



# GLOBAL FUND FOR CORAL REEFS

## PROGRAMME DOCUMENT TEMPLATE (WITH INSTRUCTIONS)

### COVER PAGE

<p><b>Programme Title:</b> Terumbu Karang Sehat Indonesia</p>	<p><b>Recipient Organisation(s):</b> Conservation International Foundation (CI)</p>
<p><b>Programme Focal Point Contact:</b> Jan Yoshioka Senior Director, Conservation International Ventures E: <a href="mailto:jryoshioka@conservation.org">jryoshioka@conservation.org</a> T: +18087808370</p>	<p><b>Programme Location:</b> <u>Country:</u> Indonesia <u>Priority Coral Reef Site(s):</u> 1. Bird's Head Seascape (West Papua and Papua Provinces) 2. East Sumba (Sumba Timur), Pulau Sumba (East Nusa Tenggara Province)</p>
<p><b>Programme Description:</b> Indonesia's coral reefs are among the largest, most diverse and resilient in the world.<sup>1</sup> Within Indonesia, the GFCR programme will focus on two priority coral reef sites—the <b>Bird's Head Seascape (BHS)</b> and <b>Pulau Sumba (Sumba)</b>. In the BHS, the programme will: a) diversify sustainable revenue streams to the Marine Protected Area (MPA) network to ensure effective protection of critical coral reef ecosystems and the prevention of destructive fishing; and b) will invest in the marine tourism industry to ensure it is better managed, associated threats to reefs are reduced, and Papuan communities' benefit. In Palau Sumba, the programme will invest in transforming the rapidly growing seaweed mariculture industry to demonstrate coral-positive, equitable, and profitable models that can be replicated nationally, per the ambition of the Indonesian Government. Across both regions, the programme will focus on the direct incubation of scalable reef-positive enterprise investments.</p>	<p><b>GFCR Estimated Programme Cost (USD)<sup>2</sup>:</b> Conservation International: Total GFCR grant programme cost to be estimated following the initial 18-month period.</p> <p><b>18-month Programme Cost (USD):</b> \$3,000,000</p> <p><b>Proposed Start Date<sup>3</sup>:</b> March 2022</p> <p><b>Proposed End Date:</b> December 2029</p>
<p><b>Fund-level expected results:</b> <u>Bird's Head Seascape</u></p> <ul style="list-style-type: none"> <li>• Fish biomass of key functional groups is stable across the Bird's Head Seascape MPA network</li> <li>• Live coral cover is stable across the Bird's Head Seascape MPA network</li> </ul>	

<sup>1</sup> Laurette Burke et al, *Reefs at Risk Revisited*, World Resources Institute (2011), p. 42.

<sup>2</sup> As per GFCR Executive Board decision, disbursements will be determined based on fiduciary assessment, expenditures and GFCR Secretariat's performance review.

<sup>3</sup> Programme start date will be triggered by the initial fund transfer of the GFCR Trustee



- 40% of priority coral reef ecosystems in the BHS are under more effective protection and management<sup>4</sup>

Sumba

- [Target metrics to be revised based on updated baseline assessment in initial programme phase]
- [•]% increase in biomass for selected reef fish families
- [•]% increase [or no net loss] in live coral cover associated with addressable acute threat abatement

Programme

- 1:[7] ratio of grants vs. non-grant investment catalyzed for programme coral reef conservation activities

**Signature of Convening Agent:**

Print: Conservation International

Organisation Richard Jeo

Name SVP

Title

Signature

DocuSigned by:  
  
D40908567B0E40B...

Date 30-Mar-2022

**Signature of Co-recipient Organisation (if needed):**

Print:

Organisation

Name

Title

Signature

Date

**Signature of GFCR Executive Board UN Partner:**

Andrew Hudson

Head, Water & Ocean Governance Programme at UNDP

DocuSigned by:  
  
21E1263022844E5...

17-Mar-2022

Signature

Date

<sup>4</sup> The BHS has a total of 266,924 ha coral reefs. In phase 1, the programme aims to increase capacity and revenue sources of the Bomberai MPA Authority (BLUD) which manages 6 MPAs covering 25,821 ha of coral reefs (~10% of total BHS reefs). In the second phase, the programme aims to increase capacity and revenue sources of the Cenderawasih Bay National Park Authority, which manages the National Park covering ~80,000 ha of coral reefs (~30% of total BHS reefs). If the debt swap goes through for Blue Abadi as proposed in a separate connected proposal, then the the Raja Ampat MPA Management Authority (BLUD) would also have increased capacity and revenue, adding an additional 8% of the BHS reefs under improved protection.

**Budget by UNDG Categories:**

<b>UNDG Categories</b>	<b>TOTAL</b>
1. Staff and other personnel	603,838
2. Supplies, Commodities, Materials	0
3. Equipment, Vehicles, and Furniture (including Depreciation)	10,854
4. Contractual services	334,640
5. Travel	107,210
6. Transfers and Grants to Counterparts	1,747,721
7. General Operating and other Direct Costs	94,335
<b>Total Direct Costs</b>	<b>\$2,898,598</b>
8. Indirect Support Costs (Max. 7%)	101,402
<b>TOTAL Budget</b>	<b>\$3,000,000</b>



# GLOBAL FUND FOR CORAL REEFS

## GOVERNMENT SIGNATURE PAGE

**National Coordinating Authority**

*Name of institution*

*Name of representative*

*Date*

*Signature and seal*

**Official support letter(s) attached**



# GLOBAL FUND FOR CORAL REEFS

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<b>SECTION B</b>	<b>PRIORITY CORAL REEF SITE(S)</b>
<b>SECTION C</b>	<b>PROGRAMME STRATEGY</b>
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<b>ANNEXES</b>	

### *NOTE TO CONVENING AGENTS ON THE USE OF THE PROGRAMME PROPOSAL TEMPLATE*

- Convening Agents should provide summary information in the proposal with cross-reference to annexes such as feasibility studies, business models and financials, gender action plan, etc.
- Convening Agents should ensure that annexes provided are consistent with the details provided in the core proposal. Updates to the funding proposal and/or annexes must be reflected in all relevant documents.
- The recommended font is Calibri (Body), size 11.
- All word counts are maximum limits, points will not be deducted for sections that are under the word count.
- Blue text can be deleted.



# GLOBAL FUND FOR CORAL REEFS

## SECTION A – PROGRAMME SUMMARY

A. PROGRAMME SUMMARY				
A.1. Country/Region	Indonesia - ~4,000,000 ha of coral reefs <sup>5</sup>			
A.2. Priority Coral Reef Sites for Implementation	<b>Name of Site</b>	<b>Total Area (ha)</b>	<b>Coral Reef Area (ha)</b>	
	Bird's Head Seascape	22,500,000 ha	266,924 ha	
	East Sumba (Sumba Timur) <sup>6</sup>	517,092 ha	15,448 ha	
A.3. Period of Implementation and phases	<b>Total Programme</b>	<b>Phase 1- Inception</b>	<b>Phase 2- Investment</b>	<b>Phase 3-Growth and Adaptation</b>
	8 years	18 months	3 years, 6 months	3 years
A.4. Local drivers of coral reef degradation addressed by programme implementation <sup>7 8</sup>	<input type="checkbox"/> Coastal development <input checked="" type="checkbox"/> Land-based pollution <input checked="" type="checkbox"/> Overfishing <input checked="" type="checkbox"/> Marine-based pollution <input checked="" type="checkbox"/> Destructive fishing practices (blast, cyanide, trawling, etc.) <input type="checkbox"/> Invasive Species and/or Coral Reef disease <input checked="" type="checkbox"/> Irresponsible marine and freshwater aquaculture <input type="checkbox"/> Energy production and mining <input type="checkbox"/> Poor agriculture and livestock practices (leading to harmful runoff and poor water quality) <input checked="" type="checkbox"/> Marine traffic and shipping <input checked="" type="checkbox"/> Unsustainable tourism (overcrowding, cruise ships, etc.) <input type="checkbox"/> Other, specify below: <input checked="" type="checkbox"/> Poor wastewater treatment			

<sup>5</sup> Burke et al. 2012. [Reefs at Risk Revisited in the Coral Triangle](#)

<sup>6</sup> Priority Coral Reef Areas - East Sumba: Total area includes marine areas zoned under Savu Sea Marine National Park. Coral area includes reported coral reef areas across all zones and sub-zones in East Sumba Regency.

<sup>7</sup> Local Degradation Drivers - Priority Site 1 (BHS): overfishing, destructive fishing, unsustainable tourism, poor wastewater treatment, land-based pollution, marine-based pollution, marine traffic/shipping

<sup>8</sup> Local Degradation Drivers - Priority Site 2 (Sumba): destructive fishing, irresponsible mariculture, marine-based pollution



<p>A.5. Archetypes of Business Models and Finance Instruments included in the programme</p>	<p><input checked="" type="checkbox"/> Revenue streams for MPA management (e.g., User Fees)</p> <p><input type="checkbox"/> Coral reef restoration</p> <p><input type="checkbox"/> Invasive species management</p> <p><input type="checkbox"/> Sustainable fisheries</p> <p><input checked="" type="checkbox"/> Sustainable mariculture/aquaculture</p> <p><input type="checkbox"/> Waste management facilities</p> <p><input type="checkbox"/> Coastal infrastructure</p> <p><input checked="" type="checkbox"/> Other, specify below: Debt for Nature Swap (through parallel proposal)</p> <p><input checked="" type="checkbox"/> Incubator/technical assistance facility for reef-positive businesses</p> <p><input checked="" type="checkbox"/> Ecotourism</p> <p><input checked="" type="checkbox"/> Sewage &amp; wastewater treatment</p> <p><input type="checkbox"/> Blue Carbon</p> <p><input type="checkbox"/> Biodiversity offsets</p> <p><input type="checkbox"/> Blue Bonds</p> <p><input type="checkbox"/> Insurance products</p>
<p>A.6. Expected Coral Reef and Associated Ecosystem Impact</p>	<p><b>Bird's Head Seascape:</b><sup>9</sup></p> <ol style="list-style-type: none"> <li>1. Live coral cover is stable within BHS MPA network</li> <li>2. Biomass of key functional fish group is stable within the BHS MPA network</li> <li>3. At least 7 MPAs have increased revenue sources<sup>10</sup></li> <li>4. 90% reduction in # of times liveaboard dive vessels anchor on coral reefs per year (baseline to be established based on 2019 data)</li> </ol> <p><b>East Sumba:</b> Baseline and target metrics for the following indicator(s) to be validated and finalized following completion of baseline assessments referenced under Outcome 3. Baseline assessments are scheduled to be completed over an initial 18-months<sup>11</sup> of programme commencement.</p> <ol style="list-style-type: none"> <li>1. # of hectares of coral reef area under improved/strengthened protection (MPAs/LMMAs)<sup>12</sup></li> <li>2. [•]% increase in biomass for selected reef fish families</li> <li>3. [•]% increase [or no net loss] in live coral cover associated with addressable acute threat abatement</li> </ol>

<sup>9</sup> Reef Health Monitoring is conducted regularly by the State University of Papua in six Raja MPAs as well as control sites. This monitoring will continue to be funded by the Blue Abadi Fund and results shared with GFCR.

<sup>10</sup> Target impacts are expected over the full programme term. Phase I of the programme will concentrate on six (6) MPAs

<sup>11</sup> Baseline assessments are likely to involve field-based surveys and assessments, with timeline estimates subject to adjustment based on prevailing public health and travel conditions.

<sup>12</sup> Baseline assessment reference area will include coral reef systems East Sumba Regency zoned under the Savu Sea Marine National Park.



A.7. Expected Socio-economic Impact	<p><b>Bird's Head Seascape:</b></p> <ol style="list-style-type: none"> <li>At least 104 jobs created/maintained in MPA management (100% for indigenous Papuans)</li> <li>At least 200 local sustainable jobs created/maintained in ecotourism (&gt;75% for indigenous Papuans; &gt;50% for women)</li> <li>At least 10 reef-positive business incubated (&gt;50% Papuan owned)</li> <li>Percentage of households across the 'food security' threshold within the BHS MPA network increases from 68% to 80% by 2030<sup>13</sup></li> </ol> <p><b>East Sumba:</b> <sup>14</sup></p> <p>Socioeconomic baseline and target metrics for the following indicator(s) to be established following completion of baseline assessments referenced under Outcome 3. Baseline assessments are scheduled to be completed over an initial 18-months<sup>15</sup> of programme commencement.</p> <ol style="list-style-type: none"> <li># of local sustainable jobs created (disaggregated by gender, Indigenous status)</li> <li># of reef-positive businesses incubated</li> <li># of community members with greater income from sustainable seaweed mariculture value chain participation</li> </ol> <p><b>Programme:</b></p> <p>USD \$[27.5]m in investment catalyzed for reef-positive businesses<sup>16</sup></p>																																	
A.8. Programme Grant Cost Overview for 18-month initial phase (USD)	<table border="1"> <thead> <tr> <th>Source</th> <th>Traditional Grant</th> <th>Concessional loan/Recoverable Grant</th> <th>Guarantee</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td><b>GFCR</b></td> <td>1,550,000</td> <td>1,450,000<sup>17</sup></td> <td>--</td> <td>3,000,000</td> </tr> <tr> <td><b>Co-financing</b></td> <td>825,000</td> <td>1,500,000<sup>18</sup></td> <td>--</td> <td>2,325,000</td> </tr> <tr> <td>Secured</td> <td>700,000</td> <td>1,500,000</td> <td>--</td> <td>2,200,000</td> </tr> <tr> <td>Anticipated</td> <td>125,000</td> <td>--</td> <td>--</td> <td>125,000</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>2,375,000</b></td> <td><b>2,950,000</b></td> <td>--</td> <td><b>5,325,000</b></td> </tr> </tbody> </table>				Source	Traditional Grant	Concessional loan/Recoverable Grant	Guarantee	TOTAL	<b>GFCR</b>	1,550,000	1,450,000 <sup>17</sup>	--	3,000,000	<b>Co-financing</b>	825,000	1,500,000 <sup>18</sup>	--	2,325,000	Secured	700,000	1,500,000	--	2,200,000	Anticipated	125,000	--	--	125,000	<b>TOTAL</b>	<b>2,375,000</b>	<b>2,950,000</b>	--	<b>5,325,000</b>
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<sup>13</sup> Social Monitoring is conducted regularly by the State University of Papua in six representative MPAs as well as control sites. This monitoring will continue to be funded by the Blue Abadi Fund and results shared with GFCR.

<sup>14</sup> While baseline assessment reference area will focus on East Sumba Regency, given the distributed scope of seaweed mariculture and associated value chains linked to East Sumba, data for socioeconomic impacts may include adjacent regencies and/or sites. Where applicable, reporting on indicators will include disaggregation by regency.

<sup>15</sup> Baseline assessments are likely to involve field-based surveys and assessments, with timeline estimates subject to adjustment based on prevailing public health and travel conditions.

<sup>16</sup> Target estimated over 8-year Program period.

<sup>17</sup> GFCR grant window recoverable grant to seed establishment of dedicated CIV Indonesia investment window (see Annex VII)

<sup>18</sup> CIV additional concessional financing commitment to Indonesia investment window capitalization





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	<p><b>Financing Projections:</b> Table A.9. presents estimates of potential future financing for GFCR reef-positive investment opportunities in Indonesia over the 8-year programme term including estimates of GFCR Equity Fund and external private and public financing support. Projected financing amounts rely on a range of estimates and assumptions including, but not limited to, the availability, quality, the capital absorption capacity of prospective investment opportunities, capital market dynamics, and a broad range of systemic and other factors that materially influence investment at a jurisdictional, sectoral, or project/company-level. Throughout the programme term, regular, periodic assessment of financing projections and underlying estimates and assumptions will be conducted to determine the reasonableness of financing projections. Targets are expected to be revised periodically as programme evolves.</p> <p><b>Private Investment:</b> Initial projections include: (a) an estimated \$[41.67]m in GFCR Equity Fund; and (b) an additional \$[12.5]m in non-GFCR private investment over the 8-year programme period. Estimated private GFCR Equity Fund financing is based on further estimates of: (i) the non-GCF portion of Equity Fund capitalization (senior tranche); (ii) expected country allocations to Indonesia; and (iii) expected allocations to investments originated by or associated with Convening Agent programme activities.<sup>19</sup></p> <p><b>Public Investment:</b> Initial projections include: (a) an estimated \$[13.89]m in GFCR Equity Fund; and (b) an additional \$[5.0]m in non-GFCR public investment over the 8-year programme period. Estimated public GFCR Equity Fund financing is based on further estimates of: (i) the GCF portion of Equity Fund capitalization (junior tranche); (ii) expected country allocations to Indonesia; and (iii) expected allocations to investments originated by or associated with Convening Agent programme.</p> <p><b>GFCR Grant Leverage:</b> Projected GFCR grant leverage is computed based on estimates of: (a) initial programme Grant Window funding of US \$10m; and (b) estimates of projected commercial investment of US \$73m.</p>
A.10. Co-recipients	N/A
A.11. Co-implementers	<p><b>Lead Implementation Partner:</b></p> <ul style="list-style-type: none"> <li>- Yayasan Konservasi Cakrawala Indonesia (YKCI)<sup>20</sup> will be responsible for programmatic and strategic direction for Indonesian based activities.</li> </ul> <p><b>Research Co-Implementers:</b></p> <ul style="list-style-type: none"> <li>- State University of Papua will be responsible for monitoring and evaluation in the BHS.</li> </ul>

<sup>19</sup> To avoid double-counting of allocations to other Convening Agent programmes and investments, estimates of GFCR Equity Fund allocations presented herein assume 1/3 of the total Indonesia country target allocation by the GFCR Equity Fund

<sup>20</sup> Yayasan Konservasi Cakrawala Indonesia (YKCI) is a newly established independent Indonesian non-governmental foundation (*Yayasan*) formed in connection with the previously reported transition of CI's Indonesia country programme. YKCI will act as CI's main partner in Indonesia and will operate in a manner similar to other CI affiliates, e.g., South Africa and Brazil. As the main partner of Conservation International in Indonesia, Konservasi Indonesia developed a strategy and business plan to ensure continued strategic and programmatic alignment with Conservation International.



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	<ul style="list-style-type: none"> <li>- Universitas Nusa Cendana will be responsible for East Sumba baseline ecological and socioeconomic assessment.</li> <li>- Universitas Mataram, with technical guidance of Cargill, Inc. will be responsible for seaweed disease and climate resilience research.</li> </ul> <p><b>Finance &amp; Investment:</b></p> <ul style="list-style-type: none"> <li>- Conservation International Ventures LLC (CIV) will be responsible for investment pipeline incubation and concessional financing.</li> <li>- Microfinance Innovation Centre for Resources and Alternatives (MICRA Indonesia) will be responsible for conducting a micro-finance landscape assessment for the BHS.</li> </ul> <p><b>Community Partners:</b></p> <ul style="list-style-type: none"> <li>- Blue Abadi Fund/Kehati will be responsible for convening a Papuan Advisory Council.</li> <li>- EON Engineering will be responsible for final design of the Raja Ampat Mooring Buoy system</li> </ul> <p><b>MPA Management Authorities:</b><sup>21</sup></p> <ul style="list-style-type: none"> <li>- Raja Ampat MPA Management Authority</li> <li>- Cenderawasih Bay National Park Management Authority</li> <li>- Bomberai MPA Management Authority</li> <li>- National MPAs Management Authority, MMAF<sup>22</sup></li> <li>- Nusa Tenggara Timur Provincial Conservation Board (Dewan Konservasi Perairan Provinsi NTT)</li> </ul>
A.13. Executive summary (max. 750 words, approximately 1.5 pages)	
<p>Indonesia’s coral reefs are among the largest, most diverse, and most resilient in the world.<sup>23</sup> Many Indonesian reefs retain good coral cover and biological diversity offering a wide range of potential opportunities for developing and studying climate change resilient coral reef refugia.<sup>24</sup></p> <p><b>Priority Areas.</b> The initial programme focus will be on:</p> <p><b>1. Bird’s Head Seascape (BHS) in West Papua and Papua Provinces.</b> Regarded among the most successful examples of community-government MPA co-management, the BHS continues to represent a “best-in-class” MPA management model that effectively blends customary and contemporary marine management approaches with conservation finance innovation. Despite considerable conservation success, the BHS faces a series of persistent, new, and emerging threats driven by a dynamic and evolving combination of natural, social, political, and economic factors. Escalating climate stressors, increased marine resource extraction and tourism pressures, and rapid coastal development threaten to undermine the progress made over the past three decades. The</p>	

<sup>21</sup> Public MPA Management Authorities referenced here as per GFCR guidance but are not expected to receive GFCR funding administered by Convening Agent.

<sup>22</sup> In connection with this programme, YKCI leadership have previously engaged with both the MMAF and East Nusa Tenggara Marine Affairs and Fisheries Department (DKP NTT). Given the geographic overlap between CI and TNC programme interests in East Nusa Tenggara / Savu Sea, formal joint engagement with the National MPA Management Authority in Kupang and the NTT Provincial Conservation Board is planned as part of programme commencement.

<sup>23</sup> Laurette Burke et al, *Reefs at Risk Revisited*, World Resources Institute (2011), p. 42.

<sup>24</sup> The equatorial location of reefs within the Inter Tropical Convergence Zone and high inter-connectivity and exchange of planktonic coral larva offer rich and diverse opportunities for developing globally significant climate change resilient coral reef refugia.

need to invest in environmental and socioeconomic resilience-building strategies in the BHS has never been more salient. The GFCR programme interventions proposed herein leverage prior and current initiatives while addressing critical gaps and limitations to effective MPA management and business model implementation in the BHS.

The BHS represents 75% of the world's known species with over 600 species of hard coral and 1,850 species of reef fish and has some of the highest levels of endemism globally. Within the BHS, the highest diversities have been recorded in Raja Ampat, the Fakfak-Kaimana coast (Bomberai), and Cenderawasih Bay.<sup>25</sup> The programme will therefore focus on these priority sub-regions.

- **Raja Ampat Regency:** Sea surface temperatures range naturally from 19.3 to 36.0°C in the Raja Ampat Regency, with living corals on many intertidal reef flats experiencing 7-8°C temperature swings daily<sup>26</sup> – essentially pre-adapting them to climate change impacts. Indeed, reefs in Raja Ampat have generally fared much better than reefs in other areas of Indonesia, only bleaching during the most extreme heating events and thereafter showing rapid recovery.
- **Kaimana - Fakfak:** The Kaimana and Fakfak MPAs are a network of six MPAs (covering 846,612 ha) notable for their remarkable number of endemic reef fish species, soft coral gardens, mangrove coverage, and high biomass of reef fishes. Kaimana's reefs support a unique mix of 487 identified hard coral species and 1162 fish species.<sup>27</sup> The Kaimana region is on average significantly cooler than Raja Ampat, with a recorded range of 22.3-30.9°C. Coldwater upwellings are prominent during the southeast monsoon period, resulting in strong seasonal sea surface temperature fluctuations in this southern region, as well as increased chlorophyll-a and primary productivity in the coastal and marine waters.<sup>28</sup>
- **Cenderawasih Bay National Park (CBNP):** The 1,453,500 ha CBNP is a unique environment with over 500 recorded species of coral, including 14 previously undescribed species endemic to Cenderawasih Bay. Coral cover increased by 5% in the last decade<sup>29</sup> and Cenderawasih has the highest current hard coral cover at approximately 45%.<sup>30</sup> Although coral reefs in the CBNP are affected by climate change, the effects thereof appear to be less severe than elsewhere in Indonesia.<sup>31</sup> During 2016, there was some localized coral bleaching in the CBNP<sup>32</sup>, however, there was no widespread mortality and coral cover remained stable.<sup>33</sup> CBNP was also mentioned in the 50 Resilient Reefs study as one of the critical reef systems for conservation efforts.<sup>34</sup>

**2. East Sumba Regency on Pulau Sumba.** In contrast to the BHS, Pulau Sumba (Sumba) has been the subject of considerably lower levels of conservation investment. A main island encompassed within

<sup>25</sup> <https://www.sciencedirect.com/science/article/pii/S0025326X12003451>

<sup>26</sup> Mangubhai et al. 2012. *Papuan Bird's Head Seascape: Emerging threats and challenges in the global sector of marine biodiversity*. Marine Pollution Bulletin 64 (2012) 2279–2295 <https://doi.org/10.1016/j.marpolbul.2012.07.024>

<sup>27</sup> Data collected from a 2018 marine rapid assessment of Kaimana and Fakfak

<sup>28</sup> <https://doi.org/10.1016/j.marpolbul.2012.07.024>

<sup>29</sup> Pakiding F, D. Matualage, K. Salosso, Purwanto, I. R. Anggriyani, A. Ahmad, D. A. Brown, K. Claborn, M. De Nardo, L. Veverka, L. Glew, G.N. Ahmadi, I. Rumengan, H.F.Y. Monim, J. Pangulimang, M. Paembonan, D. Pada, and M.B. Mascia. 2020. State of The Bird's Head Seascape Marine Protected Area 2019. University of Papua, Yayasan Konservasi Alam Nusantara-TNC, World Wildlife Fund, and Conservation International. Manokwari, Indonesia, Jakarta, Indonesia, and Washington-DC, United States

<sup>30</sup> <https://conbio.onlinelibrary.wiley.com/doi/epdf/10.1111/csp2.393>

<sup>31</sup> [https://figshare.com/articles/online\\_resource/Ecological\\_Status\\_of\\_Teluk\\_Cenderawasih\\_National\\_Park-2016\\_Technical\\_Report/12111492](https://figshare.com/articles/online_resource/Ecological_Status_of_Teluk_Cenderawasih_National_Park-2016_Technical_Report/12111492)

<sup>32</sup> Less than 1% of coral colonies in shallow water (<10m depth) were bleached.

<sup>33</sup> <https://conbio.onlinelibrary.wiley.com/doi/epdf/10.1111/csp2.393>

<sup>34</sup> <https://www.50reefs.org/map>

both the Lesser Sunda Seascape (LSS) and Savu Sea Marine National Park (Savu Sea TNP), Sumba exhibits a disproportionately high degree of coral diversity relative to its coral extent: nearly one-third of Indonesia's 569 coral species are found within Sumba waters.<sup>35</sup> Within Sumba, East Sumba Regency and the proposed interventions and activities described herein have been identified as an initial GFCR programme priority by provincial and local government partners and the Convening Agent based on a combination of site characteristics:

- East Sumba comprises the largest of Sumba's MPAs zoned under the Savu Sea TNP and encompasses an estimated 80% or 15,448 ha of a total 19,248 ha of reef area within Sumba under Savu Sea TNP management.<sup>36</sup> The largest proportion of East Sumba reefs (14,454 ha) are found within an 88,487 ha mixed-use management area zoned for 'traditional sustainable fisheries' (*Sub Zona Perikanan Berkelanjutan Tradisional*) which also encompasses other important marine habitat (seagrasses, fish spawning and aggregation areas).<sup>37</sup>
- There is wide variation in live coral cover (5% to 70%) between sites, with areas of identifiable acute reef stressors potentially addressable through management interventions (e.g. evidence of physical reef damage due to 'blast' fishing or chemical poisoning).<sup>38</sup>
- East Sumba reefs are characterized by high levels of coral diversity: 204 species of coral from among 42 genera and 15 families have been observed in East Sumba, with *Acropora* species (69 spp.) and those of the families *Faviidae* (53 spp.) and *Poritidae* (15 spp.) among the most dominant. Within dominant groups, the roughly equal proportion of fast-growing coral species with high potential for recovery from physical disturbance but lower thermal tolerance (*Acropora*) and more heat tolerant and resilient *Faviid* and *Portite* species.<sup>39</sup> Together with its unique oceanographic features (upwellings and ocean circulation patterns), East Sumba's diversity and distribution of corals are of particular relevance given its high levels of seasonal and/or inter-annual sea surface temperature (SST) variability as the programme seeks to identify coral species more physiologically and genetically adapted to thermal stress that may serve as climate refugia.<sup>40</sup> East Sumba has been identified by the Indonesian government as one of two initial national seaweed commercialization hubs (Seaweed Villages) and a priority for seaweed mariculture expansion.<sup>41</sup>

In Sumba, the programme seeks to leverage strong government and local industry support and other favorable enabling conditions to collaboratively design, pilot, and implement reef-positive blue economic development models that generate significant reef conservation outcomes alongside sustainable livelihood development pathways that can be replicated at a provincial-scale.

**Local Stressor & Threats.** In both the BHS and Sumba, coral reef ecosystems are exposed to local stressors and threats linked to destructive resource exploitation and poorly planned and/or managed marine and coastal area development. Both areas are also characterized by comparatively high and pervasive poverty and food insecurity levels, coupled with limited sustainable livelihood opportunities—factors that often contribute to local communities' engagement in potentially reef-destructive practices. **In the BHS**, these practices have been significantly reduced through the creation

<sup>35</sup> Monitoring Kondisi Terumbu Karang Dan Ekosistem Terkait di Kabupaten Sumba Timur - Jakarta: COREMAP CTI LIPI 2018, p. 34, <http://indocoasting.id/pages/output-report?action=preview-pdf&id=77>

<sup>36</sup> Estimated reef area across all regencies and sites encompassed under Savu Sea TNP marine management zoning

<sup>37</sup> Minister of Marine Affairs and Fisheries Decree No.5/KEPMEN-KP/2014

<sup>38</sup> Ibid.

<sup>39</sup> COREMAP CTI LIPI 2018

<sup>40</sup> Based on the results of initial period updated baseline assessments, the programme will identify and target specific coral resilience and other research priorities to be undertaken over the broader programme term

<sup>41</sup> <https://britcham.or.id/govt-plans-to-establish-seaweed-farming-villages-in-eastern-indonesia/>



and continued enforcement of the MPA network. However, without sustained MPA financing, these threats could reemerge.<sup>42</sup> Despite a strong coalition of partners and funders historically active in the BHS, the MPAs are facing a significant financial gap, particular those outside Raja Ampat, and require diversified funding sources. This programme builds from the foundational investments made in the BHS to replicate financing models and to secure new revenue streams. Tourism offers the best sustainable economic opportunity in the BHS but has also represented a leading local threat to coral reefs.<sup>43</sup> In **Sumba**, a combination of pervasive destructive fishing in reef areas by non-resident fishers,<sup>44</sup> increased local reliance on coral reef resources for subsistence and income as a result of increased and more severe drought events, and government ambitions for the rapid planned expansion of seaweed mariculture in nearshore areas poses a significant threat to coral reefs unless reef-positive marine uses are incentivized.

**Programme Goals.** The programme will work to ensure the long-term effective **protection of priority coral reefs** and associated ecosystems in the BHS and Pulau Sumba while concomitantly pursuing opportunities to **transform local economies** by incubating investments in reef-positive industries and sustainable local livelihood development opportunities. This will include working to transform access to financing for reef-positive micro, small, and medium enterprises in order to increase equitable access for local enterprises and incentivize reef-positive business practices.

**Programme Governance & Management.** The programme will be governed collaboratively by CI and YKCI, CI's independent Indonesian NGO affiliate. YKCI will lead the programmatic and strategic management and serve as the primary focal point for government, local key implementing and co-convening agency partners and other local institutions. CI will provide scientific, technical, and subject matter expertise to YKCI relevant to the implementation of programme strategies and oversee the formation, capitalization, and direct investment activities of CI Ventures, including engagement with the GFCR Equity Fund, and other local, regional, and international financing institutions. Beyond CI and YKCI, the programme will engage with a range of local partners, Indonesian academic research institutions, and local industry associations and commercial enterprises.

**Programme Interventions.** The programme contemplates a cohesive and mutually reinforcing set of near-term interventions that form the basis of a robust, replicable model for sustainable, equitable and reef-positive industry development and growth in the Priority Areas. The strategic alignment of programme objectives with national and local government development priorities is expected to reinforce political support and buy-in within and beyond the programme term.

Phase I Interventions. The programme has identified four pipeline interventions to be implemented during this initial 18-month period:

- 1. Replication of MPA Financing Models in BHS:** promote effective management of MPAs through replication of Raja Ampat BLUD<sup>45</sup> and tourism user fee system revenue model with the Bomberai MPA Management Authority.

<sup>42</sup> As evidenced by the increase in poaching at the beginning of the COVID pandemic when patrols halted.

<sup>43</sup> due to overcrowding, anchor damage, and associated pollution

<sup>44</sup> Djemi Amnifu, "Blast fishing hurts Sawu Sea's marine habitats," *Jakarta Post* (September 18, 2016), <https://www.thejakartapost.com/news/2016/09/18/blast-fishing-hurts-sawu-seas-marine-habitats.html>

<sup>45</sup> With CI and TNC support, the Raja Ampat MPA Management Authority became Indonesia's first environmental agency approved as a public service board (*Badan Layanan Umum Daerah*, or "BLUD"). Previously reserved for public hospitals, BLUD



2. **Strengthening enabling conditions for responsible and inclusive ecotourism recovery and growth in the BHS:** mitigate adverse impacts to coral reefs through promotion of thoughtfully planned, geographically dispersed, and well-managed, ecotourism recovery and development.
3. **Raja Ampat Mooring System acceleration:** reduce further vessel anchoring damage to reefs by advancing the design, legislation and formal adoption of mooring network infrastructure and associated public-private management and fee-based systems in Raja Ampat.
4. **Strengthening enabling conditions for reef-positive, equitable and inclusive seaweed sector development and growth:** promote seaweed sector development models that reduce current ecological risks and preempt future adverse impacts to coral reefs resulting from seaweed mariculture expansion.
5. **Catalytic investments in reef-positive enterprise incubation:** seed and incubate a portfolio of scalable reef-positive investments that generate quantifiable ecological, socioeconomic, commercial, and financial outcomes.

The interventions described herein are expected to contribute toward improvements in indicators of reef health – increase in extent of live coral cover and/or no net losses in live coral cover, and improvements in reef species biomass—resulting from addressable anthropogenic threat abatement, while generating positive local and regional employment, income, and other socioeconomic benefits through the reinforcement or creation of reef-positive industry activities. Through the replication of MPA revenue models in the BHS, and strategic incubation of reef-positive commercial investment opportunities in both sites, the programme is expected to diversify and scale the sources of financing and revenue channeled toward coral reef protection and conservation.

**Future Programme Phases.** Insights gained during this initial programme phase are expected to inform the design and implementation of future programme interventions. In subsequent phases, the interventions incubated in this initial period will be refined, matured, and where applicable, replicated in other sites. **In the BHS,** we anticipate future programme phases to include: 1) formal institutionalization and mobilization of MPA access and/or user-fee based revenue models in additional BHS geographies, including Cenderawasih Bay National Park, which we are cautiously optimistic will coincide with a recovery of tourism activity; 2) reef-positive tourism enterprise development opportunities at multiple scales; and, 3) through initial investments in tourism development spatial planning and local legislation, identification of tourism infrastructure development and investment opportunities including the installation of a vessel mooring network in the nearer-term, and in the longer-run, more sustainable potable water, energy, and solid waste and wastewater management systems. **In Sumba,** opportunities to: 1) sustainably scale reef-positive seaweed mariculture and value chain interventions and investments incubated in this initial phase within East Sumba; and/or 2) replicate these models and systems in other Sumba regencies or adjacent areas within the broader Nusa Tenggara Timur province will be explored with local industry and government partners.

While programme proponents have elected to focus on a manageable subset of sectoral and industry interventions in the near-term, we will explore opportunities to integrate other sectors and industries including but not limited to marine capture fisheries and other seafood production systems and value chains that are known to materially impact reef health and are the subject of local government and community development interest.

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status recognizes the MPA Authority's significant contribution to the public good and allows it to receive and manage funds from non-government sources as well as to hire non-civil servant staff, in this case community rangers. Additional detail is provided in Annex VI.



Beyond this initial programme phase, the nature, scope, and scale of sustainable finance interventions directly implemented by CI, including CI Ventures direct investment incubation activities, will be reassessed based on initial Indonesia portfolio performance, future investment pipeline and market demand characteristics and other relevant insights gathered during this initial phase. While the specific approach and strategy will be informed by initial and mid-term programme insights, the overarching programme vision for sustainable finance is to lay a robust foundation for domestic public and private financial sector uptake and mainstreaming of programs, vehicles, and systems that endure beyond the term of the GFCR programme and investments.

## SECTION B – PRIORITY CORAL REEFS

<b>B. PRIORITY CORAL REEF SITE(S)</b>	
<b>B.1. Country/Region Overview</b>	
B.1.1. Ecological characteristics of the country/region's coral reefs. (100 words)	Indonesia's coral reefs are the most diverse and among the largest and most resilient in the world. <sup>46</sup> Coral bleaching-related mortality is limited by cold water upwellings and major ocean currents – which remove pollutants and support high levels of inter-connectivity among reefs. The extensive growth of MPAs now totaling 22,68 million ha, or 6% of Indonesia's total marine area <sup>47</sup> and contributes to resilience and connectivity.
B.1.2. Socio-economic value of country/region's coral reefs (100 words)	Coral reefs and associated marine resources contribute significantly to Indonesia's GDP and the employment, economic livelihoods and food and nutritional security of Indonesia's population. Indonesia has the largest reef-associated populations globally, accounting for an estimated 55 million people or 20% of its total population. <sup>48</sup> Indonesia's coral reefs generate an estimated US \$3.097 billion in tourism value annually, of which more than 64% of US \$1.991 billion is from on-reef tourism activities. <sup>49</sup> Indonesian reefs contribute an additional estimated US \$1.2 billion and US \$314 million annually in reef-associated fishery revenue <sup>50</sup> and coastal protection, <sup>51</sup> respectively.
B.1.3. Relevant national policy overview (100 words)	<ol style="list-style-type: none"> <li>1. West Papua Conservation Province Designation (<i>Perdasus</i> No 10/2019)<sup>52</sup>, commits the West Papuan provincial government to develop in line with sustainable development principles.</li> <li>2. MPA-30 Vision<sup>53</sup> has two goals: (1) ensure the 20 million ha of marine area in Marine Protected Areas are effectively and equitably managed; and (2) expand coverage of marine area to 30 million ha by 2030.</li> <li>3. Minister of Marine Affairs and Fisheries Decree No.5/KEPMEN-KP/2014 concerning enactment of Savu Sea and surrounding waters as Marine National Park<sup>54</sup></li> <li>4. Ministerial Decree No: 17/PERMEN-KP/2020 on Strategic Plans of Ministry of Marine Affairs and Fisheries 2020-2024, notes that by 2024 the total national production of seaweed should be 12.45 ton (wet).</li> </ol>
<b>B.2. Priority Site for Implementation #1—Bird's Head Seascape (BHS)</b>	
B.2.1. Name of Site and location, and if	The BHS encompasses over 22.5 million ha of sea and 2,500 small islands around West Papua and Papua Provinces. The BHS predominantly falls within the West

<sup>46</sup> Laretta Burke et al, *Reefs at Risk Revisited*, World Resources Institute (2011), p. 42.

<sup>47</sup> Tri Aryono Hadi, "Status of Indonesian Coral Reefs", Indonesian Institute of Sciences (LIPI), Research Center for Oceanography (2020).

<sup>48</sup> Laretta Burke et al, *Reefs at Risk Revisited*, World Resources Institute (2011), p. 68.

<sup>49</sup> Mark Spalding et al., "Mapping the global value and distribution of coral reef tourism," *Marine Policy*, 82 (2017), pp. 104-113, <https://doi.org/10.1016/j.marpol.2017.05.014>

<sup>50</sup> Laretta Burke et al., *Reefs at Risk in Southeast Asia*, World Resources Institute (2002), p. 55

<sup>51</sup> Emerton, Lucy. (2009). Investing in Natural Infrastructure: the economic value of Indonesia's marine protected areas & coastal ecosystems. 10.13140/2.1.2420.3844.

<sup>52</sup> a regulation for the special autonomous region of West Papua

<sup>53</sup> seeks to protect 30 million hectares of marine area by 2030 in Marine Protected Areas – equivalent to 10% of their total marine area. This is an expansion of the 2009 pledge to protect 20 million hectares of marine area by 2020 – a target reached in 2018.

<sup>54</sup><http://kkji.kp3k.kkp.go.id/index.php/dokumen/regulasi-hukum/keputusan-menteri/finish/14-keputusan-menteri/518-kepmen-kp-no-5-tahun-2014-tentang-kawasan-konservasi-perairan-nasional-laut-sawu-dan-sekitarnya-di-provinsi-nusa-tenggara-timur>



<p>relevant, International Recognition Status (e.g., World Heritage Site)</p>	<p>Papua provincial jurisdiction, with a small portion in the neighboring Papua province, and therefore closely aligns with governance boundaries. Within the BHS is a network of 26 MPAs covering 5.2 million hectares of critical marine ecosystems – designated and managed with the intent to protect areas critical for maintaining biodiversity and local food security. Most of the MPAs were designated through a bottom-up process, first by the Indigenous Papuan communities who have tenure ownership over the areas and then through layered legal designations at the regency, provincial and national level. They remain co-managed between Papuan communities and local government.</p> <p>The initial programme focus (first 18 months) will be on the two subregions within the BHS: Raja Ampat Regency (7 MPAs) and Bomberai (i.e. Kaimana-Fakfak (6 MPAs). Work in other parts of the Bird’s Head, including Cenderawasih Bay National Park (1 MPA), will be added to the project focus in subsequent programme phases.</p>
<p>B.2.2. Ecological characteristics of the priority site’s coral reefs (150 words)</p>	<p>Representing 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.<sup>55</sup> The BHS includes 266,924 ha of coral reefs of which 12,665 ha (5%) and 13,156 ha (5%) are in Fakfak KKP and Kaimana KKP, respectively (i.e. ~10% in Bomberai) and 80,000 ha (30%) are in Cenderawasih Bay National Park. Across the BHS, 48% of reefs are protected. In addition to coral reefs, the BHS encompasses 730,707 ha of mangroves (4% protected) and 9,405 ha of seagrasses (90% protected).</p> <p>BHS reefs have demonstrated a high degree of resilience, with reef health monitoring indicating that live coral cover in the MPA network increased from 30% ± 1% to 36% ± 2% between 2009-2019; Cenderawasih Bay having the highest coral cover at 45% and Kaimana the lowest at 18%.<sup>56</sup> While reefs in Raja Ampat only bleached during the most extreme heating events and thereafter show rapid recovery. Evidence of relative resilience includes the regrowing/ repairing of lesions, reorienting in the plane of growth after being toppled or overturned and limited prevalence of coral disease.<sup>57</sup> Bomberai (Fak-Fak and Kaimana) in the southern part of the seascape, is home to assorted hard and soft coral ecosystems and biodiverse mangroves that serve as the nursery grounds for the globally significant fisheries in the Arafura sea. Frequent coldwater upwelling may serve to increase climate resilience, while also making these waters highly productive.<sup>58</sup></p>

<sup>55</sup> <https://www.sciencedirect.com/science/article/pii/S0025326X12003451>

<sup>56</sup> Pakiding F, D. Matualage, K. Salosso, Purwanto, I. R. Anggriyani, A. Ahmad, D. A. Brown, K. Claborn, M. De Nardo, L. Veverka, L. Glew, G.N. Ahmadi, I. Rumengan, H.F.Y. Monim, J. Pangulimang, M. Paembonan, D. Pada, and M.B. Mascia. 2020. State of The Bird's Head Seascape Marine Protected Area 2019. University of Papua, Yayasan Konservasi Alam Nusantara-TNC, World Wildlife Fund, and Conservation International. Manokwari, Indonesia, Jakarta, Indonesia, and Washington-DC, United States

<sup>57</sup> Salm, Rodney V. 2020. Raja Ampat Informal Reef Health and Resilience Assessment. [https://drive.google.com/file/d/1E\\_pRwnlDpkKXN8CR5wd7ZQog9Xpuhfmq/view](https://drive.google.com/file/d/1E_pRwnlDpkKXN8CR5wd7ZQog9Xpuhfmq/view)

<sup>58</sup> Mangubhai et al, 2012. Papuan Bird’s Head Seascape: Emerging threats and challenges in the global center of marine biodiversity. Marine Pollution Bulletin. Volume 64, Issue 11.

<p>B.2.3. Local drivers of degradation (150 words)</p>	<p><b>Overfishing and Destructive Fishing:</b> The primary local threat to reefs is from overfishing and destructive fishing primarily by poachers coming from outside of Papua who use bombs, poison, or destructive fishing gear.<sup>59</sup> Fortunately, this threat has been reduced by over 90% in Rajat Ampat through the creation and continued enforcement of the MPA network there. However, the threat can reemerge very quickly without sustained financing for effective MPA enforcement. Overfishing and destructive fishing remain an issue in Cenderawasih Bay National Park and Bomberai MPAs. Use zones within Cenderawasih Bay National Park are subject to increasing pressure from outside fishers. In 2016, as many as 75% of fishers were from outside the park, all of whom used floating lift nets which can catch several tons of fish per day, in contrast to the traditional fishing methods (lines) used by local fishers who catch less than 10 kg of fish per day. If the use of floating lift nets is not regulated, fishing pressure in the park might soon be unsustainable.<sup>60</sup></p> <p><b>Unsustainable tourism:</b> In Raja Ampat, tourism is already past the sustainable carrying capacity in certain areas. Reefs are being damaged by trampling, anchors and disease caused by direct sewage effluent flowing from villages, homestays, and liveboard dive vessels.</p> <p><b>Climate Change:</b> While reef health has been improving in the BHS as a result of protection and the reefs of the BHS demonstrate higher resilience to climate change than surrounding reefs, it is important to note that these reefs do remain vulnerable to climate change. Through the investment of this program, and leveraged co-financing, we aim to keep live coral cover stable over the next decade, despite climate projections that predict mass coral loss globally over the same period.</p> <p><i><b>Note:</b> additional threats such as coastal roads and infrastructure development, watershed-based pollution, and plastic waste, may be addressed in subsequent phases of the programme.</i></p>
<p>B.2.4. Socio-economic value of country/region's coral reefs (100 words)</p>	<p>The marine ecosystems of the BHS support the livelihoods and food security of approximately 273,897 people living in coastal communities.<sup>61</sup></p> <p>The principal economic and food production sectors are fishing and small-scale farming, however, nearly two thirds of coastal households are substantially reliant on fisheries to meet their basic livelihood needs. In 2019, approximately 32,500 fishers were recorded in West Papua province.<sup>62</sup></p> <p>In 2019, an estimated 5,800 people in West Papua were employed in the marine tourism sector, attracted by coral reefs and the marine life they support, valued</p>

<sup>59</sup> Small-scale fishers use bombs (dynamite) or poison (cyanide) to capture large quantities of fish with less effort. Destructive fishing gear is also used, including longlines that inadvertently catch a wide variety of marine fauna.

<sup>60</sup> <https://conbio.onlinelibrary.wiley.com/doi/epdf/10.1111/csp2.393>

<sup>61</sup> Badan Pusat Statistik. (2017). Indonesian Population Census 2016. Badan Pusat Statistik, Jakarta, Indonesia.

<sup>62</sup> Data from the Ministry of Marine Affairs and Fisheries statistics website for total fishers by province. More localized data is not accessible. <https://statistik.kkp.go.id/home.php?m=sdi&i=210>



	at approximately US\$80 million, <sup>63</sup> while more than 30,000 tourists visited Raja Ampat for marine tourism, diving, and snorkeling. The tourism entrance fee generated over US\$2M (\$1.3M for MPA management). It is projected to generate up to US\$4.4M for MPA management and community development per year by 2035 in a medium growth scenario. <sup>64</sup>
B.2.5. Stewards of the marine area (150 words)	<p>Diverse Melanesian communities have lived in Papua and West Papua for millennia and have maintained a close connection to Papua's nature, known as <i>Tanah Papua</i>. They have established tenure rights over land and sea, with different tribes holding ownership rights (<i>hak ulayat</i>) and use rights (<i>hak pakai</i>) over each area. The BHS programme has been designed to support the indigenous communities of Papua as they lead efforts for the conservation of their seas. Most of the MPAs were designated first by the Indigenous communities with tenure over the area, and then layered with additional governmental designations to reinforce community ownership. The MPAs remain co-managed by communities and local government.</p> <p>To ensure community support for all programme investments, CI will employ dedicated community liaison officers and share a dedicated Papuan Advisory Council with the Blue Abadi Fund. Additional consideration will be made to ensure participation and support from Papuan women.</p>
<b>B.3. Priority Area for Implementation #2 – Pulau Sumba</b>	
B.3.1. Name of Site and location, and if relevant, International Recognition Status (e.g., World Heritage Site)	Initial GFCR investments will focus on East Sumba Regency ( <i>Sumba Timur</i> ) located on Pulau Sumba, an island in the province of East Nusa Tenggara ( <i>Nusa Tenggara Timur</i> or NTT) encompassed within both the LSS and the Savu Sea NTP, the largest MPA in Southeast Asia. East Sumba is the site of a 517,092 ha mixed-use management area designated as part of the Savu Sea TNP subdivided into seven contiguous, uniquely identified sites under one of two primary zoning classifications: 1) "Sustainable Utilization Zone" ( <i>Zona Permanfaatn</i> ) encompassing tourism, recreation, research and other non-extractive activities; or 2) "Sustainable Fisheries Zone" ( <i>Zona Perikanan Berkelanjutan</i> ), which is further delineated into three sub-zones for "general," and "traditional" fishing (including aquaculture), and a more restrictive fisheries sub-zone in cetacean habitat or migration corridors. Within East Sumba, the programme will initially focus on an 88,487 ha site (ID No. 4050) zoned as a traditional sustainable fisheries area ( <i>Sub Zona Perikanan Berkelanjutan Tradisional</i> ) which encompasses an estimated 15,448 ha of coral reef.
B.3.2. Ecological characteristics of the priority site's coral reefs (150 words)	Facilitated by its location and oceanographic features, the waters surrounding Sumba are home to a high degree of coral diversity: nearly one-third of Indonesia's 569 coral species are found within Sumba waters. <sup>65</sup> <b>East Sumba</b> comprises an estimated 15,448 ha of coral reef representing roughly 80% of the 19,248 ha of the island's total 19,248 ha of reef under Savu Sea TNP management. Within the regency, there is wide variation in live coral cover

<sup>63</sup> This was calculated as part of a consultancy for IDH in 2020 which was conducted by a small team consisting of CI, Starling Resources and an independent consultant. The final report belongs to IDH so is not shared as part of this proposal.

<sup>64</sup> Internal report produced for IDH in 2020 by CI, Starling Resources and JSL Sustainable.

<sup>65</sup> Monitoring Kondisi Terumbu Karang Dan Ekosistem Terkait di Kabupaten Sumba Timur - Jakarta: COREMAP CTI LIPI 2018, p. 34, <http://indocoasting.id/pages/output-report?action=preview-pdf&id=77>



	<p>between sites, with observations ranging from 5% to 70%<sup>66</sup> Relative to extent, East Sumba reefs exhibit considerable levels of coral diversity: 204 species from among 42 genera and 15 families are observed in East Sumba, with <i>Acropora</i> species (69 spp.) and corals from the families <i>Faviidae</i> (53 spp.) and <i>Poritidae</i> (15 spp.) among the most dominant.<sup>67</sup> These reef systems support a range of corallivores (24 spp.), and carnivorous (23 spp.) and herbivorous (29 spp.) fish. While species richness, abundance, and biomass estimates vary between reef sites, herbivores comprise the majority of observations across all key indicators. The most recent available baseline study estimates mean reef fish biomass (all species) at 269.90 kg ha<sup>-1</sup>. Baseline data used in preparation of this proposal are derived from a combination of prior area surveys, the most recent published by COREMAP-CTI in 2018. Given the relatively limited number and spatial and temporal range of sample data, the programme will conduct updated baseline assessments in the initial programme period with the goal of refining baseline and target metrics for relevant key indicators. Additional details regarding Priority Area reefs are provided in Annex III.</p>
<p>B.3.3. Local drivers of degradation (150 words)</p>	<p>Throughout Pulau Sumba, reefs are threatened by a combination of destructive fishing practices, ocean pollution, and coastal development.<sup>68,69</sup></p> <p><b>Destructive Fishing Practices.</b> Within NTT, Sumba has among the highest incidence of illegal fishing using hand-made bombs or dynamite, primarily targeted in coral reefs.<sup>70</sup> Incidence of the use of potassium cyanide has also been reported in East Sumba.<sup>71</sup> Evidence of coral damage due to both forms of destructive fishing practice have been documented within the local management area prioritized in this proposal.<sup>72</sup> Multiple sources suggest that perpetrators of destructive fishing likely originate from outside Sumba.<sup>73,74</sup> Based on observations and insights gathered during this initial phase, the programme with work with government enforcement agencies and other local stakeholders to identify opportunities for enhanced monitoring and enforcement activities where relevant.</p> <p><b>Climate Adaptation Risks.</b> In recent years, Sumba has experienced more frequent and increasingly severe drought resulting in traditionally agrarian</p>

<sup>66</sup> Minister of Marine Affairs and Fisheries Decree No.5/KEPMEN-KP/2014, pp. 35-36

<sup>67</sup> COREMAP CTI LIPI 2018, p. 19

<sup>68</sup> Perdanahardja, G., Lionata, H. (2017) Nine Years In Lesser Sunda. Indonesia: The Nature Conservancy, Indonesia Coasts and Oceans Program.

<sup>69</sup> As of 2018, coastal development including land grabbing (where external investors buy up the coastal land and hold it or build on the land and prohibit the local community from using the coastal or beach area for fishing, recreation or traditional practices) has resulted in 80% of the southwest coastline being acquired by private companies for tourism investments.

<sup>70</sup> <https://www.thejakartapost.com/news/2016/09/18/blast-fishing-hurts-sawu-seas-marine-habitats.html>

<sup>71</sup> Minister of Marine Affairs and Fisheries Decree No.5/KEPMEN-KP/2014

<sup>72</sup> COREMAP CTI LIPI 2018, p. 32

<sup>73</sup> Jakarta Post, 2016

<sup>74</sup> Pet et al., "Field Report: Fishing Grounds and Supply Lines in Indonesia Fishery Management Areas 573, 713 and 714, Part 5: Sumba," USAID Indonesia (2012), p. 56,

<https://www.climatelinks.org/sites/default/files/asset/document/05%2520Fishing%2520Ground%2520Sumba.pdf>

	<p>communities resorting to reef fisheries for subsistence and incomes.<sup>75,76</sup> Trends toward increased severe drought<sup>77</sup> are expected to increase local reliance and pressures on coral reefs and associated marine resources. Baseline socioeconomic assessments planned in this initial programme phase will seek to assess the intensity of these impacts on local reef systems and the degree to which proposed seaweed livelihood alternative schemes may contribute to alleviating commercial or income-driven pressures on reef systems.</p> <p><b>Seaweed Mariculture Development.</b> In East Sumba, only 2.5% of the regency's estimated 15,000 ha of suitable seaweed farming area is currently utilized.<sup>78</sup> Throughout Indonesia and many other tropical developing countries, seaweed farming has been promoted as a sustainable coastal livelihood alternative. In East Sumba—historically one of the least developed regions of Indonesia—public investment and incentives have encouraged a burgeoning commercial seaweed industry. Between 2011 and 2019, Regency seaweed production grew at a compound annual growth rate (CAGR) of 28.94%.<sup>79</sup></p> <p>While there is limited data regarding the spatial extent of seaweed mariculture, these production volume trends suggest a likely overall expansion in farming area, particularly in certain districts. NTT government data on seaweed production by district in East Sumba indicate that the majority of annual production volume (98% ± 2%) and growth is concentrated within four districts, all of which are within the marine management zone subject of this initial programme period.</p> <p><i>Table 1. Major Seaweed Production Districts, Volume Growth (2013-2017)</i></p> <table border="1" data-bbox="467 1108 1367 1297"> <thead> <tr> <th rowspan="2">District</th> <th colspan="2">Seaweed Production Volume</th> <th rowspan="2">COREMAP-CTI Coral Survey (2018)</th> </tr> <tr> <th>Ranking</th> <th>CAGR</th> </tr> </thead> <tbody> <tr> <td>Pahunga Lodu</td> <td>1</td> <td>13.79%</td> <td>3 Sites: WAIC08-WAIC10</td> </tr> <tr> <td>Wula Wajielu</td> <td>2</td> <td>21.93%</td> <td>n.d.</td> </tr> <tr> <td>Rindi</td> <td>3</td> <td>38.92%</td> <td>6 sites: WAIC02-WAIC07</td> </tr> <tr> <td>Umalulu</td> <td>4</td> <td>144.76%</td> <td>1 site: WAIC01</td> </tr> </tbody> </table> <p>While government ambitions to expand seaweed mariculture are expected to yield important economic and livelihood benefits, improper siting and unsustainable farming practices could pose ecological risks (see Annex III) to coral reefs particularly in areas where significant growth trends are observed.</p>	District	Seaweed Production Volume		COREMAP-CTI Coral Survey (2018)	Ranking	CAGR	Pahunga Lodu	1	13.79%	3 Sites: WAIC08-WAIC10	Wula Wajielu	2	21.93%	n.d.	Rindi	3	38.92%	6 sites: WAIC02-WAIC07	Umalulu	4	144.76%	1 site: WAIC01
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B.3.4. Socio-economic value of	Pulau Sumba is among the least developed and poorest regions within Indonesia. While Sumba is home to award-winning luxury eco-resorts and increased coastal development interests, the local economy is largely dominated by livestock and																						

<sup>75</sup> In 2020, Sumba sustained a 249-day drought resulting in major livestock and agricultural losses and a significant increase in local fishing effort as traditionally agrarian communities turned to fishing for subsistence and incomes

<sup>76</sup> <https://www.reuters.com/article/us-climate-change-indonesia-sumba-wideri/as-crops-fail-indonesias-sumba-seeks-lifeline-in-weaving-fishing-idUSKBN23936P>

<sup>77</sup> <https://www.hindawi.com/journals/tswj/2021/6626102/>

<sup>78</sup> <https://www.fao.org/3/ca4945en/CA4945EN.pdf>

<sup>79</sup> Badan Pusat Statistik, Kabupaten Sumba Timur, 2018, <https://sumbatimurkab.bps.go.id/publication/2018/08/16/4f508994eda28cb262e840f4/kabupaten-sumba-timur-dalam-angka-2018.html>



the site's coral reefs (100 words)	dryland crop agriculture, a large majority of which is dependent on rainfall for irrigation. East Sumba's reliance on agriculture coupled with its high vulnerability to changing rainfall patterns has increased the importance and value of nearshore marine resources for local subsistence and incomes. Marine Capture Fisheries. Compared with other NTT regencies, Sumba has a relatively small local fishing fleet, estimated to comprise fewer than 865 vessels across all regencies. East Sumba Regency accounts for 246 vessels, all of which are artisanal and small-scale vessels (fewer than 10GT) operating within 12-nautical miles of the coast. While quantitative data for on the socioeconomic value of coral reefs in East Sumba Regency are currently lacking, the programme will seek to better understand and quantify current and expected primary and secondary economic dependencies (and impacts) on local marine resources including coral reefs and associated fisheries as part of a baseline assessment in Y1.
B.3.5. Stewards of the marine area (50 words)	East Sumba marine waters within 12 nautical miles from the coastline are governed and managed by the Provincial Government of Nusa Tenggara Timur, Department of Marine Affairs and Fisheries, the support of which is evidenced in the attached agency Letter of Support.
<b>B.5. Priority site information gaps</b>	
B.5.1. Data gaps (150 words)	<ul style="list-style-type: none"> <li>- Existing site-specific data on <b>coral reef ecosystems</b> in East Sumba is currently limited and is derived from a relatively small sample area. Furthermore, while anecdotal evidence suggests that current seaweed mariculture siting and production practices do not conflict with coral reefs, there is currently no data to validate these assertions. Baseline ecological and biological assessments will be conducted in Y1 and will focus on: (a) validating or refining data on live coral cover, species richness and biomass and other key indicators to establish baseline and target metrics; and (b) assessing spatial distribution and impact of existing seaweed mariculture relative to coral reef areas.</li> <li>- While general population demographic and other <b>socioeconomic data</b> exist, these data are not currently disaggregated by economic sector. Furthermore, while recent media reports provide anecdotal evidence of changes in resource dependency in response to drought and other climate changes, data on primary and secondary economic livelihood dependencies and trends are currently not available. Baseline socioeconomic assessments will be conducted in Y1 and will focus on: (a) validating or refining data on demographic, employment, and income distributions by sector to establish key indicator baseline and target metrics; (b) assessment of changes in local community marine resource dependencies and behaviors in response to recent drought events; and (c) where feasible, assessment of trends in commercial fishing pressure by seaweed farming households.</li> </ul>

MAPS

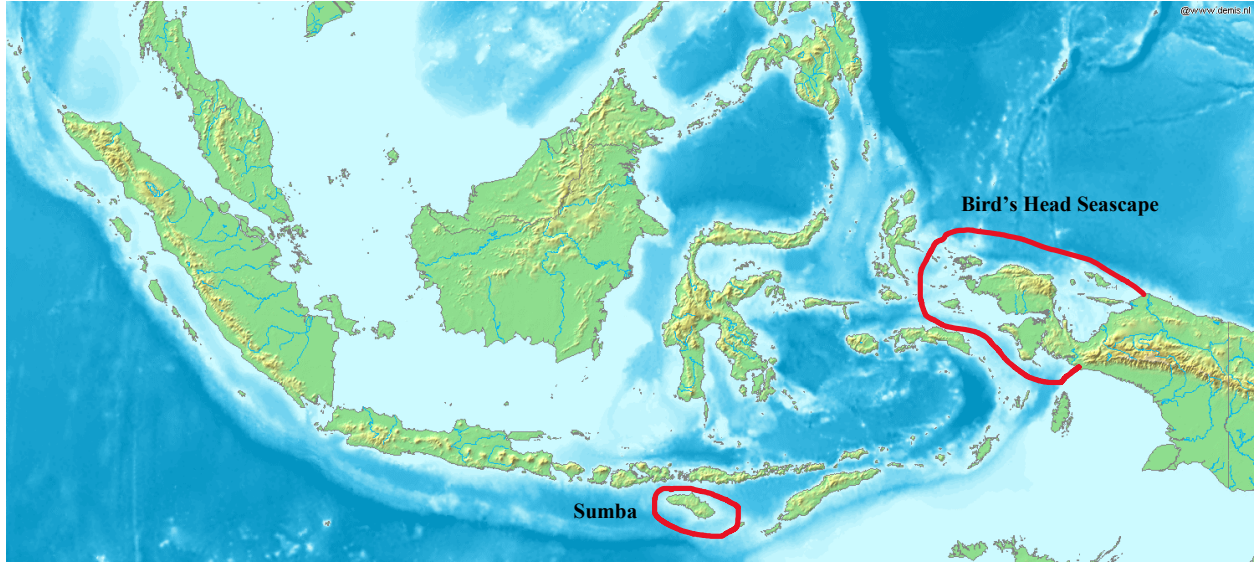


Figure 1: Map of the Priority Intervention Areas

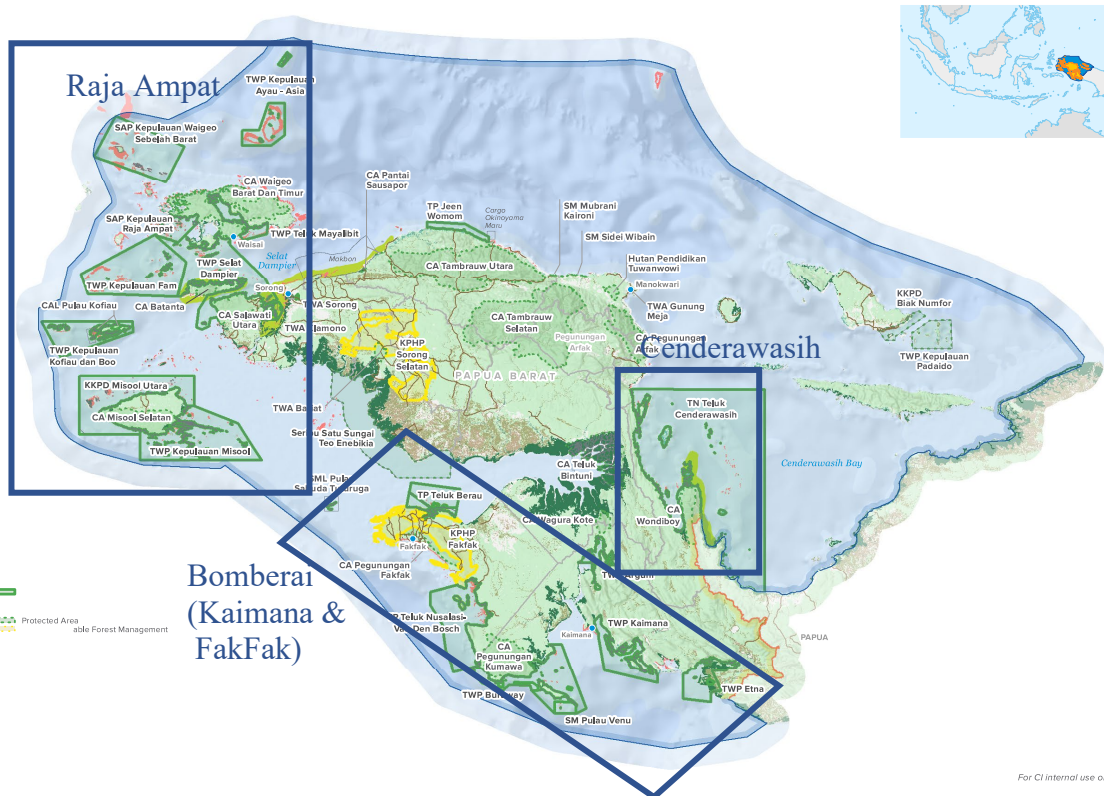


Figure 2: Map of the Bird's Head Seascope and Marine Protected Areas

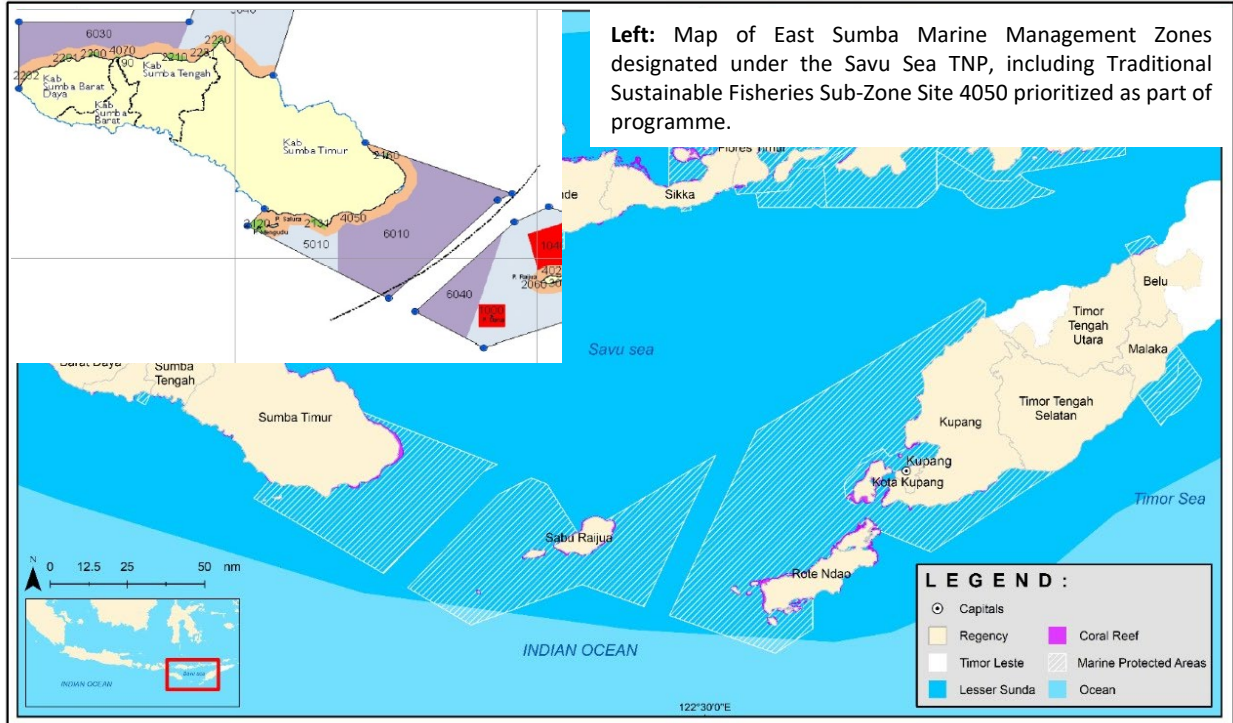


Figure 3: Map of Sumba and Marine Protected Areas



## SECTION C – PROGRAMME STRATEGY

<b>C. PROGRAMME STRATEGY</b>	
<b>C.1. Overview</b>	
C.1.1. Problem Statement (50 words)	<p><b>BHS:</b> The globally significant coral reefs of the BHS are protected by a 5.2 million ha MPA network. Without additional and more diversified financing streams, these critical protections remain highly vulnerable to changes in government or philanthropic donor priorities leading to an increase in unsustainable extraction and degradation of reef health. Indigenous Papuans, with tenure of the reefs, have high levels of poverty and food insecurity with few economic and livelihood opportunities. Tourism offers the greatest opportunity for sustainable economic development in the BHS if development can be well-managed.</p> <p><b>Sumba:</b> In an area highly dependent on rain-fed agriculture, trends toward more frequent and increasingly severe drought, the communities of Sumba are increasingly reliant on nearshore marine resources for subsistence and incomes. To address these vulnerabilities, the national and provincial government have promoted expansion of seaweed mariculture as a priority for livelihood and economic development. While seaweed has strong potential for sustainable marine development, in absence of thoughtful, science-based planning, sector development could pose significant risks to local reefs.</p>
C.1.2 Pathway to change (100 words)	<p><b>IF</b> MPA co-management authorities and local conservation partners have consistent, adequate revenue, <b>THEN</b> they will conduct critical MPA and conservation activities.</p> <p><b>IF</b> tourism is properly planned and managed, and if equitable access to financing and technical support is provided to local reef-positive eco-tourism enterprises, <b>THEN</b> marine tourism can be the driver of reef-positive economic development.</p> <p><b>IF</b> investments are strategically aligned with national, provincial, and local economic development objectives, <b>THEN</b> the programme will be strongly positioned to influence more sustainable, reef-positive development and growth outcomes.<sup>80</sup></p> <p><b>IF</b> investments promote more profitable, resilient, reef-positive seaweed mariculture models and livelihoods, <b>THEN</b> direct and indirect anthropogenic threats to reefs are mitigated</p>
<b>C.2. Programme Outcomes and Outputs</b>	
C.2.1. Outcomes (100 words)	<ul style="list-style-type: none"> <li>- <b>Outcome 1 – PROTECT BHS:</b> The funding gap to effectively protect the globally significant coral reef and associated ecosystems in the BHS MPA network is significantly reduced.</li> <li>- <b>Outcome 2 – TRANSFORM BHS ECOTOURISM:</b> Culturally appropriate, reef-positive economic development and livelihood initiatives are cultivated in the BHS, in and around the MPA network, with an initial</li> </ul>

<sup>80</sup> The Indonesian Ministry of Marine Affairs & Fisheries (MMAF) seeks to significantly increase national hydrocolloid seaweed production – from 9.78 MMT in 2019 to 12.3 MMT by 2024—with a large proportion of growth potential concentrated in the Program Priority Area of East Nusa Tenggara. East Sumba Regency has been identified as a priority for significant seaweed mariculture expansion and the development of a regional commercialization hub.



	<p>focus on ecotourism, thus reducing the rates of poverty and food insecurity and creating jobs for local reef-dependent communities, while incentivizing continued coral-reef conservation.</p> <ul style="list-style-type: none"> <li>- <b>Outcome 3 – ENHANCED ECONOMIC RESILIENCE THROUGH REEF-POSITIVE SEAWEED DEVELOPMENT:</b> Enhanced economic resilience for Sumba Island communities and reduction or avoidance of adverse impacts to coral reefs through development and expansion of sustainable, equitable and coral reef-positive seaweed mariculture industry livelihood alternatives.</li> <li>- <b>Outcome 4 – TRANSFORM ACCESS TO FINANCING FOR REEF-POSITIVE ENTERPRISES:</b> Reduced barriers to financial access for reef-positive micro, small and medium enterprises.</li> </ul>
C.2.2. Outputs (200 words)	<ul style="list-style-type: none"> <li>- <b>Output 1.1 - MPA financing:</b> Increased, diversified, and more sustainable revenue sources that support MPA management in priority MPAs in the BHS through: (a) coral reef focused debt for nature swap for the Blue Abadi Fund; and (b) replication of relevant MPA governance and financing models first piloted in Raja Ampat.</li> <li>- <b>Output 2.1 - Responsible ecotourism growth:</b> The anticipated growth of ecotourism in the BHS is thoughtfully planned, geographically dispersed, and well-managed, ensuring sustainable ecotourism grows in such a way that reduces impact to coral reefs and maximizes benefits to local communities while incentivizing continued conservation.</li> <li>- <b>Output 2.2. – Inclusive tourism development support:</b> Equitable access to financing and technical support for micro, small and medium reef-positive eco-tourism enterprises is increased, with a specific focus on Papuan and women-led enterprises and sustainable enterprises at risk of COVID-caused bankruptcy.</li> <li>- <b>Output 2.3 – Ecotourism threat reduction:</b> Direct impacts of the ecotourism industry on coral reef ecosystems in the BHS, including from anchor damage, plastic waste and wastewater are reduced.</li> <li>- <b>Output 3.1 – Evidence-based frameworks for reef- positive seaweed sector development.</b> Foundational research to guide near-term reef-positive mariculture siting and growing practices and long-run disease and climate resilience.</li> <li>- <b>Output 3.2 – Roadmap for investment in reef-positive seaweed development:</b> Roadmap and strategy for blended investment in reef-positive seaweed industry and livelihood development.</li> <li>- <b>Output 4.1. – Pipeline of reef-positive investment opportunities in priority sites:</b> Geographically, strategically and thematically aligned investment opportunities are identified in Priority sites.</li> <li>- <b>Output 4.2 – Investment mobilization:</b> Mobilization of initial portfolio of reef-positive investments in GFCR Priority Areas and sectors.</li> </ul>



<p>C.2.3. Priority sectors and financial instruments to address identified drivers of coral reef degradation (150 words)</p>	<p><b>Outcome 1</b> focuses on generating diversified <b>MPA revenue streams</b> to ensure the continued effective co-management and enforcement of the MPA network in perpetuity, including a reef-focused <b>debt for nature swap</b> and the replication of <b>use and/or access-fee based revenue models</b> in other MPA sites within the BHS.</p> <p><b>Outcome 2</b> focuses on transforming <b>ecotourism</b> in and around BHS MPAs through <b>grant-based enabling investments</b> in <b>technical assistance, training</b> and <b>seed support</b> for local reef-positive ecotourism enterprises.<sup>81</sup></p> <p><b>Outcome 3</b> includes a combination of <b>enabling grant investments</b> in foundational research and <b>industry investment readiness</b> activities antecedent to concessional private debt and equity seed investment in sustainable, reef-positive seaweed sector development and enterprise and <b>livelihood alternatives in Sumba</b>.<sup>82</sup></p> <p><b>Outcome 4</b> encompasses the Grant Window-funded <b>concessional debt and/or equity investments</b> to be deployed through CIV in furtherance of the programme investment objectives in the BHS and Sumba.</p>
<p>C.2.5. Policy work (200 words)</p>	<p>To sustainably recover and then expand ecotourism in the BHS, the proposed investment portfolio begins with the development of a Raja Ampat Regency Tourism Spatial Plan (Activity 2.1.1) to be developed in partnership with the Raja Ampat Regency Government and Tourism Agency.<sup>83</sup> The goal will be to diversify and spread-out tourism opportunities thus increasing tourism jobs and revenue, while decreasing impact directly to the reefs. The Tourism Spatial Plan needs to be coupled with comprehensive legislation for the sustainable management of the sector that increases sustainability and generates increased revenues for the government and economic opportunities for Papuan communities (Activity 2.1.2).<sup>84</sup> This work will also support the policy development needed for the West Papua Mooring System. Annex VI provides further details regarding the Tourism Spatial Plan and legislation, diversification of tourism enterprises and the Raja Ampat Mooring System.</p>

<sup>81</sup> with a primary focus on opportunities that promote equity and economic inclusion for Papuans and women while addressing direct tourism activity threats to the coral reefs

<sup>82</sup> Outcome 3 investments are intended to create the enabling conditions for future larger-scale commercial investment by the GFCR Equity Fund or other private investment.

<sup>83</sup> CI has supported the Raja Ampat Regency to create a tourism master plan in the form of a RIPARKAB – a regency level tourism development plan. With support from the GFCR and co-financing from philanthropic institutions, the CI West Papua team will work with a team of highly experienced tourism consultants and the Raja Ampat Tourism Agency (*Dinas Pariwisata*) and to review and revise the master plan to include extensive environmental and social impact assessments and map out areas of the regency for different aspects of tourism development, then secure the plan as a *Peraturan Daerah* – a stronger legislation than the current RIPARKAB as this is a legally enforceable document approved by the regional parliament rather than a vision document.

<sup>84</sup> In subsequent project phases, this activity could be repeated for other areas of West Papua, including Cenderawasih Bay National Park and Kaimana-FakFak.



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### C.3. Application of Blended Finance (200 words)<sup>85</sup>

**Enabling Investments (GW).** Initial programme activities and investments are intended to address key enabling and/or limiting conditions antecedent to future reef-positive economic development and larger-scale private investment. In this initial 18-month period, traditional grant resources will be directed toward scientific and commercial research and other enabling environment building and/or strengthening activities intended to ensure near- and longer-term sector development investments are guided by evidence-based approaches that avoid or mitigate potential material ecological, social, and commercial risks to investment performance while promoting sector resilience and long-run reef-positive benefits.

**Concessional Financing (GW).** US \$1.45m of Phase I GFCR Grant Fund proceeds will be used to capitalize a dedicated GFCR Indonesia investment window within CIV to incubate strategically and thematically aligned reef-positive enterprises operating within priority sector value chains relevant in Priority Areas. GFCR concessional financing will leverage an additional \$1.5m in private concessional capital from CIV (secured) to be deployed across a portfolio of small-medium enterprise debt and hybrid debt investments. CIV investments are designed to serve as a “bridge” between purely concessional and commercial investments and are intended to de-risk enterprise business models and early-stage activities.<sup>86</sup> (see Annex IV: Section C for additional details)

**Commercial Investment (GFCR Equity Fund).** CIV will actively seek opportunities to syndicate co-financing at the transaction level and/or coordinate later-stage investment in portfolio companies with the GFCR Equity Fund and/or other aligned investors.

<sup>85</sup> While the overall program is cultivating multiple pathways to blended finance models, the proposed work in the BHS in the 18-month Phase I is primarily a traditional grant. While recognizing the importance of blended finance models to GFCR, there are several important reasons for this. The first proposed outcome focuses on developing revenue streams for MPA management. While this work is expected to unlock significant reoccurring revenue streams and thus leverage funding for the GFCR investment, the work to negotiate and/or design those financial models requires direct grant investment. The second outcome focuses on transforming ecotourism. In this case, the goal is to incubate and de-risk revenue generating solutions, and long-term there are numerous investment opportunities. Phase I will invest in pipeline identification and incubation. However, there are multiple factors that may affect the timing and scale of the potential private and public investment. First, tourism has been completely shut down due to the global COVID pandemic and the timing and nature of reopening and thus the need for private and public investment capital is unclear. Second, to prevent COVID-related bankruptcy and prevent industry collapse, investment in the form of recoverable grants may be necessary to critical ecotourism enterprises. It is also important to note that with the explicit goal of this programme to increase equitable access to financing for Papuan enterprises, the time required to incubate enterprises may be longer than in some other GFRC geographies, and the importance of concessional finance for micro and small enterprises will be critical throughout the life of the project.

<sup>86</sup> GFCR GW seed investments in CIV will be structured as a recoverable grant, the recoverable amount of which will be dependent on portfolio performance and the residual net balance of principal repayments, interest payments, and realized gains. In each case dependent on opportunity pipeline requirements and market needs, CIV may seek additional capital to expand programme investments. A more detailed summary of CIV’s investment approach and strategies are provided in Appendix VII.



C.4 Implementation Phases		
	<i>Years</i>	<i>Description</i>
C.4.1. Phase I (Inception) (75 words)	Y0 - Y1.5	<p><b>General Coordination &amp; Alignment:</b></p> <ul style="list-style-type: none"> <li>- Development of coordination strategy with co-implementers</li> <li>- Initial public and private sector stakeholder engagement and coordination</li> </ul> <p><b>Outcome 1:</b></p> <ul style="list-style-type: none"> <li>- Replicate user-fee based revenue model in Bomberai (6 MPAs covering 846,612 ha).</li> </ul> <p><b>Outcome 2:</b></p> <ul style="list-style-type: none"> <li>- Develop tourism spatial plan and comprehensive tourism legislation</li> <li>- Conduct assessment of microfinance demand and opportunities to support Papuan micro tourism enterprises.</li> <li>- Invest in COVID recovery measure for ecotourism industry</li> <li>- Complete design and financing plan for mooring system</li> </ul> <p><b>Outcome 3:</b></p> <ul style="list-style-type: none"> <li>- Completion of site-specific environmental (1 ea.), socioeconomic (1 ea.) and industry and commercial (1 ea.) baseline assessments</li> <li>- Launch initial phase of seaweed diversity and resilience study (1 ea.)</li> <li>- Develop and execute seaweed sector investment roadmap</li> </ul> <p><b>Outcome 4:</b></p> <ul style="list-style-type: none"> <li>- Development of initial pipeline of investments in Priority Areas</li> <li>- Establish and mobilize dedicated CIV Indonesia investment window and form Indonesia Investment Advisory Committee</li> <li>- Initial \$2.95m capitalization of dedicated CIV Indonesia investment window</li> <li>- Incubation of at least four strategically-aligned investments</li> </ul>



<p>C.4.2. Phase II (Investment) (75 words)</p>	<p>Y1.5 – Y5</p>	<p><b>Outcome 1:</b></p> <ul style="list-style-type: none"> <li>- Execute debt for nature swap</li> <li>- Replicate user-fee based revenue models in Cenderawasih Bay (1 MPA covering 1,453,500 ha)</li> </ul> <p><b>Outcome 2:</b></p> <ul style="list-style-type: none"> <li>- Establish microfinance system to support Papuan micro tourism enterprises.</li> <li>- Execute investments into ecotourism MSMEs (see Outcome 4)</li> <li>- Construct and operationalize mooring system.</li> <li>- Commission wastewater study</li> <li>- Initiate tourism infrastructure development (e.g. wastewater treatment, stairs to viewpoint, etc)</li> </ul> <p><b>Outcome 3:</b></p> <ul style="list-style-type: none"> <li>- Launch second phase of seaweed diversity and resilience study</li> <li>- Launch Sumba and NTT seaweed industry scaling study with University of Queensland, IPB University</li> </ul> <p><b>Outcome 4:</b></p> <ul style="list-style-type: none"> <li>- Evaluate need for additional CIV Indonesia investment window capitalization</li> <li>- Continue investment pipeline development and investment execution, with a cumulative target of ten strategically-aligned investments incubated</li> <li>- Portfolio management</li> </ul>
<p>C.4.3. Phase III (Growth and Adaptation) (75 words)</p>	<p>Y6- Y8</p>	<p><b>Outcome 2:</b></p> <ul style="list-style-type: none"> <li>- Finalize tourism infrastructure development</li> </ul> <p><b>Outcome 3:</b></p> <ul style="list-style-type: none"> <li>- Finalize and publish seaweed diversity and resilience study</li> <li>- Finalize and publish Sumba and NTT seaweed industry scaling study</li> </ul> <p><b>Outcome 4:</b></p> <ul style="list-style-type: none"> <li>- Portfolio of 10 to 15 (cumulative) reef-positive investments incubated across priority sectors</li> <li>- Continued investment execution and next-stage growth financing cultivation</li> <li>- Portfolio management and exit planning<sup>87</sup></li> </ul>
<p>C.4.4. Exit Strategy (100 words)</p>	<p>The programme is designed to reinforce existing mechanisms for collaboration and develop long-term systems and local capacities by:</p> <ul style="list-style-type: none"> <li>- ensuring adequate diversified revenue sources for the BHS MPA network managed by capable local agencies and organizations</li> <li>- identifying existing institutions capable of addressing the longer-term needs of tourism microenterprises in the BHS beyond GFCR support<sup>88</sup></li> <li>- enabling the mobilization of public and private financing strategies beyond the programme</li> </ul>	

<sup>87</sup> By end of Phase III, CIV expects to have exited a portion of its initial investments and/or supporting portfolio companies in raising follow-on financing. Depending on performance and market conditions, CIV may raise additional non-GFCR capital for future investments or support establishment of a local intermediary.

<sup>88</sup> through the grant-supported microfinance landscape analyses



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	<ul style="list-style-type: none"> <li>- de-risking current and future public and private investments in the seaweed sector<sup>89</sup>.</li> <li>- catalyzing additional, non-GFCR financing<sup>90</sup></li> <li>- aligning programme objectives with government and community development priorities</li> </ul>
C.5. Local stakeholder engagement	
<p>C.5.1. Target beneficiaries and cross-cutting issues (100 words)</p>	<p><b>BHS:</b> While designed to benefit a broader subset of rural, and economically disadvantaged communities in eastern Indonesia, the programme interventions focus on women and Indigenous Papuan<sup>91</sup> and Sumbese<sup>92</sup> populations in the BHS and Sumba, respectively. Indigenous communities in both Priority Areas have high levels of poverty and food insecurity with few economic and livelihood opportunities.</p> <p><b>Sumba:</b> Although additional, regency-specific baseline data is needed, we anticipate livelihood improvements to equitably benefit women and men. In addition to refining gender-based targets, Phase I baseline assessments<sup>93</sup> will seek to refine demographic and sector participation data for Indigenous peoples residing within the initial Priority Area.</p>
<p>C.5.2. Government (150 words)</p>	<p><b>BHS:</b> In partnership with the Raja Ampat Regency Government and West Papua Government, CI will develop a tourism spatial plan and comprehensive tourism management legislation.</p> <p>A consortium of partners is currently in discussions with government and various authorities regarding the implementation of a mooring system in Raja Ampat. This initiative is still in the socialization phase with the government. CI is also working closely with the West Papua provincial government's Research and Development Agency (Balitbanga) for the mooring system and the Cenderawasih National Park Authority for supporting their management of the Cenderawasih Bay National Park (Ministry of Environment and Forestry).</p> <p>CI has been working closely with the Raja Ampat MPA Management Authority (BLUD Raja Ampat) since CI, TNC and partners developed the management body in the early 2000s<sup>94</sup> and with the Bomberai MPA management Authority (BLUD Bomberai) which was recently established with direct support from CI. CI remains actively engaged in the Raja Ampat and Bomberai MPA Management, with ongoing capacity building for financial and MPA management as well as support troubleshooting emerging threats, coordination between stakeholders and sharing best practices.</p>

<sup>89</sup> enabling the crowding-in of additional and more substantial commercial financing beyond initial GFCR seed investments

<sup>90</sup> both in terms of transaction-level co-financing and later-stage commercial growth financing for SMEs seeded by CI Ventures

<sup>91</sup> who have tenure of the reefs in the BHS

<sup>92</sup> *Tau Humba*

<sup>93</sup> rapid baseline assessments of gender and demographic participation in key sectors (e.g. fishing, ecotourism, seaweed mariculture) will be compiled to inform livelihood development baselines and targets in both priority areas

<sup>94</sup> The MPA Management Authority was initially developed through partnership with the Raja Ampat regency government (before national recentralization law UU No. 23/2014 moved the authority from the regency to provincial level) and transferred all staff to government in a build and transfer model.

	<p><b>Sumba:</b> CI has already engaged with the governments of East Sumba and NTT province and has engaged the Ministry of Marine Affairs and Fisheries (MMAF) and the Coordinating Ministry of Maritime and Investment in connection with the proposed seaweed sector development activities and objectives.<sup>95</sup> Building on initial expressions of support by key government ministries, the programme will facilitate regular, ongoing engagement and consultation with local (regency-level) authorities involved in seaweed sector development and commercialization in East Sumba and will incorporate strategic provincial and national-level ministry engagement and touch points as part of its seaweed sector development investment roadmap development process.</p>
<p>C.5.3. Local communities (150 words)</p>	<p>In the development of the Raja Ampat Regency Tourism Spatial Plan, extensive community consultations will be undertaken to understand the needs and concerns of the Papuan and other local communities and tourism sector actors.<sup>96</sup></p> <p>Communities are also co-managers of both the Raja Ampat MPAs and the Bomberai MPAs, and as such will be actively involved in all decisions effecting MPA management and financing, including all activities outlines in outcome 1.</p> <p>CI anticipates partnering with the Blue Abadi Fund to expand the scope of their existing Papuan Advisory Council, to ensure all GFCR interventions in the BHS are vetted and take cultural considerations and Papuan aspirations into account.</p> <p>CI has engaged with the Microfinance Innovation Centre for Resources and Alternatives (MICRA Indonesia) regarding the diversification of tourism enterprises, to advise on and assess the West Papua microfinance landscape with a particular focus on women-led enterprises. The preliminary landscape analyses will be used to identify additional financial and other institutions to be engaged as part of this workstream.</p> <p>In the design of proposed seaweed development activities, CI has engaged with the Provincial Government of NTT, Department of Marine Affairs and Fisheries (DKP NTT) which has jurisdiction over maritime activities occurring within East Sumba Regency, and the Indonesian Seaweed Industry Association (PT. ASTRULI)<sup>97</sup> through its local representative and office in East</p>

<sup>95</sup> The MMAF have targeted a 25% increase above 2019 seaweed production volumes by 2024, with a large proportion of growth expected from existing and new farming areas within NTT. To meet these targets, MMAF have announced plans to develop a network of “seaweed villages” across Eastern Indonesia, with East Sumba as one of two inaugural priority sites being launched in 2022. The government’s “seaweed village” strategy advocates a more “holistic approach” to sector development, linking private companies, funding institutions and a range of “stakeholders including the government, academicians, business operators, media and the public.”<sup>95</sup>

<sup>96</sup> Including live aboard and homestay associations, resort owners and operators, and tourism activity operators

<sup>97</sup> PT. Algae Sumba Timur Lestari (ASTIL), is a local (municipal) government owned enterprise or BUMD focused on seaweed processing and trade with strong ties to local seaweed farming communities in Sumba Island, and other sites in NTT.





	<p>Sumba. In an effort to harmonize government engagement and communication related to the GFCR, particularly with respect to joint activities planned in the Savu Sea, CI and TNC will coordinate engagement with the National Marine Protected Area Management Authority and NTT Provincial Conservation Board, the two offices tasked with co-management of the Savu Sea TNP, as part of programme commencement activities.</p> <p>When public health and intra-regional travel conditions permit, the programme team and local CI staff plan to conduct more extensive community engagement activities.</p>
<p>C.5.4. Awareness building and communications (150 words)</p>	<p>A suite of dual language (Bahasa Indonesia and English), digital and hardcopy format informational collateral describing the Programme thesis, goals, objectives, and fact sheets, etc. (Programme Collateral) will be developed by CI and YKCI in coordination with the GFCR, co-convening agents and Equity Fund partners. As detailed in Appendix VIII, specific awareness-building activities and communication channels will be designed in response to the needs of target audiences as follows:</p> <ul style="list-style-type: none"> <li>- <b>General:</b> Publication and periodic refresh of Programme Collateral on CI and YKCI websites, with select updates on social media platforms.</li> <li>- <b>Government:</b> Presentation and/or dissemination at Programme kick-off and other key meetings with key Ministries and Ministry focal points.</li> <li>- <b>Beneficiary Communities:</b> Presentation at community stakeholder workshops or convenings.</li> <li>- <b>Industry:</b> Presentation at industry association or similar meetings.</li> <li>- <b>Financial Sector:</b> Presentation and dissemination at targeted convenings and/or meetings and ad hoc investment-related outreach.</li> </ul>
<p>C.6. Complementary Initiatives (200 words)</p>	
<p><b>Bird’s Head Seascape</b></p> <p>The BHS is one of the world’s most critically important coral reef systems. The level of effort to protect it to date has been commensurate with its global significance. The BHS initiative was developed nearly 20 years ago and now includes a network of 40 partners, with more continuously being added as the work increases in complexity. The coalition of partners have mobilized over \$130 million for conservation in the BHS, including \$24M via the Blue Abadi Fund. BHS partners work on a wide range of ocean issues including alternative livelihood development, sustainable tourism, sustainable fisheries, community-supported MPA enforcement and surveillance, outreach and educational initiatives.</p> <p>The GFCR Programme builds from this investment and has a unique niche in the landscape of funding support for the BHS. The existence of the previous work and investment allows the GFCR to be part of a coalition responsible for significant positive coral reef outcomes in the BHS, without GFCR needing to directly invest significantly in the foundational protection activities that generate those coral outcomes. Instead, the GFCR program can complement existing funding sources to shore up the financial sustainability of the core MPA network and conservation work, while primarily focusing on a new area of work currently unfunded by other funding partners—reef-positive economic development. Maintaining healthy coral reefs in the BHS long-term is going to require not only continued strong protections, but also a viable way for Papuan communities to improve economic and social conditions while conserving their reefs. The GFCR program is thus key for the durability of the BHS.</p>	



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Provided here is a summary of a few of the most significant complimentary initiatives that will work in partnership with the GFCR Programme:

- The **Bird's Head Seascape** initiative, led by CI in partnership with TNC, WWF, is the umbrella initiative that built the coalition of partners active in the BHS and is responsible for the development of the 5.2M ha MPA network. The seascape received core support from the Walton Family Foundation and leveraged additional support from over 30 donors including significant funding from the Moore Foundation, Packard Foundation, Margaret A. Cargill Philanthropies, and MacArthur Foundation.
- The **Blue Abadi Fund**, developed by CI, TNC, and WWF, and administered by KEHATI is a dedicated conservation trust fund established to provide long-term financing for local marine conservation initiatives around the BHS. Launched in 2017, the Blue Abadi Fund is currently implementing their third cycle of financing which supports marine patrols, outreach and education as well as science and monitoring.
- Through the **USAID SEA grant**, several additional MPAs were established in the BHS including the two CI supported MPAs in Fakfak. Although the SEA Programme has finished, the MPAs developed through this initiative are legally gazetted and in different stages of effectiveness.
- The West Papua government works with a group of conservation NGOs including YKCI as a **Sustainable Development Forum** to collaboratively explore ideas for realizing the ambitious goals of the Sustainable Development regulation which includes a target of conserving 50% of the marine area in West Papua province.

#### **East Sumba Regency, Seaweed Mariculture & Value Chain Development**

The proposed seaweed industry activities described herein are expected to leverage and build upon prior and current initiatives including, but not limited to:

- Establishment of an **Integrated Marine Fisheries Center (SKPT)** in East Sumba Regency by the Indonesian Ministry of Marine Affairs and Fisheries (KKP) as part of regional marine and fishery development and acceleration strategy that seeks to increase market accessibility and connectivity in the utilization of marine and fisheries in small islands and national "border areas." East Sumba was selected based on its location as a maritime border area with superior seaweed resources, and the existence of strong local government support. Since 2017, the KKP has supported the East Sumba SKPT with the construction of seaweed cultivation infrastructure, seaweed nursery facilities, small vessels, and cold storage equipment, as well as municipal infrastructure support in terms of road maintenance, and expanded access to clean water, wastewater management, and electricity networks.<sup>98</sup>
- **Seaweed Village** designation – one two inaugural sites –that aims to connect existing and new seaweed farmers with private companies and funding institutions with the goal of stimulating industry development.
- **Prior research and programmes** undertaken by the FAO, including its *Decent Work for Food Security and Sustainable Rural Development (DW4FS&SRD): Support to Selected Coastal Communities along the Seaweed Value Chain* (2019)<sup>99,100</sup> and recent seaweed industry and value chain analyses

<sup>98</sup> <https://kkp.go.id/djpb/dprodus/artikel/17233-direktur-produksi-dan-usaha-budidaya-melaksanakan-panen-rumput-laut-di-hamparan-woba-sumba-timur-pada-tanggal-12-februari-2020>

<sup>99</sup> <https://www.fao.org/3/ca4945en/CA4945EN.pdf>

<sup>100</sup> FAO, "Country Gender Assessment of Agriculture and the Rural Sector in Indonesia, pp. 57-61, <https://reliefweb.int/sites/reliefweb.int/files/resources/ca6110en.pdf>



published by Soejarwo et al.<sup>101,102</sup> Proposed baseline assessments will attempt to address site-specific data gaps and/or provide updated data for key input variables identified in prior publications with respect to spatial coverage and production and trade flows, respectively. In each case, the programme proponents will attempt to build upon described methods to enhance comparability between assessments and analyses and will seek to better relate and align ecological, socioeconomic, and industry and value chain analyses in the context of reef-positive development and investment opportunities—perspectives which are clearly in-line with government development objectives but not previously addressed in prior analyses or studies.

#### Blue Economy Finance & Investment

- CIV is a founding member and current steering committee member of **1000 Ocean Startups**, a global coalition of incubators, accelerators, competitions, venture capital firms and match-making platforms committed to supporting the scale up of sustainable ocean startups
- CIV is a strategic partner of **Hatch Accelerator**. CI and Hatch recently launched the first global joint Women in Aquaculture Innovation Studio and have plans to jointly develop and launch a regional Southeast Asia Innovation Studio programme focused on seaweed aquaculture innovation.
- In each case with prior authorization by issuer/investee, select investment opportunities will be listed on the **Investable Oceans** platform<sup>103</sup> accessible to qualified investors.
- In the initial phase of the programme, CI/CIV seeks to engage the **Asian Development Bank (ADB)'s Blue Southeast Asia (SEA) Finance Hub**<sup>104</sup> with the goal of identifying mutually reinforcing programme investment and/or co-investment opportunities

#### C.7. Large anchor investments and the GFCR Equity Fund (200 words)

Throughout the programme term, CI/CIV will coordinate with SYSTEMIQ, PCA and GFCR Co-Convening Agents to advance the investment objectives of the GFCR as follows:

- **Coordination of Government Engagement.** To ensure a unified GFCR voice in Indonesia, YKCI and CI/CIV will coordinate closely with PCA, TNC and SYSTEMIQ on government engagement to: 1) align GFCR strategic ambitions with national and sub-national priorities of the Indonesian government; and 2) support efforts to promote government buy-in on the vision and ambitions of the GFCR with respect to coral protection, conservation and investment.
- **Harmonization of Investment Activities.** To ensure Grant Fund and GFCR Equity Fund investments are mutually reinforcing and synergistic, CI/CIV and GFCR Equity Fund will seek to collaborate on: 1) investment opportunity sourcing, screening, and prioritization; and, 2) where prospective co-financing opportunities are identified, collaborate on development of joint investment strategies and opportunities for shared commercial, environmental, social and governance due diligence and portfolio impact monitoring and assessment; and 3) for investments incubated by CIV, explore opportunities to coordinate on key investment milestones and targets in anticipation of potential future Equity Fund follow-on.
- **GFCR Communications.** CI/CIV will coordinate with the Equity Fund in efforts to support GFCR coral reef, oceans, and sustainable development agendas through major international climate and nature convenings (e.g. G20 Summit, ASEAN 2023, WB Spring Meetings).

<sup>101</sup> Soejarwo and Yusuf, "Marketing distribution of seaweed (*Eucheuma cottonii*) in East Sumba, East Nusa Tenggara Timur," *Buletin Ilmiah "MARINA" Sosial Ekonomi Kelautan dan Perikanan* 4(2) Tahun 2018: 45-51, <http://ejournal-balitbang.kkp.go.id/index.php/mra/article/viewFile/7399/6020>

<sup>102</sup> Soejarwo et al., "Analysis of Seaweed Farming Business Sustainability in East Sumba, East Nusa Tenggara," *J. Sosek KP* 14(1) Juni 2019: 37-46, <http://ejournal-balitbang.kkp.go.id/index.php/sosek/article/viewFile/7815/6265>

<sup>103</sup> <https://www.investableoceans.com/>

<sup>104</sup> <https://www.adb.org/what-we-do/themes/environment/blueseas>



CIV is currently working with the PCA and SYSTEMIQ teams on developing opportunities for Equity Fund investment. The parties are in the process of executing a Mutual Confidentiality and Non-Disclosure Agreement (Mutual NDA) to facilitate these activities. To align on government engagement, pipeline development and co-investment engagement, and communications support activities in Indonesia, YKCI, CI, TNC, and SYSTEMIQ will initiate bi-weekly operational and monthly strategic meetings. The CIV team have discussed an initial pipeline of prospective investment opportunities with the Equity Fund including certain seaweed value chain opportunities and a sustainable fisheries tech platform which could create benefits for reefs in terms of mainstreaming sustainable fishing practices within GFCR priority reefs/Indonesia/coral triangle. Further details regarding these opportunities will be shared with the Equity Fund upon execution of the Mutual NDA.

C.8 Adaptive Management (200 words) **Not applicable at this time**



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## FIGURES

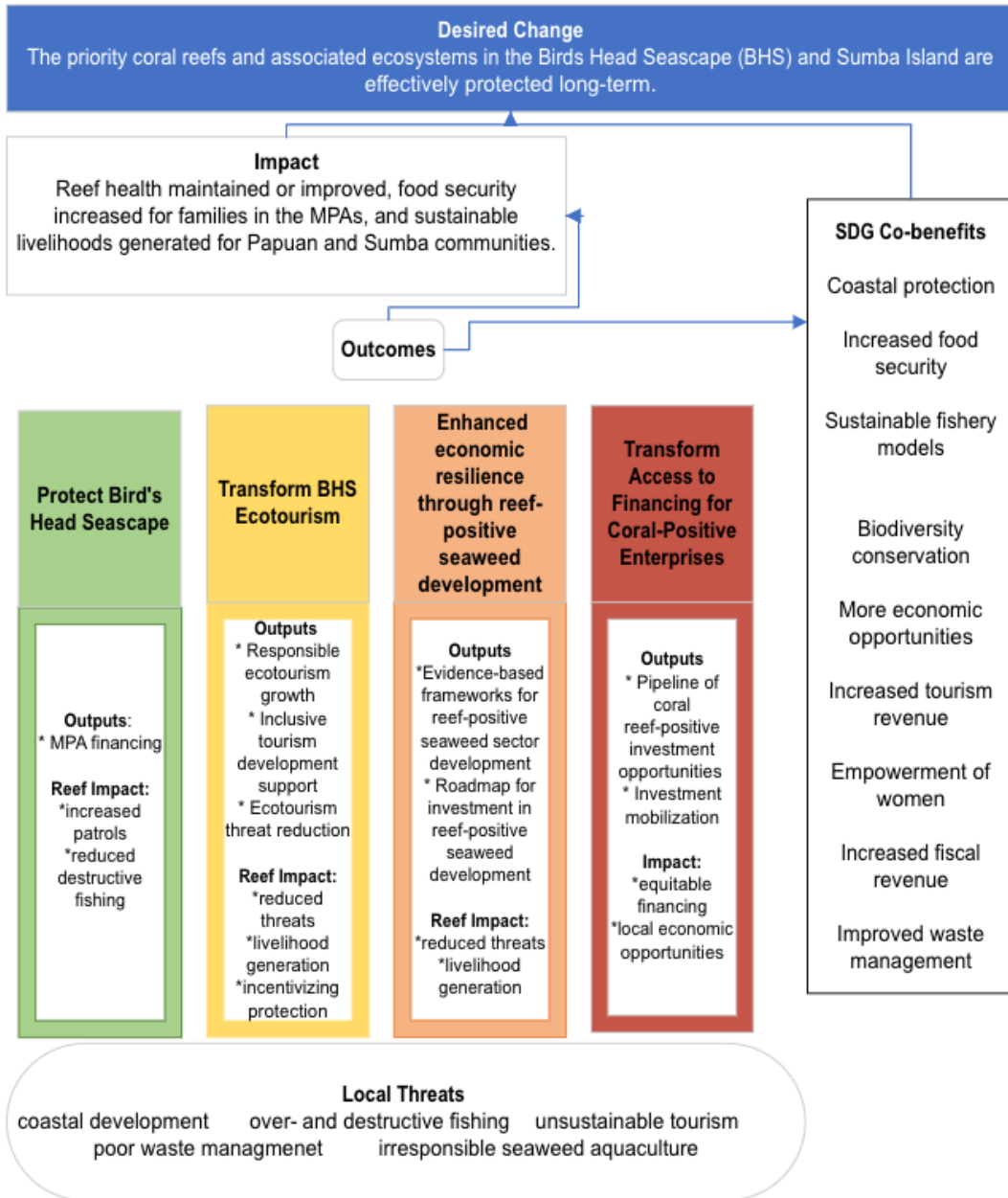


Figure 4: Theory of Change



## SECTION D – GOVERNANCE AND OPERATIONAL STRUCTURE

D. GOVERNANCE AND OPERATIONAL STRUCTURE	
D.1. Governance	
D.1.1. Decision-making bodies and composition (200 words)	<p><b>Programmatic Governance:</b> The Programme will be governed collaboratively by CI and YKCI,<sup>105</sup> who together will lead programmatic and strategic management of the Programme. YKCI will serve as the primary focal point for high-level engagement and communication with national and subnational ministries, local institutions, and communities on matters related to the Programme in Indonesia and will be responsible for in country delivery of the programme. CI through its Center for Oceans and Conservation Finance Division will provide scientific, technical, and subject matter expertise to YKCI relevant to implementation of Programme strategies.</p> <p><b>Fiscal &amp; Administrative Governance:</b> CI will be responsible for programme fiscal and administrative management and oversight. Consistent with the longer-term ambitions of CI and YKCI with respect to institutional leadership in Indonesia, beyond this initial 18-month period, CI and YKCI will work with the GFCR to evaluate opportunities for YKCI to serve as a Co-Recipient alongside CI.<sup>106</sup> In this initial phase, a portion of the programme budget will be allocated between CIV (see below) and YKCI as key implementing partners. GFCR funds provided by CI to YKCI will be used for programme implementation in Indonesia, which may include additional sub-grants and/or subcontracts to local partners. In each case, sub-grants and/or subcontracts issued by YKCI under the GFCR programme will be made in accordance with the primary GFCR budget approved by the Executive Board and subject to the sub-awardee policies and compliance requirements of CI.</p> <p><b>CI Ventures:</b> CI is the sole member of CIV, a Delaware (U.S.) limited liability company (LLC), and controls the legal, fiscal, and administrative affairs of CIV. The establishment and initial capitalization of the proposed GFCR Indonesia investment window, and subsequent portfolio investment activities of CIV, will be governed by CI in accordance with existing CIV governance, and fiscal and administrative policies and applicable terms of GFCR funding.</p> <p>The GFCR funding provided to CIV is expected to be deployed as a recoverable grant which, alongside capital committed by CIV as co-financing, will be used to incubate a portfolio of strategically aligned reef-positive enterprises within Indonesia. The combined GFCR and CIV capital will be deployed in the form of debt and hybrid debt financing, the returns on which will be reinvested in strategically aligned investment opportunities throughout the programme term. In each case, CIV Indonesia investment window portfolio investments will be subject to CIV's investment policies including, but not limited to its investment committee decision processes. In connection with the proposed Indonesia investment window, CIV will establish an Indonesia Investment</p>

<sup>105</sup> As the main partner of Conservation International in Indonesia, YKCI developed a strategy and business plan to ensure continued strategic and programmatic alignment with Conservation International.

<sup>106</sup> Subject to GFCR standard Co-Recipient due diligence requirements



	<p>Advisory Committee which is intended to provide strategic, programmatic, and other advisory to the CIV investment committee with respect to prospective CIV investments in Indonesia made in connection with this GFCR programme. CIV investment policies, the proposed structure, scope, role, and other details regarding the Indonesia Investment Advisory Committee, and the proposed use and/or distribution of the residual balance of portfolio assets—including the residual balance of GFCR recoverable grant amounts, if any—at the end of the programme term is further discussed in Annex VII.</p> <p><b>Programme Monitoring &amp; Evaluation.</b> Monitoring and evaluation (M&amp;E) of programme activities, including measurement and reporting of performance on programme ecological, socioeconomic, and financing indicators, will be jointly managed by CI and YKCI.</p> <ul style="list-style-type: none"> <li>- <b>BHS:</b> The BHS is routinely monitored by the University of Papua (UNIPA) in Manokwari for socio-economic and coral reef health. Most sites throughout the BHS (including in Raja Ampat, Bomberai and Cenderawasih Bay) are monitored on a 2-year cycle and the results are published in the State of the Seascape report – accessible by the general public. UNIPA’s monitoring and State of the Seascape publication are supported by the Blue Abadi Fund so we will use their monitoring to evaluate the success of this programme. After Phase I, CI may decide to include additional data collection which will be discussed with UNIPA and additional grant financing may be required to support a more exhaustive monitoring system.</li> <li>- <b>Sumba:</b> Given our mutual programmatic interest in the Savu Sea, CI and TNC will explore opportunities to harmonize M&amp;E activities related to GFCR fund-level ecological indicators. TNC and CI have had an initial discussion regarding coordination in this regard and have agreed to explore potential synergies as both programmes of work begin implementation. YKCI will serve as the primary focal point with TNC colleagues in Indonesia related to joint M&amp;E efforts. Socioeconomic and other Priority Area specific M&amp;E will be managed by YKCI, in partnership with the Universitas Nusa Cendana who will be undertaking baseline assessments that will inform the M&amp;E approach in Sumba during this initial programme phase. In each case, CI will provide scientific, technical, and other support as needed to YKCI-led M&amp;E activities.</li> <li>- <b>Economic Development &amp; Investment Indicators:</b> M&amp;E and reporting related to: (a) livelihood, income, and other impacts; (b) non-grant financing catalyzed, and other investment-related impact indicators will be managed by CIV in close collaboration with YKCI colleagues.</li> </ul> <p><b>YKCI-CI Coordination.</b> Internal coordination of programme activities between YKCI and CI, and external programme coordination with Co-Convening partners and focal points (TNC, SYSTEMIQ) will be facilitated through bi-weekly operational and monthly strategic coordination meetings/calls by and between the parties. Given the close institutional and GFCR fiscal and administrative relationship, YKCI and CI will also coordinate on a regular basis beyond the formal multi-party coordination meetings described above.</p>
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D.2. Partners and Responsibilities		
D.2.1. Co-recipients (50 words per co-recipient)	<b>Co-recipients</b>	<b>Role and Responsibilities</b>
	Conservation International <a href="https://www.conservation.org/">https://www.conservation.org/</a>	Primary convening agent for GFCR programme in Indonesia
D.2.2. Co-implementers (50 words per co-implementer)	<b>Co-implementer</b>	<b>Role and Responsibilities</b>
	YKCI <a href="https://www.conservation.org/INDONESIA">https://www.conservation.org/INDONESIA</a>	<ul style="list-style-type: none"> <li>• Lead programmatic and strategic management for Indonesian-based activities</li> <li>• Primary focal point for Indonesian government engagement</li> </ul>
	University of Papua <a href="https://unipa.ac.id/">https://unipa.ac.id/</a>	<ul style="list-style-type: none"> <li>• M&amp;E activity coordination and implementation in BHS MPAs</li> </ul>
	University of Nusa Cendana (UNDANA) <a href="https://undana.ac.id/">https://undana.ac.id/</a>	<ul style="list-style-type: none"> <li>• Sumba baseline ecological and socio-economic assessment</li> <li>• Partnering in monitoring evaluation survey, fisheries and mariculture capacity development, Nature Peace Park concept development, government outreach, IKLI concept development and training in Sumba.</li> </ul>
	Universitas Mataram <a href="https://unram.ac.id/">https://unram.ac.id/</a>	<ul style="list-style-type: none"> <li>• Seaweed disease and climate resilience research</li> </ul>
	Conservation International Ventures LLC <a href="https://www.conservation.org/projects/conservation-international-ventures-llc">https://www.conservation.org/projects/conservation-international-ventures-llc</a>	<ul style="list-style-type: none"> <li>• Pipeline incubation and concessional financing</li> </ul>
	MICRA <a href="https://www.micra-indo.org/">https://www.micra-indo.org/</a>	<ul style="list-style-type: none"> <li>• Conduct a micro-finance landscape assessment for the BHS</li> </ul>
	Blue Abadi Fund/Kehati <a href="https://blueabadifund.org/about/?lang=en">https://blueabadifund.org/about/?lang=en</a> <a href="https://kehati.or.id/en/home/en/">https://kehati.or.id/en/home/en/</a>	<ul style="list-style-type: none"> <li>• Convene a Papuan advisory council</li> <li>• Kehati is the Administrating organization for the Blue Abadi Fund and a partner in all Blue Abadi related activities</li> </ul>
EON Engineering	<ul style="list-style-type: none"> <li>• Final engineering design of the Raja Ampat Mooring Buoy system</li> <li>• Estimation of Buoy System and operations and management (O&amp;M) and other relevant cost elements, drivers and requirements</li> </ul>	





	Raja Ampat MPA Management Authority	<ul style="list-style-type: none"> <li>• Provincial entity responsible for the patrolling and management of the Raja Ampat network of seven MPAs.</li> <li>• A partner in all work relating to tourism and MPA management in Raja Ampat.</li> </ul>
	Cenderawasih Bay National Park Authority ( <i>Balai Besar Taman Nasional Teluk Cenderawasih, or BBTNTC</i> )	<ul style="list-style-type: none"> <li>• A regional arm of the Ministry of Environment and Forestry responsible for managing the Cenderawasih Bay National Park. They will be a key implementation partner in the sustainable financing work in Cenderawasih Bay (Phase II).</li> </ul>
	Bomberai MPA Management Authority	<ul style="list-style-type: none"> <li>• Provincial entity responsible for the patrolling and management of the Fakfak-Kaimana network of six MPAs.</li> <li>• A partner in all work relating to tourism and MPA management in Fakfak and Kaimana.</li> <li>• Assist in understanding how best to fund the Bomberai MPA management</li> </ul>
	National MPA Management Authority	<ul style="list-style-type: none"> <li>• Management authority for Savu Sea Marine National Park</li> <li>• Formal engagement to be coordinated with TNC given shared geographic interest</li> </ul>
	NTT Provincial Conservation Board	<ul style="list-style-type: none"> <li>• Provincial co-management authority of Savu Sea Marine National Park</li> <li>• Formal engagement to be coordinated with TNC given shared geographic interest</li> </ul>
	Provincial Government of East Nusa Tenggara (NTT), Department of Marine Affairs and Fisheries (DKP NTT)	<ul style="list-style-type: none"> <li>• Governance authority for marine affairs in NTT waters</li> <li>• Lead agency for marine management, and fisheries and aquaculture activities in provincial waters</li> </ul>

### D.3. Operational Structure (400 words)

#### Indonesia In-Country Operations:

- 1. Programme Management:** In addition to the governance and administration activities described in Section D.1. above, the YKCI leadership team headquartered in Jakarta will be responsible for:



- Co-Convening Agent & Key Partner Coordination: Serve as programmatic focal point for engagement and coordination with TNC Indonesia (co-convening agent), UNDP Indonesia, and Indonesia-based research, community and other implementing partners. Serve as Indonesia lead on coordination of investment activities with CIV and SYSTEMIQ (GFCR Equity Fund Indonesia Advisor).
  - Liaise with Priority Site Leads: Provide high-level direction and guidance to Priority Site leads on programme delivery based on approved work plans. Conduct regular informal and formal biannual programme update meetings with Priority Site Leads.
  - Indonesia Investment Advisory Committee: In coordination with CIV, advise the formation of Indonesia Advisory Committee, including identification and recruitment of potential committee members. Serve as lead Indonesia representative and lead on committee.
- 2. Programme Implementation & Delivery**: Under the direction of YKCI leadership team, and in accordance with approved programme work plans, YKCI Priority Site teams will be responsible for:
- Community Outreach and Engagement: Local partner and community outreach, engagement, and activity coordination.
  - Site-Based Programme Implementation: Lead implementation and delivery of site-based activities and provide regular input and advisory to YKCI management on key implementation barriers, risks, and opportunities.
  - Phase II Site Planning: Advise Phase II planning and strategy development based on insights gathered during Phase I.

**CI Global Support Operations**: In addition to the governance and administration activities described in Section D.1. above, CI will be responsible for:

1. U.S. Government Engagement: Serve as primary focal point for U.S government agency engagement and coordination on activities including, but not limited to Blue Abadi Debt Swap negotiations (as outlined in the separate proposal).
2. Co-Convening Agency & Key Partner Coordination: Serve as primary focal point for: (a) engagement and coordination with TNC and UNDP U.S. and Global (co-convening agent) colleagues, in each case in close coordination with YKCI and TNC Indonesia leadership; (b) global corporate and other industry and institutional partnerships in support of programme implementation and delivery; (c) lead communications and engagement with the GFCR throughout the life of the grant.
3. Industry Development Support: Lead dialogue, coordination with Cargill, Inc. and other international commercial and corporate partners.
4. Technical Support; Advisory. Provide scientific, technical, and other support as needed to YKCI. Together with CIV and global aquaculture and industry partners, support design of sector-specific investment risk and impact assessment frameworks.
5. Reporting: Complete all reporting to the GFCR throughout the life of the funding support.
6. Legal: ensure understanding and compliance of applicable laws and regulations in the business areas and countries in which CI operates via CI's General Counsel's office and outside counsel globally.
7. Audit: procure independent audit services (following CI Procurement rules) to complete yearly audit of program.



**CI Ventures:** In close coordination with YKCI leadership and other CI global support colleagues, CIV will be responsible for execution and management of all concessional investment activities described herein.<sup>107</sup>

#### D.4. Coordination Strategy (200 words)

**Convening Agent Coordination:** To ensure alignment and harmonization of respective programme activities, CI, YKCI, TNC, and PCA have agreed to participate in bi-weekly operational and monthly strategic coordination meetings to align efforts related to government engagement, pipeline development and co-investment engagement, and communications support activities, progress toward implementation of Phase I activities, and planning for Phase II and III. Discussions are underway to confirm which party will act as the general project management office (PMO) with respect to the parties' collaboration.

**Finance & Investment Coordination:** CIV and YKCI leadership will maintain close coordination and communication regarding CIV Indonesia investment activities through both formal CIV Indonesia Investment Advisory Committee and convening agent quarterly coordination meetings, as well as regular communication by and between CIV and YKCI teams. Furthermore, YKCI leadership will work with TNC and SYSTEMIQ in its capacity as Indonesia Advisor to the GFCR Equity Fund through the above-referenced quarterly coordination meetings.

**Public Sector Coordination:** YKCI leadership will coordinate with the MMAF and the Ministry of Finance throughout this Programme, ensuring that the project supports national commitments and priorities and contributes towards Indonesia's conservation goals, including the 30 by 30 MPA goals. YKCI Priority Site leads will be responsible for provincial and local government engagement and coordination with respect to provincial and regency-level programmatic interests.

**Strategic Programme Communications:** Communications will be a collaborative effort by and between CI and YKCI which will be led initially by CI's Regional Communications Director with a hired consultant to develop the complete communication products needed for this Programme. CI's Regional Communications Director and its consultant will work closely with the YKCI leadership team and CIV to align the communication needs and ensure all communication products and strategies are relevant, locally and culturally appropriate, and support the conservation and investment goals of the GFCR and are responsive to relevant government and community interests. Communication leadership is expected to transition to YKCI by the end of Phase I. The communications lead will also join the (quarterly) coordination meetings with the convening agents and work with their counterparts at CIV, TNC and SYSTEMIQ to maintain consistent messaging.

<sup>107</sup> Conservation International Ventures LLC (CIV) is a wholly owned subsidiary of Conservation International Foundation (CI) organized as a single-member limited liability classified as a 'disregarded entity' for federal income tax purposes. CI as sole member of CIV governs and controls the affairs of CIV and consolidates the assets, liabilities, and net assets of CIV, and any income, expenses, and cash flows generated by CIV activities in its financial reporting and financial statement audits.



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## FIGURES

	FISCAL & ADMINISTRATIVE GOVERNANCE	PROGRAMME IMPLEMENTATION		
		INDONESIA	GLOBAL SUPPORT	
LEAD	<b>Conservation International Foundation (CI)</b> <ul style="list-style-type: none"> <li>Primary Recipient</li> <li>Programme fiscal and administrative management and oversight</li> <li>Administration and management of subaward to Indonesia lead implementing partner <b>YKCI</b></li> <li>Administration and oversight of GFCR concessional financing allocation to <b>CIV</b></li> </ul>	<b>Yayasan Konservasi Cakrawala Indonesia (YKCI)</b> <ul style="list-style-type: none"> <li>Lead coordination and implementation of all Indonesia-based activities (incl. CI, CIV)</li> <li>Primary focal point for national, provincial, and local government engagement</li> <li>Manage in-country activities implemented by YKCI subawardees, subcontractors, key partners</li> </ul>		<b>Conservation International Foundation (CI)</b> <ul style="list-style-type: none"> <li>U.S. Government engagement, Blue Abadi Debt Swap</li> <li>Provision of scientific, technical advisory and support to <b>YKCI</b></li> <li>Lead global support coordination with TNC (US) aquaculture lead(s)</li> <li>Lead dialogue, coordination with Cargill, Inc. and other international commercial and corporate partners</li> <li>Coordinate CI global aquaculture and industry partners to provide scientific and technical input on design of sector-specific investment risk and impact assessment frameworks</li> </ul>
	<b>Yayasan Konservasi Cakrawala Indonesia (YKCI)</b> <ul style="list-style-type: none"> <li>Lead Indonesia implementing partner</li> <li>Subaward management, administration, and reporting to CI</li> <li>Administration and management of in-country partner subawards and subcontracts</li> </ul>	<b>BHS: Research</b> <b>State University of Papua</b> <ul style="list-style-type: none"> <li>Coral and environmental monitoring and assessment in BHS</li> <li>Socioeconomic monitoring in BHS</li> </ul> <b>MICRA</b> <ul style="list-style-type: none"> <li>Microfinance assessment</li> </ul> <b>BHS: Community/Other</b> <ul style="list-style-type: none"> <li>Blue Abadi/Kehati</li> <li>EON Consulting (mooring system engineering analyses)</li> </ul>	<b>Sumba: Research</b> <b>Universitas Nusa Cendana</b> <ul style="list-style-type: none"> <li>Baseline coral and ecological assessments</li> <li>Baseline socioeconomic assessment</li> </ul> <b>Universitas Mataram</b> <ul style="list-style-type: none"> <li>Phase 1 seaweed biodiversity, disease and climate resilience study</li> </ul> <b>Sumba: Community/Other</b> <ul style="list-style-type: none"> <li>PT ASTIL (regency-owned seaweed processing/trading enterprise)</li> </ul>	<b>CI Ventures LLC (CIV)</b> <ul style="list-style-type: none"> <li>In consultation with <b>YKCI</b>, establish Indonesia Investment Advisory Committee</li> <li>Investment pipeline development</li> <li>Lead investment coordination with <b>GFCR Equity Fund</b>, other private investors</li> <li>Investment structuring, diligence, execution</li> <li>Portfolio performance monitoring and reporting</li> </ul>
IMPLEMENTATION & DELIVERY	<b>CI Ventures LLC (CIV)</b> <ul style="list-style-type: none"> <li>Management of CI internal allocation of GFCR concessional investment funds</li> <li>Execution, management of Indonesia portfolio investment activities</li> </ul>			

Figure 5: Operational structure of the programme



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## SECTION E – PROGRAMME PIPELINE

E. PROGRAMME PIPELINE					
E.1. Pipeline overview					
Number and name of intervention	Sector	Location Implemented	Coral Reef Driver of Degradation Addressed	GFCR Grant Cost (USD)	Readiness stage
1. Replication of MPA Financing Models in BHS (cross-reference Activity 1.1.3.)	MPA Revenue Streams, inclusive of Tourism	Bird's Head Seascape	The MPAs within the BHS that have been adequately financed (i.e. Raja Ampat) have maintained active patrols and have reduced fishing by outside poachers (mainly with destructive gear) by over 90%. Increasing revenue sources to the other MPAs in the network should similarly help address destructive and overfishing.	<b>TOTAL:</b> \$97,992	Y1
				<b>Deployed as Traditional Grant:</b> 100%	
				<b>Concessional Instrument:</b> 0.00% (N/A)	
2. Strengthening enabling conditions for responsible and inclusive ecotourism recovery and growth in the BHS (cross-reference Activities 2.1.1. through 2.1.3.; and Activities 2.2.1. and 2.2.2.)	Tourism	Bird's Head Seascape	Investment in sustainable ecotourism will not only reduce direct impact to coral reefs from unsustainable tourism but will also ensure that ecotourism generates benefits for local Papuans this incentivizing continued support for the protection of coral reefs.	<b>TOTAL:</b> \$200,007	Y1
				<b>Deployed as Traditional Grant:</b> 100%	
				<b>Deployed as concessional instrument:</b> 0.00% (N/A)	
3. Raja Ampat Mooring System acceleration (cross-reference Activity 2.3.1.)	Tourism	Bird's Head Seascape	Reduce further vessel anchoring damage to reefs by advancing the design, legislation and formal adoption of mooring network infrastructure and associated public-private management and fee-based systems in Raja Ampat.	<b>TOTAL:</b> 141,973	Y1
				<b>Deployed as Traditional Grant:</b> 100%	
				<b>Deployed as concessional instrument:</b> 0.00% (N/A)	
4. Strengthening enabling conditions for reef-positive equitable and inclusive seaweed sector development and	Seaweed Mariculture	<b>East Sumba Regency (Priority 1)</b> with potential to replicate in other Sumba regencies or other sites in NTT in future periods	Foundational science to understand direct/indirect physical and bioecological risks to reefs of seaweed mariculture with objective of promoting: (1) practices that avoid reef damage; (2) siting that avoids adverse impacts to coral reefs; and (3) disease and climate resilience of wild and cultivated seaweed strains.	<b>TOTAL:</b> \$286,651	Y1
				<b>Deployed as Traditional Grant:</b> 100%	
				<b>Deployed as concessional instrument:</b> 0% (N/A)	



<p>growth (cross reference Activities 3.1.1. and 3.1.2., and Activities 3.2.1. through 3.2.3)</p>					
<p>5. Catalytic investments in reef-positive enterprise incubation (cross-reference Activity 4.1.1. and Activities 4.2.1. through 4.2.3.)</p>	<p>Ecotourism; Seaweed Mariculture</p>	<p>BHS and East Sumba Regency</p>	<p>Through CIV, incubate portfolio of reef-positive enterprises in both BHS and Sumba Priority Sites with high potential to: (1) directly address local and industry-scale drivers of reef degradation; (2) generate meaningful, durable reef-positive income, livelihood, and employment benefits; and (3) achieve broad-scale impact through business model replication or commercial scaling.</p>	<p><b>TOTAL: \$1,667,965</b> <b>Deployed as Traditional Grant: 11.96%</b> <b>Deployed as concessional instrument: 88.04%</b> (Recoverable Grant)</p>	<p>Y1</p>



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<b>Intervention #1 –Replication of MPA Financing Models in BHS</b>	
Short Summary (100 words)	<p>Promote effective management of MPAs through implementation of finance and revenue generation models that provide increased, diversified and more resilient sources of income for programs that enhance MPA management, monitoring, and enforcement. Initial interventions focus on the replication of MPA governance, finance, and revenue models piloted in Raja Ampat in other MPA sites within BHS. During Phase I of the Programme, CI proposes work to replicate successful governance and financing models with the Bomberai MPA Management Authority, thus increasing access to existing funding sources, while opening up new funding streams. Additional details are provided in Annex VI.</p> <p>In 2021, the Bomberai MPA Management Authority responsible for the Kaimana and Fakfak MPA network, received preliminary approval as a Public Service Board (BLUD). Once they receive final approval, the Bomberai MPA Management Authority will become only the second MPA management authority to gain this status (after Raja Ampat). As a new Public Service Board, the Authority can replicate Raja Ampat’s tourism user fee system and directly access external funding sources including the Blue Abadi Fund and potentially carbon financing. Through this intervention, CI will empower the Bomberai MPA Management Authority to design and manage the financial aspects of MPA management through developing a user fee system, providing capacity building for financial management and helping them seek external funding from sources including the Blue Abadi Fund. All generated funding will be managed by the MPA Management Authority-BLUD for the explicit purpose of MPA management.</p>
Coral Reef ecosystem impact (100 words)	<p>When sufficiently financed, the MPAs have been successful at significantly reducing direct threats to the reefs from destructive and overfishing – for example, in Raja Ampat’s MPAs, patrols reduced outside poaching by over 90%. With this protection reefs have recovered from previous damage, increasing average live coral cover by 6% in the last decade. However, without sustainable financing for effective MPA enforcement, the threat of destructive fishing can reemerge very quickly as evidenced by an increase in poaching at the beginning of the COVID pandemic when the patrols halted before emergency funding from the Blue Abadi Fund was deployed. If successful, this intervention will ensure MPAs in other part of the seascape (Bomberai in Phase I, and Cenderawasih Bay National Park in Phase II) have additional revenue streams and are able to increase patrols and other management measures to reduce destructive fishing pressure.</p> <p><u>Key indicators:</u></p> <ul style="list-style-type: none"> <li>- Live coral cover within BHS MPA network<sup>108</sup></li> <li>- Biomass of key functional fish group is stable within the BHS MPA network</li> <li>- 6 MPAs with increased revenue streams</li> </ul>

<sup>108</sup> Ecological Monitoring is conducted regularly by the State University of Papua in six representative MPAs as well as control sites. This monitoring will continue to be co-funded by the Blue Abadi Fund and results shared with GFCR.



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<p>Target beneficiaries (100 words)</p>	<p>Beneficiaries of this intervention include the local communities who rely on the coastal waters for subsistence fishing, coastal protection or livelihoods. Marine ecosystems of the BHS support the livelihoods and food security of approximately 273,897 people living in coastal communities and nearly two thirds of coastal households are substantially reliant on fisheries to meet their basic livelihood needs. The primary local threat to reefs is from overfishing and destructive fishing primarily by poachers coming from outside of Papua. Fortunately, this threat has been reduced by over 90% in Raja Ampat MPA through the creation and continued enforcement of the MPA network. However, the threat remains in other parts of the Seascape, such as in Bomberai. As discussed above, as a new Public Service Board, the Bomberai MPA Management Authority will be able to develop a tourism user fee system and directly access and manage external funding sources including the Blue Abadi Fund. This will allow for increased revenues, increased patrols, and thus greater ecological and social impact from the MPAs for local communities.</p> <p><u>Key indicators:</u></p> <ul style="list-style-type: none"> <li>- Jobs created/maintained in MPA Management (100% for indigenous Papuans)</li> <li>- Percentage of households across the 'food security' threshold within the BHS MPA network</li> </ul>																															
<p>Actors involved (50 words)<sup>109</sup></p>	<ul style="list-style-type: none"> <li>- Phase I: Bomberai BLUD: the Bomberai Marine Park Authority will be our implementing partner to understand how best to fund the Bomberai MPA management</li> <li>- Phase II: Cenderawasih Bay National Park Authority</li> </ul>																															
<p>GFCR Equity fund (50 words)</p>	<p>In this current phase, the BHS projects aim to build the enabling conditions for scaling of MPA governance, finance, and revenue models that may be leveraged by the GFCR Equity Fund as it explores investments in Indonesia linked to MPAs (e.g. sustainable ecotourism projects).</p>																															
<p>E.2.5. Grant Financing (USD)</p>	<table border="1"> <thead> <tr> <th>Finance instrument</th> <th>GFCR Grant Fund Cost (USD\$)</th> <th>Private Grant Co-financing</th> <th>Public Grant Co-financing</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Grant</td> <td>97,992</td> <td>173,577</td> <td>--</td> <td>271,569</td> </tr> <tr> <td>Concessional Loan/Recoverable Grant</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> </tr> <tr> <td>Guarantee</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> </tr> <tr> <td>TOTAL</td> <td>97,992</td> <td>173,577</td> <td>--</td> <td>271,569</td> </tr> </tbody> </table>							Finance instrument	GFCR Grant Fund Cost (USD\$)	Private Grant Co-financing	Public Grant Co-financing	TOTAL	Grant	97,992	173,577	--	271,569	Concessional Loan/Recoverable Grant	--	--	--	--	Guarantee	--	--	--	--	TOTAL	97,992	173,577	--	271,569
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<sup>109</sup> List of key actors specifically focused on initial phase activities subject of this proposal.





	TOTAL	Amount – When	Amount – When	Amount			
E.2.6. Current stage and timeline (100 words)	<p>The intervention is focused on building out the sustainable financing plan and mechanisms for Bomberai MPA management Authority (Phase I) and the Cenderawasih Bay National Park (Phase II).</p> <ul style="list-style-type: none"> <li>- Phase I: Build financial management capacity of the Bomberai BLUD; Replicate Raja Ampat’s User Fee System to provide direct revenue to the BLUD; Support the BLUD to apply for grant funding from the Blue Abadi Fund; and explore additional revenue generating models for Bomberai’s MPAs.</li> <li>- Phase II: Implement User Fee System and other viable fee systems for Bomberai; Support the Bomberai BLUD manage first Blue Abadi grant. Develop business plan for Cenderawasih Bay National Park</li> </ul>						
E.2.7. Connectivity (100 words)	<p>This program sets up the identified MPA network for long term financing to ensure the reefs are well managed and protected. As any future investments will be based on healthy reef systems, during this first phase, we are concentrating on making sure the systems that are in place to protect the reefs have the necessary resources and capacity to support any future investments.</p>						
E.2.8. Business model graphic	<p>The diagram illustrates the financial flow for an MPA Management Authority (MPA) with BLUD status. At the top, three sources of funding are listed: 'TOURIST USER FEES AND OTHER FEES OR LEVIES', 'GRANTS FROM BLUE ABADI FUND AND OTHER FUNDERS', and 'GOVERNMENT ALLOCATIONS'. Arrows from these three sources point to a central box labeled 'MPA MANGEMENT AUTHORITY WITH BLUD STATUS'. Below this box, a smaller text box states: 'Has authority to raise and manage external funding sources and hire professional staff'. Three arrows point downwards from the central box to three activity categories: 'MONITORING &amp; EVALUATION', 'MPA PATROLS', and 'COMMUNITY OUTREACH'.</p> <p><i>Diagram of financial inflows to an MPA Management Authority with BLUD status and the direct MPA management activities funded.</i></p>						



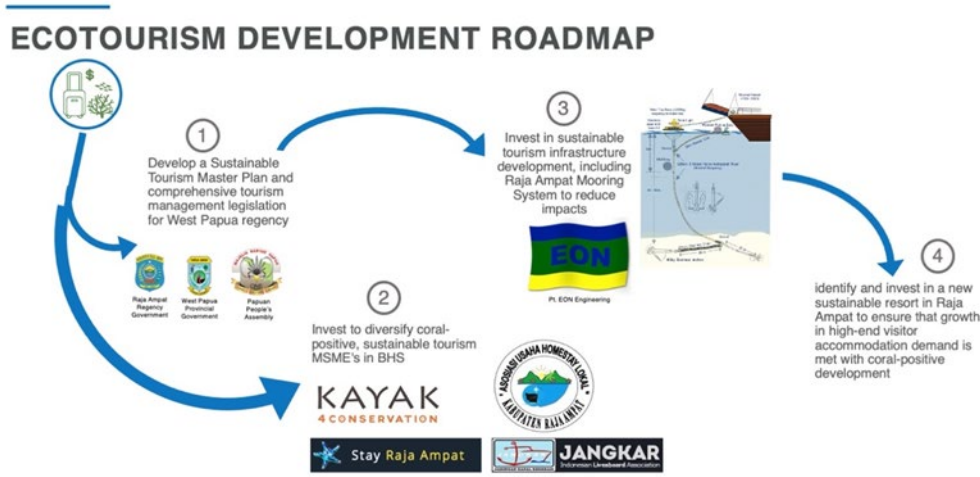
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Intervention #2 – Strengthening the enabling conditions for responsible and inclusive ecotourism recovery and growth in the BHS.					
Short Summary (100 words)	In the years prior to the emergence of COVID-19, MPA sites within the BHS experienced robust and historically unprecedented levels of tourism growth. While tourism represents an important source of revenue, income, and employment for government and local communities, continued and overly concentrated tourism growth is likely to exceed the carrying capacity of the natural environment and currently limited and inadequate tourism infrastructure in the BHS. The proposed interventions are intended to promote thoughtfully planned, geographically dispersed, and well-managed, ecotourism recovery and development that mitigates adverse impacts to coral reefs, incentivizes conservation, and maximizes benefits to local communities. Additional details are provided in Annex VI regarding diversifying tourism enterprises.				
Coral Reef ecosystem impact (100 words)	Through the development of the Tourism Spatial Plan and accompanying legislation, the intervention will diversify and spread-out tourism opportunities, thus accommodating an increase in tourism jobs and revenue, while reducing the direct impacts on Raja Ampat’s coral reefs. These activities will be supported through the assessment of microfinance demands and opportunities to support Papuan micro tourism reef-positive enterprises.  <u>Key Indicators:</u> - Live coral cover within BHS MPA network				
Target beneficiaries (100 words)	In Phase I, we will address tourism development in Raja Ampat where tourism provides an overwhelmingly positive impact on the regency in terms of reef and fish health and providing alternative livelihoods (alternatives to exploitative development sectors including mining, logging or commercial fishing). While tourism represents a significant opportunity for sustainable economic/livelihood diversification, initiatives must respond to community conditions. In the development of the Tourism Spatial Plan, CI will conduct extensive community consultations to understand the aspirations and concerns of Papuan communities and to support the design of a tourism plan that aligns with the cultural identity and values of Papua.  <u>Key Indicators:</u> - local sustainable jobs created - reef-positive businesses incubated - percentage of households across the BHS MPA network above the ‘food secure’ threshold				
Actors involved (50 words)	- Raja Ampat Tourism Agency: partner in developing the tourism master plan and legislation.				
GFCR Equity fund (50 words)	In developing the Tourism Spatial Plan, opportunities may emerge for GFCR Equity Fund.				
E.2.5. Grant Financing (USD)	Finance instrument	GFCR Grant Fund Cost	Private Grant Co-financing	Public Grant Co-financing	TOTAL
	Grant	200,007	211,802	--	411,809



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	Concessional Loan/Recoverable Grant	--	--	--	--	--	
	Guarantee	--	--	--	--	--	
	TOTAL	200,007	211,802	--	411,809		
E.2.6. GFCR grant leverage (100 words)	This will be determined through the first phase of the project						
	Type of investment	Private Investment	Public Investment	TOTAL	GFCR Grant to Commercial Investment Leverage (1:X)	Rate of Return (%)	Revenue Generation/year
	Debt	<i>Amount – When</i>	<i>Amount – When</i>	<i>Amount</i>			<i>Amount – When</i>
	Equity	<i>Amount – When</i>	<i>Amount – When</i>	<i>Amount</i>			
	TOTAL	<i>Amount – When</i>	<i>Amount – When</i>	<i>Amount</i>			
E.2.6. Current stage and timeline (100 words)	<p>The proposed investment portfolio begins with the development of a Raja Ampat Regency Tourism Spatial Plan that includes extensive environmental and social impact assessments and maps out areas of the regency for different aspects of tourism development. The plan will be developed in partnership with the Raja Ampat Regency Government and Tourism Agency (<i>Dinas Pariwisata</i>) and will build upon a decade’s work of collaboration on tourism planning and management. The goal will be to diversify and spread-out tourism opportunities, thus increasing tourism jobs and revenue, while decreasing impact directly to the reefs. See Annex VI for further details on diversifying tourism enterprises.</p> <p>The Tourism Spatial Plan needs to be coupled with comprehensive legislation for the sustainable management of the sector that increases sustainability, ensures cultural compatibility, improves the tourism experience, and generates increased revenues for the government and economic opportunities for Papuan communities. These additional policies will regulate accommodations, transportation diving and non-diving tourism activities, among others as identified through this process.</p> <p>In subsequent years, this activity could be repeated for other areas of West Papua, including Cenderawasih Bay National Park and Kaimana-Fakfak and develop a provincial level plan networking each Regency’s tourism agency. In Indonesia, the Regency government maintains authority over tourism but through provincial networking can work with other regencies to connect travel packages and share lessons learned.</p> <p>As part of the development of the spatial plan, we will also investigate potential tourism infrastructure projects, for example pier development for cruise ships (if well-placed and well-regulated), trekking trails, transportation, waste management, cultural centers, etc. CI is currently exploring potential public and/or public-private investment modalities including alignment under existing infrastructure financing opportunities (e.g. Indonesia Green Sukuk) and will aim to propose a package of tourism infrastructure development projects after the completion of the tourism master plan in 2023.</p>						

	<p>Once the sustainable tourism spatial plan is complete, there is significant potential for additional eco-resort development in Raja Ampat and Cenderawasih Bay, if they are well-placed and adhere to strong environmental and social standards. As part of the spatial plan development process, CI will work to identify appropriate locations and work with Pegasus to cultivate partnerships with potential companies.</p> <ul style="list-style-type: none"> <li>- Phase I: includes a concept and planning stage for the Tourism Spatial Plan.</li> <li>- Phase II: will include some additional planning and incubation of identified projects</li> <li>- Phase III: investment and revenue generation (specific investments TBD)</li> </ul>
<p>E.2.7. Connectivity (100 words)</p>	<p>This intervention supports the development of spatial plans and legislation by government that promotes sustainable tourism. The spatial plan and legislation will ensure that future investments are well spaced within the region to limit impacts on the reefs. This compliments the government’s tourism initiatives and conservation initiatives which seek to provide livelihoods and incentives to conserve the reefs.</p>
<p>E.2.8. Business model graphic</p>	 <p><b>ECOTOURISM DEVELOPMENT ROADMAP</b></p> <p>1. Develop a Sustainable Tourism Master Plan and comprehensive tourism management legislation for West Papua regency</p> <p>2. Invest to diversify coral-positive, sustainable tourism MSME's in BHS</p> <p>3. Invest in sustainable tourism infrastructure development, including Raja Ampat Mooring System to reduce impacts</p> <p>4. Identify and invest in a new sustainable resort in Raja Ampat to ensure that growth in high-end visitor accommodation demand is met with coral-positive development</p> <p>Logos: Raja Ampat Regency Government, West Papua Provincial Government, Papua Province's Assembly, KAYAK 4 CONSERVATION, Stay Raja Ampat, JANGKAR, ASDHUSUJANA HOMESTAY LOCAL, LEVITATE BALIKBILI, PI EDH Engineering, EDN</p>

<p><b>Intervention #3 – Raja Ampat Mooring System Acceleration.</b></p>	
<p>Short Summary (100 words)</p>	<p>Currently, with little other options, liveaboard dive boats anchor directly on reefs at night. They are also often crowded into the same overused dive sties in central Dampier Strait, rather than spreading out to the farther reaches of the regency. A consortium of partners, including CI, have spent the last year designing a mooring system for Raja Ampat that could also be expanded throughout West Papua. Capital investment in needed upfront, but the system will be self-financing through a pay-for-use model. (Appendix D – RAMS Summary)</p> <p>The system would be predicated on new sustainable tourism legislation that would cap the number of liveaboards, giving them exclusive access, but also mandating the use of the moorings and the annual fee. There is also significant potential to expand the project to also include dedicated moorings for the super yachts that frequent Raja Ampat (and pay no user fees). The current system aims to invest part of the annual fees</p>



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	generated back into communities, including potentially financing septic systems for communities currently releasing wastewater directly onto reefs near dive sites.						
Coral Reef ecosystem impact (100 words)	<p>The piloting of the mooring system will reduce damage to coral reefs from anchors.</p> <p><u>Key Indicators:</u></p> <ul style="list-style-type: none"> <li>- 90% Reduction in number of times liveaboard dive vessels on anchor coral reefs per year (baseline to be established based on 2019 data)</li> </ul>						
Target beneficiaries (100 words)	<ul style="list-style-type: none"> <li>- Beneficiaries of this program will include all local communities in Raja Ampat who are dependent on the reef for their food as well as tourism actors including resort owners, liveaboard operators and homestay owners. Tourists themselves will also benefit from reduced impact on the reef from vessels dropping anchor or improperly disposing of waste.</li> </ul>						
Actors involved (50 words)	<ul style="list-style-type: none"> <li>- The RAMS Working Group is currently in discussions with government to understand the complex arrangement between different authorities that are involved in a project such as this one. Through these discussions, the working groups will develop a model for the RAMS system – one that is likely a public-private partnership.</li> <li>- PT EON: responsible for implementing the mooring pilot project in Raja Ampat (with engagement from the Raja Ampat BLUD and Regency government as well as the provincial government. The installation will be contingent on passing a social and environmental impact assessment.</li> <li>- Mahkota Permata Tanah Papua will support the legislative needs at the provincial level of government</li> </ul>						
GFCR Equity fund (50 words)	In developing the business plan for the RAMS there may be opportunities for the GFCR Equity Fund to support operational costs (assuming capital expenses can be covered with a non-recoverable grant).						
E.2.5. Grant Financing (USD)	<b>Finance instrument</b>	<b>GFCR Grant Fund Cost</b>	<b>Private Grant Co-financing</b>	<b>Public Grant Co-financing</b>	<b>TOTAL</b>		
	Grant	141,973	187,475	--	329,448		
	Concessional Loan/Recoverable Grant	--	--	--	--		
	Guarantee	--	--	--	--		
	<b>TOTAL</b>	<b>141,973</b>	<b>187,475</b>	<b>--</b>	<b>329,448</b>		
E.2.6. GFCR grant leverage (100 words)	This will be determined through the first phase of the project						
	<b>Type of investment</b>	<b>Private Investment</b>	<b>Public Investment</b>	<b>TOTAL</b>	<b>GFCR Grant to Commercial Investment Leverage (1:X)</b>	<b>Rate of Return (%)</b>	<b>Revenue Generation/year</b>
	Debt	<i>Amount – When</i>	<i>Amount – When</i>	<i>Amount</i>			<i>Amount – When</i>
	Equity	<i>Amount – When</i>	<i>Amount – When</i>	<i>Amount</i>			
	TOTAL	<i>Amount – When</i>	<i>Amount – When</i>	<i>Amount</i>			



<p>E.2.6. Current stage and timeline (100 words)</p>	<p>This initiative is still in a socialization phase with the government, the working group has not yet developed the full model and business plan at this stage. Once they secure buy-in from our government partner at the West Papua provincial level and a social and environmental impact assessment, they will work with the government to design a system that works for all parties. Once design and governance is confirmed in Phase I, the budget for the original capital expenditure (grant) and a concessional loan for initial operations will be proposed to GFCR as an additional investment.</p> <ul style="list-style-type: none"> <li>- Phase I: includes a concept and planning stage (supporting legislation and impact assessments) for the mooring system installation</li> <li>- Phase II: Pilot the mooring system targeting at least 25 installed moorings<sup>110</sup></li> <li>- Phase III: Mooring system is operated and managed through user fees</li> </ul>
<p>E.2.7. Connectivity (100 words)</p>	<p>The RAMS project is a public-private initiative that will reduce the pressures on the reefs to ensure long-term social and ecological benefits from the reef system. This project will promote the continued protection of the reefs in the BHS so they can support tourism and community livelihoods.</p>
<p>E.2.8. Business model graphic</p>	<p>The business model will be developed during Phase I of the project and will be shared when completed.</p>

<sup>110</sup> Conditional on necessary government permits and authorizations



<b>Intervention #4 – Strengthening enabling conditions for reef-positive, equitable and inclusive seaweed sector development</b>	
Short Summary (100 words)	Within its rural economic development and COVID recovery strategies, the national and provincial government have expressed ambitions to further develop, expand and intensify seaweed mariculture in Pulau Sumba, an area currently utilizing just 2.5% of its 15,000 ha of its nearshore seaweed farming area. East Sumba Regency has been identified as a priority seaweed commercialization hub and has already received public investment in seaweed processing and other infrastructure. There is an immediate need and opportunity to promote sector development models that address current risks to corals and preempt future adverse impacts to reefs resulting from major seaweed expansion.
Coral Reef ecosystem impact (100 words)	<p>The proposed interventions are designed to address fundamental science, data and information gaps related to coral reef-macroalgae farming interactions and improve understanding of direct/indirect physical and bioecological risks to reefs of seaweed mariculture with the goal of promoting: (1) cultivation practices that avoid reef damage; (2) siting that avoids adverse impacts to coral reefs; and (3) disease and climate resilience of wild and cultivated seaweed strains. Initial research activities described herein will also seek to build a more robust understanding of the human and socioeconomic dimensions and industry and market factors that influence seaweed cultivation and management behaviors. Together, these research activities are expected to strengthen the foundation for a more holistic set of programme interventions and investments that align reef protection and economic incentives.</p> <p><u>Key Indicators:</u><sup>111</sup></p> <ul style="list-style-type: none"> <li>- coral reef area (ha) under strengthened protection through improved mariculture siting in mixed-use areas</li> <li>- [•]% change in live coral cover associated with addressable threat reduction</li> <li>- [•]% change in target reef species biomass associated with addressable threat reduction</li> </ul> <p>Baseline and target metrics to be refined upon completion of baseline assessments planned for Programme Y1.</p>
Target beneficiaries (100 words)	<p>Sumba is among the poorest and least developed regions within Indonesia. Its largely agrarian population employs rain-fed agriculture practices vulnerable to ENSO rainfall variations. Increasingly frequent severe drought has resulted in increased marine resource dependency. While seaweed represents a significant opportunity for sustainable economic/livelihood diversification, initiatives must respond to community conditions. Intervention will qualify and assess socioeconomic, cultural, and other dynamics that underpin equitable, inclusive seaweed sector development and investment.</p> <p><u>Key Indicators:</u><sup>112</sup></p> <ul style="list-style-type: none"> <li>- job creation and income growth and diversification among target groups through seaweed value chain participation</li> </ul>

<sup>111</sup> Indicators have been consolidated and synthesized to remain within subsection word count limits. Detailed summary of indicators is provided in Annex I – Results Framework.

<sup>112</sup> Indicators have been consolidated and synthesized to remain within subsection word count limits. Detailed summary of indicators is provided in Annex I – Results Framework.



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	Targets to be revised upon completion of baseline assessments planned for Y1.																																
Actors involved (50 words) <sup>113</sup>	<ul style="list-style-type: none"> <li>- Universitas Nusa Cendana (baseline assessments)</li> <li>- Universitas Mataram (seaweed resilience study)</li> <li>- East Sumba Regency Offices: Marine Affairs &amp; Fisheries, Community and Village Empowerment, Trading (Division of Cooperatives), Women's Empowerment, District Development and Planning Body (Bappeda) (local government coordination)</li> <li>- PT ASTIL (BMUD)<sup>114</sup> link to local seaweed farming communities</li> </ul>																																
GFCR Equity fund (50 words)	Intervention 4 specifically addresses research and data needs to strengthen marine area governance and management, socioeconomic, and industry enabling conditions antecedent to sustainable, reef-positive seaweed sector development. Investment incubation activities and opportunities for scaled investment by GFCR Equity Fund are addressed in Intervention 5 below.																																
E.2.5. Grant Financing (USD)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #003366; color: white;"> <th style="width: 20%;">Finance instrument</th> <th style="width: 20%;">GFCR Grant Fund Cost</th> <th style="width: 20%;">Private Grant Co-financing</th> <th style="width: 20%;">Public Grant Co-financing</th> <th style="width: 20%;">TOTAL</th> </tr> </thead> <tbody> <tr> <td>Grant</td> <td style="text-align: right;">286,651</td> <td style="text-align: right;">125,000</td> <td style="text-align: center;">--</td> <td style="text-align: right;">411,651</td> </tr> <tr> <td>Concessional Loan/ Recoverable Grant</td> <td style="text-align: center;">--</td> <td style="text-align: center;">--</td> <td style="text-align: center;">--</td> <td style="text-align: center;">--</td> </tr> <tr> <td>Guarantee</td> <td style="text-align: center;">--</td> <td style="text-align: center;">--</td> <td style="text-align: center;">--</td> <td style="text-align: center;">--</td> </tr> <tr> <td><b>TOTAL</b></td> <td style="text-align: right;"><b>286,651</b></td> <td style="text-align: right;"><b>125,000</b></td> <td style="text-align: center;"><b>--</b></td> <td style="text-align: right;"><b>411,651</b></td> </tr> </tbody> </table>					Finance instrument	GFCR Grant Fund Cost	Private Grant Co-financing	Public Grant Co-financing	TOTAL	Grant	286,651	125,000	--	411,651	Concessional Loan/ Recoverable Grant	--	--	--	--	Guarantee	--	--	--	--	<b>TOTAL</b>	<b>286,651</b>	<b>125,000</b>	<b>--</b>	<b>411,651</b>			
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E.2.6. GFCR Grant Leverage (100 words)	Where applicable, the expected amount, class/category, and source of prospective non-grant investments and expected portfolio company revenue and investment returns are described in Intervention 4.																																
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<b>TOTAL</b>	<i>Amount – When</i>	<i>Amount – When</i>	<i>Amount</i>																														
E.2.6. Current stage and timeline (100 words)	<p>Intervention 4 includes research and development activities intended to strengthen enabling conditions for sustainable, reef-positive seaweed sector development and investment (preliminary conceptual and planning activities).</p> <p><u>M0 à M12</u></p> <ul style="list-style-type: none"> <li>- Initiate baseline assessments, local government, key stakeholder engagement</li> <li>- Launch Phase I seaweed resilience research</li> </ul>																																

<sup>113</sup> List of key actors specifically focused on initial phase activities subject of this proposal. Beyond baseline assessments, Phase II of the Programme is expected to involve additional research partners to conduct more comprehensive biophysical, bioecological, socioeconomic, and industry and value chain analyses and assessment

<sup>114</sup> Regency government-owned enterprise





	<ul style="list-style-type: none"> <li>- Initiate seaweed supplier/cooperative scoping, initiate third-party E&amp;S<sup>115</sup> risk screening</li> </ul> <p><u>M12 à M18</u></p> <ul style="list-style-type: none"> <li>- Baseline/target indicators, metrics refined based on baseline assessments</li> <li>- Review Phase I seaweed resilience research results, launch Phase II</li> <li>- Develop farm improvement plans based on E&amp;S risk screening, facilitate market linkages</li> <li>- Initiate design of investment roadmap, impact assessment frameworks</li> </ul>
E.2.7. Connectivity (100 words)	<p>Intervention 4 activities seek to build a more robust understanding of the biological, ecological, and human dimensions and industry and market factors that influence seaweed industry management behaviors in the context of coral reef protection and conservation. Together, these research activities are expected to strengthen the scientific and evidentiary foundation for a more holistic set of programme interventions. In each case, the proposed research and assessments oriented toward the generation of actionable insights that can be addressed through current and future programme interventions, including the investment incubation activities described in Intervention 5 and broader public and private investment in the seaweed sector.</p>
E.2.8. Business model graphic	N/A

<sup>115</sup> "E&S" = Environmental & Social



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<b>Intervention #5 – Catalytic investments in reef-positive enterprise incubation</b>	
Short Summary (100 words)	In parallel to grant-supported research, capacity development, and other enabling conditions strengthening interventions, the programme will directly seed and incubate a portfolio of small-medium enterprises that represent industry best-in-class examples of reef-positive business models that generate quantifiable ecological, socioeconomic, commercial, and financial outcomes. Concessional debt and investments will be deployed by CIV, a global impact-first investment vehicle managed by CI with a demonstrated track record of success in seed and early growth investments that promote sustainable ocean and blue economy outcomes in emerging markets. Additional details are provided in Appendix D.
Coral Reef ecosystem impact (100 words)	In connection with this programme, CIV will create a dedicated GFCR Indonesia investment window within its existing Fund that will support a portfolio of reef-positive enterprises in both BHS and Sumba Priority Sites. Investments will be prioritized based on their potential to: 1) directly address local and industry-scale drivers of reef degradation; 2) generate meaningful, durable reef-positive income, livelihood, and employment benefits; and 3) achieve broad-scale impact through business model replication or commercial scaling. <sup>116</sup>
Target beneficiaries (100 words)	CIV addresses a currently underserved market, providing financing solutions adapted to the needs of early-stage, small-medium enterprises in capital-scarce blue economy industry segments. In the context of the GFCR in Indonesia, CIV will provide debt and hybrid investment to strategically and thematically aligned reef-positive enterprises identified by CI, TNC, GFCR Equity Fund and/or others within CIV's extensive blue economy investment network.  <u>Key Indicators:</u> <sup>117</sup> <ul style="list-style-type: none"> <li>- number of reef-positive business incubated</li> <li>- job creation and income growth and diversification among target groups through CIV and CIV catalyzed investment</li> <li>- \$[20]m in public and private (non-grant) financing catalyzed for reef-positive investments<sup>118</sup></li> </ul> Targets to be refined upon completion of baseline assessments planned for Y1.
Actors involved (50 words) <sup>119</sup>	<ul style="list-style-type: none"> <li>- Investment Management: CIV (fund manager)</li> <li>- Pipeline Development: CI, Konservasi Indonesia, TNC, GFCR Equity Fund, network partners including incubators, accelerators, existing portfolio companies, and other investors</li> <li>- Co-Investment/Follow-On: GFCR Equity Fund, investor network (see <b>Section F</b>)</li> <li>- Local Advisory: Indonesia Investment Advisory Committee (to be established)</li> </ul>
GFCR Equity fund (50 words)	There is potential for interventions incubated by CIV to be matured and ultimately become investable for the GFCR Equity Fund. CIV has engaged GFCR Equity Fund Indonesia advisor, SYSTEMIQ, to coordinate and harmonize investment activities.

<sup>116</sup> Implicit in enterprise potential to scale commercial and environmental and social impact is the prioritization of opportunities that have the potential to attract both external co-investment and/or later-stage commercial financing

<sup>117</sup> Indicators have been consolidated and synthesized to remain within subsection word count limits. Detailed summary of indicators is provided in Annex I – Results Framework.

<sup>118</sup> See Annex [VII]

<sup>119</sup> List of key actors specifically focused on initial phase activities subject of this proposal. Beyond baseline assessments, Phase II of the Programme is expected to involve additional research partners to conduct more comprehensive biophysical, bioecological, socioeconomic, and industry and value chain analyses and assessment

E.2.5. Grant Financing (USD) <sup>120</sup>	Table E.2.5 supplemental notes and information is provided in Annex VII.						
	Finance instrument	GFCR Grant Fund Cost	Private Grant Co-financing	Public Grant Co-financing	TOTAL		
	Grant	217,965	--	--	217,965		
	Concessional Loan/ Recoverable Grant	1,450,000	1,500,000	--	2,950,000		
	Guarantee	--	--	--	--		
	<b>TOTAL</b>	<b>1,667,965</b>	<b>1,500,000</b>	<b>--</b>	<b>3,167,965</b>		
E.2.6. GFCR grant Leverage (100 words)	The following summarizes: 1) projected <b>portfolio-level</b> returns; and 2) projected commercial finance catalyzed at the <b>transaction-level</b> for the CIV Indonesia Investment Window described in this Intervention #4.						
	Type of investment	Private Investment (USD\$m)	Public Investment (USD\$m)	TOTAL (USD\$m)	GFCR Grant to Commercial Investment Leverage (1:X)	Target Rate of Return (%)	Revenue Generation/ year (USD\$)
	Debt	2.0	1.5	3.5	--	--	--
	Equity	18.0	6.0	24.0	--	--	--
	<b>TOTAL</b>	<b>20.0</b>	<b>7.5</b>	<b>27.5</b>	<b>1:16.49</b>	<b>7.58%</b>	<b>486,647</b>
<p><b>Financial Projections:</b> Table E.2.6. presents estimates of projected transaction-level financing that could potentially be catalyzed for GFCR reef-positive investments incubated CIV over a 10-year holding period, which amount is a subset of and differs from overall programme catalyzed financing ambitions as presented in Section A. Projected financing amounts rely on a range of estimates and assumptions including, but not limited to, the availability, quality, the capital absorption capacity of prospective investment opportunities, capital market dynamics, and a broad range of systemic and other factors that materially influence investment at jurisdictional, sectoral, or project/company-level. Throughout the programme term, regular, periodic assessment of financing projections and underlying estimates and assumptions will be conducted to determine the reasonableness of financing projections. Targets are expected to be revised periodically as programme evolves.</p> <p><b>Debt:</b> Initial projections of \$[3.5]m include: (a) an estimated \$[2.0]m in <b>private</b> debt financing; and (b) an estimated \$[1.5]m in <b>public</b> debt financing computed based on transaction capitalization assumptions based on indicative pipeline opportunities described in Annex VI.</p> <p><b>Equity:</b> Initial projections of \$[24.0]m include: (a) an estimated \$[18.0]m <b>private</b> equity financing; and (b) an estimated \$[6.0]m in <b>public investor</b> equity financing computed based on transaction capitalization assumptions based on indicative pipeline opportunities described in Annex VI.</p> <p><b>GFCR Grant to Commercial Investment Leverage:</b> GFCR grant to commercial investment leverage computed based on: (a) projected debt and equity financing</p>							

<sup>120</sup> Initial 18-month period subject of this proposal



	<p>catalyzed for portfolio investments; and (b) budgeted GFCR Grant Window amounts inclusive of (i) an initial \$1.45m in recoverable grant financing as initial Indonesia Investment Window capitalization; and (ii) \$[217,965] in grant-funded support for investment window establishment and mobilization is estimated at 1:16.49.<sup>121</sup> Calculated based on total initial Investment Window capitalization of \$2.95, inclusive of both GFCR recoverable grant and CIV concessional co-financing, the leverage ratio is 1:9.17.</p> <p><b>Target Returns.</b> Projected target Returns are calculated at the portfolio-level and reflects the <b>gross IRR</b> over the 10-year holding period. “Gross IRR” is calculated based on net cash flows from portfolio investments and excludes investment window management and operations costs. Portfolio model assumptions and outputs are more particularly described in Annex VI.</p> <p><b>Annual Revenue Generation.</b> Projected revenues are calculated as the projected annual net cash inflows from portfolio investments smoothed over the 10-year forecasted period which includes estimated: (a) projected loan principal repayments; (b) projected loan interest income; and (b) projected principal repayments and capital gains on hybrid investments, with adjustments for expected defaults and losses. Portfolio model assumptions and outputs are more particularly described in Annex VI.</p>
E.2.6. Current stage and timeline (100 words)	<p>Intervention includes mobilization of dedicated GFCR Indonesia investment window (capital account) within CIV<sup>122</sup> :</p> <p><u>M0 à M3</u></p> <ul style="list-style-type: none"> <li>- Finalize investment window capitalization</li> <li>- Initiate country due diligence with local counsel</li> <li>- Continue pipeline development, coordination with GFCR Equity Fund<sup>123</sup></li> <li>- Develop governance, organizational framework for Indonesia Investment Advisory Committee, identify potential members</li> <li>- Initiate recruitment of Indonesia investment officer</li> </ul> <p><u>M3 à M6</u></p> <ul style="list-style-type: none"> <li>- Finalize recruitment, onboarding of Indonesia investment officer</li> <li>- Formalize Investment Advisory Committee</li> <li>- Advance/finalize due diligence, execution of initial pipeline priorities</li> </ul> <p><u>M6 à M18</u></p> <ul style="list-style-type: none"> <li>- Continue pipeline sourcing, investment activities</li> <li>- Active portfolio management</li> <li>- Assess additional fundraising need/opportunities</li> </ul>

<sup>121</sup> GFCR Grant Leverage: Stated ratio considers only GFCR grant funds allocated to Intervention 5 only. Calculated on the basis of total Phase I GFCR grants, the estimated ratio is 1:9.17 (\$27.5m/\$3m).

<sup>122</sup> CI Ventures is already legally established and operating investment vehicle with the necessary internal financial management infrastructure to facilitate separate management of dedicated capital accounts, significantly reducing mobilization time relative to establishment of a new vehicle

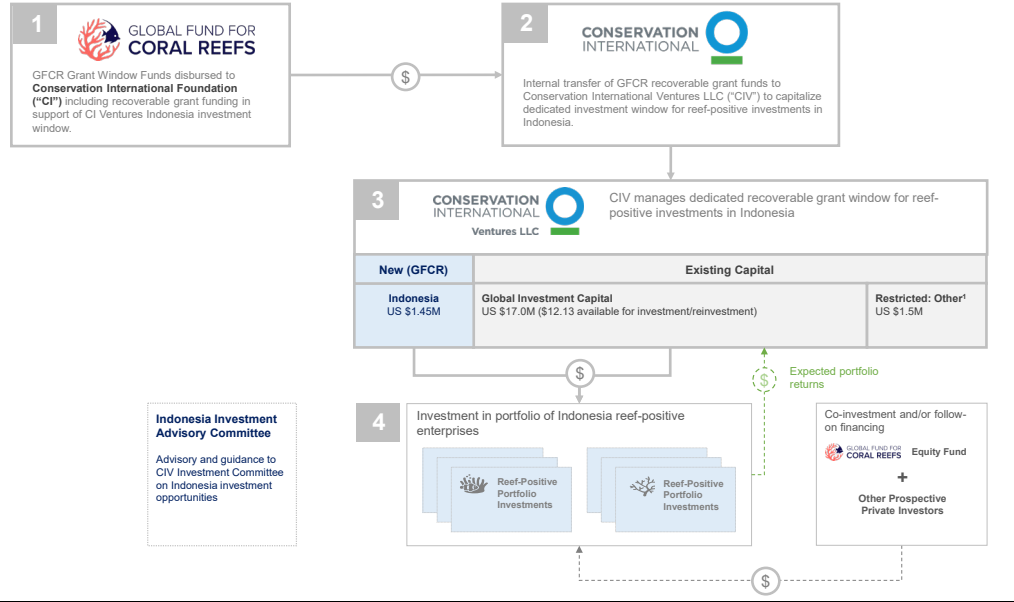
<sup>123</sup> Pipeline scoping and development activities already initiated as part of the proposal development process



E.2.7.  
Connectivity  
(100 words)

Building on ecotourism and seaweed sector enabling environment work initiated in the BHS and East Sumba, respectively, the seed and ‘incubation’ financing facilitated through CIV is intended to support reef-positive enterprises identified by CI/YKCI and partners, as well as our colleagues and Co-Convening Agent, TNC as part of its broader support for the GFCR in Indonesia. Lastly, these activities will directly support the investment objectives of the GFCR Equity Fund with respect to the development of current and future Equity Fund investment opportunities and will continue to support the broader oceans and blue economy investment field.

E.2.8. Business  
model graphic





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## SECTION F – FINANCING OVERVIEW AND STRATEGY

F. FINANCING OVERVIEW			
F.1. Grant Cost Overview by Outcome			
Component	Total GFCR Grant Cost	Proportion deployed as Traditional Grant	Proportion deployed as Concessional Instrument
Intervention 1 (Outcome 1)	97,992	97,992	0.00
Intervention 2 (Outputs 2.1. and 2.2)	200,007	200,007	0.00
Intervention 3 (Output 2.3.)	141,973	141,973	0.00
Intervention 4 (Outcome 3)	286,651	286,651	0.00
Intervention 5 (Outcome 4)	1,667,965	217,965	1,450,000
<b>Total: Program Outcomes</b>	<b>2,394,588</b>	<b>944,588</b>	<b>1,450,000</b>
Program Management	504,010	504,010	0.00
<b>Total Direct Costs</b>	<b>2,898,599</b>	<b>1,448,599</b>	<b>1,450,000</b>
Indirect Costs (7%) <sup>124</sup>	101,402	101,402	0.00
<b>TOTAL</b>	<b>3,000,000</b>	<b>1,550,000</b>	<b>1,450,000</b>
F.2. Grant Co-financing			
F.2.1. Co-financing Strategy (200 words)	<p><b>Grant Co-Financing:</b> Initial grant co-financing includes US \$825,000 in private (non-government) grant resources directly supporting the programme outcomes, outputs, and activities as referenced in Section F.2.2. below. Of the grant co-financing identified, US \$700,000 is already secured.</p> <p><b>Concessional Instrument Financing Leverage:</b> The requested US \$1.45m in GFCR concessional instrument financing will leverage an additional US \$1.5m in additional CIV concessional financing to support the incubation of strategically and thematically aligned reef-positive enterprise investments in Indonesia. The need and level of future CIV fund-level support for and in connection with this GFCR Indonesia investment window will be evaluated based on assessment of future pipeline opportunities and market demand for CI Ventures investment. Investments incubated through concessional financing</p>		

<sup>124</sup> Indirect Cost calculation excludes \$1.45m in GFCR concessional investment funds for CIV Indonesia investment window capitalization.



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	is anticipated to leverage additional <u>transaction-level</u> debt and/or equity financing in the form of co-financing and/or later-stage investment.			
F.2.2. Grant co-financing overview				
	Co-financing Source	Amount (USD)	Status	Relevant programme component
	Cargill, Inc.	125,000	Anticipated	Activity 3.1.2
	Conservation International Ventures LLC	1,500,000	Secured	Activity 4.2.2
	Margaret A Cargill Philanthropies	500,000	Secured	Activity 1.1.1 Activity 2.1.1 Activity 2.1.2
Private Donors	200,000	Secured	Activity 1.1.2 Activity 1.1.3 Activity 2.3.1	
F.3. Commercial Investments				
F.3.1. Investment Strategy (200 words)	<p><b>Microfinance:</b> Promotion of inclusive finance and investment is among the key strategies of this programme. Building on desktop analyses and key financial sector stakeholder interviews conducted by Climate Policy Initiative (CPI) Indonesia as part of GFCR program planning, we have identified a need for additional analyses to better understand the demand for microfinance or other finance interventions among women and/or Papuan-led microenterprises in the BHS and the landscape of existing local microfinance institutions and capacities. In the initial programme implementation period, we will engage Microfinance Innovation Center for Resources and Alternatives (MICRA) Indonesia to assess: 1) microfinance demand among target groups in the BHS; and 2) existing microfinance institutional capacity to address identified market needs (or, conversely, barriers to expanded finance</p>			



	<p>access).<sup>125</sup> This assessment will inform the design of future interventions related to microenterprise financial access and inclusion in the BHS.</p> <p><b>Catalytic Investment Incubation:</b> The programme will leverage the institutional experience, expertise, and existing investment infrastructure of CIV –an impact-first investment vehicle that provides debt and hybrid financing solutions adapted to the needs of sustainability-oriented SMEs in emerging markets—to “incubate” a portfolio of strategically and thematically-aligned reef-positive enterprises that advance the coral protection and conservation objectives of the GFCR and have the potential to attract additional co-investment or later-stage commercial financing from the GFCR Equity Fund or other private investors. Additional details regarding CIV and its strategies are provided in Annex VII.</p> <p><b>GFCR Equity Fund Coordination.</b> CIV will seek to closely align investment activities, including opportunity identification and sourcing in Priority Sites, and where appropriate, preliminary, and formal investment corporate, commercial, and environmental, social, and corporate governance due diligence, co-investment and/or later-stage GFCR Equity Fund investment design and structuring, and portfolio environmental and social impact monitoring assessment. In each case, coordination with the GFCR Equity Fund (and other aligned investors) is expected to more strategically align “incubation” and larger-scale, more commercially oriented impact investment, providing valuable de-risking of GFCR Equity Fund investments while identifying exit pathways for CIV investments.</p> <p><b>Other Investment.</b> In addition to the above, the Convening Agent will pursue opportunities to engage with other domestic, bilateral and multi-lateral blue economy development and investment programmes, including, but not limited to the Asian Development Bank (ADB) Blue SEA Finance Hub (<a href="https://www.adb.org/what-we-do/themes/environment/blueseas">https://www.adb.org/what-we-do/themes/environment/blueseas</a>) and Indonesia’s Green Bond &amp; Sukuk initiative.</p>
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<sup>125</sup> Microfinance is outside the remit of CIV, the minimum investment size of which is US \$100,000




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F.3.2. Commercial Investment Overview (Phase I Proposal)	Source of Invest. Capital	Category	Amount (USD\$m)	Status	Relevant programme component or intervention
	GFCR Equity Fund/Other	(see below)			
	<b>Source of Capital</b>	<b>Category</b>	<b>Amount (USD\$m)</b>	<b>Status</b>	<b>Intervention</b>
	GFCR Equity Fund	Total	\$ 10.00	Anticipated	Intervention 5
	Public Sector Inv.	Debt	\$ 1.50	Anticipated	Intervention 5
	Public Sector Inv.	Equity	\$ 3.50	Anticipated	Intervention 5
	Private Sector Inv.	Debt	\$ 2.00	Anticipated	Intervention 5
	Private Sector Inv.	Equity	\$ 10.50	Anticipated	Intervention 5
	<b>Total</b>		<b>\$ 27.50</b>		
	[see Section E – Intervention 5, Subsection E.2.6. and Annex VI: Section E for description of key assumptions and estimates used to derive projections]				
F.3.2. Commercial Investment Overview (Total Programme)	<b>Source of Capital</b>	<b>Category</b>	<b>Amount (USD\$m)</b>	<b>Status</b>	<b>Intervention</b>
	GFCR Equity Fund	Debt	\$ 11.11	Anticipated	Total Prog.
	GFCR Equity Fund	Equity	\$ 44.44	Anticipated	Total Prog.
	Public Sector Inv.	Debt	\$ 1.50	Anticipated	Total Prog.
	Public Sector Inv.	Equity	\$ 3.50	Anticipated	Total Prog.
	Private Sector Inv.	Debt	\$ 2.00	Anticipated	Total Prog.
	Private Sector Inv.	Equity	\$ 10.50	Anticipated	Total Prog.
	<b>Total</b>		<b>\$ 73.05</b>		
	[see Section A.9. for description of key assumptions and estimates used to derive projections]				
<b>F.4. GFCR Grant Leverage of Investment Capital</b>					
<i>Below, indicate the GFCR grant leverage of the programme using the totals in categories F.1., F.2.2, and F.3.2.</i>					
F.4.1. Leverage Ratio GFCR Grant to Investment Capital (F.1.: F.3.2.)			1: [7] <sup>126</sup>		
F.4.2. Leverage Ratio GFCR Grant to grant co-financing (F.1.: F.2.2.)			1: [1]		

<sup>126</sup> See Section A.9. for summary of projection assumptions and estimates



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## Annex I: Results framework

Indicator	Baseline	2022 Target	2023 Target	2024 Target	2025 Target	2027 Target	2030 Target	Means of Verification	Responsible partner
<b>GFCR Fund-Level Indicators</b>									
<b>BHS:</b> Functional Reef fish biomass averaged across the MPA network (GFCR Indicator F1)	517 ± 139 kg/ha	517 kg/ha	N/A	517 kg/ha	N/A	517 kg/ha	517 kg/ha	Reef health monitoring in six reference MPAs and control sites every 2 years	State University of Papua, co-funded by Blue Abadi
<b>Sumba:</b> Reef fish biomass of target areas (GFCR Indicator F1)	269.9 kg/ha <sup>127</sup>	TBD	TBD	TBD	TBD	TBD	TBD	Baseline assessments to be conducted in Y1	Baseline assessment to be conducted by Universitas Nusa Cendana
<b>BHS:</b> Live coral cover averaged across the MPA network (GFCR Indicator F2)	36% (as of 2019)	36%	N/A	36%	N/A	36%	36%	Reef health monitoring in six reference MPAs and control sites every 2 years	State University of Papua, co-funded by Blue Abadi

<sup>127</sup> Baseline data derived from 2018 COREMAP-CTI assessments from a narrow subset of reef sites within East Sumba Regency which may be revised/refined through updated baseline assessments planned for the initial phase of this programme



<b>Sumba:</b> Live coral cover (GFCR Indicator F2)	[5% to 70% - TBD] <sup>128</sup>	TBD	TBD	TBD	TBD	TBD	TBD	Baseline assessments to be conducted in Y1	Baseline assessment to be conducted by Universitas Nusa Cendana
<b>BHS:</b> Proportion of coral reefs in target area under effective protection and management versus coral reef extent (GFCR Indicator F4)	48% of BHS coral reefs are protected	N/A	The 10% of BHS reefs protected in the Bomberai MPA network are under improved management	The 10% of BHS reefs protected in the Bomberai MPA network are under improved management	The 40% of BHS reefs protected in the Bomberai MPA network & Cenderawasih bay national Park are under improved management <sup>129</sup>	The 40% of BHS reefs protected in the Bomberai MPA network & Cenderawasih bay national Park are under improved management	The 40% of BHS reefs protected in the Bomberai MPA network & Cenderawasih bay national Park are under improved management	Baseline represents 2021 MPA coverage. MPA coverage confirmed every 2 years as part of BHS monitoring	State University of Papua, co-funded by Blue Abadi

<sup>128</sup> Data for East Sumba Regency compiled as part of Savu Sea TNP bioecological assessments indicate baseline of 5% to 70% live coral cover based on a small sample largely from Rindi district. Additional baseline assessment planned for Y1 is intended to validate these findings and look at potentially other sample data points from other reef areas in East Sumba.

<sup>129</sup> If the Blue Abadi Debt Swap is successful (as outlined in a separate proposal), then an additional 8% of the BHS's coral reefs in Raja Ampat will be under improved management.



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<b>Sumba:</b> Proportion of coral reefs in target area under effective protection and management versus coral reef extent (GFCR Indicator F4)	[TBD] <sup>130</sup>	TBD	TBD	TBD	TBD	TBD	TBD	Baseline assessment to be conducted in Y1	Baseline assessment to be conducted by Universitas Nusa Cendana
Ratio of grants vs. investment for coral reef conservation activities (GFCR Indicator F.5)	1:0 <sup>131</sup>	1:3.3 <sup>132</sup>	1:4.9 <sup>133</sup>	TBD	TBD	TBD	TBD	CIV portfolio accounting	CI Ventures
<b>Outcome 1 – PROTECT BHS:</b> The funding gap to effectively protect the globally significant coral reef and associated ecosystems in the BHS MPA network is significantly reduced									
# of jobs created/maintained in MPA management (100% for indigenous Papuans)	60	60	60	64	76	90	104	MPA Management Authority Records	Conservation International and MPA Management Authorities
# of MPAs with increased revenue	0	0	7	14	14	14	14	Annual accounting for	Conservation International

<sup>130</sup> Data for East Sumba Regency reefs are derived from KKP/MMAF data provided for marine management areas zoned under the Savu Sea TNP, all of which are encompassed under some form of marine area zoning involving mixed-uses.

<sup>131</sup> Baseline assumes 100% grant and 0% non-grant investment

<sup>132</sup> Computed based on an estimated \$3m in GFCR grant funding and projections of commercial investment catalyzed in relevant period See Annex VI: Section C for details regarding key “leverage” assumptions.

<sup>133</sup> Computed based on an estimated \$3m in GFCR grant funding and projections of commercial investment catalyzed in relevant period See Annex VI: Section C for details regarding key “leverage” assumptions



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streams as a result of the programme								all MPA revenue sources	and Blue Abadi
# of bleaching events and severity in BHS	To be determined during phase I of the programme	TBD	TBD	TBD	TBD	TBD	TBD	Baseline assessment to be conducted in Y1	State University of Papua, co-funded by Blue Abadi
pH and water quality remain at consistent levels to support coral reef health in BHS.	To be determined during phase I of the programme	TBD	TBD	TBD	TBD	TBD	TBD	Baseline assessment to be conducted in Y1	State University of Papua, co-funded by Blue Abadi
<b>Outcome 2 – TRANSFORM BHS ECOTOURISM:</b> Culturally appropriate, reef-positive economic development and livelihood initiatives are cultivated in the BHS, in and around the MPA network, with an initial focus on ecotourism, thus reducing the rates of poverty and food insecurity and creating jobs for local reef-dependent communities, while incentivizing continued coral-reef conservation.									
# of local sustainable jobs created (% for indigenous Papuans; % for women)	0	0	25	50	100	150	200	Tracking of new jobs created within enterprises invested by CI-ventures and/or the microfinance facility	CI-Ventures
# of reef-positive businesses incubated (% Papuan owned)	0	0	2	4	6	8	10	Tracking of enterprises invested in by CI-ventures and/or the microfinance facility	CI-Ventures
% reduction in # of times liveaboard dive vessels anchor	To be estimated based on 2019 data	N/A	N/A	30%	50%	75%	90%	Comparison between total nights liveaboard in	RAMS management



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on coral reefs per year								Raja Ampat vs. usage of moorings	
% of households across the BHS MPA Network above the 'food secure' threshold	67.8%	N/A	N/A	68%	70%	75%	80%	Social monitoring in six reference MPAs and control sites every 2 years	State University of Papua, funded by Blue Abadi
<b>Outcome 3 – ENHANCED ECONOMIC RESILIENCE THROUGH REEF-POSITIVE SEAWEED DEVELOPMENT:</b> Enhanced economic reliance for Sumba Island communities and reduction or avoidance of adverse impacts to coral reefs through development and expansion of sustainable, equitable and coral reef-positive seaweed mariculture industry livelihood alternatives.									
# of local sustainable jobs created disaggregated by gender, Indigenous status	0	TBD	TBD	TBD	TBD	TBD	TBD	Targets subject to baseline assessment to be conducted in Y1	Baseline assessment to be conducted by Universitas Nusa Cendana
# of reef-positive businesses incubated	0	2	2	2	2	2	TBD	Portfolio investment reporting.	CI Ventures LLC + GFCR Equity Fund, at minimum
# of community members with greater income from sustainable seaweed mariculture value chain participation	0	TBD	TBD	TBD	TBD	TBD	TBD	Targets subject to baseline assessment to be conducted in Y1	Baseline assessment to be conducted by Universitas Nusa Cendana
<b>Outcome 4 – TRANSFORM ACCESS TO FINANCING FOR REEF-POSITIVE ENTERPRISES:</b> Reduced barriers to financial access for reef-positive blue economy micro, small and medium enterprises.									



# of reef-positive businesses incubated	0	2	2	2	2	2	TBD	Portfolio investment reporting.	CI Ventures LLC + GFCR Equity Fund, at minimum
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# GLOBAL FUND FOR CORAL REEFS

## Annex II: Summary of M&E Strategy (1-Page max)

### 1. Existing Baseline Data:

*Bird's Head Seascape (Biological and Social):* The BHS MPA network has one of the most robust reef health and social monitoring systems applied to any coral reef system worldwide. Since 2009, comprehensive reef health monitoring, social monitoring and MPA management effectiveness monitoring have been conducted consistently every two years, led by the Statue University of Papua (UNIPA) with co-financing from the Blue Abadi Fund. Surveys are conducted at representative sites across the MPA network and control sites outside of the MPAs. A State of the Seascape Report is generated every two years. For the purpose of this Programme, the 2019 report will be treated as the project baseline (see Appendix A).

*Bird's Head Seascape (Financial):* The Blue Abadi Fund tracks annual MPA revenue streams, while the government of Raja Ampat tracks tourist arrivals and user fees generated.

*Sumba (Bioecological):* Limited data are available with respect to existing coral cover, coral condition, and reef species richness and biomass and are primarily derived from assessment data compiled by MMAF and reported as part of Government of Indonesia Savu Sea Marine National Park legislation<sup>134</sup> and 2018 COREMAP-CTI surveys conducted in a geographically limited subset of reef sites within East Sumba Regency. Summary of reported data and data gaps are described in Annex III.

*Sumba (Socioeconomic):* Some regency-specific demographic and income data exist but are relatively coarse or lack Program-relevant specificity (e.g. average incomes for East Sumba Regency reported as Rp. 1.115.000 (2011)<sup>135</sup> but are not disaggregated by economic activity such as seaweed mariculture).

### 2. Baseline Assessments:

*Bird's Head Seascape (Biological and Social):* Baseline assessments to be conducted by UNIPA with co-financing from the Blue Abadi Fund will include: (a) severity of coral bleaching; and (b) pH and water quality levels. CI will generate an estimate of likely incidents of liveaboard anchorings on reefs to use as a baseline for the Raja Ampat Mooring buoy intervention.

*Sumba Bioecological Baseline:* Baseline assessments to be conducted by Universitas Nusa Cendana commencing in Y1 will include, at a minimum: (a) validation of above-referenced coral condition and species richness data; (b) baseline data identification for biomass; (c) spatial extent of existing seaweed mariculture relative to identified reef areas; and (d) review of zoning and sub-zoning of existing conservation, sustainable use, and other use-class designations related to seaweed mariculture relative to coral reefs.

*Sumba Socioeconomic Baseline:* Baseline assessments to be conducted by Universitas Nusa Cendana commencing in Y1 will include, at a minimum: (a) economic data (est. number of households engaged

<sup>134</sup> <http://kkji.kp3k.kkp.go.id/index.php/dokumen/regulasi-hukum/keputusan-menteri/finish/14-keputusan-menteri/519-kepmen-kp-no-6-tahun-2014-tentang-rencana-pengelolaan-dan-zonasi-taman-nasional-perairan-laut-sawu-dan-sekitarnya-di-provinsi-nusa-tenggara-timur>

<sup>135</sup> Ibid., Savu Sea MNP report





in seaweed and other key sectors<sup>136</sup> (as primary or secondary source of income), seaweed sector employment (vs. total employment), incomes (general and seaweed specific); and (b) demographic data (population and population distribution data by age, gender, ethnicity<sup>137</sup>).

### 3. M&E Approach & Framework

In each case responsive to GFCR Fund-Level Indicators and relevant custom Outcomes-Based Indicators, and where relevant, informed by baseline assessments, monitoring and evaluation of socioeconomic indicators will be conducted every two years. The general M&E approach for specific indicator categories is summarized below:

**Coral & Ecological Indicator M&E:** Monitoring related to changes in live coral cover, reef species richness and biomass will be conducted using generally accepted survey design, sampling, and estimation methods. Where feasible, methods that incorporate the use of citizen science and other data collection approaches will be evaluated to increase inclusion of local communities and other resource user groups in these activities. For the BHS, UNIPA will continue their standard reef health monitoring program and make reports available for inclusion in reports to GFCR.

**Socioeconomic Indicator M&E:** The specific data collection approach and methods will be adapted to specific Priority Site contexts. In the BHS, UNIPA will continue their standard social monitoring program and make reports available for inclusion in reports to GFCR. In Sumba, we will work with the University of Nusa Cendana to design practical frameworks, tools, and approaches for assessing changes in employment and incomes disaggregated by target demographics and economic sectors. Where appropriate, monitoring approaches using proxy data may be applied. For example, seaweed sourcing and trade data sourced from local government-owned processing facility, PT ASTIL, a centralized hub for purchases of raw dried seaweed (RDS) from local suppliers, may be used to estimate incomes and changes in incomes to suppliers (seaweed farmers) over reporting periods.

**Investment & Finance M&E:** Finance and investment flows facilitated by CIV or the GFCR Equity Fund will be collected and reported on an annual basis. For each portfolio investment, company-specific employment (disaggregated by relevant groups), salary, supplier payment and other data derived from required quarterly or annual financial and performance reporting may be used to complement socioeconomic data collection above. In each case, data will be aggregated and anonymized in a manner that protects business confidential and proprietary data. The availability and accessibility of GFCR Equity Fund data will be subject to discussion and approval by GFCR Equity Fund manager and advisor and will be limited in scope to those investments influenced by CI.

### 4. M&E Strategy

The project director will work with the M&E officer and a project coordinator to oversee reporting, including compiling relevant inputs from co-implementing partners. During the initial months of programme operations, the M&E officer will collaborate with UNEP to ensure the GFCR Investment Principles, safeguards and refined GFCR Indicators are reflected in the final M&E Strategy.

<sup>136</sup> To evaluate the impact of proposed interventions, baseline data should include current levels of engagement and employment in agriculture, forestry, tourism, fishing, as well as seaweed sectors at minimum.

<sup>137</sup> Baseline assessment will clarify existing statistics on ethnicity (Indigenous peoples) where reported. In absence of published statistical data, research lead will design approach and methods for estimation.



# GLOBAL FUND FOR CORAL REEFS

## Annex III: Section B – Priority Coral Reef Ecosystems Supporting information (10-page max)

### Part 1- Environmental Analysis Supporting Material

#### 1. Bird's Head Seascape (BHS)

Widely regarded as the global epicenter of tropical marine biodiversity, the BHS, so named for the shape of the Northwestern peninsula in Indonesian New Guinea, lies at the heart of the Coral Triangle and encompasses over 22.5 million hectares of sea and 2,500 small islands around West Papua province. The BHS includes a wide diversity of tropical habitats including the shallow, highly-enclosed Cenderawasih Bay; an assortment of reef systems in Raja Ampat (including fringing, barrier, patch, lagoon and atoll reefs); in South Sorong and Bintuni Bay, one of the world's most extensive and diverse mangrove forests; and in Fak-Fak and Kaimana in the southern part of the seascape, assorted hard and soft coral ecosystems and biodiverse mangroves that serve as the nursery grounds for the globally significant fisheries in the Arafura sea.

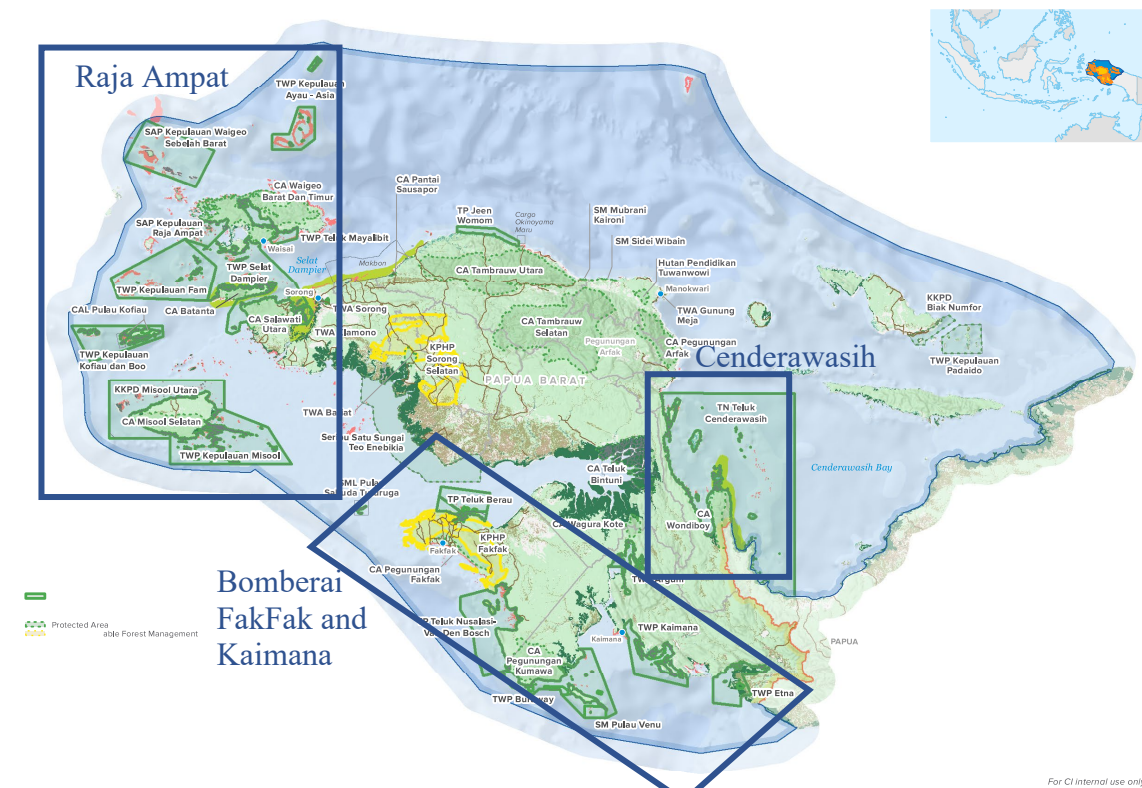


Figure 1: Map of the Bird's Head Seascape and Marine Protected Areas

For CI internal use only.



## BHS Coral Reefs

Many sites throughout the BHS continue to maintain a high percentage of hard coral cover. The 2019 ‘State of the Bird’s Head Seascape’ report evidenced that live coral cover in the BHS MPA network improved from 30% to 36% between 2009-2019.<sup>138</sup> Cenderawasih Bay had the highest coral cover at 45% and Kaimana had the lowest coral cover at 18%. Sustainable use zones and no-take zones designated within MPAs also showed stable hard coral cover, and coral cover in South Raja Ampat showed an increase from 31.2% to 39% in the sustainable use zones over the period from 2010-2013.<sup>139</sup> This stability and even increase in hard coral cover indicates reduced damage to the reefs from destructive fishing practices, reefs’ resilience despite global climate stressors, and the positive impacts of well-managed reef areas.

As rising sea surface temperatures bleach swaths of some of the earth’s most impressive reefs, those in the BHS, especially Raja Ampat, seem to be demonstrating higher resilience. Raja Ampat sea surface temperatures range naturally from 19.3 to 36.0°C, with living corals on many intertidal reef flats experiencing 7-8°C temperature swings daily<sup>140</sup> – essentially pre-adapting them to climate change impacts. Indeed, reefs in Raja Ampat have generally fared much better than reefs in other areas of Indonesia, only bleaching during the most extreme heating events and thereafter showing rapid recovery. For example, during the bleaching events elsewhere in the tropical Pacific during El Niño in 1998, 2010-2011, and 2015-2016, reefs in Raja Ampat continued to thrive — even those that are above water at low tides. Other evidence of relative resilience includes the regrowing and repairing of lesions, reorienting in the plane of growth after being toppled or overturned, and limited prevalence of coral disease.<sup>141</sup>

Between the BHS’s incredible biodiversity and the strong indications of its reefs’ resiliency, especially in Raja Ampat, the Seascape is both a critical geography to invest in its protection and is a management system model to use for other reefs.

## Local Threats & Drivers of Degradation

### 1) Overfishing and destructive fishing

Overfishing and destructive fishing are the greatest threats, affecting more than 90% of reefs. Fishing pressures is highest on nearshore fringing reefs and in areas of high population density. Pressure from fishing activities is found on almost all reefs, including those in remote areas. Destructive fishing (blast or poison fishing) is widespread and threatens nearly 80% of Indonesia’s reefs (about 31,000 sq. km). This practice occurs throughout much of the archipelago and the intensity tends to vary with local cultural values and practices.<sup>142</sup>

Although the MPAs in the BHS include regulations to stop destructive fishing, there are some ongoing infringements where fishers use bombs or poison to capture large quantities of fish with less effort. The

<sup>138</sup> Pakiding F, D. Matualage, K. Salosso, Purwanto, I. R. Anggriyani, A. Ahmad, D. A. Brown, K. Claborn, M. De Nardo, L. Veverka, L. Glew, G.N. Ahmadi, I. Rumengan, H.F.Y. Monim, J. Pangulimang, M. Paembonan, D. Pada, and M.B. Mascia. 2020. State of The Bird’s Head Seascape Marine Protected Area 2019. University of Papua, Yayasan Konservasi Alam Nusantara-TNC, World Wildlife Fund, and Conservation International. Manokwari, Indonesia, Jakarta, Indonesia, and Washington-DC, United States,

<sup>139</sup> Purwanto et al. “The Bird’s Head Seascape Marine Protected Area network – Preventing biodiversity and ecosystem service loss amidst rapid change in Papua, Indonesia.” *Conservation Science and Practice*. (2021) <https://doi.org/10.1111/csp2.393>

<sup>140</sup> Mangubhai et al. 2012. *Papuan Bird’s Head Seascape: Emerging threats and challenges in the global sector of marine biodiversity*. *Marine Pollution Bulletin* 64 (2012) 2279–2295

<sup>141</sup> Salm, Rodney V. 2020. Raja Ampat Informal Reef Health and Resilience Assessment. [https://drive.google.com/file/d/1E\\_pRwnlDpkKXN8CR5wd7ZQog9Xpuhfmq/view](https://drive.google.com/file/d/1E_pRwnlDpkKXN8CR5wd7ZQog9Xpuhfmq/view)

<sup>142</sup> [https://wri-indonesia.org/sites/default/files/reefs\\_at\\_risk\\_revisited\\_in\\_the\\_coral\\_triangle\\_hi-res.pdf](https://wri-indonesia.org/sites/default/files/reefs_at_risk_revisited_in_the_coral_triangle_hi-res.pdf)



joint community patrols are one of the main ways that CI has been addressing the issue, as the patrols will note any blatant or suspicious destructive fishing activities and address them directly, then share with local enforcement agencies to follow up. The patrols have been effective in discouraging destructive fishing but when the frequency of patrols drop (which happened in the beginning of COVID-19 outbreak in Indonesia, March/April 2020), destructive fishing cases increased. MMAF reports 3 fishers were caught and brought to court between 2013 and 2018 for dynamite fishing in BHS. In May 2021, four fishers were caught and detained for bombing of fish in Raja Ampat waters; and in August 2021, six bombers were caught by local marine police. It is therefore critical to continue to recognize destructive fishing as an ongoing threat, although one mitigated by the patrols which are funded in large part by the Blue Abadi Fund (in Raja Ampat, the patrols are co-financed by the tourism user fees).

## 2) Tourism

Tourism, has without a doubt, been critical to the conservation of many of the worlds' most biodiverse reef systems, including those in the BHS. However, tourism is not without risks. Tourism offers the greatest opportunity for sustainable economic development in the Bird's Head, as well as increasingly one of the greatest threats to the reefs. Within Dampier Strait, tourism is already past the sustainable carrying capacity and is a significant driver of reef degradation. Reefs are being damaged from trampling from inexperienced divers and snorkelers, anchor damage (liveaboards and day boats anchor directly on reefs), and disease caused by direct sewage effluent flowing to the reefs from villages and homestays.

Although regulations exist to limit liveaboards in Raja Ampat to 60 liveaboards per year, a private resort in southern Raja Ampat counted over 100 distinct liveaboards pass through their nearby MPA in 2019. Liveaboards release black water in the sea, and many ignore best practices of releasing this material in deep water, far from reefs. A recent crown of thorns outbreak in Raja Ampat is suspected to be linked to increases in nutrient input from improper waste disposal although there is no data to support this claim. There has also been documented incidents of tourists harming the coral directly, either inadvertently through poor diving practices and lack of buoyancy control or intentionally, carving names or pictures directly onto a coral head. More recently, the Raja Ampat government has permitted a large cruise ship to enter Raja Ampat, bringing hundreds of tourists at once when most other companies both land-based resorts and liveaboards can hold only up to 30 guests. Finally, there are several instances where tourism vessels have run aground on shallow reefs, damaging large swaths of coral reef area. A lack of permanent mooring buoys also means that liveboard boats still anchor nightly, at times directly on reefs.

## 3) Coastal development (including tourism infrastructure)

Coastal roads and infrastructure, including ports, cause detrimental impacts on near short ecosystems and threaten approximately 20% of reefs. For example, roads, including the trans-Papuan highway, which is currently under construction, are often built along the coast where land is flatter. As strips of coastal land are cleared for grading and asphalt, upland sediment runoff increases, causing plumes of mud flowing into the water that covers reefs, blocking their access to light, smothering them. While road development will increase run off, it will also increase plastic waste. Landfills in Sorong and Fakfak will impact marine ecosystems with the increase of plastic waste and household discharge. The existing road from Fakfak to Karas (MPA location) and increased road capacity to support the new airport in Fakfak will also increase threats to the marine ecosystem.

## 4) Garbage and Solid Waste

According to a 2015 study, Indonesia is second only to China for plastic waste available to enter the ocean in 2010 – a calculation based on the amount of plastic waste produced, how much is mismanaged and the



coastal population.<sup>143</sup> Approximately 6.8 million tonnes<sup>144</sup> are mismanaged and approximately 620,000 tonnes infiltrate into Indonesia's waterways and ocean waters. This plastic pollution is projected to increase by 30% by 2025, and double by 2040, absent major actions. Pollution on the beaches across the seascape has been connected back to poor management of local land-based garbage.<sup>145</sup> A rapidly growing threat, plastic waste not only has direct impacts on the reef but is also a major deterrent to the most significant sector of the economy – tourism.

#### 5) Poor Wastewater Treatment

The opportunities to transform the sewage and wastewater treatment sector are not yet as well understood as those within the tourism sector, however, it is clear that sewage and wastewater are some of the most significant and growth direct threats to the coral reefs of Raja Ampat and possible Cenderawasih Bay. With virtually no wastewater treatment currently utilized, there is a significant need and opportunity to invest in this sector.

## 2. Pulau Sumba; East Sumba Regency

Located in the province of East Nusa Tenggara (*Nusa Tenggara Timur*, NTT), Pulau Sumba, is a 11,006 km<sup>2</sup> island situated at the intersection of the Pacific and Indian Oceans. Sumba forms the westernmost border of the Savu Sea Marine National Park (Savu Sea TNP) and is among the main (larger) islands that comprise the Lesser Sunda Seascape (LSS). The waters surrounding Sumba Island are home to a high degree of marine species diversity and richness which is facilitated by the Indonesian Throughflow a major ocean that is thought to aid larval connectivity and dispersion between Pacific and Indian Ocean water masses.<sup>146</sup>

### **Marine Area Governance**

Marine waters extending up to 12-nautical miles from the coast are governed by the Nusa Tenggara Timur Provincial Government, Department of Marine Affairs and Fisheries headquartered in the provincial capital of Kupang. The Provincial Department of Marine Affairs and Fisheries is the primary authority overseeing administration and management of the Savu Sea TNP, including the marine areas adjacent to East Sumba Regency described herein.

### **East Sumba Marine Zoning**

In connection with the establishment of the Savu Sea TNP, marine areas adjacent to East Sumba Regency were zoned in accordance with Ministry of Marine Affairs and Fisheries Regulation PER.30/MEN/2010 and biophysical, climate, and socioeconomic design and selection criteria as described in Ministerial Decree NUMBER 6/KEPMEN-KP/2014, in each case resulting from scientific analyses, ground-truthing and extensive stakeholder consultations.

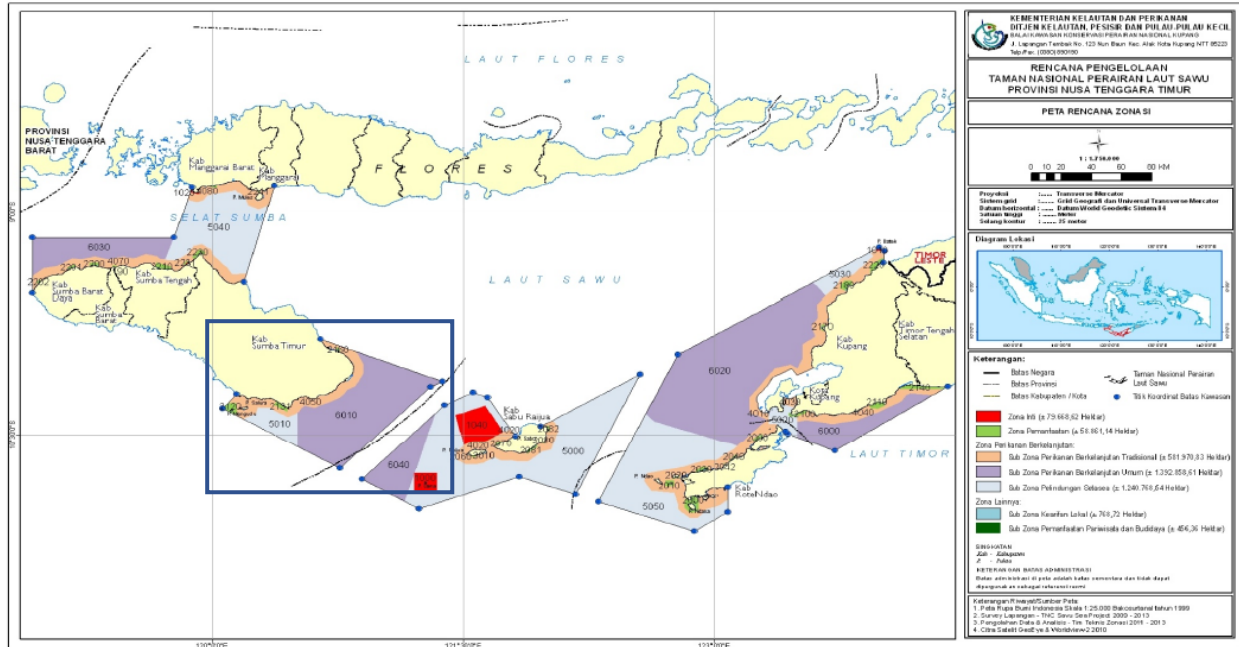
The boxed area in the Savu Sea TNP Zoning Map (Figure 2.) below, depicts the area within East Sumba designed as part of the TNP, which is further subdivided into seven sites with two primary zoning or use classifications:

<sup>143</sup> Jambeck, J. R. *et al.* Plastic waste inputs from land into the Ocean. *Science* **347**, 768–771 (2015).

<sup>144</sup> NPAP analysis; World Economic Forum, Radically Reducing Plastic Pollution in Indonesia: A Multistakeholder Action Plan, 2020 [HYPERLINK "https://globalplasticaction.org/wp-content/uploads/NPAP-Indonesia-Financing-Roadmap.pdf"](https://globalplasticaction.org/wp-content/uploads/NPAP-Indonesia-Financing-Roadmap.pdf)

<sup>145</sup> <http://papuabaratnews.co/editorial/kerusakan-ekosistem-pesisir-pantai-wosi-mengkhawatirkan>.

<sup>146</sup> a complex ocean current system connecting the Pacific and Indian Oceans



**Figure 2. Savu Sea TNP – East Sumba Marine Managed Areas**

The boxed area in the Savu Sea TNP Zoning Map (Figure 2.) above, depicts the area within East Sumba designated as part of the TNP. Within the designated area there are seven (7) sites each classified under two (of a total four) primary zoning classifications: 1) *Zona Pemanfaatan* (Sustainable Utilization Zone); and 2) *Zona Perikanan Berkelanjutan* (Sustainable Fisheries Zone). The Sustainable Fisheries Zone encompasses three sub-zone classifications: (a) “General Sustainable Fisheries Sub-Zone” which allows for multiple sustainable commercial uses; (b) “Traditional Sustainable Fisheries Sub-Zone” which supports community and artisanal (small-scale or traditional) fishing activities using traditional fishing gear and vessels under 10 gross-tonnes (GT); and (c) “Cetsea Protected Sub-Zone,” which is intended to protect important habitat and migration corridors for cetaceans and allows for a limited range of activities including community and artisanal fisheries (small scale or traditional) using methods which maximize cetacean protection. East Sumba Regency sites and associated zoning classifications are summarized in Table 1 below:

**Table 1. East Sumba Regency Site Zoning**

Zone	Sub-Zone	Site ID	Location	Total (ha)	Coral (ha)	Seagrass (ha)	SPAG (ha)
ZF	Traditional	4050	Praimadita	88,487.19	14,454.42	1,290.64	626.11
ZF	Cetacean	5010	Cape Ngyuyu	53,937.49	n.d.	n.d.	n.d.
ZF	General	6010	(cross-district)	363,378.80	n.d.	n.d.	n.d.
ZP	---	2120	Pulau Mengudu	5,483.96	587.69	49.35	n.d.
ZP	---	2131	Kakaha	2,965.12	5.35	n.d.	n.d.
ZP	---	2160	Rindi	551.93	232.82	28.66	n.d.
ZP	---	2230	Napu	2,287.32	167.39	10.05	n.d.

ZF = Sustainable Fishing Zone, ZP = Sustainable Utilization Zone, “SPAG” = Spawning and Aggregation Sites

### East Sumba Coral Reefs

Including all zones, the aggregate marine management area in East Sumba Regency under the Savu Sea TNP totals 517,091.81 ha, including an estimated 15,447.67 ha of coral reef. Almost one third of the coral



species in Indonesia can be found in the waters in and around Sumba Island. The coral reef cover in East Sumba includes a type of fringing reef, a fairly long reef average measuring between 700 – 1000 meters, followed by gentle reef slopes at a 15-25° angle.<sup>147</sup> In certain locations there are several coral fractures which are evidence of destructive fishing practices using bombs and potash. Data on live coral cover in East Sumba indicates a high degree of variation between sites. Surveys undertaken by the KKP/MMAF as part of the Savu Sea TNP establishment indicate that live coral cover in East Sumba reefs range between 5% and 70%. More recent COREMAP-CTI surveys (2018) indicate a much narrower range, from approximately 5.2% to 31.9% with average coverage of 19.35% (medium level).<sup>148</sup>

When compared to the relatively low rates of coral cover, the diversity of coral species in East Sumba is quite high with over 200 coral reef species, 42 genus and 15 families recorded.<sup>149</sup> *Acropora* species (69 spp.) and corals from the families *Faviidae* (53 spp.) and *Poritidae* (15 spp.) are among the most dominant coral species.<sup>150</sup> East Sumba's reefs support a range of corallivores (24 spp.), and carnivorous (23 spp.) and herbivorous (29 spp.) fish. Mean reef fish biomass (all species) are estimated at 269.90 kg ha<sup>-1</sup>.

While the referenced assessments provide the basic data and informational foundation for designing programme activities and interventions, these data are currently drawn from a limited sample area and lack spatially explicit definition of programme protection and conservation objectives and targets. To address these data limitations, the programme will commission an updated baseline bioecological assessment to be implemented during the initial 18-months, the purpose of which is to validate existing data and provide additional insights needed to refine programme indicators and associated baseline and target metrics.

### **Baseline Bioecological Assessment**

The baseline assessments described herein will be conducted by Universitas Nusa Cendana, a local academic and research institution experienced in the design and implementation of such baseline assessments. The baseline will draw upon existing secondary data derived from desktop research and is also expected to include in-field surveys where necessary.

While the baseline assessment reference and sampling area(s) and specific approaches and methods will be discussed and agreed upon by and between CI and Universitas Nusa Cendana as part of procurement activities, we have identified the area in the waters south of Praimadita (Site ID: 4050) as a potential priority. Among the seven sites identified in the Savu Sea TNP area, this site appears to have the greatest area of coral reef coverage and includes reported spawning and aggregation areas (SPAG). The site's current zoning (Sustainable Fisheries: Traditional Fishing Sub-Zone) allows for multiple uses including both artisanal fishing and seaweed mariculture and could represent an important priority for more targeted management of seaweed mariculture siting as these activities expand. As such, the scope of the proposed baseline assessment will include mapping of existing seaweed mariculture which will be used to identify future management interventions.

### **Local Threats; Drivers of Degradation**

#### 1) Destructive Fishing Practices

<sup>147</sup> <http://indocoasting.id/pages/output-report?action=preview-pdf&id=77>

<sup>148</sup> <http://indocoasting.id/pages/output-report?action=preview-pdf&id=77>

<sup>149</sup> <http://indocoasting.id/pages/output-report?action=preview-pdf&id=77>

<sup>150</sup> COREMAP CTI LIPI 2018, p. 19



Fishing practices utilizing homemade bombs or dynamite (blast fishing) or chemical (potassium cyanide) poisoning techniques have been observed across the Savu Sea TNP, with Sumba cited among the areas most affected. These activities primarily target coral reefs where fish are most abundant. Existing surveys, assessments, and other literature consulted in the preparation of this proposal reference multiple observations evidencing coral damage due to destructive fishing practices. While most perpetrators are believed to originate outside the region, effective monitoring, and enforcement of destructive fishing practices of both local and other actors remains a high priority for the protection of coral reefs.

Although the programme does not explicitly seek to address issues of monitoring, reporting or enforcement of destructive fishing practices, the proposed baseline assessment (socioeconomic) will include a preliminary assessment of local fishing activities and behaviors and observed and/or reported incidences of destructive fishing within prioritized areas. These data will be used for the purpose of testing the hypotheses that: (a) seaweed-based livelihood alternatives reduce *commercial* dependence on reef-associated fisheries; and (b) that the presence of responsibly managed seaweed mariculture operations result in reductions in destructive or other illegal fishing in mariculture areas (due to physical barriers or more regular presence by farmers). To date, evidence supporting these theses have been largely anecdotal and require additional testing and validation.

## 2) Climate Change: Increased Dependence on Marine Resources

In East Sumba and Pulau Sumba more broadly, a large proportion of agriculture is rain-fed and thus highly sensitive to ENSO rainfall variations. For agriculture-dependent communities<sup>151</sup>, trends toward more erratic rainfall patterns, and increasingly frequent and more severe drought have resulted in increased crop failures, worsening crop yields and increased food security and economic vulnerability. These trends have also resulted in observed shifts in resource dependence; in 2019, Sumba experienced one of the most severe droughts on record, with no reported rainfall for 249 days. In response to significant livestock and crop losses, many communities resorted to fishing for both subsistence and incomes.

With climate models predicting more frequent and increasingly severe water stress, dependence on nearshore coral reefs and marine resources for subsistence and livelihoods is likely to increase. This is believed to be particularly relevant in the context of East Sumba, an area characterized by naturally lower rainfall volumes. While additional analyses of the impacts of changes in resource dependencies—and specifically, direct impacts to local reefs—is needed, these trends signal the potential for increased pressure on reef ecosystems that should be integrated into longer-run programme design.

Beginning with initial baseline assessments (socioeconomic) and with future research activities, the programme will seek to understand current and potential future resource dependencies and vulnerabilities in the context of the design of seaweed and other livelihood interventions with the goal of developing sustainable, reef-positive livelihood alternatives that enhance both the ecological and socioeconomic resilience of communities in East Sumba.

## 3) Seaweed Sector Expansion

NTT is the second largest seaweed producer in Indonesia after South Sulawesi. As indicated elsewhere in this proposal, both national and provincial governments have ambitions to significantly increase the extent and productivity of seaweed mariculture across NTT as a key strategy for rural development and, more recently, COVID recovery.

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<sup>151</sup> East Sumba's agriculture sector (including food crop and livestock sectors) represents an estimated 35% of local GDP.





In comparison to other types of mariculture (i.e. fish and shrimp farming), seaweed farming has a significantly lower impact on the marine environment. However, where seaweed farms are placed in shallow water areas in the intertidal zone, they may overlap and affect both directly and indirectly, important habitats such as seagrass beds and coral reefs.<sup>152</sup> In certain areas, seaweed is grown with direct planting in the intertidal zone which can directly threaten coral reefs, particularly where ‘off-bottom’ cultivation practices –anchoring of seaweed production lines on coral reefs or other hard substrate—are employed. Beyond potential physical impacts to reefs, improper siting or cultivation practices have the potential to adversely impact coral ecosystems through shading, abrasion, overgrowth, and/or alteration of biological or ecological conditions.<sup>153</sup>

In East Sumba, just 2.5% of a potential 15,000 ha of areas identified as suitable for seaweed mariculture are currently utilized. The Regency has been prioritized as one of two inaugural “seaweed villages” announced by the Government of Indonesia<sup>154</sup> and is intended to serve as a commercialization and trading hub for seaweed produced in Sumba and surrounding communities. This announcement builds on earlier investments by government in the establishment of an Integrated Marine and Fisheries Research Center and regency-owned seaweed processing enterprise (PT. ASTIL), both of which focus on the intensification, development, and expansion of commercial seaweed sector activities in East Sumba.

The interest and support from national, provincial, and local government in seaweed sector development, together with investments in primary production, processing and trade infrastructure provide a strong foundation for GFCR investments. However, in the absence of thoughtful, science-driven planning and management, these development trends could also pose a risk to coral reef ecosystems as spatial expansion of seaweed mariculture increases the likelihood of encroachment on reef areas.

Between 2011 and 2019, Regency seaweed production grew at a CAGR of 28.94%.<sup>155</sup> While there is limited data regarding the spatial extent of seaweed mariculture, these production volume trends suggest a likely overall expansion in farming area, particularly in certain districts. NTT government data on seaweed production by district in East Sumba indicate that the majority of annual production volume (98% ± 2%) and growth is concentrated within four districts, all of which are within the marine management zone subject of this initial programme period.

Table 1. Major Seaweed Production Districts, Volume Growth (2013-2017)

District	Seaweed Production Volume		COREMAP-CTI Coral Survey (2018)
	Ranking	CAGR	
Pahunga Lodu	1	13.79%	3 Sites: WAIC08-WAIC10
Wula Wajielu	2	21.93%	n.d.
Rindi	3	38.92%	6 sites: WAIC02-WAIC07
Umalulu	4	144.76%	1 site: WAIC01

Source: NTT Statistics Office, “Sumba Timur in Figures: 2018”

<sup>152</sup> <https://link.springer.com/article/10.1007/s13280-020-01319-7>

Kelly et al., “Environmental impacts and implications of tropical carrageenophyte seaweed farming,” *Conserv Biol.* 34(2), pp. 326-337 (2020), <https://conbio.onlinelibrary.wiley.com/doi/abs/10.1111/cobi.13462>

<sup>153</sup> Eggersten et al., “Coral-macroalgal interactions: Herbivory and substrate type influence growth of the macroalgae *Eucheuma denticulatum* (N.L. Burman) Collins & Hervey, 1917 on a tropical coral reef,” *Journal of Experimental Marine Biology and Ecology* 542-543 (2021), <https://www.sciencedirect.com/science/article/pii/S0022098121000964>

<sup>154</sup> <https://en.antaranews.com/news/192397/govt-plans-to-establish-seaweed-farming-villages-in-eastern-indonesia>

<sup>155</sup> Badan Pusat Statistik, Kabupaten Sumba Timur, 2018, <https://sumbatimurkab.bps.go.id/publication/2018/08/16/4f508994eda28cb262e840f4/kabupaten-sumba-timur-dalam-angka-2018.html>



We have prioritized the investment of GFCR grant resources in baseline and other analyses that can encourage improved mariculture siting activities that avoid direct conflicts with important reef areas and promote practices that limit or avoid potential ecological risks of seaweed mariculture to coral reefs.

While addressing near-term opportunities to mitigate the impacts of current and future seaweed expansion on coral reefs, strategies that address more systemic risks to the Indonesian seaweed sector are critical.

In addition to addressing near-term seaweed mariculture development risks and opportunities, the programme will also support research activities that address longer-term risks and opportunities for the Indonesian seaweed industry. The industry is dominated by the production and trade of red seaweed – *Kappaphycus* spp., *Eucheuma* spp.—collectively referred to as eucheumatoids. These species of seaweed are the most widely traded global seaweed commodities, primarily used in the production of carrageenan which is used as a texturizing ingredient in a wide range of human and animal foods, pharmaceuticals and cosmetics. The genetic diversity of cultivated eucheumatoids is extremely low as the current global production relies on cultivars vegetatively propagated from few clones originated from the Philippines and extensively introduced worldwide. In Indonesia, seaweed production relies on a single haplotype (cox2-3 spacer and cox 1 markers) of *Kappaphycus alvarezii* and *K. striatus* for farmed specimens (Tan et al., 2021). The extremely low genetic diversity of farmed cultivars places Indonesia’s seaweed industry in an extremely vulnerable situation.

In alignment with the government’s objectives, the programme will support a consortium of leading seaweed research institutions in Indonesia (Universitas Mataram), Philippines (University of Philippines) and Malaysia (University Malaya) to conduct joint research and knowledge sharing related to: 1) taxonomy, genotyping, phenotyping and mapping of wild populations to identify climate change and disease resistant cultivars while proposing conservation areas for wild populations; 2) sexual reproduction and breeding strategies towards the domestication of wild strains; 3) optimization of the potential of existing farmed cultivars in terms of carrageenan yield, quality and plasticity of these attributes to environmental factors; 4) adaptability of current and new cultivars to increased water temperatures and other environmental climate changes (e.g salinity, nutrients).

Together, these research activities are intended to build capacity at a national level in seaweed culture collection, nursery, and cultivation and support basic agronomic research by knowledge and technology transfer between partners that will enable more sustainable regional seaweed industry development and improved, science-informed siting and prioritization of seaweed mariculture expansion in Indonesia, Philippines, and Malaysia.

## Part 2- Social & Economic Analysis Supporting Material

### 1. Bird’s Head Seascape

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The marine ecosystems of the BHS support the livelihoods and food security of approximately 273,897 people living in coastal communities.<sup>156</sup> The principal economic and food production sectors are fishing and small-scale farming, however, nearly two thirds of coastal households are substantially reliant on

<sup>156</sup> Badan Pusat Statistik. (2017). Indonesian Population Census 2016. Badan Pusat Statistik, Jakarta, Indonesia.



fisheries to meet their basic livelihood needs. In 2019, approximately 32,500 fishers were recorded in West Papua province.<sup>157</sup>

Diverse Melanesian communities have lived in Papua and West Papua for millennia and have maintained a close connection to Papua's nature, known as *Tanah Papua*. They have established tenure rights over land and sea, with different tribes holding ownership rights (*hak ulayat*) and use rights (*hak pakai*) over each area. The BHS programme has been designed to support the indigenous communities of Papua as they lead efforts for the conservation of their seas. Most of the MPAs were designated first by the Indigenous communities with tenure over the area, and then layered with additional governmental designations to reinforce community ownership. The MPAs remain co-managed by communities and local government.

In 2019, an estimated 5,800 people in West Papua were employed in the marine tourism sector. Tourism offers the greatest opportunity for sustainable economic development in the BHS. The potential is significant, with a recent study estimating West Papuan marine tourism could generate US\$193M for Indonesia's economy and over 15,000 full-time equivalent jobs by 2035 in a medium-growth scenario.<sup>158</sup> The potential of eco-tourism (and its actualization) has been a major motivator for the creation and continued management of the BHS MPA network. It has also been a major source of revenue. In 2019, tourism user fees in Raja Ampat generated over \$2M for MPA management, community development, and government revenue. It is predicted to reach \$4.4 by 2035 in a medium-growth scenario, although the model predated COVID.

For the last two years, the COVID pandemic has caused a complete stop to tourism in the BHS. This shutdown provides both a massive challenge, as most operators are on the brink of bankruptcy and there are high levels of uncertainty regarding when tourism will be able to resume, but also an opportunity to reimagine and redesign fundamental tourism management systems before arrivals grow again.

## 2. Sumba Island

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### Population

According to the 2020 census, the total population of Sumba is 779,049 and it is considered one of the poorest islands within Indonesia with NTT ranking third out of Indonesia's provinces for the highest poverty rate.

### Seaweed

Indonesia is the global leader in red seaweed production – supplying over 50% of the raw material needed by the carrageenan industry – valued at over \$500M per year (farm-gate). The seaweed farming sector supports an estimated 1 million farmers and over 3 million livelihoods across the archipelago. Large scale expansion of seaweed mariculture has been cited as a national development priority in Indonesia, with ambitions to grow the output of the sector by 25% above the 2019 seaweed production volumes by 2024.

The archipelagic position and long coastline of NTT means that it has huge potential for the development of the seaweed industry with the province currently ranking second in supply for national demands on

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<sup>157</sup> Data from the Ministry of Marine Affairs and Fisheries statistics website for total fishers by province. More localized data is not accessible. <https://statistik.kkp.go.id/home.php?m=sdi&i=210>

<sup>158</sup> This was calculated as part of a consultancy for IDH in 2020 which was conducted by a small team consisting of CI, Starling Resources and an independent consultant. The final report belongs to IDH so is not shared as part of this proposal.



*Eucheuma cottonii* seaweed. The production of seaweed has already reached 1.8 million tons per year in the province, while national production is recorded at 12 million tons per year.<sup>159</sup> The dried seaweed produced in the region is considered of good quality and hence highly desirable in the national and export markets. With over 15,000 hectares of suitable shallow sea area for seaweed farming, only 2.5% of which is currently utilized<sup>160</sup>, the East Sumba District is an expanding seaweed producing region. Between 2017 and 2019, total seaweed production in the regency grew at a CAGR of 18.95%. Extrapolating prior-period production data by district (2013-2017), the majority of production and growth appears to be concentrated in four (4) districts: Pahunga Lodu, Wula Waijelu, Rindi, and Umalulu –areas encompassed by the Savu Sea TNP Traditional Sustainable Fisheries Sub Zone site 4050 subject of the activities encompassed in this initial programme period.

The MMAF has identified the eastern part of Indonesia including Sumba as a high priority for the further development of Indonesia's marine and fisheries sector, particularly the mariculture subsector. In this context, the MMAF proposes to establish seaweed villages within identified seaweed cultivation areas such as NTT to sustain and raise the prosperity of citizens. Across regions throughout eastern Indonesia. In order to support the seaweed farmers in these remote and poor coastal communities, technical assistance is required to improve both farming practices and marketing of the seaweeds. A key focus would therefore be ensuring the livelihoods of the coastal farmers, seaweed traders and processors improved.

There is currently limited evidence indicating that seaweed farming replaces or displaces fishing effort. Instead, these activities often serve as a supplementary income source<sup>161</sup> to agriculture, fishing, or other primary livelihood activities. There are, however, many communities for which seaweed mariculture represents a primary source of livelihood and income. For example, approximately 50% of households in southwestern Rote Island, located in NTT, rely upon seaweed farming as their only cash source.<sup>162</sup>

Seaweed has a multiplier effect on the regional economy both on economic growth and employment.<sup>163</sup> In terms of employment, every increase of 1 person in the seaweed sector will have the effect of absorbing as many as three persons in the workforce of East Sumba. It is clear that seaweed increases total revenue, and for short term implementation, seaweed farming is considered a strategic commodity to generate economic growth.<sup>164</sup> The seaweed farming area in East Sumba is only 352.9 ha – approximately 5.94% of the available area - if the area is expanded to 80% (4,775.47 ha) it can produce 44,490 tons of seaweed. If the productivity of seaweed per hectare is increased/doubled from the present (18.72 tons/ha), then the optimum production of seaweed will be achieved within 13 years or in –030.<sup>165</sup>

Currently, farmers are challenged by disease, opaque value chains, antiquated technology, and inadequate producer services, leading to declining yields, quality, and a cycle of farmer poverty. If the sector grows following business-as-usual practices, seaweed farming could threaten the coral reef ecosystems through direct siting conflict, increased plastic pollution and increased fishing pressure (as supplemental income).

<sup>159</sup> <https://en.antaranews.com/news/155926/bi-encourages-ntt-to-intensify-seaweed-farming>

<sup>160</sup> <https://www.fao.org/3/ca4945en/CA4945EN.pdf>

<sup>161</sup> <https://link.springer.com/article/10.1007/s13280-020-01319-7>

<sup>162</sup> <https://doi.org/10.1016/j.marpol.2019.103600>

<sup>163</sup> every 1 rupiah increase in the seaweed base sector will have an impact on increasing the regional economy of 28.5 rupiah

<sup>164</sup> <https://iopscience.iop.org/article/10.1088/1755-1315/414/1/012014/pdf>

<sup>165</sup> <https://iopscience.iop.org/article/10.1088/1755-1315/414/1/012014/pdf>



## Part 3- Policy Analysis Supporting Material

### 1. Bird's Head Seascape (BHS)

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Over recent decades, as overfishing depletes fisheries around Indonesia, fishers from outside of Papua have begun to show increasing interest in the marine resources of the BHS. One of the ways local communities have protected their traditional waters is through MPAs. Coastal communities have also been using traditional natural resource management systems generally called *sasi* (also known by other names in some tribes), where a community designates a portion of their traditional, nearshore area as a zone that alternatingly opens and closes, allowing or preventing the extraction of economically important biota in the zone. These *sasi* areas are generally species-specific, often including lobster, trochus, and sea cucumber, which are sold to markets outside of Papua. *Sasi* are opened for fishing on special occasions as decided by the village customary leaders, and harvest proceeds are generally used to support community development, religious infrastructure, or children's education.

West Papua has recently passed legislation becoming the first "Sustainable Development Province" in Indonesia, with the goal of driving sustainable economic development based on nature conservation. Despite this ambitious legislation, there are two economic development trajectories currently underway in West Papua and a limited window to ensure that the Province pursues the sustainable trajectory. In places like Raja Ampat, the economy is primarily based on marine tourism and sustainable fisheries. In other places, such as South Sorong, large swaths of coastal peatlands and mangroves are slated for agricultural conversion and the construction of coastal ring roads to facilitate easier extraction.

Based on the history and social context in West Papua, every aspect of the proposed work in the BHS is grounded in the dual objectives of protecting the Seascape's extraordinary coral reef ecosystems, while also generating social and economic benefits specifically for Papuan communities.

### 2. Sumba Island

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The MMAF has identified seaweed as one of its top priorities for mariculture development and has put measures in place to expand seaweed farming in remote coastal and island communities with a focus on Eastern Indonesia, including the NTT.<sup>166</sup> The most important of which is the Indonesian Government's roadmap for seaweed development<sup>167</sup> which lists several aspects related to community empowerment. In addition to the socio-economic benefits of seaweed farming, there are also environmental benefits as it can lead to a reduction in certain types of fishing, increased catches of herbivorous fish species, and a higher abundance and greater species richness of wild, mobile macrofauna in seaweed farming areas compared to unfarmed areas.<sup>168</sup>

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<sup>166</sup> Rimmer, M.A.; Larson, S.; Laping, I.; Purnomo, A.H.; Pong-Masak, P.R.; Swanepoel, L.; Paul, N.A. Seaweed Aquaculture in Indonesia Contributes to Social and Economic Aspects of Livelihoods and Community Wellbeing. *Sustainability* **2021**, *13*, 10946. <https://doi.org/10.3390/su131910946>

<sup>167</sup> Government regulation No 33/2019; <https://peraturan.bpk.go.id/Home/Details/108806/perpres-no-33-tahun-2019>

<sup>168</sup> Rimmer, M.A.; Larson, S.; Laping, I.; Purnomo, A.H.; Pong-Masak, P.R.; Swanepoel, L.; Paul, N.A. Seaweed Aquaculture in Indonesia Contributes to Social and Economic Aspects of Livelihoods and Community Wellbeing. *Sustainability* **2021**, *13*, 10946. <https://doi.org/10.3390/su131910946>



# GLOBAL FUND FOR CORAL REEFS

## Annex IV: Section C – Programme Strategy Supporting information

<p><b>OUTCOME 1—PROTECT BHS:</b> The funding gap to effectively protect the globally significant coral reef and associated ecosystems in the Bird’s Head Seascape MPA network is significantly reduced.</p>	
<p><b>OUTPUT 1.1—MPA financing:</b> Increased, diversified and more sustainable revenue sources that support MPA management in priority MPAs in the BHS through: (a) a coral reef focused debt for nature swap for the Blue Abadi Fund; and (b) replication of relevant MPA governance and financing models first piloted in Raja Ampat.</p>	
<p>Activity 1.1.1—Participate in the negotiations for a debt for nature swap and support the design of related governance and administrative components. If agreement is reached, co-invest in the debt for nature swap, thus closing Blue Abadi’s financial gap in perpetuity</p>	<p>CI will participate in negotiations for the delivery of a successful coral reef focused debt for nature swap between the GOI and USG primarily focused on the BHS (via the Blue Abadi Fund) and will complete any necessary updates to Blue Abadi’s operations to accommodate the swap. If the negotiations are successful, CI will resubmit the Blue Abadi proposal originally submitted in June 2021, including the NGO match to the debt swap and work with the Blue Abadi Fund post-swap to refine its governance, operations, and administration and to build a strategic investment partnership with the CI-GFCR programme in the BHS.</p> <p><i>(Note: No budget is proposed for this activity at this time. If/when the debt swap advances and CI or a key NGO partner are formally invited to participate in the swap, we will revise and resubmit the Blue Abadi debt swap proposal to GFCR originally submitted in June 2021. Memo on the debt swap included as Appendix B)</i></p>
<p>Activity 1.1.2. –Develop a sustainable financing plan for Cenderawasih Bay National Park and an improved user fee mechanism to support park management costs.</p>	<p>CI will support the Cenderawasih Bay National Park Authority to review their current funding needs and funding availability providing clear recommendations to improve funding access and management that protects the Park’s reefs. This will include an assessment of whether BLUD status would be beneficial for the National Park.</p> <p><i>(Note: No budget is proposed for this activity at this time. It is planned for Phase II, but is included here as part of the BHS MPA financing outcome to demonstrate the full planned scope of this work)</i></p>
<p>Activity 1.1.3 – Build the capacity of the newly established Bomberai BLUD to secure and manage sustainable financing for the Kaimana and Fak-Fak MPAs. Through a combination of sources.</p>	<p>Support the Bomberai MPA Management Authority, which was recently established as a “Public Service Board” (BLUD), to design and manage the financial aspects of MPA management through developing a user fee system, providing capacity building for financial management and helping them seek external funding from sources including the Blue Abadi Fund. All generated funding will be managed by the MPA authority for the explicit purpose of MPA Management.</p>
<p><b>OUTCOME 2 – TRANSFORM BHS ECOTOURISM:</b> Culturally appropriate, reef-positive economic development and livelihood initiatives are cultivated in the BHS, in and around the MPA network, with</p>	



<p>an initial focus on ecotourism, thus reducing the rates of poverty and food insecurity and creating jobs for local reef-dependent communities, while incentivizing continued coral-reef conservation.</p>	
<p><b>Output 2.1 – RESPONSIBLE ECOTOURISM GROWTH:</b> The anticipated growth of ecotourism in the BHS is thoughtfully planned, geographically dispersed, and well-managed, ensuring sustainable ecotourism grows in such a way that reduces impact to coral reefs and maximizes benefits to local communities while incentivizing continued conservation.</p>	
<p>Activity 2.1.1 – In partnership with the Raja Ampat Regency Government and West Papua government, develop a Tourism Spatial Plan for Raja Ampat future tourism developments.</p>	<p>Develop a Raja Ampat Regency Tourism Spatial Plan that includes extensive environmental and social impact assessments and maps out areas of the regency for different aspects of tourism development. The goal will be to diversify and spread-out tourism opportunities thus increasing tourism jobs and revenue, while decreasing impact directly to the reefs.</p>
<p>Activity 2.1.2: In partnership with the Raja Ampat Regency Government and West Papua government, draft comprehensive tourism management legislation for Raja Ampat.</p>	<p>The tourism spatial plan will be coupled with comprehensive supporting legislation for Raja Ampat sustainable tourism management that increases sustainability, ensures cultural compatibility, improves the tourist experience, and generates increased revenues for the government and economic opportunities for Papuan communities. It will regulate activities such as accommodations, transportation, diving and non-diving tourism activities.</p> <p><i>(Note: In subsequent project phases, this activity could be repeated for other areas of West Papua, including Cenderawasih Bay National Park and Kaimana-Fakfak.)</i></p>
<p>Activity 2.1.3: Conduct community, government, and stakeholder consultations to generate and vet investment pipeline across all eco-tourism activities (Outputs 2.1-2.3)</p>	<p>In the development of the masterplan, CI will also conduct extensive community consultations to understand the aspirations and concerns of Papuan communities and to support the design of a tourism that aligns with the cultural identity and values of Papua. CI will additionally partner with the Blue Abadi Fund to support a shared Papuan Advisory Council that can vet the investment pipeline in the BHS.</p>
<p>Activity 2.1.4: Once the Tourism Spatial Plan is complete (Activity 2.1.1), begin structuring a package of tourism infrastructure development investments and/or a plan for a sustainable resort investment for the GFCR Equity Fund</p>	<p>CI will work with UNDP and the GFCR Investment window to begin exploring potential public and/or public/private investment modalities for a tourism infrastructure development package. We will evaluate viability of existing infrastructure financing opportunities, such as the Indonesia Green Sukuk. CI will also work to identify appropriate locations for potential sustainable resorts and work with the GFCR Equity Fund to cultivate partnerships with potential companies.</p> <p><i>(Note: We will aim to propose a package of tourism infrastructure development projects after the completion of the tourism master plan in Phase II of the project. Budget to be included in future project phases.)</i></p>
<p><b>Output 2.2: INCLUSIVE TOURISM DEVELOPMENT SUPPORT:</b> Equitable access to financing and technical support for micro, small and medium coral reef-positive ecotourism enterprises is increased, with a specific focus on Papuan and women-led enterprises and sustainable enterprises at risk of COVID-caused bankruptcy.</p>	



GLOBAL FUND FOR  
**CORAL REEFS**

<p>Activity 2.2.1: Explore demand, opportunities, and constraints to commercial microfinance access in West Papua. Assess the demand for commercial microfinance and needs for related technical assistance in West Papua with emphasis on Papuan and/or women-led microenterprises in the ecotourism sector.</p>	<p>Given the limited penetration of formal commercial and rural bank-led microfinance programs or independent micro-finance institutions (MFIs) in West Papua, and the relative paucity of provincial-level data, additional assessment on the most appropriate micro-finance interventions is needed. The Microfinance Innovation Center for Resources and Alternatives (MICRA Indonesia), Indonesia’s leading microfinance sector capacity building institution, will conduct an assessment of the West Papua microfinance landscape, including opportunities, constraints, and recommendations. The proposed assessment would be used to determine whether (1) there is sufficient unmet demand for commercial micro-finance in West Papua; (2) which existing Indonesian financial or other institutions could address this market; and (3) what opportunities exist to both promote greater financial access and inclusion and influence micro-finance flows toward coral-positive economic activities.</p> <p><i>(Note: Work to establish a targeted tourism microfinance &amp; technical assistance facility and actual lending will begin in Phase II).</i></p> <p><i>(Note: Budget for this activity is included and consolidated as part of Outcome 4.1., Activity 4.1.1. and referenced here to demonstrate connection to BHS Theory of Change)</i></p>
<p>Activity 2.2.2: Diversify BHS ecotourism SMEs by investing, via CI-Ventures, in a portfolio of diverse coral-positive small or medium enterprises in the ecotourism industry, including structuring COVID recovery financial packages in exchange for reef-positive sustainability commitments.</p>	<p>Identify, source, and screen prospective coral reef-positive ecotourism SMEs. Direct investments in accordance with standard CI-Ventures investment screening, diligence, and committee review process, and Program and GFCR investment objectives and mandates. Target is to invest in at least 10 reef positive enterprises over the life of the programme.</p> <p><i>(Note: Budget for this activity is included and consolidated as part of Outcome 4.1., Activity 4.1.1. and referenced here to demonstrate connection to BHS theory of change)</i></p>
<p>Activity 2.2.3: Scope potential for establishing a tourism training center for BHS</p>	<p>Scope potential partners to run a tourism livelihoods training program for Papuans to be launched in Phase II of the program.</p> <p><i>(Note: Work to establish a targeted tourism training center will begin in Phase II).</i></p>
<p><b>Output 2.3 — ECOTOURISM THREAT REDUCTION:</b> Direct impacts of the ecotourism industry on coral reef ecosystems in the Bird’s Head Seascape, including from anchor damage, plastic waste, and wastewater, are reduced.</p>	
<p>Activity 2.3.1: Develop a fully functional, legally mandated, and self-financing Raja Ampat Mooring System (RAMS).</p>	<p>Finalize public/private partnership arrangement, legal mandate, and revenue model to ensure investment readiness for the Raja Ampat Mooring System. The system is expected to include a network of ~60 heavy and ~50 light moorings and will be mandatory for liveaboard vessels in Raja Ampat thereby reducing anchor damage to the reef.</p>





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	<p><i>(Note: Once design and governance is confirmed in Phase I, the budget for the original capital expenditure (grant) and a concessional loan for initial operations will be proposed to GFCR as an additional investment. It is currently estimated that it will require USD \$1,822,993 over a period of 3 years)</i></p> <p><i>(Note: Additional activities to address plastic waste and wastewater threats associated with tourism are anticipated for Phase II).</i></p>
<p><b>OUTCOME 3 – ENHANCED ECONOMIC RESILIENCE THROUGH REEF-POSITIVE SEAWEED DEVELOPMENT.</b></p>	
<p><b>Output 3.1: EVIDENCE-BASED FRAMEWORKS FOR REEF-POSITIVE SEAWEED DEVELOPMENT.</b> Foundational research to guide near-term reef-positive mariculture siting and growing practices and long-run disease and climate resilience.</p>	
<p>Activity 3.1.1: Undertake East Sumba baseline biophysical, bioecological, and socioeconomic baseline assessments</p>	<p>In partnership with Universitas Nusa Cendana, conduct East Sumba Regency baseline assessments focused on:</p> <ul style="list-style-type: none"> <li>- <b>Biophysical and bioecological conditions</b>, including assessment of coral reef systems and conditions, spatial relationships between reef systems and other important habitat with current mariculture siting;</li> <li>- <b>Socioeconomic conditions</b>, including community demographic, socioeconomic, and other human dimensions related to seaweed and other community livelihoods and livelihood dependencies; and</li> <li>- Revised assessment and mapping of <b>local seaweed value chain and industry dynamics</b>.</li> </ul> <p>Baseline assessment activities are more particularly described in Annex II and are intended to inform development of Programme baseline and target indicators and metrics and guide future research efforts beyond this initial 18-month period.</p> <p>In each case, proposed baseline assessments are intended to supplement, refine and/or update data derived from prior assessments and surveys:</p> <ul style="list-style-type: none"> <li>- <b>Baseline coral bioecological data</b> reviewed in connection with this proposal development were derived from prior surveys and assessments undertaken by the KKP/MMAF in conjunction with the Savu Sea TNP establishment (2014) and COREMAP-CTI (2018). In each case, reef ecosystem assessments concentrated on a narrow subset of reef sites in the geographically contiguous districts of Umalulu (n=1), Rindi (n=6), Pahunga Lodu (n=3) which represent only a small proportion of the East Sumba coastal waters encompassed by the Savu Sea TNP management zone 4050 subject of this proposal. Proposed baseline assessments will seek to update and refine existing data, and identify spatial relationships between reef and seaweed mariculture areas across a broader reference area.</li> </ul>



	<ul style="list-style-type: none"> <li>- <b>Socioeconomic data</b> reviewed in connection with this proposal is derived from government census data which is limited with respect to household industry participation and income data, particularly with respect to seaweed mariculture which data are undifferentiated from either fisheries or broader aquaculture reporting. The proposed baseline assessment will seek to derive more granular data related to household subsistence and income dependence on reef-associated fishery resources and seaweed mariculture.</li> <li>- <b>Industry and value chain analyses</b> data reviewed in connection with this proposal is comparatively robust with respect to the local industry and value chain structure but may be incomplete with respect to production and trade flows according to interviews and data furnished by regency-owned processing firm PT ASTIL. The proposed baseline assessment will seek to update information relevant to the development and investment interventions described herein.</li> </ul>
<p>Activity 3.1.2: Support and advance seaweed disease and climate resilience research</p>	<p>In partnership with Cargill and consortium of leading research institutions from Indonesia, Philippines and Malaysia, support research intended to promote:</p> <ul style="list-style-type: none"> <li>- Taxonomy and mapping of native seaweed strains to promote conservation of wild populations;</li> <li>- More robust, disease and climate resilient commercial cultivars;</li> <li>- Improved local and national agronomic capacity related to seaweed breeding, cultivation and nursery activities</li> </ul> <p>Compared with other major seaweed producing countries such as the Philippines and Malaysia, Indonesia has been the subject of limited formal native seaweed strain taxonomy, and disease and climate resilience research. The proposed research is designed to identify priorities for conservation of native wild seaweed populations and the ecological conditions enabling sustainable siting of expanded commercial production of seaweed.</p> <p>The insights produced through this research initiative are intended to enhance the resilience and competitive positioning of Indonesia's seaweed industry while generating evidence-based recommendations that allow for sustainable intensification of seaweed production—a key strategy for managing the footprint of seaweed mariculture and guarding against unsustainable expansion, particularly in coral reef and other sensitive habitat (seagrass). Similar to strategies used in agriculture, aquaculture (e.g. shrimp, finfish) and other commodity production sectors, sustainable intensification and effective disease and environmental quality management strategies aid in reducing negative spatial footprint expansion and impacts to natural environment. Proposed research activities are more particularly described in Annex II.</p>



<b>Output 3.2: ROADMAP FOR INVESTMENT IN REEF-POSITIVE SEAWEED DEVELOPMENT.</b> Roadmap and strategy for blended investment in reef-positive seaweed industry and livelihood development	
Activity 3.2.1: Design and develop coral reef-positive seaweed investment guidance, and impact monitoring and assessment framework and tools	Despite growing interest in seaweed sector investment, there remains limited investor-facing guidance relevant to assessment and measurement of sectoral environmental, social, and governance (ESG) risks and impact. Leveraging knowledge and insights developed under Output 3.1, the Program will design, develop, and pilot through CIV investment activities an investment-oriented risk and impact assessment framework focused on seaweed sector investment impacts. Additional details provided in Annex VI.
Activity 3.2.2: Explore opportunities, and constraints to sustainable, coral-positive seaweed sector investment in Sumba and development of investment roadmap	Explore commercial seaweed mariculture landscape within East Sumba and associated key seaweed sourcing regions, including preliminary commercial, financial, and environmental and social performance and risk assessment of seaweed farms/farming cooperatives.
Activity 3.2.3: Develop pipeline of SMEs within and across the seaweed value chain that have potential to deliver positive, quantifiable sustainable development, and livelihood benefits while reinforcing coral reef protection and conservation	Through CIV, identify, source, and screen prospective SME seed investment opportunities that have potential to support inclusive, equitable and coral reef-positive seaweed sector development in Sumba and/or at a provincial or national scale. Actively identify and mobilize opportunities for transaction-level co-financing and/or follow-on investment by GFCR Equity Fund or other aligned investors. CIV investment strategy and indicative investment pipeline are more particularly described in Appendix VII.  <i>(Note: Budget for this activity is included and consolidated as part of Outcome 4.1., Activity 4.1.1. and referenced here to demonstrate connection to Sumba seaweed sector theory of change)</i>
<b>OUTCOME 4 – TRANSFORM ACCESS TO FINANCING FOR CORAL-POSITIVE ENTERPRISES:</b> Reduced barriers to financial access for coral-positive micro, small, and medium enterprises	
<b>Output 4.1 – PIPELINE OF CORAL REEF-POSITIVE INVESTMENT OPPORTUNITIES IN PRIORITY SITES:</b> Geographically, strategically, and thematically aligned investment opportunities are identified in Priority sites.	
Activity 4.1.1: Develop pipeline of strategically and thematically aligned coral-positive investment opportunities in GFCR Indonesia Priority Areas	Identify, source, and screen strategically and thematically aligned coral reef-positive investment opportunities aligned with GFCR Investment Principles relevant to initial site priorities (BHS and Sumba). Segment opportunity pipeline based on financing and investment requirements and determine appropriate financing strategy(ies) including: <ul style="list-style-type: none"> <li>- Microfinance-scale opportunities (outside remit of CIV and/or GFCR Equity Fund)</li> <li>- SME investment opportunities appropriate for CIV direct investment</li> <li>- Potential commercially-oriented investments appropriate for GFCR Equity Fund</li> </ul> A more detailed summary of opportunity sourcing and investment pipeline prioritization approach and preliminary indicative investment



	pipeline is provided in Annex VII and Appendix A (custom attachment), respectively.
<b>Output 4.2 – INVESTMENT MOBILIZATION:</b> Mobilization of initial portfolio of coral-positive investments in GFCR Priority Areas and sectors	
Activity 4.2.1: Form, establish, and operationalize dedicated GFCR Indonesia investment window with CI Ventures	Undertake key activities associated with formation, establishment, and operationalization of dedicated GFCR Indonesia investment window within CIV including: <ul style="list-style-type: none"> <li>- Customary legal, administrative, tax and other country-level due diligence associated with CIV SME debt and equity investments in Indonesia.<sup>169</sup></li> <li>- Recruitment and hiring of Indonesia-based investment officer(s) and support staffing relevant to CIV investment activities under GFCR</li> <li>- Formation of Indonesia Investment Advisory Committee</li> </ul> Additional details regarding specific activities to be undertaken under Activity 4.2.1 are presented in Appendix VII.
Activity 4.2.2: Capitalization of dedicated GFCR Indonesia investment window within CI Ventures	Finalize initial GFCR Grant Window (GW) and CIV capital commitments to Indonesia investment window. In addition to requested initial GFCR GW capital contributions, CIV has agreed to commit and allocate an initial USD \$1.50m of its own (secured) capital toward GFCR related investments in Indonesia. Future capitalization requirements and fundraising prospects will be evaluated based on opportunity pipeline and market demand.
Activity 4.2.3: Investment execution and portfolio management	Execute geographically, strategically and thematically aligned SME investments in accordance with GFCR and Program investment objectives and mandates and standard CIV investment screening, diligence, and committee review processes. Proactively manage portfolio company relationships, including provision of strategic guidance and advising follow-on financing and/or exit opportunities. Conduct environmental, social, and financial performance monitoring, assessment and reporting on active investment portfolio.

<sup>169</sup> Completion of legal, administrative, tax and other country-level due diligence is a key condition precedent to CIV investment activities related to investment in Indonesian firms.



## Section C. and Section F.: CIV Investment Strategy & Approach

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1. Impact-First Approach. CIV employs an “impact-first” approach to investing that seeks to maximize the positive environmental and social outcomes generated by our portfolio investments. While CIV seeks to generate positive returns across our portfolio investment activities, we prioritize investment opportunities that have strong potential to deliver outsized risk-adjusted impact returns. To better align economic and environmental and social (“E&S”) impact outcomes, CIV employs a range of concessional financing approaches including E&S performance-linked interest rate discounts and other investment pricing tools, extended grace periods, and waiver of collateral requirements where appropriate. Application of incentives and concessions are evaluated on a case-by-case basis, with the objective of applying strategies most likely to optimize positive E&S impacts of portfolio investments.
2. Harnessing Relationships Across the Financing Continuum. Situated at the nexus of philanthropic and commercial finance, CIV is uniquely positioned as a bridge between venture philanthropy and grant-based public innovation support (e.g. U.S. SBIR and equivalent programs) and commercially-oriented venture and private equity. CIV has invested in the cultivation of strong relationships with innovation oriented foundations, family offices, and private equity funds which have the potential to support the funding and financing needs of enterprises through multiple stages of their growth lifecycle.
3. Opportunities for Value-Addition. CIV invests in markets and industry segments that represent the best opportunities to leverage CI’s institutional expertise and relationships. In connection with this programme, we will seek to leveraging both our scientific, conservation management, policy and governance expertise, and private sector/corporate relationships alongside our investment capital to strengthen and reinforce the E&S impact and commercial performance of enterprises we invest in.
4. Investment Incubation. CIV specializes in financing solutions for emerging market seed and early-growth stage companies and more established small-medium enterprises. CIV will leverage its expertise and experience to advance the investment incubation objectives of the GFCR in Indonesia.
5. Priority Site & Sector Alignment. With respect to the GFCR Indonesia investment window, CIV will prioritize investment opportunities within programme Priority Sites, and priority sectors as well as associated value chains that directly support and reinforce reef-positive outcomes. To maximize the impact generated by its investment activities, CIV may consider other investment opportunities that may be originated by the GFCR Equity Fund or Co-Convening Agent, The Nature Conservancy (TNC) that directly advance GFCR coral reef objectives in other programme priority sites in Indonesia.
6. Investment Pipeline Sourcing. In addition to coordination of opportunity sourcing activities with YKCI and other local partners, CIV will leverage its network of enterprise incubators, accelerators, and blue economy investment partners (summary in Annex V: Section D) and GFCR partners and co-convening agents to identify and source prospective investment opportunities.
7. Investment Opportunity Prioritization. Responsive to the overarching goals and objectives of the GFCR with respect to catalyzing commercial and other private investment in reef-positive enterprises and projects, CIV will initially prioritize opportunities that possess, at a minimum: (a) strong initial founder teams with relevant experience and financial management capacity; (b) compelling, clearly articulated impact-aligned business models; (c) early demonstration of product-market alignment and traction with key customer segments; and (d) clear, rational impact, operational and commercial growth milestones and have demonstrated ability to attract additional co-financing.



8. **Indicative Pipeline.** Based on preliminary opportunity sourcing, CIV has identified an initial indicative pipeline of opportunities totaling an estimated \$29m, including at least three (3) opportunities which are of mutual interest to CIV and the GFCR Equity Fund as communicated through its Indonesia advisor, SYSTEMIQ. For a number of identified GFCR pipeline opportunities, CIV has executed non-disclosure agreements (NDAs) with enterprises. As a result, specific pipeline company information is withheld from this proposal pending execution of a Mutual Confidentiality and Non-Disclosure Agreement with GFCR Equity Fund parties (already under negotiation).
9. **Investment Process.** Indonesia investments to be executed in accordance with standard CIV investment processes and procedures and additional GFCR, Indonesia Investment Advisory Committee, and/or other country-specific requirements to be determined.

Deal Sourcing & Pre-Screening	Investment Committee 1 (IC1)	Due Diligence	Investment Committee 2 (IC2)	Contracting & Disbursement	Portfolio Management
<b>Deal Sourcing</b> <ul style="list-style-type: none"> <li>Identify, source prospective opportunities</li> </ul> <b>Pre-Screening</b> <ul style="list-style-type: none"> <li>Assessment of strategic, thematic, impact alignment</li> <li>pre-screening</li> <li>Integration of Indonesia and GFCR specific pre-screening factors</li> </ul>	<b>Preliminary Diligence</b> <ul style="list-style-type: none"> <li>Assess relevant policy, economic, industry, market, technology, environmental dynamics, trends</li> <li>Preliminary legal, corporate, commercial, financial, ESG diligence and risk assessment</li> </ul> <b>Draft Investment Terms</b> <ul style="list-style-type: none"> <li>Discuss proposed investment terms, conditions</li> <li>Prepare draft term sheet</li> </ul> <b>Pre-Investment Memo</b> <ul style="list-style-type: none"> <li>Preparation of pre-investment memo incorporating data from above for IC1 review</li> </ul> <b>Pre-Investment Memo for IC Review</b>	<b>Formal Diligence</b> <ul style="list-style-type: none"> <li>Formal legal, corporate, tax KYC, and other customary due diligence. Engage local counsel as needed</li> <li>Impact and risk assessment across environmental, social and fundamental factors</li> </ul> <b>Due Diligence Report</b> <ul style="list-style-type: none"> <li>Findings summarized in due diligence report</li> <li>E&amp;S and company governance performance indicators, baselines, targets and action plans developed</li> </ul> <b>Finalize Investment Terms</b> <ul style="list-style-type: none"> <li>Finalize investment terms, conditions</li> <li>Prepare revised term sheet</li> </ul>	<b>Final Investment Memo</b> <ul style="list-style-type: none"> <li>Incorporate findings from due diligence</li> <li>Incorporate final investment terms</li> <li>Incorporate changes, if any, since Pre-Investment Memo</li> </ul> <b>Final Investment Memo submitted to IC for review and approval</b>	<b>Legal Documentation</b> <ul style="list-style-type: none"> <li>Preparation, negotiation of investment agreements</li> <li>Finalize and execute</li> </ul> <b>Screening</b> <ul style="list-style-type: none"> <li>Finalize investee security &amp; KYC screening</li> <li>Compile documentation needed for disbursement</li> </ul> <b>Disbursement</b> <ul style="list-style-type: none"> <li>Review CPs to initial disbursement</li> <li>Prepare disbursement checklist</li> <li>Compile documentation needed for wire transfer/disbursement</li> </ul> <b>Proceed to financial close and disburse funds</b>	<b>ESG KPIs and ESAP</b> <ul style="list-style-type: none"> <li>Review custom ESG key performance indicators, baselines, and ex-ante/ex-post targets and metrics with portfolio company on period basis [quarterly/semi-annual/annual] per agreement</li> <li>Annual ESG certification and standard impact reporting</li> </ul> <b>Financial Management</b> <ul style="list-style-type: none"> <li>Review company required financial, operational reporting and audits</li> <li>Review current and future financing requirements, needs</li> </ul>
<b>Required Decisions &amp; Approvals</b>					
Determination of strategic, thematic alignment	Investment Committee approval to advance to formal due diligence		Investment Committee approval to advance to formal due diligence		

10. **Indonesia Investment Advisory Committee.** In connection with its investment incubation activities, CIV will establish an Indonesia Investment Advisory Committee, the formal legal, governance, and administrative terms of which will be developed in Y1 of the programme. The purpose of the Indonesia Investment Advisory Committee will be to advise the CIV Investment Committee with respect to opportunity sourcing, investment risk and opportunity screening, and local contextual factors that could influence investment decision-making and/or investment performance. While the specific committee composition and roles will be determined in as part of formal establishment activities in Y1, the Indonesia Investment Advisory Committee is envisioned to include, at minimum, one (1) member each of YKCI leadership and the GFCR Equity Fund, respectively, one (1) representative from each of the programme Priority Areas, one to three domestic and/or regional financial sector representatives, and a rotating seat(s) for external scientific and/or industry representatives depending on the specific investment opportunity(ies) then under consideration (e.g. where an investment in seaweed mariculture in East Sumba is under consideration, a member of the Indonesian seaweed industry association ASTRULL and one science advisor specializing in seaweed sector risks).
11. **GFCR Equity Fund Coordination.** Coordination with GFCR co-convening agencies and partners, TNC, PCA, and SYSTEMIQ, will be facilitated through bi-weekly operational and monthly strategic coordination meetings/calls by and between the parties. As indicated above, to facilitate more open dialogue with respect to specific CIV investment and co-investment opportunities and broader



investment activity harmonization and coordination, CIV and the GFCR Equity Fund are in the process of finalizing a Mutual Confidentiality and Non-Disclosure Agreement.



# GLOBAL FUND FOR CORAL REEFS

## Annex V: Section D – Governance and Partners Supplementary Information (5 pages max)

Partners	Role and Responsibilities
<b>Lead Co-Implementers &amp; Partners</b>	
YKCI (Lead Co-Implementing Partner)	<ul style="list-style-type: none"> <li>- CI Local NGO affiliate in Indonesia</li> <li>- Programmatic and strategic direction for Indonesia-based activities</li> <li>- Primary focal point for Indonesian government engagement</li> </ul>
The Nature Conservancy <a href="https://www.nature.org/en-us/">https://www.nature.org/en-us/</a>	<ul style="list-style-type: none"> <li>- GFCR Indonesia Co-Convening Agent</li> <li>- NGO partner to support project implementation, and deal sourcing and technical assistance partner</li> </ul>
<b>National Government Key Partners</b>	
Ministry of Marine Affairs and Fisheries	- Government of Indonesia ministry responsible for all MPAs, capture fisheries and mariculture in Indonesia. Partner on each of the above workstreams.
Ministry of Finance	- Government of Indonesia ministry actively involved in the Blue Abadi Fund Debt for Nature Swap.
Coordinating Ministry for Maritime and Investment Affairs	- Government of Indonesia ministry with oversight of all marine and conservation projects as well as investment. This ministerial buy-in will be critical to GFCR program success.
<b>U.S. Government Partners (Blue Abadi Debt Swap)</b>	
USAID <a href="https://www.usaid.gov/">https://www.usaid.gov/</a>	- US government international development agency supporting the Blue Abadi Fund Debt for Nature Swap
US Department of Treasury <a href="https://home.treasury.gov/">https://home.treasury.gov/</a>	- US Government partners for the Blue Abadi Debt for Nature Swap.
<b>BHS Key Partners</b>	
Balitbangda in West Papua	- Agency in West Papua responsible for development and the Sustainable Development Provincial regulation and targets. A partner in virtually all West Papua projects and who's buy-in and support is critical to program success especially as the supporting agency for the West Papua Mooring System.
Cenderawasih Bay National Park Management Authority	- A regional arm of the Ministry of Environment and Forestry responsible for managing the Cenderawasih Bay National Park. They will be a key implementation partner in the sustainable financing work in Cenderawasih Bay.





Raja Ampat MPA Management Authority	<ul style="list-style-type: none"> <li>- Provincial entity responsible for the patrolling and management of the Raja Ampat network of seven MPAs. A partner in all work relating to tourism and MPA management in Raja Ampat.</li> </ul>
Bomberai MPA Management Authority	<ul style="list-style-type: none"> <li>- Provincial entity responsible for the patrolling and management of the Fakfak-Kaimana network of six MPAs. A partner in all work relating to tourism and MPA management in Fakfak and Kaimana.</li> </ul>
Raja Ampat Regency government	<ul style="list-style-type: none"> <li>- Partner in all activities in Raja Ampat, notably with the Tourism Agency for Raja Ampat who has authority over tourism in the regency.</li> </ul>
West Papua Marine and Fisheries Agency	<ul style="list-style-type: none"> <li>- West Papua provincial agency supporting the MPA Management Units around the BHS</li> </ul>
University of Papua (UNIPA) <a href="https://unipa.ac.id/">https://unipa.ac.id/</a>	<ul style="list-style-type: none"> <li>- Partnering in BHS monitoring evaluation surveys, training and conservation capacity development.</li> </ul>
Blue Abadi Fund	<ul style="list-style-type: none"> <li>- Co-financing partner supporting MPA financing, micro-grants to BHS enterprises, and funding for BHS monitoring and evaluation.</li> <li>- Shared Papuan advisory committee will provide guidance for culturally appropriate initiatives.</li> </ul>
Microfinance Innovation Center for Resources and Alternatives (MICRA) <a href="https://www.micra-indo.org/">https://www.micra-indo.org/</a>	<ul style="list-style-type: none"> <li>- Partner to conduct microfinance assessment</li> </ul>
Raja Ampat Homestay Association <a href="https://www.stayrajaampat.com/ultimate-raja-ampat-guide/news/raja-ampat-homestay-association/">https://www.stayrajaampat.com/ultimate-raja-ampat-guide/news/raja-ampat-homestay-association/</a>	<ul style="list-style-type: none"> <li>- Association of locally owned homestays in Raja Ampat and a potential partner for tourism diversification efforts.</li> </ul>
<b>Sumba Key Partners</b>	
Provincial Government of East Nusa Tenggara (NTT), Department of Marine Affairs and Fisheries	<ul style="list-style-type: none"> <li>- Governance authority for marine affairs in NTT waters</li> <li>- Lead agency for management of Savu Sea Marine National Park and designated areas</li> </ul>
East Sumba Regency, Department of Fisheries	<ul style="list-style-type: none"> <li>- Regency-level government authority overseeing marine affairs and fisheries, including seaweed mariculture activities</li> </ul>
PT. Algae Sumba Timur Lestari (ASTIL)	<ul style="list-style-type: none"> <li>- East Sumba BUMD focused on seaweed sourcing, processing, and trading activities</li> <li>- Local seaweed industry engagement support</li> <li>- Prospective concessional investment pipeline opportunity</li> <li>- Development of seaweed industry (local farmer empowerment, establishment of seaweed seed-bank, factory engine/equipment improvement, product and export market development, business development)</li> </ul>
Indonesia Seaweed Industry Association (ASTRULI)	<ul style="list-style-type: none"> <li>- Seaweed industry outreach and engagement</li> <li>- Technical partnership</li> </ul>



<a href="https://www.indonesiaseaweed.com/">https://www.indonesiaseaweed.com/</a>	
Universitas Nusa Cendana	<ul style="list-style-type: none"> <li>- Baseline coral and bioecological assessment</li> <li>- Baseline socioeconomic assessment</li> </ul>
University of Mataram/Universitas Mataram (UNRAM) <a href="https://unram.ac.id/">https://unram.ac.id/</a>	<ul style="list-style-type: none"> <li>- Lead Indonesian research institution for seaweed resilience study</li> <li>- Potential grant recipient</li> <li>- Partnering in LSS monitoring evaluation survey, Fisheries and Mariculture capacity development in Saleh Bay, IKLI concept development and training.</li> </ul>
Cargill	<ul style="list-style-type: none"> <li>- Private sector lead on seaweed resilience study</li> <li>- Potential seaweed research and commercial trade partner</li> </ul>
University of Queensland	<ul style="list-style-type: none"> <li>- Potential seaweed industry research partner (see Activity)</li> <li>- Potential Phase II grant recipient</li> </ul>
CI Ventures LLC Investment Network	
Mirova Natural Capital – Althelia Sustainable Ocean Fund	<ul style="list-style-type: none"> <li>- Deal sourcing and prospective co-investment partner</li> </ul>
Deliberate Capital – Meloy Fund <a href="https://www.deliberatecapital.com/">https://www.deliberatecapital.com/</a>	<ul style="list-style-type: none"> <li>- Deal sourcing and prospective co-investment partner</li> </ul>
Hatch Blue <a href="https://www.hatch.blue/">https://www.hatch.blue/</a>	<ul style="list-style-type: none"> <li>- Leading global aquaculture accelerator</li> <li>- Deal sourcing and prospective co-investment partner</li> </ul>
Sustainable Ocean Alliance <a href="https://www.soalliance.org/">https://www.soalliance.org/</a>	<ul style="list-style-type: none"> <li>- Deal sourcing partner</li> <li>- Prospective co-investment partner through Seabird Ventures Fund <a href="https://www.seabirdventures.fund/">https://www.seabirdventures.fund/</a></li> </ul>
Beneficial Returns <a href="https://www.beneficialreturns.com/">https://www.beneficialreturns.com/</a>	<ul style="list-style-type: none"> <li>- Prospective co-investment partner</li> </ul>
S2G Ventures – Oceans <a href="https://www.s2gventures.com/">https://www.s2gventures.com/</a>	<ul style="list-style-type: none"> <li>- Prospective co-investment partner</li> </ul>
AquaSpark <a href="https://www.aqua-spark.nl/">https://www.aqua-spark.nl/</a>	<ul style="list-style-type: none"> <li>- Deal sourcing partner</li> <li>- Prospective co-investment partner</li> </ul>
SWEN Blue Oceans <a href="https://www.blueoceanspartners.com/">https://www.blueoceanspartners.com/</a>	<ul style="list-style-type: none"> <li>- Deal sourcing partner</li> <li>- Prospective co-investment partner</li> </ul>
Schmidt Marine Technology Partners <a href="https://www.schmidtmarine.org/">https://www.schmidtmarine.org/</a>	<ul style="list-style-type: none"> <li>- Deal sourcing partner</li> </ul>
Builders Vision – Rising Tide Fund <a href="https://www.buildersvision.com/">https://www.buildersvision.com/</a>	<ul style="list-style-type: none"> <li>- Deal sourcing partner</li> <li>- Prospective co-investment partner</li> </ul>
Oceankind (Lab) <a href="https://oceankind.org/">https://oceankind.org/</a>	<ul style="list-style-type: none"> <li>- Deal sourcing partner</li> </ul>



## **Section D – Governance and Operational Structure: D.1.1. Decision-Making Bodies and Composition**

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### **A. Conservation International Ventures LLC**

1. Legal Structure. Established in 2018, Conservation International Ventures LLC (“CIV” or “CI Ventures”) is organized as a sole member Delaware (U.S.) limited liability company (LLC), with Conservation International Foundation (“CI”) as its sole member. CI controls the legal, fiscal, and administrative affairs of CIV.
2. General Purpose. CIV is an ‘impact-first’ investment vehicle that invests philanthropic capital in the form of debt and hybrid debt investments in “planet positive” small-medium enterprises that generate positive environmental and social benefits alongside financial returns.
3. Governance & Management of Operations. CI, through its Conservation Finance Division (CFD) oversees the management and operations of CIV, including decisions regarding CIV capitalization, the countries, jurisdictions, and sectors in which CIV may invest. CIV portfolio investment decisions are subject to a formal investment committee process as summarized below.
4. Investment Committee. CIV portfolio investment decisions are subject to review and approval by the CIV Investment Committee, a body comprised of executive and senior management of CI. The Investment Committee has the sole authority to approve the investment of CIV capital and is the primary investment decision-making body of CIV. The CIV Investment Committee decision process is further described herein.

### **B. Indonesia Investment Advisory Committee.**

1. Committee Formation Process; Timeline. Formal establishment, including clarification of the purpose, scope (and scope limitations), role and composition of the proposed Indonesia Investment Advisory Committee (“Investment Advisory Committee”), and finalization of organizational and administrative matters (e.g. meeting format, frequency, etc.) is expected to be implemented within the initial 6-months of programme commencement.
2. Purpose; Scope; Limitations. In connection with this programme, CIV will establish an Indonesian Investment Advisory Committee (“Investment Advisory Committee”) the purpose of which will be to advise the CIV Investment Committee on strategic and programmatic matters related to alignment of CIV Indonesia investment window investments with GFCR coral reef protection and conservation objectives in Indonesia; potential sector, market, or portfolio investment-specific opportunities and risks based; identification of prospective CIV additional fundraising and/or portfolio investment opportunities, and other matters material to the activities of CIV in Indonesia. The Investment Advisory Committee is an advisory body and will not have any role in control, governance, or decision-making of CIV or its Investment Committee.
3. Committee Composition. The Investment Advisory Committee composition, proposed member profiles, selection criteria, roles, and other applicable administrative terms is expected to be finalized within 6-months of programme commencement. Investment Advisory Committee composition will seek to achieve diverse, inclusive, representation, including members from Priority Site communities, qualified and experienced finance professionals, and subject matter experts from programme priority sectors.



# GLOBAL FUND FOR CORAL REEFS

## **Annex VI: Section E – Programme Pipeline Supplementary Information (5 pages max)**

### **Intervention 1: Replication of MPA Financing Models in BHS**

The first outcome of the proposed project is to work to close the financing gap in perpetuity for foundational MPA and coral reef conservation activities in the BHS. If the financing gap persists and core seascape functions are not adequately resourced and maintained, the result would likely be an increase in unsustainable resource development and extraction, and a resultant decrease in reef health and marine biodiversity across the region.

Based on a financial gap analysis conducted in 2016 and updated in 2020, it has been estimated that annual operating costs for the conservation of the BHS run at a minimum of US\$4.5 million per year. That figure does not include costs of international NGO partners in the seascape. Key sources of funding include national and provincial government allocations, tourism entry fee revenue, local NGO fundraising, distributions from the Blue Abadi Fund, the dedicated conservation trust fund for the BHS. To close the financing gap and ensure steady flows of revenue, CI will focus on the negotiation of a coral focused debt for nature swap to be administered via the Blue Abadi Fund as well as replicating models of MPA governance and finance from Raja Ampat to other areas of the BHS MPA network to increase available revenue and the ability of MPA management authorities to access it for core conservation activities. The debt for nature swap will only be proposed to GFCR if it becomes viable (see memo in Appendix B).

To ensure MPA management authorities across the BHS have adequate sustainable financing for the long-term protection of coral reefs requires not only adequate funding sources, but also the legal governance mechanisms and capacity to access it. In this output, CI proposes work to replicate successful governance and financing models first piloted in Raja Ampat Regency to other MPA management authorities in the seascape, thus increasing access to existing funding sources, while opening up new funding streams.

CI and TNC helped the Raja Ampat MPA Management Authority become Indonesia’s first environmental agency approved as a public service board (*Badan Layanan Umum Daerah*), commonly referred to as having “BLUD status.” Previously reserved for public hospitals, the status recognizes the MPA Authority’s significant contribution to the public good and allows it to receive and manage funds from non-government sources as well as to hire non-civil servant staff, in this case community rangers.

Having BLUD status has allowed the Raja Ampat MPA Management Authority to develop and manage a tourist user fee system that in 2019 generated over US\$2M in fees and is projected to generate up to US\$4.4M for MPA management and community development per year by 2035 in a medium growth scenario.<sup>170</sup> Because of the BLUD status, these funds are managed directly by the Raja Ampat MPA Authority, unlike so many other tourism fees that go to general government accounts and rarely contribute to park management.

The Raja Ampat MPA Management Authority’s BLUD status also enables it to apply for and receive grant funding from the Blue Abadi Fund, providing a secure source of funding year after year. This grant funding

<sup>170</sup> Internal report produced for IDH in 2020 by CI, Starling Resources and JSL Sustainable.



was particularly important this past year when tourist fees and government budgets dried up in the face of the global COVID-19 pandemic, allowing MPA patrol teams to continue operations and prevent an influx of dynamite fishers and poachers that flooded other non-patrolled MPAs in Indonesia.

With GFCR support, CI will work to replicate Raja Ampat's BLUD model and the tourism user fee system for the Cenderawasih Bay Marine National Park Authority and the Bomberai MPA Management Authority as discussed in Section E – Programme Pipeline (Intervention 1).

## **Intervention 2: Strengthening enabling conditions for responsible and inclusive ecotourism recovery and growth in the BHS**

Utilizing financing at multiple scales and modalities, the proposed GFCR tourism investments focus on ensuring sustainable and geographically dispersed tourism opportunities that are well managed and maximize benefits to local communities while incentivizing continued conservation. By spreading tourism out, and diversifying beyond just dive tourism, the program aims to not only accommodate an increase in tourism but to also reduce the current impact on Raja Ampat's coral reefs.

The proposed investment portfolio begins with the development of a Raja Ampat Regency Tourism Spatial Plan that includes extensive environmental and social impact assessments and maps out areas of the regency for different aspects of tourism development. The plan will be developed in partnership with the Raja Ampat Regency Government and Tourism Agency (*Dinas Pariwisata*) and will build upon a decade's work of collaboration on tourism planning and management.<sup>171</sup> The goal will be to diversify and spread-out tourism opportunities thus increasing tourism jobs and revenue, while decreasing impact directly to the reefs.

### **Diversifying Tourism Enterprises**

In line with the to-be-developed tourism masterplan, investment is needed for tourism-focused MSMEs that will reduce tourism pressure on the reefs and diversify sustainable tourism experiences. For example, a glass bottom boat business could provide an opportunity for domestic tourists who are less experienced with diving and snorkeling a way to experience the reef without trampling on it. There are endless underdeveloped opportunities for other eco-focused tourism business focused on hiking, trekking, rock climbing, bird watching, orchid tours, etc.

Surf tourism is another burgeoning industry in the Bird's Head, with new surf focused homestays recently built by the government in Biak. And lastly, there is significant potential for Papuan-led enterprises focused on Papuan art and culture. While many of the MSMEs will have direct coral reef-positive outcomes, others will indirectly reduce impact to the reefs by spreading out tourism pressure and providing alternative nature experiences that do not negatively impact the reef, but still livelihood options and economic growth from tourism.

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<sup>171</sup> CI has supported the Raja Ampat Regency to create a tourism master plan in the form of a RIPARKAB – a regency level tourism development plan. With support from the GFCR and co-financing from philanthropic institutions, the CI West Papua team will work with a team of highly experienced tourism consultants and the Raja Ampat Tourism Agency (*Dinas Pariwisata*) and to review and revise the master plan, then secure the plan as a *Peraturan Daerah* – a stronger legislation than the current RIPARKAB.



In addition, many existing sustainable tour operators are on the brink of bankruptcy due to the global COVID pandemic. Providing emergency financing to keep these companies in business could be critical to the medium-term growth of West Papua's eco-tourism industry and prevent and transition of the economy back to coral destructive industries such as mining and destructive fishing. We will explore structuring COVID recovery financial packages for tourism operators in exchange for sustainability and local hiring commitments.

Investment in eco-tourism MSMEs will have two scales—micro and small/medium. Given the limited penetration of formal commercial and rural bank-led microfinance programs or independent micro-finance institutions (MFIs) in West Papua, and the relative paucity of provincial-level data, additional assessment on the most appropriate micro-finance interventions is needed. The Microfinance Innovation Center for Resources and Alternatives (MICRA Indonesia),<sup>172</sup> Indonesia's leading microfinance sector capacity building institution, will conduct an assessment of the West Papua microfinance landscape, including opportunities, constraints, and recommendations. The proposed assessment would be used to determine whether (1) there is sufficient unmet demand for commercial micro-finance in West Papua; (2) which existing Indonesian financial or other institutions could address this market; and (3) what opportunities exist to both promote greater financial access and inclusion and influence micro-finance flows toward coral-positive economic activities.<sup>173</sup>

Investment in eco-tourism SMEs will be managed by CI-Ventures. As a condition for investment, CI-Ventures will ensure hiring policies provide opportunities (including job training) for indigenous Papuans and may give preferential employment to people transitioning from reef destructive industries.

### **Threat Reduction**

The programme will also make investments to directly reduce impacts of the ecotourism industry on coral reef ecosystems in the BHS, including from anchor damage, plastic waste, and wastewater.

Both plastic waste and wastewater from the tourism industry and beyond are having a significant impact on the reefs as well as on the industry as tourists are confronted with plastic waste even in the most remote locations. Liveaboards dump blackwater directly on reefs at night, and many small homestays and most villages lack septic systems, with wastewater flowing directly on the reefs. In subsequent phases, the programme will seek to invest in innovative and effective models of plastic recycling and trash management and will commission an assessment of wastewater threat level and management options for Raja Ampat and/or West Papua and recommend potential investment opportunities based on results.

### **Intervention 5: Catalytic Investments in Reef-Positive Enterprise Incubation**

Intervention 5 includes activities related to the establishment, capitalization, and mobilization of a dedicated Indonesia Investment Window within CIV which vehicle is designed to incubate a portfolio of reef-positive investments aligned with GFCR principles and the strategic and thematic priorities of the programme.

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<sup>172</sup> MICRA Indonesia, <https://www.micra-indo.org/>

<sup>173</sup> The proposed micro-finance (credit) activities referenced are intended to build upon the micro-granting activities being undertaken by the Blue Abadi Fund INOVASI programme, providing access to micro- and/or small-enterprise credit needed to support the commercial operating and growth needs of firms seeded through INOVASI grants.



To illustrate the potential investment impact of the proposed Intervention, we have modeled projected portfolio investment activity under two (2) scenarios as described below. Projected financing “leverage,” target returns, and annual revenues presented in Section E, Intervention 5, Subsection E.2.6. are estimates drawn from Scenario 1 modeling.

**Disclaimer:** Financial projections, including projections of catalyzed (“leveraged”) commercial finance, and CIV portfolio performance projections, are presented for illustrative purposes only. Financial projections described in this proposal rely on a range of estimates and assumptions including, but not limited to, the availability, quality, the capital absorption capacity of prospective investment opportunities, capital market dynamics, and a broad range of systemic and other factors that materially influence investment at a jurisdictional, sectoral, or project/company-level. Throughout the programme term, regular, periodic assessment of financing projections and underlying estimates and assumptions will be conducted to determine the reasonableness of financing projections. Projections and targets are expected to be revised periodically as programme evolves.

## 1. Scenario 1: Projected Indonesia Portfolio Performance

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### A. Model Key Assumptions

Initial Capitalization. Initial capitalization is projected at US \$2.95m inclusive of: (i) US \$1.45 in GFCR concessional recoverable grant financing; and (b) US \$1.5m in CIV concessional financing.

#### Capitalization Sources

Sources	USD\$	%Total
GFCR Concessional	1,450,000	49.15%
CI Ventures LLC	1,500,000	50.85%
[Other Capital]	-	0.00%
<b>Total Sources</b>	<b>2,950,000</b>	<b>100.00%</b>

Investment Period. Although CIV operates as an open-ended, revolving fund model, for purposes of this proposal, we assume an Investment Period of five (5) years which is both consistent with the specified investment period of the GFCR Equity Window and the maximum length of time to capture all projected loan principal repayments, interest income, and principal and realized gains recovery on hybrid debt investments based on Investment Holding Period assumptions (see below).

Terminal Year. For the reasons described above, we have specified a model forecast terminal year at Year 10 which is equal to the Investment Period plus an additional five years based on a maximum Investment Holding Period (5-years).

Investment Types. The portfolio model assumes that portfolio investments will be made in the form of: (i) fully-amortizing commercial term loans; and (ii) hybrid debt securities which we assume are convertible notes. The foregoing are within CIV’s current investment product suite and are assumed to be the most relevant products based on assessment of initial pipeline opportunities originated by CIV and those shared by SYSTEMIQ on behalf of the GFCR Equity Fund. As a general rule, we assume that commercial term loans will be oriented toward comparatively more mature enterprises with more easily predictable expected cash flows and that convertible notes will be oriented toward earlier-stage companies in the process of raising additional rounds of equity (or debt) financing.



**Investment Size:** For modeling purposes, we assume: (i) the average size of commercial term loans is US \$500,000; and (ii) the average size of hybrid debt (convertible notes) is US \$250,000. Investment size assumptions by investment type are informed both by review of our initial indicative pipeline and the historical investment activities of CIV.

**Investment Holding Period.** For both term loans and hybrid debt investments, we assume a holding period of five (5) years which reflects the maximum maturity of CIV standard commercial term loans and is the average expected holding period (post-conversion) of convertible note financing provided by CIV.

**Target Returns.** For term loans, expected returns are the assumed interest rate specified at 9.50% which is benchmarked to recently published Indonesia bank prime lending rates (8.70%) and average SME loan and large company lending rates in Indonesia of 12.92% and 11.41%, respectively. For hybrid debt, expected return assumptions are based on internal return targets computed as follows:

Exit Period	Implied Return Multiple	IRR%
Convertible Notes with expected exit within 1 year	1.50x principal	50.00%
Convertible Notes with expected exit within 2 years	1.75x principal	32.29%
Convertible Notes with expected exit within 3 years	2.00x principal	25.99%
Convertible Notes with expected exit within 4 years	2.25x principal	22.47%
Convertible Notes with expected exit within 4 years	2.50x principal	20.11%

For purposes of our model, we assume a 5-year holding period on hybrid debt investments with an implied return target of 20.11%. The aforementioned assumptions are specified for modeling purposes. Actual investment pricing, expected, and target returns are evaluated and negotiated in a case-by-case basis based on a range of industry, market, and company-specific impact and risk factors.

**Projected Repayment (Losses).** To account for potential investment defaults and losses, we assume a: (i) loss rate 15% (85% repayment rate) for term loans; and (ii) an expected loss rate of 40% (60% repayment rate) for hybrid debt investments. The projected rates assume higher rates of expected default and losses than have been historically realized by either CIV or our predecessor fund, Verde Ventures. For reference, as of this writing, CIV's non-performing loan (NPL)<sup>174</sup> rate is 7.33% on our active portfolio and 6.46% since inception with no charge-offs. CIV NPLs represent a single loan in Latin America whose total debt (inclusive of CIV and other lenders) was mandatorily restructured under a government COVID relief program. For the period 2017 to 2021, Indonesia's average MSME sector NPL rate has hovered around 4.00%.<sup>175</sup> Given systemic constraints to MSME commercial credit access in Indonesia, these rates probably exhibit selective bias toward more robust enterprises able to engage in the formal finance sector. Understanding that default and loss rates vary between industry and markets, CIV will continue to re-evaluate and update assumptions as the programme progresses.

**Distributions.** For modeling purposes, distributions to either of the GFCR Grant Window, including recoverable grant repayment, or CIV are not considered.

## B. Projected Portfolio Activity & Results

<sup>174</sup> CIV defines "non-performing loans" as loans past due more than 90 days with nonaccrual of interest.

<sup>175</sup> 2021 ADB Asia Small and Medium-Sized Enterprise Monitor: Country and Regional Reviews, <https://data.adb.org/dataset/asia-small-and-medium-sized-enterprise-monitor-2021-volume-1-country-and-regional-reviews>





Portfolio Investments. The number and value of projected portfolio investments are presented in Appendix A to this Annex. Based on the foregoing assumptions, the Indonesia Investment Window is expected to execute a total of 10 investments over a 5-year Investment Period representing an estimated US \$3.5m in principal investment by CIV.

Portfolio Cash Inflows. Projected net portfolio returns are comprised of cash inflows from principal repayments and interest income from loans, transaction fee recovery,<sup>176</sup> and principal returns and capital gains on hybrid debt investments net of projected write-offs and losses. Projected aggregate portfolio net returns are \$4.87m over the 10-year forecast period. Projected annual portfolio net returns over the 10-year forecast period were smoothed to derive the “annual revenue” figure presented in Section E, Intervention 5, Subsection E.2.6.

Projected Portfolio Returns. Based on modeled performance and cash flow projections, the projected gross internal rate of return (excluding CIV management and operations costs) of the CIV Indonesia portfolio is 7.58%. The modeled indicative portfolio is expected to return an estimated 1.65x multiple on invested capital.

Projected Finance Catalyzed (GFCR Grant “Leverage”). Projections of external financing catalyzed includes estimates of external financing raised by enterprises incubated by CIV including projections of third-party co-financing (occurring alongside CIV investment) and future, later-stage financings. For the purposes of this analysis, GFCR Equity Fund financing is considered “third-party” financing (i.e. external to CIV). In general, CIV investments seek to represent not more than 25% of total financings raised by prospective portfolio companies.<sup>177</sup>

Estimated proportional allocations of external financing between debt and equity are computed based on the expected financing requirements of near-term (initial 3-years) indicative pipeline opportunities identified, with an even 50% allocation to each of debt and equity in future periods. External financing of CIV portfolio companies over the 10-year forecast horizon is estimated at \$27.5m, including \$20m in private and \$7.5m in public financing. Based on these estimates, the computed GFCR Grant to Commercial Investment “Leverage” ratio is 1:18.97 on the basis of recoverable grant funding-only (\$20.75m/\$1.45m) and 1:16.33 for total GFCR Grants allocated to Intervention 5 (\$20.75m/\$1.68m) which is the same figure presented in Section E, Intervention 5, Subsection E.2.6. Portfolio-level “leverage” is estimated at 1:9.32 (\$27.5m/\$2.95m).

Public and private financing projections include estimates of the public (GCF) and private capitalization structure of GFCR Equity Fund (25% and 75%, respectively) and expected non-GFCR investment capitalization. Estimates of projected GFCR Equity Fund investment referenced herein are for CIV incubated investments over the 10-year forecast period and represent a subset of total projected GFCR Equity Fund Indonesia investments over the programme lifespan as noted in Section A.9.

### C. Projected Portfolio Results Summary

<sup>176</sup> In each case negotiated with borrowers, CIV customarily assesses a transaction closing fee equal to 1.00% of principal term and working capital loan amounts

<sup>177</sup> CIV leverage targets vary between investment types. While targets are evaluated on a case-by-case basis, general targets are not more than 40% of total debt financing and not more than 10% of equity-like financings in a single financing event.



### Scenario 1 Summary

(in USD\$, 000s)

Portfolio-Level Projected Results		Projected Financing Catalyzed	
Total Initial Capitalization	2,950.00	Private Financing Catalyzed	20,000.00
Total Portfolio Returns	4,866.47	Public Financing Catalyzed	7,500.00
No. Investments	10	GFCR Grant Leverage (Capital)	18.97x
MOIC	1.65x	GFCR Grant Leverage (Total Intervention 5)	16.33x
IRR	7.58%	Portfolio Leverage	9.32x

## 1. Scenario 2: Projected Indonesia Portfolio Performance

- A. Model Key Assumptions.** With the exception of the Investment Period and Terminal Year assumptions, all other model key assumptions, including those related to initial Investment Window capitalization, the types and average size of investments, investment holding period, target returns, repayment projections, and portfolio distributions, as used in Scenario 2 remain unchanged.

Investment Period. In Scenario 2, we assume an investment period of 10-years which is intended to better reflect the revolving fund nature of CIV.

Terminal Year. The Scenario 2 forecast period terminal year is Year 15, which is equal to the Investment Period plus an additional five years based on a maximum Investment Holding Period (5-years).

### B. Projected Portfolio Activity & Results

Portfolio Investments. The number and value of projected portfolio investments are presented in Appendix B to this Annex. Based on the foregoing assumptions, the Indonesia Investment Window is expected to execute a total of 23 investments over a 10-year Investment Period representing an estimated US \$7.75m in principal investment by CIV.

Portfolio Cash Inflows. Projected aggregate portfolio cash inflows from loan principal repayments and interest income, transaction fee recovery, and principal returns and capital gains on hybrid debt investments, net of projected write-offs and losses, over the 15-year forecast period are estimated at US \$10.47m.

Projected Portfolio Returns. Based on modeled performance and cash flow projections, the projected gross internal rate of return (excluding CIV management and operations costs) of the CIV Indonesia portfolio is 7.33%. The modeled indicative portfolio is expected to return an estimated 3.55x multiple on invested capital.

Projected Finance Catalyzed (GFCR Grant “Leverage”). Projections of external financing catalyzed by portfolio investments incubated by CIV over the 15-year forecast horizon is estimated at \$36.0m, including \$28.5m in private and \$7.5m in public financing. Based on these estimates, the computed GFCR Grant to Commercial Investment “Leverage” ratio is 1:24.83 on the basis of recoverable grant funding-only (\$36.0m/\$1.45m) and 1:21.38 for total GFCR Grants allocated to Intervention 5 (\$36.0m/\$1.68m). Portfolio-level “leverage” is estimated at 1:12.2 (\$36.0m/\$2.95m).



## C. Projected Portfolio Results Summary

### Scenario 2 Summary

(in USD\$, 000s)

#### Portfolio-Level Projected Results

Total Initial Capitalization	2,950.00
Total Portfolio Returns (Net Cash Inflows)	10,474.84
No. Investments	23
MOIC	3.55x
IRR	7.33%

#### Financing Catalyzed

Private Financing Catalyzed	28,500.00
Public Financing Catalyzed	7,500.00
GFCR Grant Leverage (Capital)	24.83x
GFCR Grant Leverage (Total Intervention 5)	21.38x
Portfolio Leverage	12.20x



# GLOBAL FUND FOR CORAL REEFS

## ANNEX VI: APPENDIX A.1. SCENARIO 1 PORTFOLIO PROJECTED CASH FLOWS

CI Ventures LLC

Indicative Portfolio Cash Flow Projection

(in USD\$,000s)

STRICTLY CONFIDENTIAL

### Key Assumptions

#### Scenario Assumptions

Investment Period	5.00
Model Terminal Year <sup>2</sup>	10.00
Target Annual Deals <sup>3</sup>	4.00

#### Investment Assumptions

	Avg. Size	Hold. Period <sup>1</sup>	E(Return)	E(Repay)
Term Loan Average Size	\$ 500.00	5.00	9.50%	85.00%
Convertibles Average Size	\$ 250.00	5.00	20.11%	60.00%

### Scenario 1. Portfolio Projected Cash Flows

(USD\$, 000s)

		3									
		Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
Portfolio Investments	deals yr <sup>-1</sup>	3	4	1	1	1	0	0	0	0	0
Cum. Investments		3	7	8	9	10	10	10	10	10	10
Portfolio Investments		(1,500.00)	(1,250.00)	(250.00)	(250.00)	(250.00)	-	-	-	-	-
Net Portfolio Returns		5.00	115.69	221.37	221.37	221.37	1,721.22	1,235.57	374.96	374.96	374.96
<b>Portfolio Net Cash Flows</b>		<b>(1,495.00)</b>	<b>(1,134.31)</b>	<b>(28.63)</b>	<b>(28.63)</b>	<b>(28.63)</b>	<b>1,721.22</b>	<b>1,235.57</b>	<b>374.96</b>	<b>374.96</b>	<b>374.96</b>
<b>Portfolio Cumulative Cash Flows</b>											
Balance B/F		-	1,455.00	320.69	292.06	263.43	234.80	1,956.02	3,191.59	3,566.55	3,941.51
Plus: New Capital Commitments		2,950.00	-	-	-	-	-	-	-	-	-
Less: Portfolio Investments		(1,500.00)	(1,250.00)	(250.00)	(250.00)	(250.00)	-	-	-	-	-
Plus: Portfolio Net Returns		5.00	115.69	221.37	221.37	221.37	1,721.22	1,235.57	374.96	374.96	374.96
<b>Balance C/F</b>		<b>1,455.00</b>	<b>320.69</b>	<b>292.06</b>	<b>263.43</b>	<b>234.80</b>	<b>1,956.02</b>	<b>3,191.59</b>	<b>3,566.55</b>	<b>3,941.51</b>	<b>4,316.47</b>



## ANNEX VI: APPENDIX A.2. SCENARIO 1 PORTFOLIO CATALYZED FINANCE

### Scenario 1. Projected Financing Catalyzed

(USD\$, 000s)

	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31
	1	2	3	4	5	6	7	8	9	10
<b>CIV Portfolio Investments</b>	<b>1,500.00</b>	<b>1,250.00</b>	<b>250.00</b>	<b>250.00</b>	<b>250.00</b>	-	-	-	-	-
<b>Private</b>										
Debt	1,250.00	-	-	375.00	375.00	-	-	-	-	-
Equity	5,500.00	10,500.00	1,250.00	375.00	375.00	-	-	-	-	-
<b>Public</b>										
Debt	500.00	1,000.00	-	-	-	-	-	-	-	-
Equity	2,750.00	3,250.00	-	-	-	-	-	-	-	-
<b>Total Finance Catalyzed</b>	<b>10,000.00</b>	<b>14,750.00</b>	<b>1,250.00</b>	<b>750.00</b>	<b>750.00</b>	-	-	-	-	-
GFCR Grant Leverage (Capital)	13.56x	24.01x	10.17x	6.10x	6.10x	0.00x	0.00x	0.00x	0.00x	0.00x
Portfolio Leverage	6.67x	11.80x	5.00x	3.00x	3.00x	0.00x	0.00x	0.00x	0.00x	0.00x
<b>Financing Catalyzed</b>										
<b>By Source</b>										
Private	6,750.00	10,500.00	1,250.00	750.00	750.00	-	-	-	-	-
%Total	67.50%	71.19%	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public	3,250.00	4,250.00	-	-	-	-	-	-	-	-
%Total	32.50%	28.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	10,000.00	14,750.00	1,250.00	750.00	750.00	-	-	-	-	-
<b>By Asset Class</b>										
Debt	1,750.00	1,000.00	-	375.00	375.00	-	-	-	-	-
%Total	17.50%	6.78%	0.00%	50.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity	8,250.00	13,750.00	1,250.00	375.00	375.00	-	-	-	-	-
%Total	82.50%	93.22%	100.00%	50.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	10,000.00	14,750.00	1,250.00	750.00	750.00	-	-	-	-	-



## ANNEX VI: APPENDIX B.1. SCENARIO 1 PORTFOLIO PROJECTED CASH FLOWS

CI Ventures LLC

Indicative Portfolio Cash Flow Projection

(in USD\$,000s)

STRICTLY CONFIDENTIAL

### Key Assumptions

#### Scenario Assumptions

Investment Period	10.00
Model Terminal Year <sup>2</sup>	15.00
Target Annual Deals <sup>3</sup>	4.00

#### Investment Assumptions

	Avg. Size	Hold. Period <sup>1</sup>	E(Return)	E(Repay)
Term Loan Average Size	\$ 500.00	5.00	9.50%	85.00%
Convertibles Average Size	\$ 250.00	5.00	20.11%	60.00%

### Scenario 2. Portfolio Projected Cash Flows

(USD\$, 000s)

	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32	Jun-33	Jun-34	Jun-35	Jun-36
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Portfolio Investments deals yr <sup>-1</sup>	3	4	1	1	1	0	4	4	3	2	0	0	0	0	0
Cum. Investments	3	7	8	9	10	10	14	18	21	23	23	23	23	23	23
Portfolio Investments	(7,750.00)	(1,500.00)	(1,250.00)	(250.00)	(250.00)	(250.00)	-	(1,250.00)	(1,250.00)	(1,000.00)	(750.00)	-	-	-	-
Net Portfolio Returns	5.00	115.69	221.37	221.37	221.37	1,721.22	1,240.57	490.65	601.33	712.02	442.74	1,567.63	1,456.94	971.29	485.65
<b>Portfolio Net Cash Flows</b>	<b>(1,495.00)</b>	<b>(1,134.31)</b>	<b>(28.63)</b>	<b>(28.63)</b>	<b>(28.63)</b>	<b>1,721.22</b>	<b>(9.43)</b>	<b>(759.35)</b>	<b>(398.67)</b>	<b>(37.98)</b>	<b>442.74</b>	<b>1,567.63</b>	<b>1,456.94</b>	<b>971.29</b>	<b>485.65</b>
<b>Portfolio Cumulative Cash Flows</b>															
Balance B/F	-	1,455.00	320.69	292.06	263.43	234.80	1,956.02	1,946.59	1,187.24	788.57	750.59	1,193.33	2,760.96	4,217.90	5,189.19
Plus: New Capital Commitments	2,950.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Portfolio Investments	(1,500.00)	(1,250.00)	(250.00)	(250.00)	(250.00)	-	(1,250.00)	(1,250.00)	(1,000.00)	(750.00)	-	-	-	-	-
Plus: Portfolio Net Returns	5.00	115.69	221.37	221.37	221.37	1,721.22	1,240.57	490.65	601.33	712.02	442.74	1,567.63	1,456.94	971.29	485.65
<b>Balance C/F</b>	<b>1,455.00</b>	<b>320.69</b>	<b>292.06</b>	<b>263.43</b>	<b>234.80</b>	<b>1,956.02</b>	<b>1,946.59</b>	<b>1,187.24</b>	<b>788.57</b>	<b>750.59</b>	<b>1,193.33</b>	<b>2,760.96</b>	<b>4,217.90</b>	<b>5,189.19</b>	<b>5,674.84</b>



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## ANNEX VI: APPENDIX A.2. SCENARIO 1 PORTFOLIO CATALYZED FINANCE

### Scenario 2. Projected Financing Catalyzed

(USD\$, 000s)

	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32	Jun-33	Jun-34	Jun-35	Jun-36
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>CIV Portfolio Investments</b>	<b>1,500.00</b>	<b>1,250.00</b>	<b>250.00</b>	<b>250.00</b>	<b>250.00</b>	-	<b>1,250.00</b>	<b>1,250.00</b>	<b>1,000.00</b>	<b>750.00</b>	-	-	-	-	-
<b>Private</b>															
Debt	1,250.00	-	-	375.00	375.00	-	1,250.00	1,250.00	1,000.00	750.00	-	-	-	-	-
Equity	5,500.00	10,500.00	1,250.00	375.00	375.00	-	1,250.00	1,250.00	1,000.00	750.00	-	-	-	-	-
<b>Public</b>															
Debt	500.00	1,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity	2,750.00	3,250.00	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Finance Catalyzed</b>	<b>10,000.00</b>	<b>14,750.00</b>	<b>1,250.00</b>	<b>750.00</b>	<b>750.00</b>	-	<b>2,500.00</b>	<b>2,500.00</b>	<b>2,000.00</b>	<b>1,500.00</b>	-	-	-	-	-
GFCR Grant Leverage (Capital)	13.56x	24.01x	10.17x	6.10x	6.10x	0.00x	4.07x	4.07x	4.07x	4.07x	0.00x	0.00x	0.00x	0.00x	0.00x
Portfolio Leverage	6.67x	11.80x	5.00x	3.00x	3.00x	0.00x	2.00x	2.00x	2.00x	2.00x	0.00x	0.00x	0.00x	0.00x	0.00x
<b>Financing Catalyzed</b>															
<b>By Source</b>															
Private	6,750.00	10,500.00	1,250.00	750.00	750.00	-	2,500.00	2,500.00	2,000.00	1,500.00	-	-	-	-	-
%Total	67.50%	71.19%	100.00%	100.00%	100.00%	0.00%	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public	3,250.00	4,250.00	-	-	-	-	-	-	-	-	-	-	-	-	-
%Total	32.50%	28.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	10,000.00	14,750.00	1,250.00	750.00	750.00	-	2,500.00	2,500.00	2,000.00	1,500.00	-	-	-	-	-
<b>By Asset Class</b>															
Debt	1,750.00	1,000.00	-	375.00	375.00	-	1,250.00	1,250.00	1,000.00	750.00	-	-	-	-	-
%Total	17.50%	6.78%	0.00%	50.00%	50.00%	0.00%	50.00%	50.00%	50.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity	8,250.00	13,750.00	1,250.00	375.00	375.00	-	1,250.00	1,250.00	1,000.00	750.00	-	-	-	-	-
%Total	82.50%	93.22%	100.00%	50.00%	50.00%	0.00%	50.00%	50.00%	50.00%	50.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	10,000.00	14,750.00	1,250.00	750.00	750.00	-	2,500.00	2,500.00	2,000.00	1,500.00	-	-	-	-	-



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## **Annex VII: Section F – Financing Overview (5 pages max)**

### **Section A – Programme Summary: Section A.8. Programme Grant Cost Overview**

- A. GFCR Concessional Instrument Financing Request: In connection this initial 18-month programme period, CI is requesting US \$1.45m in concessional instrument funding from the GFCR Grant Window as initial capitalization of a dedicated investment window within Conservation International Ventures LLC (“CIV”) to support the incubation of strategically and thematically aligned reef-positive investments in Indonesia.
- B. Funding Mechanism; Preferred Terms. GFCR funding is expected to be structured as a recoverable grant, deliverable at the end of the 8-year programme period. If requested by the GFCR, within [•] days of the end of the programme period, CIV will repay the following amount of GFCR concessional financing granted to CIV (dependent on Indonesia investment portfolio performance): (a) the residual balance of Indonesia portfolio loan principal repayments, interest payments and other realized gains on principal deployed, net of CIV expenses incurred resulting from defaults and write-downs, and other related losses (the “Residual Balance”). In the event the Residual Balance exceeds US \$1.45m such excess will be retained by CIV as a grant released from restriction which may be reinvested by CIV in future investment opportunities aligned with conservation objectives and mandate of CIV. In the event the GFCR elects not to request repayment of concessional financing granted to CIV, the total amount of Residual Balance will be reinvested by CIV in future investment opportunities aligned with the conservation objectives and mandate of CIV.
- C. Concessional Instrument Co-Financing. In addition to the requested US \$1.45m in GFCR concessional financing, CIV has committed an additional US \$1.5m in concessional financing to be used for the purpose of incubating reef-positive investments in Indonesia. The need and level of future CIV fund-level support for and in connection with the GFCR Indonesia investment window will be evaluated based on assessment of future pipeline opportunities and market demand for CI Ventures investment. Investments incubated by CIV are anticipated to leverage additional transaction-level debt and/or equity financing in the form of co-financing and/or later-stage investment from the GFCR Equity Window or other private investors.





# GLOBAL FUND FOR CORAL REEFS

## Annex VIII - Communication and Visibility (Max 1-Page)

### Objectives:

#### 1. Overall Programme communication objectives:

- Highlight the value of coral reefs and associated ecosystems in both the Bird's Head Seascape and the Lesser Sunda Seascape to local people and economy, now and into the future.
- Demonstrate, using project examples, how embracing coral positive solutions benefits local livelihoods and economies and sustains these natural resources into the long term.
- Garner attention for the programme and its solutions, to inspire amplification of support the overall 'Transform' goal.

#### 2. Messages

- **Value:** Indonesia's coral reefs and the wildlife around them are world renowned, and are at the heart of our nation's tourism future
- **Protect:** these reefs are the most biodiverse and resilient to climate change, but need protection from local threats to endure
- **Transform:** Build back coral positive jobs and economies.

These efforts will focus on three priority audiences: 1. Local actors: Communities, regional business owners and local government of the Bird's Head Seascape and the Lesser Sunda Seascape; 2. GCFR; and 3. Donors. In addition, the following four audiences will be the secondary audiences. These are audiences that we hope to reach but will not be the priority: 1. Indonesian government; 2. Indonesian citizens; 3 Relevant private sector; 4. Regional and International media.

#### 3.

##### Primary audiences:

1. Local actors:
  - a. Communities,
  - b. Regional business owners;
2. Local government;
3. GCFR;
4. Donors.

##### Secondary audiences:

1. Indonesian government;
2. Indonesian citizens;
3. Relevant private sector;
4. Regional and International media.

### Communication Activities

#### 4. Content production: By priority audience we note specific activities as follows:

- **Local actors:**
  - a. A targeted outreach effort designed to address key issues and actors to support the programmatic goals. This would likely involve community engagement directly and via social media throughout the programme's lifecycle.
- **GCFR:**
  - a. **Bi-annual short reports** on the most relevant successful initiatives of the programme.
- **Donors:**
  - a. Owned communications products may be developed to support the attraction and engagement of donors.



In addition for grantees/internal-project use, CI will provide simple guidelines for grantee communications. This will define practical information, expected reporting and communications requirements and outputs.

- a. Participate in regular coordination meetings, which are a part of the overall project management and carried out by CI's project lead, will have a reoccurring communications agenda item to ensure processes are running smoothly and collaboratively and all opportunities for outreach are maximised.
- c. For **regional and international media**, the program, its outputs and objectives will be profiled at newsworthy moments.

## 5. Channels

Owned:

- Programme:
  - a. Web presence
  - b. Partner-led social media
  - c. Promotional materials: simple video, printed information materials, targeted materials for key actors
  - d. Reports: Bi-annual summaries to GFCR; Bi-annual high-level summaries to key donors and partners in English and a second version in Bahasa Indonesia for government
- CI:
  - a. Website
  - b. Blog
  - c. Social media
- Partners:
  - a. We expect partners in the programme, from local actors to regional and international, to uplift and share in our communications effort.

Earned:

- News media
- Social media platforms, including influencer support
- Radio
- Broadcast television, cable and satellite.



# GLOBAL FUND FOR CORAL REEFS

## Annex IX: Budget and workplan

Included as a separate document, using the GFCR provided template

## Annex X: Social and Environmental Compliance

### Part 1- Social and Environmental pre-screening checklist

<b>CHECKLIST POTENTIAL SOCIAL AND ENVIRONMENTAL RISKS</b>		<b>Answer (Yes/No)</b>
<b>Principles 1: Human Rights</b>		
1.	Could the Project lead to adverse impacts on enjoyment of the human rights (civil, political, economic, social, or cultural) of the affected population and particularly of vulnerable/marginalized groups?	No (Assuming safeguard policies and mitigation measures listed below are applied)
2.	Is there a likelihood that the Project would have inequitable or discriminatory adverse impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups? <sup>178</sup>	No (Assuming safeguard policies and mitigation measures listed below are applied)
3.	Could the Project potentially restrict availability, quality of and access to resources or basic services, in particular to marginalized individuals or groups?	No (Assuming safeguard policies and mitigation measures listed below are applied)
4.	Is there a likelihood that the Project would exclude any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them?	No (Assuming safeguard policies and mitigation measures listed below are applied)
5.	Is there a risk that duty-bearers do not have the capacity to meet their obligations in the Project?	No (Assuming safeguard policies

<sup>178</sup> Prohibited grounds of discrimination include race, ethnicity, gender, age, language, disability, sexual orientation, religion, political or other opinion, national or social or geographical origin, property, birth or other status including as an indigenous person or as a member of a minority. References to “women and men” or similar is understood to include women and men, boys and girls, and other groups discriminated against based on their gender identities, such as transgender people and transsexuals.



	and mitigation measures listed below are applied)
6. Is there a risk that rights-holders do not have the capacity to claim their rights?	No (Assuming safeguard policies and mitigation measures listed below are applied)
7. Have local communities or individuals (including local opinion leaders), given the opportunity, raised human rights concerns regarding the Project during the stakeholder engagement process?	No <sup>179</sup>
8. Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project-affected communities and/or individuals?	No (Assuming safeguard policies and mitigation measures listed below are applied)
<b>Principle 2: Gender Equality and Women's Empowerment</b>	
1. Is there a likelihood that the proposed Project would have adverse impacts on gender equality and/or the situation of women and girls?	No (Assuming safeguard policies and mitigation measures listed below are applied)
2. Would the Project potentially reproduce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?	No
3. Have women's groups/leaders raised gender equality concerns regarding the Project during the stakeholder engagement process and has this been included in the overall Project proposal and in the risk assessment?	No
4. Would the Project potentially limit women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services? <i>For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being</i>	No
<b>Principle 3: Environmental Sustainability: Screening questions regarding environmental risks are encompassed by the specific Standard-related questions below</b>	
<b>Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management</b>	

<sup>179</sup> Due primarily to COVID, community consultations have not yet been conducted, and will be planned to happen as part of a Stakeholder Engagement Plan during the first year of project implementation. CI has experience in the region from prior project engagement at the village level, which has informed the proposal.



1.1	Would the Project potentially cause adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? <i>For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes</i>	No
1.2	Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	Yes
1.3	Does the Project involve changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)	No
1.4	Would Project activities pose risks to endangered species?	No
1.5	Would the Project pose a risk of introducing invasive alien species?	No
1.6	Does the Project involve harvesting of natural forests, plantation development, or reforestation?	No
1.7	Does the Project involve the production and/or harvesting of fish populations or other aquatic species?	Yes
1.8	Does the Project involve significant extraction, diversion or containment of surface or ground water? <i>For example, construction of dams, reservoirs, river basin developments, groundwater extraction</i>	No
1.9	Does the Project involve utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)	No
1.10	Would the Project generate potential adverse transboundary or global environmental concerns?	No
1.11	Would the Project result in secondary or consequential development activities which could lead to adverse social and environmental effects, or would it generate cumulative impacts with other known existing or planned activities in the area? <i>For example, a new road through forested lands will generate direct environmental and social impacts (e.g. felling of trees, earthworks, potential relocation of inhabitants). The new road may also facilitate encroachment on lands by illegal settlers or generate unplanned commercial development along the route, potentially in sensitive areas. These are indirect, secondary, or induced impacts that need to be considered. Also, if similar developments in the same forested area are planned, then cumulative impacts of multiple activities (even if not part of the same Project) need to be considered.</i>	No (Assuming safeguard policies and mitigation measures listed below are applied)
<b>Standard 2: Climate Change Mitigation and Adaptation</b>		
2.1	Will the proposed Project result in significant <sup>180</sup> greenhouse gas emissions or may exacerbate climate change?	No
2.2	Would the potential outcomes of the Project be sensitive or vulnerable to potential impacts of climate change?	Yes
2.3	Is the proposed Project likely to directly or indirectly increase social and environmental vulnerability to climate change now or in the future (also known as maladaptive practices)? <i>For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding</i>	No

<sup>180</sup> In regard to CO<sub>2</sub>, 'significant emissions' corresponds generally to more than 25,000 tons per year (from both direct and indirect sources). [The Guidance Note on Climate Change Mitigation and Adaptation provides additional information on GHG emissions.]



<b>Standard 3: Community Health, Safety and Working Conditions</b>		
3.1	Would elements of Project construction, operation, or decommissioning pose potential safety risks to local communities?	No
3.2	Would the Project pose potential risks to community health and safety due to the transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	No
3.3	Does the Project involve large-scale infrastructure development (e.g. dams, roads, buildings)?	Maybe
3.4	Would failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure)	No (Assuming safeguard policies and mitigation measures listed below are applied)
3.5	Would the proposed Project be susceptible to or lead to increased vulnerability to earthquakes, subsidence, landslides, erosion, flooding or extreme climatic conditions?	No
3.6	Would the Project result in potential increased health risks (e.g. from water-borne or other vector-borne diseases or communicable infections such as HIV/AIDS)?	No
3.7	Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning?	No
3.8	Does the Project involve support for employment or livelihoods that may fail to comply with national and international labor standards (i.e. principles and standards of ILO fundamental conventions)?	No (Assuming safeguard policies and mitigation measures listed below are applied)
3.9	Does the Project engage security personnel that may pose a potential risk to health and safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)?	No
<b>Standard 4: Cultural Heritage</b>		
4.1	Will the proposed Project result in interventions that would potentially adversely impact sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: Projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No
4.2	Does the Project propose utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes?	Yes
<b>Standard 5: Displacement and Resettlement</b>		
5.1	Would the Project potentially involve temporary or permanent and full or partial physical displacement?	No
5.2	Would the Project possibly result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	No



5.3	Is there a risk that the Project would lead to forced evictions? <sup>181</sup>	No
5.4	Would the proposed Project possibly affect land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?	No
<b>Standard 6: Indigenous Peoples</b>		
6.1	Are indigenous peoples present in the Project area (including Project area of influence)?	Yes
6.2	Is it likely that the Project or portions of the Project will be located on lands and territories claimed by indigenous peoples?	Yes
6.3	Would the proposed Project potentially affect the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the Project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)? <i>If the answer to the screening question 6.3 is "yes" the potential risk impacts are considered potentially severe and/or critical and the Project would be categorized as either Moderate or High Risk.</i>	No (Assuming safeguard policies and mitigation measures listed below are applied)
6.4	Has there been an absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	Yes <sup>182</sup>
6.5	Does the proposed Project involve the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	Yes
6.6	Is there a potential for forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources?	No
6.7	Would the Project adversely affect the development priorities of indigenous peoples as defined by them?	No
6.8	Would the Project potentially affect the physical and cultural survival of indigenous peoples?	No
6.9	Would the Project potentially affect the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No (Assuming safeguard policies and mitigation measures listed below are applied)
<b>Standard 7: Pollution Prevention and Resource Efficiency</b>		
7.1	Would the Project potentially result in the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No
7.2	Would the proposed Project potentially result in the generation of waste (both hazardous and non-hazardous)?	Yes

<sup>181</sup> Forced evictions include acts and/or omissions involving the coerced or involuntary displacement of individuals, groups, or communities from homes and/or lands and common property resources that were occupied or depended upon, thus eliminating the ability of an individual, group, or community to reside or work in a particular dwelling, residence, or location without the provision of, and access to, appropriate forms of legal or other protections.

<sup>182</sup> Due primarily to COVID, community consultations have not yet been conducted, and will be planned to happen as part of a Stakeholder Engagement Plan during the first year of project implementation. CI has experience in the region from prior project engagement at the village level, which has informed the proposal.



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7.3	Will the proposed Project potentially involve the manufacture, trade, release, and/or use of hazardous chemicals and/or materials? Does the Project propose use of chemicals or materials subject to international bans or phase-outs? <i>For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Conventions on Persistent Organic Pollutants or the Montreal Protocol</i>	No
7.4	Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health?	No
7.5	Does the Project include activities that require significant consumption of raw materials, energy, and/or water?	No

## PART 2 – IDENTIFYING AND MANAGING SOCIAL AND ENVIRONMENTAL RISKS

*Please fill in this section with preliminary analysis and suggestions for risk mitigation measures, referring to the items in the above checklist which are applicable to this Transformative Partnership. This document will be further updated and consolidate when a full project plan is developed.*

*For additional guidance on Questions 1 to 6, please refer to UNDP's [Social and Environmental Screening Procedure \(SESP\)](#).*

### QUESTION 1: How Does the Project Integrate the Overarching Principles in order to Strengthen Social and Environmental Sustainability?

*Briefly describe in the space below how the Project mainstreams the human-rights based approach*

- CI will employ a right based approach that informs CI's Safeguard System to guide project design and implementation. Safeguard policies seek to avoid harm to people and nature, while also seeking to identify and close gaps, where possible, in the fulfillment of human rights.
- Where necessary, CI will provide training and guidance material to project partners on the Rights-based Approach and safeguard policies.
- CI will conduct extensive community consultations in accordance with a stakeholder engagement plan for the project. This will include supporting the Papuan Advisory Council first established to vet Blue Abadi investments to also advise on GFCR interventions in the Bird's Head Seascape.
- CI will ensure Free Prior and Informed Consent (FPIC) for all interventions.
- Social and environmental screening, assessment, risk management, monitoring and reporting for all interventions

*Briefly describe in the space below how the Project is likely to improve gender equality and women's empowerment*

- Whenever possible, the Programme will focus on women-led enterprises that are responsive to women's interests and priorities, with efforts to preventing and mitigation any resulting GBV impacts (e.g., joint financial planning training for households, discussions with women about how to navigate situation and provide support needed, engagement with GBV support NGOs as necessary, ensure that grievance mechanism is designed to capture and respond to project-related GBV complaints)
- In Phase II, CI aims to support a technical facility that provides tailored training to women entrepreneurs in culturally appropriate ways (e.g., separate women-only trainings).
- CIV will ensure selection of investible businesses includes gender consideration (e.g., employee gender parity, gender-equal practices, leadership of business, etc.), with priority given to Papuan women-led businesses.





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- Women will be equally represented in any decision-making/review body within the project.

*Briefly describe in the space below how the Project mainstreams environmental sustainability*

- MPAs and protection are at the core of the project, based on good-faith negotiated agreement with communities about any access restrictions.
- Social and environmental screening, assessment and robust risk management planning will be conducted for all interventions based on full and effective participation of affected stakeholders.

<p><b>QUESTION 2: What are the Potential Social and Environmental Risks Identified?</b> <i>Note: Describe briefly potential social and environmental risks identified in Annex 1 – Risk Screening Checklist (based on any “Yes” responses). If no risks have been identified in Annex 1 then note “No Risks Identified” and skip to Question 4 and Select “Low Risk”. Questions 5 and 6 not required for Low Risk Projects.</i></p>	<p><b>QUESTION 3: What is the level of significance of the potential social and environmental risks?</b> <i>See Annex 3 for descriptions of ratings. Note: Respond to Questions 4 and 5 below before proceeding to Question 6</i></p>			<p><b>QUESTION 6: What social and environmental assessment and management measures have been conducted and/or are required to address potential risks (for Risks with Moderate and High Significance)?</b></p>
<p><b>Risk Description</b></p>	<p><b>Impact and Probability (1-5)</b> <i>See Annex 3, Table 1 and 2</i></p>	<p><b>Significance (Low, Moderate, High)</b> <i>See Annex 3 Table 3</i></p>	<p><b>Comments</b></p>	<p><b>Description of assessment and management measures as reflected in the Project design. If Strategic Environmental and Social Assessment is required, note that the assessment should consider all potential impacts and risks.</b></p>
<p>Risk 1: Could the Project lead to adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?</p>	<p>I = 2 P = 2</p>	<p><b>Low</b></p>	<p>This is a context risk in West Papua, for which the project is not responsible, but which nevertheless presents potential challenges for effective implementation of project activities.</p>	<p>The project will take measures such as a robust communications plan, thorough stakeholder engagement with diverse stakeholders, to mitigate this context risk.</p>
<p>Risk 2: Is there a likelihood that the Project would have inequitable or discriminatory adverse impacts on affected populations, particularly</p>	<p>I = 3 P = 3</p>	<p><b>Medium</b></p>	<p>The focus on the GFCR on larger investments with market rates of return (or close to it) could result in discriminatory adverse</p>	<p>CI recommends the following mitigation measures:</p> <ol style="list-style-type: none"> <li>1) For work in the BHS, the GFCR and the Equity Fund executive boards, explicitly agree to an impact and equity first</li> </ol>



<p>people living in poverty or marginalized or excluded individuals or groups?</p>			<p>impacts for indigenous Papuan, who, for cultural reasons and as a result of discriminatory policies, own a disproportionately small percent of the businesses operated in West Papua and Papua Provinces – and could be further excluded from the benefits generated by the project.</p>	<p>investment approach. This will likely require accepting lower rates of return to ensure that all project investments ensure not only positive environmental impact, but positive social impact as well with an explicit focus on equity for Papuan communities.</p> <p>2) As part of the project, CI creates a Papuan Advisory Council (possibly expanding the mandate of the existing Papuan Advisory Council for Blue Abadi) to vet all project ideas. The Council can veto any proposed investment that is deemed discriminatory for Indigenous Papuans and advise on the provision of differentiated measures that ensure the inclusion and equitable access to benefits for vulnerable and marginalized male and female Papuans. Care will be given to ensure equitable gender representation on the council.</p> <p>3) As part of the project, the GFCR Equity Fund will design an ESMS/F (system or framework) that establishes safeguards for any investment. Under this ESMS/F, CI conducts environmental and social impact assessments and develops E&amp;S risk management plans for all potential investments from the GFCR Equity Fund in Indonesia. At a minimum, each investment decision will be informed by a E&amp;S Management Plan, Gender mainstreaming plan, Stakeholder engagement plan with grievance mechanism, and an Indigenous Peoples Plan, in addition to any other safeguard plans required by the CI Safeguard System.</p> <p>4) In Phase II, the project aims to support a technical assistance facility to build the capacity of Papuan business owners.</p>
<p>Risk 3: Is there a likelihood that the Project would exclude any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them?</p>	<p>I = 3 P = 3</p>	<p><b>Medium</b></p>	<p>Given the geographically dispersed and isolation of communities in the BHS, and the size of the LSS, there is a likelihood that project investment decisions could be made without the full participation of communities</p>	<p>CI recommends the following mitigation measures:</p> <p>1) CI to include in the project staffing a community liaison officer for each of the Priority Areas. These fulltime staff members will lead gender-sensitive community consultation processes and facilitate FPIC compliance. The consultation process will be designed to ensure participation of women, youth, and other potentially marginalized groups and a</p>



			unless a clear process for ensuring participatory decision making is enacted.	mechanism will be in place to ensure the results of the consultation with these groups will be followed up and integrated in the implementation.  2) For the BHS, which has marginalized indigenous communities, CI will also support the formation of a Papuan Advisory Council (see description above in Risk 2)
Risk 4: Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project-affected communities and individuals?	I = 2 P = 2	<b>Low</b>	See explanation in Risk#1	The project will take measures such as robust communications plan, thorough stakeholder engagement with diverse stakeholders, to mitigate this context risk.
Risk 5: Have women's groups/leaders raised gender equality concerns regarding the Project during the stakeholder engagement process and has this been included in the overall Project proposal and in the risk assessment?	I = 2 P = 2	<b>Low</b>	Community consultations have not yet occurred for all interventions.	See mitigation measures articulated for Risk 3.
Risk 6: Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g., nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	I = 1 P = 5	<b>Low</b>	The project activities are to take place in critical habitats and MPAs but are designed to have positive ecological and social impact.	See mitigation measures articulated in Risk 2.
Risk 7: Does the Project involve the production and/or harvesting of fish populations or other aquatic species?	I = 1 P = 5	<b>Low</b>	The project will include a focus on seaweed mariculture.	All project interventions will focus on promoting sustainable harvest practices. Robust environmental and social screening criteria will be applied before any investments are made into companies within the seaweed supply chain.
Risk 8: Would the Project result in secondary or consequential development activities which could lead to adverse social and environmental effects, or would it generate cumulative impacts with other known existing or planned activities in the area?	I = 3 P = 2	<b>Medium</b>	This is medium because we do not yet know what the Equity Fund will invest in. If the above recommended mitigation measures are adopted, this type of risk could be easily	See mitigation measures described in Risk 2.



			avoided or reduced significantly.	
Risk 9: Would the potential outcomes of the Project be sensitive or vulnerable to potential impacts of climate change?	I = 4 P = 3	<b>High</b>	While this project is designed to increase reef resilience to climate change and the geographies identified were selected for their demonstrated resilience, the risk of climate change impacts is still high given the lack of sufficient global action to reduce GHGs.	The project will regularly monitor reef health to be able to detect climate impact to the reefs. In the case of significant bleaching, CI may propose to the GFCR executive board a shift in project resources to support recovery efforts.
Risk 10: Does the Project involve large-scale infrastructure development (e.g., dams, roads, buildings)?	I = 2 P = 3	<b>Medium</b>	While it is not yet known for sure, the project vision does include investing in tourism infrastructure in the BHS	Before investment in any infrastructure projects, a full environmental and social impact assessment should be conducted and FPIC should be followed.
Risk 11: Would failure of structural elements of the Project pose risks to communities? (e.g., collapse of buildings or infrastructure)	I = 2 P = 1	<b>Low</b>	This is unlikely, but not impossible given the potential for investment in infrastructure projects.	See mitigation measure described for Risk 10
Risk 12: Does the Project involve support for employment or livelihoods that may fail to comply with national and international labor standards (i.e., principles and standards of ILO fundamental conventions)?	I = 3 P = 3	<b>Medium</b>	With the larger investment window, there is a greater likelihood of these types of investments directly supporting formal employment contracts, and contractor/supplier contracts, therefore the project requires stronger mitigation commitments called for under a Labor and Working Conditions Safeguard.	CI-Venture will screen all potential investees for their compliance with international labor standards and will monitor compliance.  CI recommends that the GFCR Equity Fund adopt similarly robust screening and monitoring procedures.
Risk 13: Does the Project propose utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes?	I = 2 P = 2	<b>Low</b>	With a focus on tourism development in the BHS, there is the potential for commercialization of Papuan culture.	Mitigation measures described in Risk #3 will ensure that any tourism enterprise supported by this programme has the support of the relevant communities.



Risk 14: Are indigenous peoples present in the Project area (including Project area of influence)?	I = 3 P = 5	<b>Medium</b>	Indigenous communities are present throughout both priority geographies	See mitigation measures described for Risks 1 and 3
Risk 15: Is it likely that the Project or portions of the Project will be located on lands and territories claimed by indigenous peoples?	I = 2 P = 5	<b>Medium</b>	Indigenous communities with territorial claims are present throughout the BHS.	See mitigation measures described for Risks 1 and 3
Risk 16: Would the proposed Project potentially affect the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples (regardless of whether indigenous peoples possess the legal titles to such areas, whether the Project is located within or outside of the lands and territories inhabited by the affected peoples, or whether the indigenous peoples are recognized as indigenous peoples by the country in question)?	I = 2 P = 2	<b>Low</b>	As long as the proposed mitigation measures are followed by both CI and the Equity Fund, this risk is low.	See mitigation measures described for Risks 1, 2 and 3.  The planned consultation/FPIC process can inform a Safeguard Plans or an Indigenous Peoples Plan
Risk 17: Has there been an absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	I = 2 P = 1	<b>Low</b>	Community consultation have not yet occurred for all interventions but are planned during Y1.	See mitigations measures articulated for Risk 3.
Risk 18: Does the proposed Project involve the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	I = 2 P = 4	<b>Medium</b>	The Project will promote tourism in the BHS, which is territory claimed by indigenous Papuans.	See mitigations measures articulated for Risk 3.
Risk 19: Would the Project potentially affect the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	I = 2 P = 2	<b>Low</b>	With a focus on tourism development in the BHS, there is the potential for commercialization of Papuan culture.	Mitigation measures described in Risk #3 will ensure that any tourism enterprise supported by this programme has the support of the relevant communities.



Risk 20: Would the proposed Project potentially result in the generation of waste (both hazardous and non-hazardous)?	I = 1 P = 1	<b>Low</b>	This is highly unlikely, but given we do not yet know what the infrastructure project might be, included it here as a possibility	See mitigation measure described for Risk 10
<b>QUESTION 4: What is the overall Project risk categorization?</b>				
Select one (see <a href="#">Annex IV – Table 4</a> , or <a href="#">SESP</a> , for guidance)			Comments	
<i>Low Risk</i>			<input type="checkbox"/>	
<i>Moderate Risk</i>			<input checked="" type="checkbox"/>	
<i>High Risk</i>			<input type="checkbox"/>	
<b>QUESTION 5: Based on the identified risks and risk categorization, what requirements of the Social Environmental Standards are relevant?</b>				
Check all that apply			Comments	
<i>Principle 1: Human Rights</i>			<input checked="" type="checkbox"/>	
<i>Principle 2: Gender Equality and Women’s Empowerment</i>			<input checked="" type="checkbox"/>	
<i>1. Biodiversity Conservation and Natural Resource Management</i>			<input type="checkbox"/>	
<i>2. Climate Change Mitigation and Adaptation</i>			<input checked="" type="checkbox"/>	
<i>3. Community Health, Safety and Working Conditions</i>			<input checked="" type="checkbox"/>	
<i>4. Cultural Heritage</i>			<input checked="" type="checkbox"/>	
<i>5. Displacement and Resettlement</i>			<input type="checkbox"/>	
<i>6. Indigenous Peoples</i>			<input checked="" type="checkbox"/>	
<i>7. Pollution Prevention and Resource Efficiency</i>			<input type="checkbox"/>	

### PART 3 – RATING THE IMPACT, PROBABILITY AND SIGNIFICANCE OF RISK

**Table 1: Rating the “Probability” of a Risk**

Score	Rating
5	Expected
4	Highly Likely



3	Moderately Likely
2	Not Likely
1	Slight

**Table 2: Rating the “Impact” of a Risk**

Score	Rating	Social and environmental impacts
5	Critical	Significant adverse impacts on human populations and/or environment. Adverse impacts high in magnitude and/or spatial extent (e.g. large geographic area, large number of people, transboundary impacts, cumulative impacts) and duration (e.g. long-term, permanent and/or irreversible); areas impacted include areas of high value and sensitivity (e.g. valuable ecosystems, critical habitats); adverse impacts to rights, lands, resources and territories of indigenous peoples; involve significant displacement or resettlement; generates significant quantities of greenhouse gas emissions; impacts may give rise to significant social conflict
4	Severe	Adverse impacts on people and/or environment of medium to large magnitude, spatial extent and duration more limited than critical (e.g. predictable, mostly temporary, reversible). The potential risk impacts of projects that may affect the human rights, lands, natural resources, territories, and traditional livelihoods of indigenous peoples are to be considered at a minimum potentially severe.
3	Moderate	Impacts of low magnitude, limited in scale (site-specific) and duration (temporary), can be avoided, managed and/or mitigated with relatively uncomplicated accepted measures
2	Minor	Very limited impacts in terms of magnitude (e.g. small affected area, very low number of people affected) and duration (short), may be easily avoided, managed, mitigated
1	Negligible	Negligible or no adverse impacts on communities, individuals, and/or environment

**Table 3: Determining the “Significance” of Risk**

<b>IMPACT</b>	<b>5</b>					
	<b>4</b>					
	<b>3</b>					
	<b>2</b>					



	1					
		1	2	3	4	5
<b>PROBABILITY</b>						
<b>Green = Low; Yellow = Moderate; Red = High</b>						

**Table 4: Overall Social and Environmental Risk Categorization of the Project**

<b>Risk Categories</b>	<b>Description</b>
<b>Low</b>	Projects that include activities with minimal or no risks of adverse social or environmental impacts.
<b>Moderate</b>	Projects that include activities with potential adverse social and environmental risks and impacts, that are limited in scale, can be identified with a reasonable degree of certainty, and can be addressed through application of standard best practice, mitigation measures and stakeholder engagement during Project implementation. Moderate Risk activities may include physical interventions (e.g. buildings, roads, protected areas, often referred to as “downstream activities”) as well as planning support, policy advice, and capacity building (often referred to as “upstream” activities) which may present risks that are predominantly indirect, long-term or difficult to identify.
<b>High</b>	Projects that include activities – either “upstream” or “downstream” activities – with potential significant and/or irreversible adverse social and environmental risks and impacts, or which raise significant concerns among potentially affected communities and individuals as expressed during the stakeholder engagement process. High Risk activities may involve significant impacts on physical, biological, ecosystem, socioeconomic, or cultural resources. Such impacts may more specifically involve a range of human rights, gender, and/or environmental sustainability issues.





## Annex XI: Programme risk Management matrix

Risks	Risk Level: Very high High Medium Low (Likelihood x Impact)	Likelihood: Almost Certain - 5 Likely - 4 Possible - 3 Unlikely - 2 Rare – 1	Impact: Extreme – 5 Major - 4 Moderate - 3 Minor - 2 Insignificant - 1	Mitigating measures	Responsible Unit/Person
<b>Contextual risks</b>					
Adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups	Low	2	2	Project will implement a robust communication plan through stakeholder engagement with diverse stakeholders.	YKCI in consultation with CI's social safeguards and practices team.
Potential for lack of inclusiveness in project decision-making and governance.	Medium	2	3	In alignment with our values and standard operating procedures, CI will include Indigenous Peoples' representatives, leaders and traditional authorities in decision-making around project activities. CI will further uphold non-discrimination in all actions, ensuring even hard-to-reach indigenous communities are engaged in project activities within their geography, with a priority focus on vulnerable populations and groups. CI will follow the principles of the Rights-based Approach to Conservation and Free, Prior and Informed Consent (FPIC).	YKCI in consultation with CI's social safeguards and practices team.
Need for intercultural and gender sensitive approaches to project activities	Medium	3	3	CI will consult, train and collaborate with traditional Indigenous leaders and local community representatives on the project activities to ensure the integration of culturally appropriate approaches and platforms to the project design. To ensure adequate engagement of women and marginalized groups, the project will actively engage women's groups in key activities. Any	YKCI in consultation with CI's social safeguards and practices team.



				intercultural response should be gender-responsive and based on awareness of the different needs and roles of men and women in the community.	
The chance of gender-based violence (GBV) can be increased when raising incomes and creating jobs, particularly work that focuses on increasing representation from women in traditional male-dominated sectors such as fishing/mariculture and where there is gender inequality within the household.	Medium	3	3	All staff will receive additional training on GBV and how to respond if incidents are reported/disclosed. This will be based on CI's guideline published in 2020, "Gender-based violence: recognizing and responding to gender-based violence (GBV) in community conservation." The program team will assess the implications (for everyone involved) of talking to a survivor/reporter: CI recognizes that our involvement may make the situation worse. Follow the lead of the survivor/reporter in determining what is best. Establish a referral list of groups who are trained to support this in case it is needed. Ensure that the Project's Grievance Redress Mechanism is designed to respond to project related GBV incidents. Research and become familiar with national laws and regulations related to GBV including victim's rights.	YKCI in consultation with CI's social safeguards and practices team.
Women may face barriers to participating in project training and decision-making processes, and therefore may not be able to engage in, influence and benefit from the project as planned. Gender inequality within the household or producer organizations can increase risks of sex and GBV.	Medium	4	3	Implement training processes with a gender focus - proactively encourage women's participation through understanding the barriers they face and implementing mitigation measures. Promote the participation and enrollment of women themselves and male in support of this.	YKCI in consultation with CI's social safeguards and practices team.
Risk that indigenous rights will not be respected	Medium	2	3	CI and project partners will seek FPIC before implementation of any policy, program or interventions that affects Indigenous Peoples.	YKCI in consultation with CI's social safeguards and practices team.
Economic and social impacts of COVID-19 pose a risk to project delivery.	High	4	3	An emergency response plan will be developed with procedures and guidelines being followed in alignment with government protocols. CI country offices address COVID-19 risks, and provide guidance on:	CI's Safety Officer



				<ul style="list-style-type: none"> <li>- Social distancing, personal protective equipment, safety and security measures, and partner engagement procedures</li> <li>- Biosecurity protocols for small producers; coordination with national and regional health and security officials</li> <li>- Apply COVID-19 project risk guidance to re-assess risks on a regular basis</li> <li>- Permanent two-way communication on the health condition between CI, the technical team and beneficiaries</li> <li>- Education and sensitization processes for the technical team and beneficiaries</li> <li>- Provide and require the use of equipment and steps to limit the spread of the pandemic</li> <li>- Provide a grievance redress mechanism (for the entire project)</li> </ul>	
Information susceptible to manipulation or adulteration	Low	2	3– Lawsuits against the implementing entity Loss of project’s credibility Administrative processes	Define processes and procedures that allow the identification of roles and responsibilities in the project’s information management. Perform internal audits to promote citizen oversight. Implement CI’s Research Ethics Policy to ensure household data is kept safe.	YKCI, UNIPA, CI Ventures
<b>Programmatic risks</b>					
Local stakeholders could lack the technical skills for Program implementation	Medium	4	3	Activities will be developed to ensure identification of stakeholders responsible for management or continuation of activities beyond the scope of the Program. The project will engage private sector partners to strengthen livelihoods of communities, including providing technical support for market access and product development.	YKCI



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Partner organizations do not follow proper procedures for project implementation, which could cause delays in project implementation.	Medium	3	3	Conduct due diligence of all partner organizations prior to signing agreements. Ensure, through CI grant agreements and monitoring, that all reporting requirements cascade to our partners. Provide training to all grantees on operational compliance. Provide additional capacity support and propose other remedies if gaps in compliance with agreements are observed with our partners during implementation monitoring.	YKCI and CI Ventures
Effects of climate change have a negative impact on the outcome of project activities such as ecotourism and seaweed mariculture.	High	4	4	In the event of a natural disaster, CI will work directly with communities and governments to support ecosystem and community recovery. CI has experience delivering post-disaster support in the Pacific Region/SE Asia. This will include providing training and resources to communities to conduct post-disaster restoration support activities to maximize survival rates.	YKCI
<b>Institutional risks</b>					
Changes in local or national leadership that affect natural resources governance.	Medium	2	3	<ul style="list-style-type: none"> <li>- CI will work closely with communities, municipal authorities and national ministry focal points to advance both site-based and national objective under the Program.</li> <li>- Changes in local leadership, where trust and relationships are already established, could result in changes to the project timeline.</li> <li>- Changes in national leadership could require additional discussion and engagement with the government.</li> </ul>	YKCI
Uncertainty due to government shifts in priorities and policy changes	Low	2	3	The project will work with national and subnational leaders to ensure alignment of activities with national priorities. The project will also strengthen the country's ability to conserve key species and habitats as well as protect natural resources to increase climate resilience of rural communities.	YKCI
Limited coordination/ communication between sectoral agencies and/or ministries	Medium	3	3	CI and partners will work in close coordination with key ministries and local leaders to ensure alignment and close coordination on the design and implementation of the project.	YKCI



Fiduciary risks						
<p>Anti-corruption: decisions in favor of particular interests can contribute to:</p> <ul style="list-style-type: none"> <li>- Cost overruns with low work quality and quantity</li> <li>- Hiring non-ideal providers or personnel</li> <li>- Costs in responding to claims against project management</li> </ul> <p>These factors can increase administrative costs and adversely affect project credibility</p>	Medium	2	3	<ul style="list-style-type: none"> <li>- Define control points in procedures and hiring processes.</li> <li>- Comply with procurement and public calls for personnel section</li> <li>- Conduct internal audits to promote citizen oversight as a monitoring and tracing mechanism of the project's results</li> <li>- Promote the use of a suitable project level grievance mechanism and CI's Ethics Hotline to project beneficiaries to air grievances anonymously</li> </ul>		
<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>- Total area of all project sites will benefit from project interventions.</li> <li>- Total population of all project sites will benefit from project intervention either through increased knowledge or improved access and management of ecosystem services or directly from increased income.</li> <li>- Improved management of coral reefs will maintain ecosystems and the benefits for adaptation and mitigation more rapidly than climate change impacts further degrade these ecosystems.</li> <li>- Beneficiaries will freely participate in the project activities and are willing to engage in the livelihood activities and management practices supported by the project.</li> <li>- Women, youth and other marginalized members of the community will be able to participate through specific actions to ensure their inclusion.</li> <li>- The local and national governments will support project actions even if government actors change.</li> <li>- All actors trained by the project will utilize the training locally and to the betterment of their communities.</li> <li>- Any data require for the success of this project will be available or easily obtained.</li> </ul>						

The risk-management methodology is depicted below, where the risk level is measured as the product of Likelihood and Consequence.



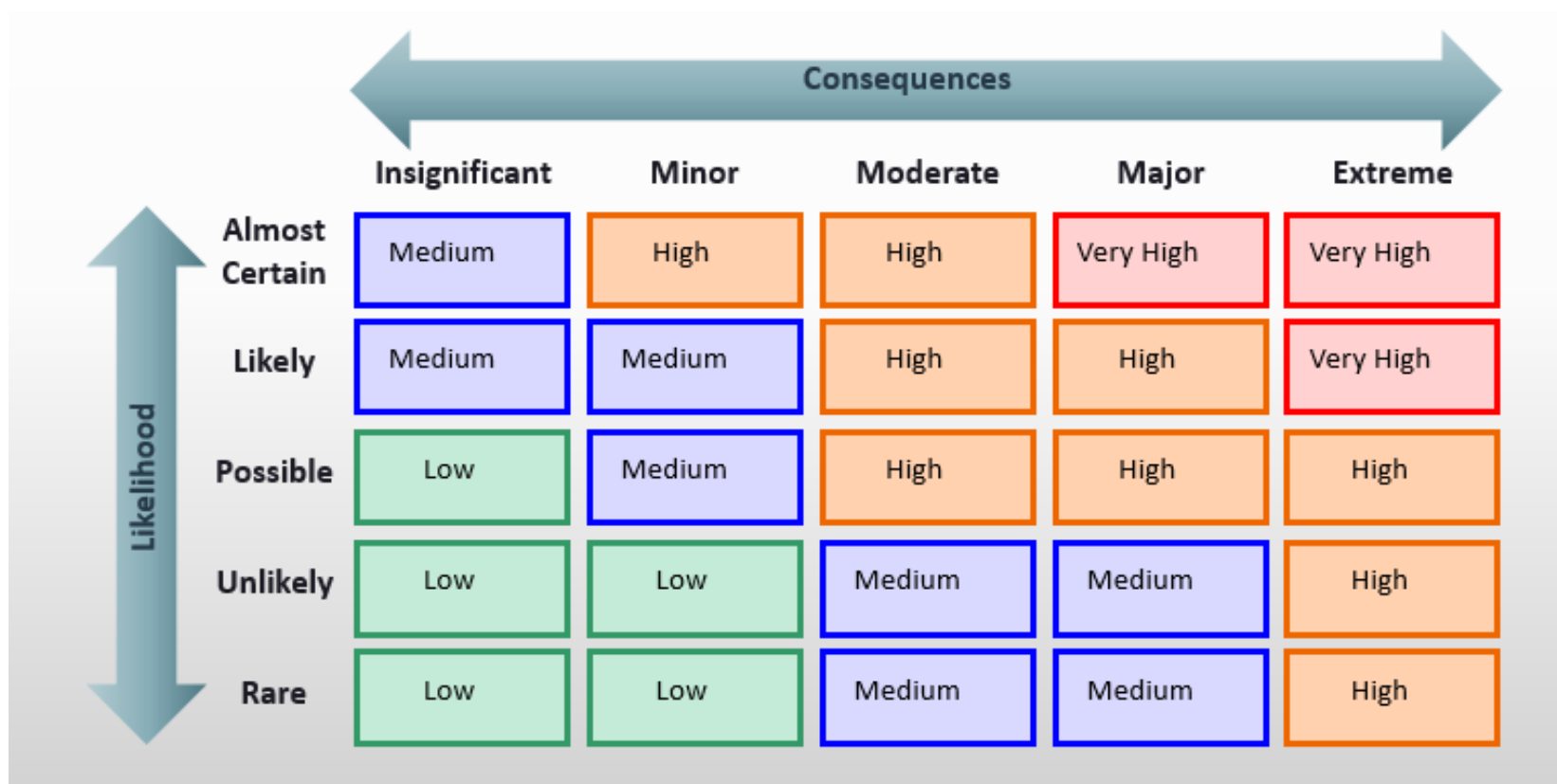
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Likelihood	Occurrence	Frequency	Consequence	Result
<b>Very Likely</b>	The event is <b>expected</b> to occur in most circumstances	Twice a month or more frequently	<b>Extreme</b>	An event leading to <b>massive or irreparable</b> damage or disruption
<b>Likely</b>	The event <b>will</b> probably occur in most circumstances	Once every two months or more frequently	<b>Major</b>	An event leading to <b>critical</b> damage or disruption
<b>Possibly</b>	The event <b>might</b> occur at some time	Once a year or more frequently	<b>Moderate</b>	An event leading to <b>serious</b> damage or disruption
<b>Unlikely</b>	The event <b>could</b> occur at some time	Once every three years or more frequently	<b>Minor</b>	An event leading to <b>some</b> degree of damage or disruption
<b>Rare</b>	The event <b>may</b> occur in exceptional circumstances	Once every seven years or more frequently	<b>Insignificant</b>	An event leading to <b>limited</b> damage or disruption

Likelihood	Consequences					Level of risk	Result
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)		
<b>Very likely (5)</b>	Medium (5)	High (10)	High (15)	Very High (20)	Very High (25)	<b>Very High</b>	Immediate action required by executive management. Mitigation activities/treatment options are mandatory to reduce likelihood and/or consequence. Risk cannot be accepted unless this occurs.
<b>Likely (4)</b>	Medium (4)	Medium (8)	High (12)	High (16)	Very High (20)	<b>High</b>	Immediate action required by senior/ executive management. Mitigation activities/treatment options are mandatory to reduce likelihood and/or consequence. Monitoring strategy to be implemented by Risk Owner.
<b>Possible (3)</b>	Low (3)	Medium (6)	High (9)	High (12)	High (15)	<b>Medium</b>	Senior Management attention required. Mitigation activities/ treatment options are undertaken to reduce likelihood and/or consequence. Monitoring strategy to be implemented by Risk Owner.
<b>Unlikely (2)</b>	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)	<b>Low</b>	Management attention required. Specified ownership of risk. Mitigation activities/treatment options are recommended to reduce likelihood and/or consequence. Implementation of monitoring strategy by risk owner is recommended.
<b>Rare (1)</b>	Low (1)	Low (3)	Medium (3)	Medium (4)	High (5)		



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## **Annex XII: Technical review criteria for Programme Documents**

Provided Separately





# GLOBAL FUND FOR CORAL REEFS

## **Annex XIII: Accountability, financial management, and public disclosure**

The Programme will be using a pass-through fund management modality where UN Multi-Partner Trust Fund Office will act as the Administrative Agent (AA) under which the funds will be channeled for the Programme through the AA.

The convening agent and recipient organizations shall assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent of the Global Fund for Coral Reefs (Multi-Partner Trust Fund Office). Such funds will be administered by each recipient organizations, Fund, and Programme in accordance with its own regulations, rules, directives and procedures. Each recipient organizations shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

Indirect costs of the Recipient Organizations recovered through programme support costs will be 7%. All other costs incurred by each entity in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs. The project management cost should not exceed 18%.

Funding by the GFCR will be provided on an annual basis, upon successful performance of the programme.

Procedures on financial transfers, extensions, financial and operational closure, and related administrative issues are stipulated in the Operational Guidance of the GFCR.

Partners must comply with GFCR Fund brand guidelines, which includes information on donor visibility requirements.

Each recipient organization will take appropriate measures to publicize the GFCR and give due credit to the other partners. All related publicity material, official notices, reports and publications, provided to the press or Fund beneficiaries, will acknowledge the role of the host Government, donors, partners, the Administrative Agent, and any other relevant entities. In particular, the Administrative Agent will include and ensure due recognition of the role of each recipient organization and partners in all external communications related to the GFCR.



## **Annex XIV: Project Administrative Arrangement for Recipient Organizations**

On behalf of the Recipient Organizations, and in accordance with the UNDG-approved "Protocol on the Administrative Agent for Multi Donor Trust Funds and Joint Programmes, and One UN funds" (2008), the MPTF Office as the AA of the GFCR will:

- Disburse funds to each of the Recipient Organizations in accordance with instructions from the GFCR Global Team. The AA will normally make each disbursement within fifteen (15) business days after having received instructions from the GFCR Global Team along with the relevant Submission form and Project document signed by all participants concerned;
- Consolidate the financial statements (Annual and Final), based on submissions provided to the AA by Recipient Organizations and provide the GFCR annual consolidated progress reports to the donors and the GFCR Global Team;
- Proceed with the operational and financial closure of the project in the MPTF Office system once the completion is completed by the Recipient Organizations. A project will be considered as operationally closed upon submission of a joint final narrative report. In order for the MPTF Office to financially close a project, each RO must refund unspent balance of over 250 USD, indirect cost (GMS) should not exceed 7% and submission of a certified final financial statement by the recipient organizations' headquarters);
- Disburse funds to any RO for any costs extension that the GFCR Global Team may decide in accordance with the GFCR rules & regulations.

### **Accountability, transparency and reporting of the Recipient Organization:**

Each Recipient Organization will establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it by the Administrative Agent from the Fund Account. That separate ledger account will be administered by each Recipient Organization in accordance with its own regulations, rules, policies and procedures, including those relating to interest

The Recipient Organization will assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. Such funds will be administered by each recipient in accordance with its own regulations, rules, directives and procedures.

The Recipient Organization will have full responsibility for ensuring that the Activity is implemented in accordance with the signed Project Document;

In the event of a financial review, audit or evaluation recommended by the Executive Board, the cost of such activity should be included in the project budget;

Ensure compliance with the Financing Agreement and relevant applicable clauses in the Fund MOU.

### **Reporting:**

Each Receipt Organisation will provide the Administrative Agent and the Fund Secretariat with:

Type of report	Due when	Submitted by
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Bi-annual project progress report	15 June	Convening Agent on behalf of all implementing or recipient organizations and in consultation with/ quality assurance by the GFCR Global Team, where they exist
Annual project progress report	15 November	Convening Agent on behalf of all implementing and recipient organizations and in consultation with/ quality assurance by the GFCR Global Team, where they exist
End of project report covering entire project duration	Within three months from the operational project closure (it can be submitted instead of an annual report if timing coincides)	Convening Agent on behalf of all implementing or recipient organizations and in consultation with/ quality assurance by the GFCR Global Team, where they exist
Annual progress report, which may contain a request for additional GFCR allocation if the context requires it	15 December	Convening Agent on behalf of all implementing or recipient organizations and in consultation with/ quality assurance by the GFCR Global Team

For the preparatory grant financing, the full programme document will be considered as the annual reports. The GFCR Global team might request a summary of the preparatory activities.

#### Financial Reports and timeline

The financial reporting requirements for the below follow the 8 UNDG budget categories.

Timeline	Event
<b>28 February</b>	Annual reporting – Report <b>Q4 expenses</b> (Jan. to Dec. of previous year)
<b>30 April</b>	Report <b>Q1 expenses</b> (January to March)
<b>31 July</b>	Report <b>Q2 expenses</b> (March to June)
<b>31 October</b>	Report <b>Q3 expenses</b> (January to September)
<b><i>Certified final financial report to be provided at the quarter following the project financial closure</i></b>	

Unspent Balance exceeding USD 250 at the closure of the project would have to be refunded and a notification sent to the Administrative Agent, no later than three months (31 March) of the year following the completion of the activities.

#### **Ownership of Equipment, Supplies and Other Property**

Matters relating to the transfer of ownership by the Recipient Organization will be determined in accordance with applicable policies and procedures defined by the Fund.



## **Public Disclosure**

The Fund Secretariat and Administrative Agent will ensure that operations of the GFCR are publicly disclosed on the GFCR website (<https://globalfundcoralreefs.org>) and the Administrative Agent website (<http://www.mptf.undp.org>)

## **Final Project Audit for recipient organization projects (Not Applicable to Preparatory Grant)**

An independent project audit will be requested by the end of the project (For multi-year projects the GFCR Executive Board might request add. audit reports). The audit report needs to be attached to the final narrative project report. The cost of such activity must be included in the project budget.

## **Special Provisions regarding Financing of Terrorism**

Consistent with UN Security Council Resolutions relating to terrorism, including UN Security Council Resolution 1373 (2001) and 1267 (1999) and related resolutions, the Participants are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. Similarly, all Recipient Organizations recognize their obligation to comply with any applicable sanctions imposed by the UN Security Council. Each of the Recipient Organizations will use all reasonable efforts to ensure that the funds transferred to it in accordance with this agreement are not used to provide support or assistance to individuals or entities associated with terrorism as designated by any UN Security Council sanctions regime. If, during the term of this agreement, a Recipient Organization determines that there are credible allegations that funds transferred to it in accordance with this agreement have been used to provide support or assistance to individuals or entities associated with terrorism as designated by any UN Security Council sanctions regime it will as soon as it becomes aware of it inform the head of Fund Secretariat, the Administrative Agent and the donor(s) and, in consultation with the donors as appropriate, determine an appropriate response.



## **Annex XV: Provisions Related to the Prevention of and Response to Sexual Harassment (SH) and Sexual Exploitation and Abuse (SEA) involving Implementing Partners (IPs)**

1. The Implementing Partner acknowledges and agrees that UNDP will not tolerate sexual harassment and sexual exploitation and abuse of anyone by the Implementing Partner, and each of its responsible parties, their respective sub-recipients and other entities involved in Project implementation, either as contractors or subcontractors and their personnel, and any individuals performing services for them under the Project Document.
  - a. In the implementation of the activities under this Project Document, **the Implementing Partner, and each of its sub-parties referred to above, shall comply with the standards of conduct set forth in the Secretary General's Bulletin ST/SGB/2003/13 of 9 October 2003, concerning "Special measures for protection from sexual exploitation and sexual abuse" ("SEA").**
  - b. Moreover, and without limitation to the application of other regulations, rules, policies and procedures bearing upon the performance of the activities under this Project Document, in the implementation of activities, **the Implementing Partner, and each of its sub-parties referred to above, shall not engage in any form of sexual harassment ("SH").** SH is defined as any unwelcome conduct of a sexual nature that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment or creates an intimidating, hostile or offensive work environment.
  
2. A) In the performance of the activities under this Project Document, the Implementing Partner shall (with respect to its own activities), and shall require from its sub-parties (with respect to their activities) that they, **have minimum standards and procedures in place, or a plan to develop and/or improve such standards and procedures in order to be able to take effective preventive and investigative action.** These should include: policies on sexual harassment and sexual exploitation and abuse; policies on whistleblowing/protection against retaliation; and complaints, disciplinary and investigative mechanisms. In line with this, the Implementing Partner will and will require that such sub-parties will take all appropriate measures to:
  - i. Prevent its employees, agents or any other persons engaged to perform any services under this Project Document, from engaging in SH or SEA;
  - ii. Offer employees and associated personnel training on prevention and response to SH and SEA, **where the Implementing Partner and its sub-parties have not put in place its own training regarding the prevention of SH and SEA, the Implementing Partner and its sub-parties may use the training material available at UNDP;**
  - iii. Report and monitor allegations of SH and SEA of which the Implementing Partner and its sub-parties have been informed or have otherwise become aware, and status thereof;
  - iv. Refer victims/survivors of SH and SEA to safe and confidential victim assistance; and
  - v. Promptly and confidentially record and investigate any allegations credible enough to warrant an investigation of SH or SEA. The Implementing Partner shall advise UNDP of any such allegations received and investigations being conducted by itself or any of its sub-parties referred to in with respect to their activities under the Project Document, and shall keep UNDP informed during the investigation by it or any of such sub-parties, to the extent that such notification (i) does not jeopardize the conduct of the investigation, including but not limited to the safety or security of persons, and/or (ii) is not in contravention of any laws



applicable to it. Following the investigation, the Implementing Partner shall advise UNDP of any actions taken by it or any of the other entities further to the investigation.

3. B) The Implementing Partner shall establish that it has complied with the foregoing, to the satisfaction of UNDP, when requested by UNDP or any party acting on its behalf to provide such confirmation. Failure of the Implementing Partner, and each of its sub-parties, to comply of the foregoing, as determined by UNDP, shall be considered grounds for suspension or termination of the Project.