomes, which are aligned with the GFCR strategy:

1. Protection to priority coral reef sites is improved through effective management of MPAs and community engagement;
2. Transition to sustainable business models is supported, including reef conservation-based enterprises, and private finance mobilized;
3. Coral reefs and adjacent ecosystems are restored.

The main assumptions of the envisioned programme of work are that sustainable business models can be developed with the support of technical assistance, grant, and concessional debt instruments, building the capacity of coastal communities to engage in alternative livelihoods that benefit coral reefs, both by restoring their health as well as reducing the drivers of degradation. If these business models and the capacity of communities to manage them are developed and implemented, proof-of-concepts will illuminate the economic potential of the three target sites (Fernando de Noronha and Rocas Atoll; Costa dos Corais in the Northeastern Brazil; and Abrolhos in Eastern Brazil), attracting impact investors that can scale-up the successful enterprises, especially if they can be offered as a bundled and de-risked investment opportunity by an impact investment facility. This logic of intervention will improve coral reefs protection and health, if combined with actions to strengthen MPAs effective management.

IV. Programme Implementation & Results

A. Programme Results Overview

During the preparatory phase, extensive stakeholder mapping and prospection of potential reef-friendly initiatives, models and approaches were conducted. At the three priority sites, the identification of local drivers of degradation formed the basis for the development of potential solutions that could be implemented within the scope of GFCR's strategy, i.e., solutions that could have the potential to be scaled-up and replicated in the near to mid-term whilst anchored on a blended finance arrangement that unlocked additional resources once de-risked via GFCR's investments.

Key approaches to tackling unsustainable tourism, poor waste/residue management and harmful fishing practices include:

- i) Regional impact investment fund that unlocks additional capital for de-risked reef-friendly solutions;
- ii) Incubator & technical assistance facility that seeks to support community-based reef-friendly business models focusing on tourism and fishing;
- iii) Improvement in plastic and waste recycling value chain; and
- iv) Expansion of coral reef protection.

With an initial focus on the state of Pernambuco for advancing reef-friendly solutions, and in the Abrolhos region for promoting enhanced protection, Programa Nossos Corais mobilized a diverse array of stakeholders and partnerships, including national and state governments, private sector and sector associations, local, regional and national NGOs, academia and local communities.

B. Indicator-Based Performance Assessment

As a result of presidential elections in Brazil in 2022, project activities had to be suspended until the newly elected government took office. Project development resumed in the beginning of 2023, so that all expected Target Completion dates were delayed by one year.

OUTPUT / ACTIVITY	TARGET INDICATORS / DELIVERABLES / ACTIVITIES	TARGET COMPLETION	IMPLEMENTATION STATUS AND ACTUAL COMPLETION DATE
Output 1.1: Co-implementing partners engaged	<ul style="list-style-type: none"> Activity 1.1.1: Meetings with local and national stakeholders 	Sept 2022	Completed. With support from the consultant and the coral specialist, and participation of Funbio staff, stakeholders at the local, regional and national levels were mapped and interviews conducted throughout 2023, both remotely as well as in person, and also during site visits to Costa dos Corais and Fernando de Noronha, in the state of Pernambuco. Section III lists the stakeholders consulted.
Output 1.2: Endorsement letters and co-finance defined	<ul style="list-style-type: none"> Activity 1.2.1: Liaising with municipal, state and federal government to align expected results Activity 1.2.2: Identifying co-financing and commercial investments of non-government partners 	Oct 2022	<p>Expected to be completed in the 1st quarter of 2024. Throughout 2023 a number of meetings were conducted with federal, state and municipal governments to gauge expectations, map initiatives and policies under implementation, and identify demands and opportunities that converged with/optimized potential investments. These included meetings with the federal government (Ministry of Environment and Climate Change; Chico Mendes Institute for Biodiversity Conservation – ICMBio); state governments (Pernambuco and Bahia states); and municipal governments (Municipality of Maragogi, state of Alagoas).</p> <p>Initial mapping of potential co-financing sources was conducted, pending detailing the amounts once program negotiations are finalized.</p>
Output 2.1: Detailing of enabling conditions activities, including budget, timeline with milestones, partners and expected results	<ul style="list-style-type: none"> Activity 2.1.1: Developing action plan with enabling conditions activities partners 	Oct 2022	Expected to be completed by the 1 st quarter of 2024. The development of an action plan and description of activities, enabling conditions and partners has been an iterative process that is developed in tandem with interviews and negotiations with potential project partners. Deliverables should be finalized by the 1 st quarter of 2024, once the proposal is finalized.
Output 2.2: Detailing of pipeline development activities, including budget, timeline with milestones, partners and expected results	<ul style="list-style-type: none"> Activity 2.2.1: Identification of criteria for reef-positive initiatives to compose initial pipeline for the impact investment facility Activity 2.2.2: Description of initial pipeline for the impact investment facility 	Oct 2022	Expected to be completed by the 1 st quarter of 2024. Potential initiatives were identified and key stakeholders mapped and engaged. Negotiations conducted and details of initial pipeline under development. The project team had an initial meeting with the GFCR Investment Fund to align opportunities and approaches, and proposed areas of activity were presented and meetings scheduled for 2024.

OUTPUT / ACTIVITY	TARGET INDICATORS / DELIVERABLES / ACTIVITIES	TARGET COMPLETION	IMPLEMENTATION STATUS AND ACTUAL COMPLETION DATE
Output 3.1: Drivers of degradation, reefs conditions, expected results and baseline gaps are detailed	<ul style="list-style-type: none"> ● Activity 3.1.1: Collect baseline data and identify baseline gaps for the drivers of degradation being addressed by the programme ● Activity 3.1.2: Confirm assumptions and further detail theory of change and results framework (programme final outcomes, outputs and activities) ● Activity 3.1.3: Determine programme final indicators, per intervention and aggregated, with expected targets 	Dec 2022	Expected to be completed by the 1 st quarter of 2024. Extensive review of coral reef data on main drivers of degradation conducted for all three priority sites. Initial proposal for theory of change drafted and tentative program indicators proposed, to be reviewed once program interventions are finalized.
Output 3.2: Programme detailed budget and workplan are developed	<ul style="list-style-type: none"> ● Activity 3.2.1: Develop budget and workplan following GFCR template 	Oct 2022	Expected to be completed by the 1 st quarter of 2024. Initial estimates developed, to be reviewed once program interventions are finalized.
Output 3.3: Programme implementation strategies are defined	<ul style="list-style-type: none"> ● Activity 3.3.1: Identify environmental, social and implementation risks and define mitigation actions ● Activity 3.3.2: Define communication & visibility strategy ● Activity 3.3.3: Develop monitoring & evaluation strategy ● Activity 3.3.4: Finalise complete version of Prodoc and adjust according to rounds of revisions provided by the GFCR 	Jan 2023	Expected to be conducted during the 1 st quarter of 2024. Risk mapping will be conducted as a final step in program development, together with the communications and M&E strategy. Funbio Communications & Marketing staff has met and engaged with GFCR's communications lead, and will provide support in designing program communications and visibility strategy.

C. Gender Mainstreaming

The focus on local communities is a transversal axis, as Programa Nossos Corais aims not only at protecting and conserving coral reefs, but also at increasing the resilience of coastal communities. In these communities, women play a fundamental role as an axis of family support, particularly in generating income, having a relevant presence in fishing activities in the mangroves, but also within various links in the tourism chain. Despite their relevance, women are often not recognized as fisherpersons by local society. Gender equality will be pursued in all opportunities, following FUNBIO's gender mainstreaming policy (<https://www.funbio.org.br/wp-content/uploads/2017/05/P-26-Gender-Mainstreaming-Policy-FUNBIO-2023.pdf>). Specific training and institutional strengthening strategies will be implemented, focusing on fishing colonies and fishermen's associations and associations of women fishers. These actions will focus on management capacity, communication, access to financial resources and opening of new business opportunities ensuring female empowerment and participation.

V. Stakeholder Engagement

Beginning in the first quarter of 2023, programme development resumed after the newly elected Brazilian government took office and staff were appointed to key positions. Stakeholder identification and engagement were resumed at the three project priority sites, and also at the regional and national levels. Initial individual and group interviews were conducted, both remotely as well as in person. In addition, consultation processes were conducted during site visits to Costa dos Corais and Fernando de Noronha, in the state of Pernambuco.

The GFCR and Programa Nossos Corais were presented and extensively discussed with governmental representatives, including from the Department of Protected Areas/National Secretariat for Biodiversity, Forests and Animal Rights and the Department of Ocean and Coastal Management/National Secretariat for Climate Change at the Ministry of Environment and Climate Change, two key federal stakeholders that actively participate in the coordination and implementation of GEF Mar project, which supports a significant and representative subsystem of marine and coastal protected areas in Brazil and acts as a platform for the development of the proposed programme. Meetings were also held with headquarters staff from Chico Mendes Institute for Biodiversity Conservation (ICMBio), responsible for the management of federal protected areas, and also with protected area managers from Costa dos Corais Environmental Protection Area and Fernando de Noronha National Park and Environmental Protection Area, and also from ICMBio's Northeast Research Center. The current federal administration is fully committed with the expansion and improved effectiveness of the marine protected areas system. Component "expansion of coral reef protection" was built together and reflects the government's conservation policy's priorities.

Interviews and meetings were also held with representatives from the Secretariat of Environment and Sustainability of Pernambuco and of the Pernambuco Tourism and Leisure Secretariat, the former charged with the management of Pernambuco state protected areas and the latter responsible for promoting and implementing tourism initiatives in the state. Interviews with Bahia state Secretary of

the Environment and with representatives from the municipality of Maragogi, state of Alagoas, which is contained within the Costa dos Corais region and borders Pernambuco, were also conducted.

During site visits to Costa dos Corais, in the state of Pernambuco, the programme was presented and amply discussed with government representatives, local organizations, local, regional and national NGOs, sector associations, academia, and the private sector. The process focused on hearing and understanding perspectives and expectations, and identifying potential reef-friendly business solutions and pathways. Based on that results two components in particular “Incubator & technical assistance facility that seeks to support community-based reef-friendly business models focusing on tourism and fishing”; and “Improvement in plastic and waste recycling value chain” were adjusted to incorporate specific aspects of the local context, such as business size and the low capacity of municipalities to develop and execute public policies.

In addition, conversations are also ongoing with the Brazilian National Development Bank (BNDES), which has been working on the development of a blue portfolio, with a special interest in coral reefs. This opportunity will be critical to scaling up the component the “Regional impact investment fund that unlocks additional capital for de-risked reef-friendly initiatives”. The Program and BNDES are working together to align this investment opportunity. For this component, we are also considering studies that Funbio is developing with a social bank, Banco Palmas, to implement a microfinance and social currency mechanism within project territories.

Stakeholders interviewed and consulted include the following:

Government

- CEPENE/ICMBIO
- General Articulation Manager / Pernambuco State Government
- ICMBio
- Ministry of Environment and Climate Change
- Municipality of Maragogi, State of Alagoas
- Secretary of Environment, Sustainability and Fernando de Noronha / Pernambuco
- Executive Secretary / Pernambuco
- SEMAS/PE

Financial institution

- BNDES

Private Sector

- BioFabrica
- BRASKEM
- Cataratas/EcoNoronha
- SEBRAE

Non-Governmental Organizations & Academia

- CONFREM (Comissão Nacional de Fortalecimento das Reservas Extrativistas e Povos e Comunidades Tradicionais Extrativistas Costeiros e Marinheiros)
- Convention Bureau
- Fundação Boticário
- Instituto Recifes Costeiros - IRCOS
- Pastoral dos Pescadores CPP
- Rare
- Taboa

- WWF-Brasil

VI. Resource Mobilisation

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The programme is intended to be organized in 3 phases. The first phase, the inception phase, will start in 2024 with a duration of 18 months, and will invest 1.5 million US dollars (not including FUNBIO's co-funding). In stage one, structural conditions for scaling up the programme's main strategy will be prioritized. Pernambuco state (including the two priority sites North of APA Costa dos Corais and Fernando de Noronha) will be prioritized in this phase given the existence of both relatively stronger enabling conditions and governmental conditions to achieve rapid results. In this stage, in-depth consultations and mobilization actions to engage local actors and intense engagement with private sector agents to further calibrate and/or advance the strategy will be held. Potential support to further promote coral reef protection in the state of Bahia will be more detailed defined and implemented. Support will also be provided to launch program governance and financial mechanisms and instruments, with the potential to unlock additional co-financing for reef-friendly business.

The second stage, the expansion phase, will last 2.5 years and will go from 2026 to 2028. It is expected that in this stage, 7 million US dollars will be deployed from the GFCR initiative. In this phase, several conditions are expected to be in place in Pernambuco so that instruments are ready to receive funds and start operating. Expansion of reef-friendly business mapping to Bahia, and potentially Alagoas, will be prioritized in this phase, including a stronger investment in enabling conditions, governmental relations and local community engagement.

Finally, the programme intends to have a final phase of another 18 months where replication to new priority locations will be assessed together with the development of a sustainable exit strategy. The final phase is expected to cost 1 million US dollars.

VII. Communications and Visibility

A communications & visibility strategy will be developed based on the elaboration of a Communication Plan aligned with GFCR's own communications strategy. Audience-specific objectives and approaches will be considered, to ensure main goals are achieved:

- ii) Increased engagement and awareness of the public, especially recreational visitors to coral reef priority areas, of reef-friendly practices and experiences;
- iii) Engagement and cohesiveness among program stakeholders, furthering programme buy in and mobilization; and

- iv) Built capacity and awareness of local communities to engage and pursue reef-friendly practices and business models.

Helio Hara, Funbio’s Communications & Marketing Advisor, and his team are charged with this strategy. Considering the objectives listed above, the program will adopt strategies suitable for different audiences.

A power point presentation was developed and used in initial meetings with stakeholders, to provide an overview of the program. This presentation was used in most meetings and, depending on the audience, emphasis was placed on specific aspects of its contents.

As planned in the Project, the Communication Plan will be the guiding tool for the entire communication & visibility strategy, and one of the first actions developed by the Project after the beginning of its execution.

VIII. Risk Management and Mitigation

Risk mapping is being conducted, and a risk mitigation plan will be developed once all proposed activities are identified and detailed.

Contextual risks per component:

- i) Regional impact investment fund that unlocks additional capital for de-risked reef-friendly solutions;
 - Immature business environment that may require substantial amount of funds and/or time for de-risking potential solutions
- ii) Incubator & technical assistance facility that seeks to support community-based reef-friendly business models focusing on tourism and fishing;
 - Resistance of interest groups to develop and/or adopt better practices in the tourism and fishing sectors
 - Low capacity of local partners to develop and disseminate better practices and solutions
- iii) Improvement in plastic and waste recycling value chain;
 - Adverse conditions to scale up plastic and waste recycling solutions
- iv) Expansion of coral reef protection.
 - Changes in political context negatively affecting efforts to enhance protection via creation and/or expansion of protected areas

Final risk mapping will be detailed once project proposal is finalized.

IX. Adaptive Management

A monitoring and evaluation plan will be the core of the program's adaptive management strategy during implementation, using FUNBIO's project management system for registering, documenting and following project occurrences and ensuring mitigation and adaptation measures are pursued. In addition, a mid-term evaluation will also provide an assessment to guide program implementation and any required adjustments.

The first lesson learned captured during the development of the project concerns the different institutional timeframes. The decision-making of an institution like BNDES, which is very relevant for the co-funding of this project, is subject to a long approval process and requires a series of adjustments to the concepts negotiated with the "technical" teams as the project passes through other layers of approval.

Also, an identified challenge concerns the need to take intense advantage of the diversity of projects that Funbio's executes. Nosso Corais has direct synergies with projects such as GEF MAR, and in particular in some actions such as the "Marine Space Planning - PEM" for the northeast region, where the project's territories are located.

