GLOBAL FUND FOR
CORAL REEFS

UNCDF Initiative for the Global Fund for Coral Reefs

Project Title: Blue Bridge	**Recipient UN Organisation(s):** United Nations Capital Development Fund (UNCDF)
Project Contact: Anders Berlin Director, LDC Investment Platform United Nations Capital Development Fund	**Project Location:** Global
Project Description: The proposal outlines the development of a Blue Bridge concept to facilitate an "Investment Continuum" between the GFCR Grant Window supported businesses and projects with the larger-scale investments of the GFCR Investment Window. The Blue Bridge concept aims to provide businesses and projects with: (1) Pre- and post- investment technical assistance; and (2) Concessional loans and guarantees to attract private investment and scale impact for coral reefs and communities. A Blue Bridge would serve on an "as needed" basis, when there is no in-country existing alternative (MFI, NGO, Dev-Co, etc.) that can provide pre- and post-investment and/or concessional finance to identified SMEs. UNCDF could provide a flexible instrument through the GFCR Grant Window and could support initiatives by Convening Agents or the Investment Window when needed.	**Total Grant Request:** USD 1,035,760 **Blue Bridge Concept Q3-Q4 :** USD 250,000 **Previously approved allocation to GFCR Philippines programme (Annex II):** USD 218,000 **Grant to Pegasus Capital Advisors (Annex III):** USD 500,000 **Indirect Costs (7%):** USD 67,760 **Proposed start date**: 1 July 2021 **Proposed close date**: 31 December 2022

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Design and feasibility assessment phase of the Blue Bridge - Key Expected Outputs A full proposal for a Blue Bridge submitted by UNCDF to the GFCR 4th Executive Board in Q4 of 2021 informed by: • An analysis to define the most appropriate organization, processes and modalities to be a relevant support to partners of GFCR; • The definition of investment criteria and guidelines for the deployment of the grants and the revolving capital; • The strengthening of the investment pipeline by collaborating and working alongside the different sourcing entities, including an RFP process targeting the private sector, to share potential opportunities with convening agents, Pegasus and GFCR Institutional Partners; • A technical assistance demand analysis, including a TA diagnostic tool that will allow to understand and defined the types of TA support (BDS, impact management, conservation) needed by the potential GFCR investees); and • The definition of the offering of TA services that will effectively de-risk the capital deployed by the facility and prepare investees for the next round of capital to be provided by the Pegasus Fund. **Pegasus Capital Advisors Key Expected Outputs:** Performance Based Grants • Secure the Green Climate Fund as an anchor investor into the GFCR Investment Window • Collaboration Framework Between the Grant and Investment Window
Signature of Recipient Agency - UNCDF: [redacted] [redacted] ______________________ Title: [redacted] ______________________ Signature: [redacted] ______________________ UN CDF 08-Jul-2021 Date:________________

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Signature of Executive Board UN Partner - UNDP: [redacted] Title: Head of Ocean and Water Governance Programme, UNDP Signature: [redacted] Date: 07-Jul-2021

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United Nations Capital Development Fund (UNCDF)

Blue Bridge

A development-focused financial service to support the Global Fund for Coral Reefs, its implementers and partners

June 2021

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Contents

1. Background: An Overlooked Development Challenge

Coral reefs support the highest marine biodiversity in the world and provide valuable ecosystem services crucial for ecosystem health and for climate change adaptation. Despite covering less than 0.1% (284,300 km^2) of the ocean floor, reefs host more than one-quarter of all marine fish species. Coral reefs function as nursery grounds and habitats for economically important fish populations and also provide vital income through tourism for communities with limited other economic opportunities. In addition, coral reefs break up the intensity of waves and protect beaches, infrastructure and human lives from storm surges and increasingly frequent extreme weather events. Yet, coral reefs are among the world's most threatened ecosystems by climate change impacts. In parallel, multiple local pressures continue to influence the health and longer-term resilience of coral reefs, including destructive fishing techniques, overfishing and pollution.

Coral reef ecosystem services are valued at over US$375 billion per year: over 50% of the world's oxygen is produced by ocean ecosystems and over 4,000 species of fish and 800 types of corals are supported by coral reefs. Moreover, over 350 million jobs are linked to ocean activities and global tourism revenues linked to coral reefs totalled $36 billion in 2019, benefitting more than 100 countries.

The unsustainable use of coral reef ecosystem resources for short-term gain and underestimation of the true economic value of coral reefs has led to a lack of public and private funding for initiatives that protect and enhance the health of the global marine environment. A Conservation for Biodiversity High-Level Panel assessment estimated that the global funding required for coral reef protection is approximately seven times greater than current funding levels.

There are several things that need to be done. Communities require technical assistance and knowledge on the ecological impacts of degraded reefs. They would also benefit from technical assistance on good business practices to implement innovative financial mechanisms to the benefit of the community and the reef system. Women in particular require opportunities to lead initiatives that support coral restoration and revive marine/coastal ecosystems.

Increasingly, private investment capital and innovative finance tools are needed to efficiently scale-up initiatives to save coral reefs and build the resiliency of communities that depend on them. However, there is limited technical capacity locally to implement innovative financing mechanisms that can attract private sector investment in the first place. Additionally, the financial ecosystem is lacking means and appetite to finance coral reef climate resilience and adaptation projects. Reef positive enterprises that need to borrow to fund their development are subjected to high interest rates that compromise the ability to get sustainable blue economy projects and businesses off the ground. Requirements to access credit can be so demanding that it makes it impossible for local entrepreneurs to obtain a loan in the first place. Public investment, which provides an important platform for private sector growth and development, is also frequently limited. Further, different organizations regard "investability" in different ways. What can be considered an initiative worth investing for an NGO may not be regarded in the same way by a bank.

Coral reef tourism accounts for $36 billion a year in coral reef countries. Of that, $19 billion comes from "on-reef' tourism: diving, snorkelling, glass-bottom boating, and reef-related wildlife watching. The other $16 billion is from "reef-adjacent' tourism, which includes enjoying beaches, local seafood, paddle-boarding, and other activities afforded by sheltering adjacent reefs. The tourism industry has been devastated by the ongoing COVID-19 pandemic. International tourist arrivals decreased by more than half and some $320 billion in exports from tourism were lost in the first 5 months of 2020. Millions of jobs are affected, many of which are in the informal economy or MSMEs.[1] While the economic recession is a barrier to boost conservation finance, there is also a once in a lifetime opportunity to make sure tourism is built back greener, safer, and in a climate-friendly and equitable manner.

On the positive side the political momentum and investor interest around ocean ecosystems is growing: 14 countries forming the High-Level Panel for a Sustainable Ocean Economy have committed to sustainably managing 100% of their waters and in a recent survey, 72% of investors have confirmed their interest in investing in a sustainable ocean economy. However, an interest in investing is not the same thing as being able to invest.

To mobilize action and resources for coral reef protection and restoration, a global coalition of partners[2] has launched the "Global Fund for Coral Reefs" (GFCR) in 2020. The GFCR is a $500 million blended finance fund with a $125 million grant facility "Grant Window" and $375 million "Investment Window" that seeks to enhance the resilience and adaptive capacity of priority coral reef ecosystems and of the communities that depend on them. This note will focus on the Grant Window and how the Grant Window needs to be designed to connect to the Investment Window. The goal is therefore to design a facility that will enable projects to flow from the Grant Window to the Investment window with the help of concessional finance instruments, as well as adequate technical assistance.

2. The Global Fund for Coral Reefs (GFCR) investment continuum

For "blue" projects and businesses that are supported by the Grant Window of the GFCR, it is important to envision from the onset the pathway that will enable them to become commercially bankable. As these businesses and projects grow their financial and technical assistance (TA) needs also evolve. It is therefore key to avoid an "investment disconnect" that would jeopardize their journey to become successful and financially sustainable commercial projects, reproducing all the social impact they are set to achieve (in addition to generate the financial returns that will be required by commercial investors). Therefore, GFCR understands the importance of ensuring a continuum of support, when there is an absence of existing in-

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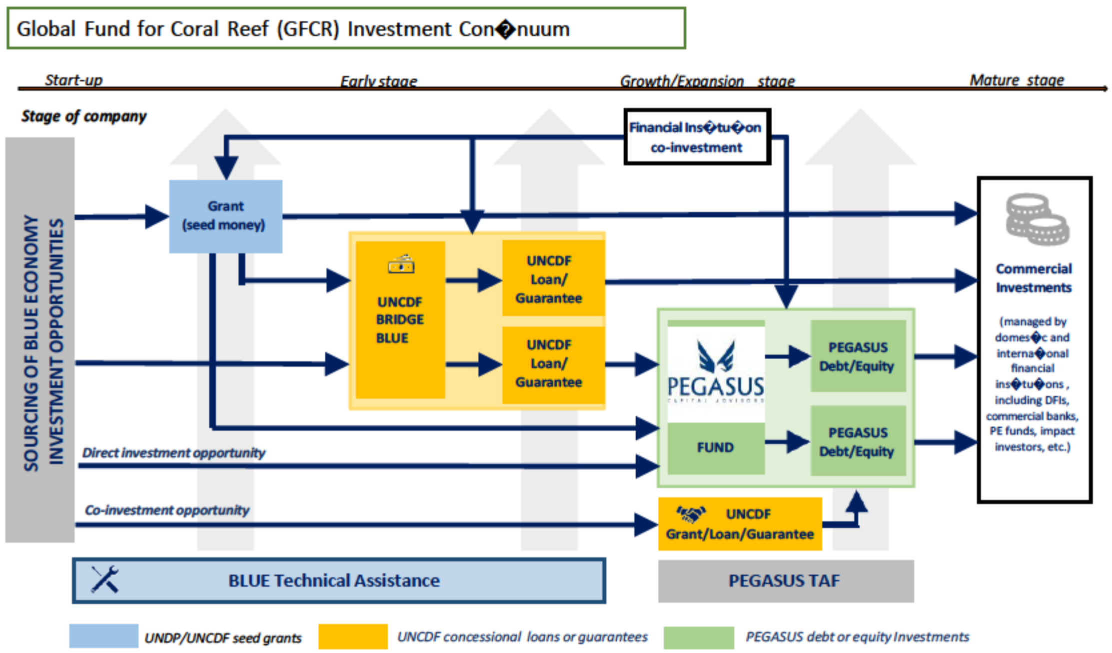
[1] https://www.un.org/press/en/2020/sgsm20218.doc.htm

[2] The Coalition includes: Prince Albert II of Monaco Foundation, Paul G. Allen Family Foundation, UNDP, UNEP and UNCDF, BNP Paribas.

country capacity to do so, along the enterprises or projects' different stages of development, especially for those which might have already received concessional funding (e.g. a grant by a partner organization of the GFCR initiative) but might not yet be fully ready for purely commercial investments. The UNCDF "Blue Bridge " will play a key role in ensuring that relevant pipeline candidates generated by convening agents and partners will continue to grow their businesses and reach the Investment Window (i.e. the Fund to be managed by Pegasus) or be invested in by other financial institutions (e.g. local banks) and grow commercially to their full potential, even if local MFIs, NGOs or Dev-Cos are absent to support those projects in their early stages.

By providing a Blue Bridge, the GFCR envisions to support the "Investment Continuum", by carefully nurturing businesses and projects throughout an architecture of investment and support from early stage to maturity and commercial bankability. To this end, the GFCR will leverage different UNCDF financial and TA instruments along the growth journey of these businesses or projects. UNCDF will activate upon request of the Global Team when convening agents, NGOs, other implementers, or the GFCR Investment Window Partners are unable to identify a in-country capacity to provide concessional finance and pre- and post-investment TA. In this context, sound businesses/projects will be referred to UNCDF by the Global Team - who will be appraised of in-country needs - UNCDF will then screen the businesses/projects. When at start-up stage, businesses and projects are often in need of preparatory TA and smaller grants that play a "seed equity" role. Once these businesses start generating revenues but are not yet profitable, they may qualify for a UNCDF concessional loan or guarantee. Capital deployed by UNCDF intends to be a revolving credit and guarantee capital to be hosted on UNCDF's balance sheet. The revolving nature of the capital means that the returns from the loans or guarantees will flow back to UNCDF and be deployed again into similar GFCR businesses or projects upon direction and coordination by the Global Team. When these businesses or projects become solidly profitable and need larger debt or equity investments, they will be referred by UNCDF to the Investment Window managed by Pegasus and other investors such as local banks, DFIs or impact investment funds (e.g., Sustainable Ocean Fund). The diagram below illustrates UNCDF's role to ensure a Blue Bridge.

Along the way, it is essential to also provide tailor-made finance oriented TA, partly to make these businesses or projects investible (i.e. achieving creditworthiness), and partly to ensure that thematic/technical aspects are improved (i.e. producing the desired impact on the coral reefs). On this second point, UNCDF will collaborate with UNEP's M&E team and UNDP's safeguard framework. It is therefore suggested that pre- and post-investment advisory support will be managed jointly by UNDP (safeguards), UNEP (environmental impact assessment) and UNCDF (financial due diligence and risk management). TA will be offered throughout the process to further improve the bankability and ensure the creditworthiness and impact of all investees.



3. The Problem

What problem is the GFCR addressing through a Blue Bridge? The current pipeline of sustainable financing mechanisms for coral reef conservation is underdeveloped. A number of activities needs to happen to ensure that a viable pipeline is developed, and when the pipeline is generated it is important to provide the right tools at the right time of maturity of the business to foster growth and sustainability. Although, local finance institutions that can provide concessional finance and TA do exists, often they are missing in LDCs and SIDS (see Annex I for case studies from Fiji). When local solutional are absent, UNCDF serves to augment the Grant Window's capacity to generate pipeline, provide pre- and post- investment TA, to ensure grant window supported businesses/projects are viable for the Pegasus fund and other commercial investors.

UNCDF has demonstrated wide geographic reach by efficient collaboration with UNDP, even when there is no UNCDF country office. UNCDF has good experience from working in geographies where UNCDF does not have country presence, recently in Angola, Kenya, Ghana, Sri Lanka and Vietnam, where UNDP provides the bridge to government, businesses and NGOs. In these case UNDP has been the project manager and UNCDF has relied on UNDP's office to get support to implement the financial instruments (renewable energy projects).

If a business is growing, after being rewarded a grant and TA, the next natural step is a concessional loan or guarantee to be provided by UNCDF, again if no in-country capacity exists. These concessional instruments will enable the business or project to create some track record and sound credit history. It will also teach the investee what a debt obligation means. After gaining some experience with concessional debt from UNCDF, and hopefully having achieved some organic growth, the investee will be referred to Pegasus and/or other commercial financiers, including domestic banks and private equity funds. It must be noted that the routes in the investment continuum that bring a project from start-up to commercial bankability can be multiple and diverse. For instance, a local entity may provide the pre- and post-investment TA, but will request the GFCR to provide confessional finance if the local entity cannot provide it themselves to the business/project. After incubation and growth, the business may be assessed to be sufficiently solid to be directly referred to Pegasus. In some cases, a business may be directly referred to Pegasus but UNCDF will issue a guarantee to reduce some of the risk and entice the Pegasus Fund to make the investment. The key success factor is to have a service that embeds different tools needed to bring the opportunities to scale and make sure finance will flow to these opportunities at various stages of their growth when there is no existing capacity to do so. UNCDF aims to provide a bridge between the traditional grant activities and the more commercial capital.

4. The solution to the Problem: an integrated investment process with all parties of the GFCR

a. Blue Bridge – Principles of investment

UNCDF was brought on as a key partner to the GFCR in the early stages of the Fund design. This is due to UNCDF's unique experience and technical capacity of it's Least Developed Countries Investment Platform (LDC IP), which serves as a competence centre on innovative development finance, with the aim of providing catalytic loans and guarantees to enterprises or project developers that meet its rigorous standards for development impact and financial viability.

As a development financier, UNCDF broadly adheres to the OECD DAC blended finance principles for unlocking commercial finance for the SDGs and has adopted the following principles to guide its own investment operations:

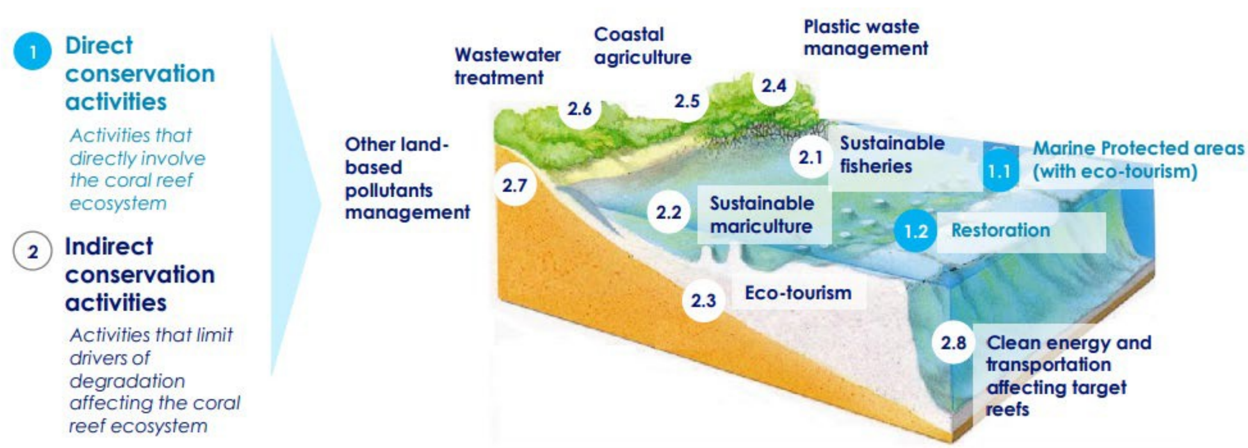
- No significant risk of market distortion:
    - Ensures equal opportunity to all market players through fair sourcing process.
    - Adheres to principle of "minimum concessionality", i.e. minimize subsidy.
- Contribution to market development:
    - Influences markets in a non-distortive way i.e. open-up markets, counter monopolies, enhance symmetry of information.

- Additionality:
    - Provides financing that no other private or public financier is willing or able to provide at the required cost and conditions.

b. Sourcing and screening

Sourcing and screening of blue investment opportunities will mainly take place in a number of Least Developed Countries (LDCs) and Small Island Developing States (SIDS) through coordination and collaboration with convening agents and the Investment Window partners. Pipeline is partly already available in countries such as Fiji, Solomon Islands, Maldives, Indonesia, Philippines, Madagascar, Tanzania, Kenya and Bahamas. And already we have seen a need for UNCDF's bridging capacities (see Annex I and II for examples from Fiji and the Philippines). Collectively, these countries account for a major part of the regeneration capacity of coral reefs globally. The sourcing of the opportunities will rest on multiple partners, including UNDP, WWF, World Conservation Society, Conservation International, the Nature Conservancy, Blue Finance, the Investment Window Partners and others under the GFCR Track I ecosystem-based approach. These partners will also be important in building the capacity at the local level. UNCDF, in coordination with the Investment Window, will also conduct RFPs targeting the Private Sector to identify replicable and scalable opportunities (GFCR Track II). Opportunities identified through the RFP will first be referred to convening agents who may identify local entities with the needed capacities before being consider for support via UNCDF.

Sourced opportunities and activities to support will be along two lines; 1) direct conservation activities and 2) indirect conservation activities.



Sourcing for direct conservation activities will involve finding marine protected areas that need restoration and are linked to eco-tourism. Revenue generation will come from public authorities or tourism. Indirect conservation activities include opportunities coming from businesses in sustainable fisheries, sustainable mariculture, eco-tourism, and waste management. Revenues will come from the sales of products and services.

The following broad screening criteria will guide the sourcing and screening:

- Sites with coral reefs that exhibit resilience to the impacts of climate change
- Sites of significant heritage and scientific value i.e. preservation of biodiversity, historical value UNESCO world heritage etc.)
- National priorities (proven national and/or local government commitment to conserve their coral reefs)
- Site readiness (feasible to engage, local partners with adequate capacity, accessible sites, etc.)
- Potential viable business model identified (preferably scalable)

c. UNCDF's Instruments

Based on UNCDFs original mandate, the toolbox of financial instruments available includes both liquidity and risk-sharing instruments.

i. Liquidity Instruments (Loans)

UNCDF's lending instruments would primarily focus on injecting responsive liquidity into the businesses and projects, primarily to provide working capital needed to cover essential operating costs, as well as to help enterprises meet capital expenditure needs. These lending instruments can occur in various modalities:

i. **Working Capital Loans:** such loans would finance short-term working capital needs and can have flexible amortization (e.g. bullet) or pricing (e.g. zero interest) features that are responsibly to the needs of the business or project.

ii. **Extended Grace Period / Long Tenor Loans**: such loans would provide extended grace periods on interest and or principal (e.g. up to 3 years), or would offer long maturity profiles (e.g. up to 8 years), and can be useful if liquidity is needed for medium / long term capital expenditure investments. Extended grace periods/long tenor loans are another form of concessionality, beyond concessional interest rates.

iii. **Subordinated Loans:** such loans would provide a financing solution that would be junior to the repayment rights of other lenders that may occupy a senior ranking. If the borrower cannot repay, the UNCDF's subordinated loan would be exposed to loss first. This provides liquidity with a healthier appetite for risk, which would be welcome in the current environment to encourage other lenders to come in with new capital.

ii. Risk Sharing Services (Guarantees)

UNCDF's guarantee instruments would primarily focus on absorbing some of the risks other investors, banks, developers, suppliers and customers may face, especially in the forms of lost investments, unpaid invoices and lost customers as a consequence of e.g. reduced economic activity in the face of a pandemic. The UNCDF guarantee instrument can be utilized in various modalities:

i. ***Pari Passu* Credit Risk Guarantee:** UNCDF's partial credit risk guarantees typically provide credit risk coverage to banks and other investors who extend financing to individual companies or a broader portfolio of companies. Under the Catalytic Investment Facility, UNCDF's coverage can be extended to guarantee up to 50% of the credit risk borne by a bank or investor where a default occurs. In other words, where a company fails to pay a bank or investor any amount due, UNCDF can cover up to 50% of the loss that the bank or investor incurs. Such protection would promote the continued flow of lending activity in these difficult circumstances.

ii. **Subordinated Credit Risk Guarantee:** such instruments provide credit risk coverage to banks and other investors with higher risk absorption levels than the party they are sharing credit risks with. These guarantees can cover 70% of all losses suffered up to a certain risk percentage alongside another guarantor. Under the Facility, UNCDF's coverage can be extended to guarantee 70% of the credit risk up to 20% of the total value of the underlying credit facility.

d. Blue Bridge – Structure and Criteria

Concessional finance deployment will revolve grant finance and be managed on UNCDF's balance sheet. This means that when an underlying loan is repaid, or when a loan backed by guarantee is fully paid back, the capital will revolve back to UNCDF and then extend into new projects when needed and directed by the GFCR Global Team. This would therefore have a multiplier effect on achieved development impact when deployed as concessional loans and/or guarantees (vs grants).

i. Eligibility criteria

The eligibility criteria are meant to be simple and in line with UNCDF's current operating arrangements - while retaining focus on blue investments.

By design, the Blue Bridge is not meant to discriminate between companies based on a subjective analysis of their commercial opportunity.

Core Eligibility Criteria	• All entities shall have a result framework for monitoring the impact towards GFRC impact framework • Transparent ownership structure and legally registered entity • Clear revenue model and recurring revenue streams • Stable or improving historical profitability trends • At least 2 years of audited historical financials • Positive Net Equity

e. Governance structure

UNCDF envisions a Blue Bridge with two core governance bodies.

The Executive Board of the GFCR will be approving the suggested transactions on a regular basis. Project proposals will be sent to the EB with the required information for approval, with information on how the opportunities were sources (e.g., via convening agents, Investment Window Partners, Institutional Partners, etc.) and why there is a lack in existing local capacity. The list of proposals will be sent quarterly and the EB members will have 5 business days non-objection process or pose questions/comments to the proposals. Not all proposals may in the end be invested in, the approval process will take place at an early stage to not waste time, energy, and costs on projects the EB will object on. In the end the business may not be deemed financially sustainable and will be rejected in the Investment Committee (see below). In this case, investments will be open to other entities such as MFIs, NGOs, Dev-Cos, etc.

The Investment Committee will form the ToR for the "UNCDF Impact Investment Committee", which evaluates all investment activities that originate from UNCDF's balance sheet. This Investment Committee will be composed stakeholders in the GFCR. The Director of the Least Developed Countries' Investment Platform at UNCDF will chair the committee, there will be two key UN-affiliated investment professionals and three independent representatives from the international impact investing community. Furthermore, the Investment Committee will be chiefly responsible for recommending (or rejecting) proposed investment transactions for approval by the UNCDF Executive Secretary.

It is possible for any contributor to the Blue Bridge to occasionally participate in the Committee as an observer.

f. The Blue Bridge: From the Grant Window to Commercial Investment

The concessional nature of UNCDF's instruments will complement the more commercial instruments of Pegasus and other impact investors. It is be reflected in the UNCDF's higher risk appetite and ability to do smaller ticket sizes compared to the Pegasus Fund. UNCDF is likely to offer loans and guarantees from $200,000 up to $ 2 000 000. The loans and guarantees will sometimes be structured in collaboration with other financial institutions who can provide complementary finance, so the ticket size may go up until $ 5

000 000. The idea is for the UNCDF to be able to "warehouse" potential investees for the Pegasus fund, and when the businesses fulfill the requirements, they will be referred to the Pegasus Fund.

The Pegasus Fund will be looking at investments from $ 10 000 000 and upwards, however they will also be able to invest in local partners, who on their side make smaller investments, in order to be able to reach downstream in the segment investment opportunities.

It is likely there will be businesses that will not reach Pegasus, even after a loan from UNCDF. It may not reach the required scale or risk/reward ratios needed. Here UNCDF may play a role to help the bank connect to local banks, just the mere fact of being able to pay back a loan to an international creditor (UNCDF) may help the business in the local market. This is also part of how UNCDF operates in its other operations, i.e. try to help the investees access local capital after UNCDFs intervention. In some countries UNCDF has signed MoUs with local development banks to facilitate such collaborations.

g. Country Coverage

The following countries can be supported the UNCDF's services in the first round of investments. Some of which are already being supported by UNCDF (e.g. Fiji, Philippines).

- Indonesia
- Philippines
- Bahamas
- Kenya & Tanzania Trans-Border
- Maldives
- Fiji
- Mesoamerican Reef (MAR) Regional Program
- Solomon Islands
- Madagascar

The additional countries included in the GFCR GCF proposal will also become eligible for Blue Bridge support.

Indonesia

Indonesia is an extremely diverse country with 17,500 islands (6000 inhabited) and is a central country in the highly diverse Coral Triangle. Initial analysis suggested that priority programming could be focused in and around two probable areas: Raja Ampat/Bird's Head Seascape and Lesser Sundas/Flores regions.

The Philippines

The Philippines is a large country of 100 million people with a diversity of industries including tourism and agriculture that could be target sectors for investment. The country is part of the Coral Triangle and has remarkable reef associated biodiversity. North Oriental Mindoro is located around 140 km south-west of Manila. The North Oriental Mindoro covers 5200 ha of vibrant coral reef, mangroves, and seagrass ecosystems and one of the country's primary dive-tourism destination.

The Bahamas

The Bahamas has a relatively low population and nearly all the country's coral reefs are within the two priority areas. Tourism and sustainable fisheries are particularly prominent in the country and can provide areas for investment. There are also extensive mangrove networks and seagrass beds around some islands in the country.

Kenya & Tanzania Trans-Border

The initial focus for Kenya and Tanzania will revolve around 50 Reefs. The area is of key importance providing a source of nutrition and income to many supporting agglomerations such as Zanzibar, Mombasa, and Dar Es Salaam.

Fiji

Fiji is highly dependent on coral reefs and coastal tourism and fisheries and has a large coastline. The priory programming proposal entitled "Investing in Coral Reefs and the Blue Economy" was submitted as a collaborative project with a UN Joint SDG Fund proposal and has received a first allocation. UNCDF is therefore presently preparing the first investments together with partners. The program seeks to create a blended finance facility and to build capacity to mobilize private and public investment capital for initiatives that have a positive impact on Fijian coral reefs and the communities that rely on them. The initiative will construct a pipeline of bankable projects providing a blend of technical assistance, performance grants and concessional capital for de-risking investments. Projects will leverage finance from private investors and other financing facilities.

Mesoamerican Reef – Regional Ecosystem Program

The Mesoamerican Reef (MAR) is the second largest barrier reef in the world after the Great Barrier Reef, extending over 600 miles across four countries in the western Caribbean Sea: Mexico, Belize, Guatemala, and Honduras. The broader MAR ecoregion covers 457,490 km^2, and there are multiple local regions of the reef that have high potential for climate change resilience. The reef historically provides over $6.2 billion per year in financial benefits to local economies, 70% of which is derived from tourism.

Solomon Islands

The Solomon Islands are a priority country for the Global Fund for Coral Reefs due to its resilient reefs, and location in the Coral Triangle. It possesses 2.02% of the world's coral reef area and approximately 550 species of coral. The main threats to Solomon Islands are (1) pollution from sedimentation (mainly from farming and logging-related deforestation) and (2) tourism. The Solomon Islands are one of the priority sites for the Coral Reef Rescue Initiative (CRRI) spearheaded by WWF with a strong group of partners.

Madagascar

The island of Madagascar has a significant reef area totaling 2,230 km2 with the Northwest Madagascar Reef covering the northern tip of the island (stretching from Andrafialava in the west to Vohemar in the east). The reefs are mainly found west of the island between Androaka and Antsiranana and on the east from the Cap of Ambre (Antsiranana) in the north to Toamasin. Indeed, it should be noted that Madagascar is one of the top 15 countries in terms of coral reef area.

5. Technical Assistance

To be effective, the provision of TA cannot be a "one size fits all" approach but needs to be tailor-made to the very specific needs of the companies. Some of these needs will become clear during the screening and pre-assessment of the transaction by convening agents and others, while others will arise after disbursement during the monitoring of the investment. UNCDF will design a diagnostic tool to determine the need for financial technical assistance of each company (based on the diagnostic tool currently used), and which capacities are missing from existing local organisations. While financial TA will be the contribution of UNCDF, Convening agents/local orgnizations, UNDP and UNEP will supplement with TA for environmental and social impact.

TA is needed to first prepare and then closely support the business to make sure the financial goals and social impact goals are met. Pre-investment advisory support may include, as needed, advisory support to initiate feasibility assessments, value assets, register land, design business plans, build financial models, estimate projections, define standard operating procedures, set impact targets, manage foreign currency risk, improve governance structures etc. Post-investment advisory support may range from developing and implementing sales and marketing plans to recruiting and selecting appropriate talent and human resources to implementing adequate IT and control systems.

Investees needs to take ownership over the changes and improvements that is suggested. A methodology needs to be worked out to ensure that changes are not imposed on the businesses, in such case the support should not be extended (and consequently the investment readiness may be reduced).

In addition to assessing and monitoring the impact generated by the fund the TA facility needs to help modernize the businesses as far as possible, not least will it be advisable to consider installing e.g. software applications on the investees' ERP- and accounting systems to provide real-time or almost-real-time remote access to the investees' systems.

TA experts have to constantly stay in contact with the local authorities and communities, reporting on the challenges the projects are facing and the progress made in overcoming these challenges. When the authorities and communities understand the potential benefits generated by these projects in terms of social impact, taxes paid and employment opportunities generated, they will be more inclined to extend to support the projects or businesses.

6. The LDC Investment Platform – implementing a Blue Bridge Service

UNCDF accomplishes its catalytic investment activities through the LDC Investment Platform (LDC IP), which will also be the organizational unit implementing UNCDF's support services. Although UNCDF's mandate to invest with loans and guarantees dates back to its inception (1966), the LDC IP was formed as a result of a UNCDF strategic decision in 2016 to revamp its catalytic investment operations, in the wake of the 2030 Agenda and the Addis Ababa Action Agenda on Financing for Development.

The service relies on UNCDF's enterprise risk management and investment policies; strengthened due diligence processes for vetting and assessing risks of potential investment opportunities; investment monitoring systems; and dedicated and growing capacities to manage and oversee a portfolio of capital investments and ensure robust accountability. The platform has a team of investment professionals with significant transactional expertise in developing countries and impact investing backgrounds (see Annex 1). There are 4 investment specialists based at the HQ in NY, 4 investment specialists based in Africa, one dedicated Technical Assistance Manager and one Portfolio Manager based in NY. Closely linked to the LDCIP is a roster of 20 investment professionals with different thematic expertise who work closely with the investment specialists. Primarily, the investment specialists have two functions within the organization: (i) an advisory function to support the sourcing entities in the structuring, the due diligence and the monitoring of the transactions (ii) a risk control function through an independent evaluation and risk appraisal for each transaction. These two roles will be the same for the GFCR initiative.

Overall, the aim of the LDC IP is to be part of an ecosystem in three ways; (a) demonstrate to domestic and international investors that difficult markets and projects can and do generate returns, provide opportunities for successful investment, and merit the attention of a wider range of investors; (b) use those demonstration effects to support policy and regulatory improvements and scale up of what works by other actors; and (c) help a number of companies advance to the next level of growth where more commercial funding will replace the concessional funding. This mission is well aligned with what is needed by the GFCR initiative.

7. Budget for the Design, Feasibility Assessment, and Collaboration with partners to develop a Blue Bridge

The feasibility and the relevance of the Blue Bridge as a complementary mechanism to bridge the observed financing gap and be in specific instances a preparation mechanism for the investment window managed by Pegasus will need to be analyzed further. To this end, a budget of $250k will be needed to undergo all the necessary preparatory work required to conduct such analysis.

This work will include:

1) The extensive vetting of the pipeline of potential investments brought by the sourcing partners, including interviews with potential investees, investment financial and impact pre-assessments, and investment readiness support as needed (elaboration of decks, business plans, etc.)
2) The strengthening of the investment pipeline by collaborating and working alongside the different sourcing entities that will originate the investment opportunities in order to optimize origination and pre-screen potential prospects, including an RFP process targeting the private sector;

3) A technical assistance demand analysis, including a TA diagnostic tool that will allow to understand and defined the types of TA support (BDS, impact management, conservation) needed by the potential investees;
4) The definition of the offering of TA services that will effectively de-risk the capital deployed by UNCDF and prepare investees for the next round of capital to be provided by the Pegasus Fund;
5) An analysis to define the most appropriate Legal, Governance and Operational structure for the Blue Bridge support services;
6) The definition of investment criteria and guidelines for the deployment of the grants and the revolving capital in collaboration with the Fund partners (UNDP, UNEP, Pegasus);
7) The definition of investment processes to ensure appropriate risk underwriting and smooth referral by UNCDF to Pegasus and other investors.

Finally, the pre-launch budget will also be used to transfer to Blue Finance the previously approved capex needs for the Philippines SPE, as well as the Pegasus Fund structuration costs.

Budget is detailed in the table below:

BUDGET FOR BLUE BRIDGE, BLUE FINANCE AND PEGASUS	Year 0 (USD)
Investment pipeline vetting	$100,000
Investment pipeline strengthening	$50,000
Technical Assistance demand analysis	$30,000
Definition of TA services offering	$20,000
Legal, Governance and Operational set-up analysis	$30,000
Definition of investment Criteria, processes and guidelines	$20,000
Transfer to Blue Finance for previously approved CapEx needs of Philippines SPE	$218,000
Pegasus Performance-based Grant	$500,000
SUB-TOTAL	$968,000
Indirect Costs (7%)	$67,760
TOTAL BUDGET	$1,035,760

GLOBAL FUND FOR CORAL REEFS

Budget by UNDG Category

UNDG Category	USD
1. Staff and other personnel	$250,000
2. Supplies, Commodities, Materials	-
3. Equipment, Vehicles, and Furniture (including Depreciation)	-
4. Contractual services	-
5. Travel	-
6. Transfers and Grants to Counterparts	$718,000
7. General Operating and other Direct Costs	-
Total Direct Costs	**$968,000**
8. Indirect Support Costs (Max. 7%)	$67,760
TOTAL Budget	**$1,035,760**

GLOBAL FUND FOR
CORAL REEFS

ANNEX I – UNCDF Team

UNCDF's CORE investment and partnership team includes the following people, who would be involved with the implementation of the collaboration in different capacities.

Anders Berlin

Mr. Anders Berlin is currently the Director for UNCDFs Investment Platform in New York with the aim of increasing the innovative use of loans and guarantees throughout UNCDF's portfolio and in cooperation with other UN agencies. As Director of the Investment Platform, he leads a team of Investment Specialists.

Anders has previously had the post as Head of Unit for Loans and Guarantees at the Swedish International Development Cooperation Agency (SIDA) managing a portfolio consisting of approximately 50 projects/programmes around the world, mostly in Africa and Asia. Prior to this duty, Mr. Berlin worked as the Head of Development cooperation at the Embassy of Sweden in Kosovo and deputy Head of Cooperation in Tanzania. He also worked as a senior advisor to the General Director of SIDA and a senior Advisor at DG RELEX at the European Commission in Brussels, as well as an economist at the World Bank.

Anders holds a Master's degree in Economics from Stockholm University, and a Master's degree in Economic Policy Management from Columbia University.

Abhisheik Dhawan

Mr. Abhisheik Dhawan is currently a Partnerships Specialist with UNCDF. Prior to joining UNCDF, Abhisheik was Director, Cleantech Practice at Business Development Bank of Canada (BDC) investing in Canadian Cleantech companies as part of the $600M fund of the Canadian government. With over 17 years of experience in international markets and financial services, he has worked with banks and technology companies, including startups, in India and the United States, engaging with clients across continents. Over the last eight years, he has shifted focus to sustainable development.

Before joining BDC, Abhisheik worked with Juntos, a startup that helps plan for a secure financial future for its clients through trust-based relationships, and Enerknol, an energy startup. Prior to that, he was Head of Partnerships and Fundraising at Shakti Sustainable Energy Foundation, an entity facilitating India's transition to a cleaner energy future, where he led fundraising efforts to support Indian governments efforts on climate change. Abhisheik started on his banking career of over a decade with IDBI Bank at Bangalore, India's tech capital, with a focus on the IT industry. Subsequently, he worked as Director at Standard Chartered Bank covering middle market and large corporate clients.

Abhisheik has completed an MPA with a concentration on Economic and Energy Policy and Finance from Columbia University in New York. He also holds an MBA in Finance from the Indian Institute of Management (IIM Kozhikode), CFA-Level II and a B.Tech in Mining Engineering from the Indian Institute of Technology (ISM- Dhanbad).

Fabrizio Cometto

Mr. Fabrizio Cometto (France and Italy) is currently an Investment Specialist with UNCDF, where he has transaction advisory, underwriting, and risk management responsibilities for catalytic investments to small and medium enterprises (SMEs), financial service providers, and small-scale infrastructure projects primarily located in LDCs.

Before joining UNCDF, Fabrizio was Portfolio Manager at MCE Social Capital, an innovative impact investment firm that provides capital to Micro Finance Institutions (MFIs) and Small and Medium Enterprises (SMEs) in the developing world. At MCE Social Capital, he contributed to the launch and development of a new fund focused on investing directly into SMEs with the aim of closing the "missing middle" financing gap. His focus areas included agricultural value chains, renewable energies, and access to safe water. During his four-year tenure at MCE, Fabrizio closed over thirty transactions across Africa, Asia and Latin America, totaling over $20 million in aggregate value.

Prior to MCE, Fabrizio had a successful 13 years' career in the private sector, where he held key business management positions across a wide range of industries and companies. He started his career in Singapore as a credit analyst for BNP Paribas, before moving to China where he helped define and execute the Michelin Group's go-to-market strategy. After working in Paris for a travel industry start-up venture, he joined the Ariston Thermo Group, for which he first led large marketing teams in the Far East before managing its operations in the Iberian Peninsula. Just before MCE, Fabrizio volunteered in Côte d'Ivoire with Technoserve, a Washington D.C.-based development NGO.

Fabrizio holds an Msc in Management from HEC Graduate School of Business in Paris and a Master of International Public Policy from Johns Hopkins School of Advanced International Studies (SAIS) in Washington, DC. He speaks English, Spanish, Mandarin Chinese, French and Italian.

Charulata Singal

Mrs. Charulata Singal is currently an Investment Specialist with the LDC Investment Platform at UNCDF, where she has transaction advisory, underwriting, and risk management responsibilities for catalytic investments to small and medium enterprises (SMEs), financial service providers (FSPs), and small-scale infrastructure projects primarily located in LDCs.

Her previous positions include Senior Investment Fellow at Capria Ventures, Senior Investment Officer at responsAbility Investments AG, Consultant at CDC Plc, India representative at BlueOrchard Finance SA and Assistant Vice President at ING Bank. In some of these roles, she had geographic responsibility for financial inclusion investments in the South Asia region.

Charulata has an undergraduate degree from the Sydenham College of Commerce & Economics, an MBA from the Goa Institute of Management, and an MBA in Finance and Strategy from the Indian School of Busines and the Leonard N. Stern School of Business at New York University.

ANNEX II – Case studies from the previously approved GFCR Programme in Fiji

Transaction #1: Shark Reef Marine Reserve (Beqa Adventure Divers)

This transaction is part of a larger mechanism to co-finance the development of eco-tourism facilities and blue carbon solutions for the effective management of Locally Managed Marine Areas (LMMAs).

The Shark Reef Marine Reserve (SRMR) is a ground-breaking Public Private Partnership (PPP) between the Fiji Government and Beqa Adventure Divers (BAD) a private, for-profit company that has been entrusted by Fiji Government with the day-to-day monitoring, management and also enforcement of the SRMR. BAD is a multi-awarded world-renown, for-profit marine conservation project that is specialized in shark conservation, research and ecotourism, and operates a dive shop in Pacific Harbour, Fiji with a turnover >$0.8m p.a. BAD is supporting and participating in several NGOs such as Mangroves for Fiji and My Fiji Shark Initiative.

In 2020, BAD was severely hit by the impact of the COVID-19 pandemic and had to put on hold its development plans. The company intends to build a new Dive and Research Station, that will allow it to better service its customers and to conduct more in-depth data analysis and scientific research. The total identified financing need for this ambitious project is $500k. However, at this stage, the company is unable to secure financing from local financial institutions, which are extremely risk averse. The size of the requested investment is also far below the threshold of minimum ticket size that the Pegasus Fund could potentially envision in the future. UNCDF will bridge the gap by providing a concessional financing package ($150k grant + $350k 6-year concessional term loan) that will allow BAD to stay afloat and weather the COVID-related crisis while setting in motion the new development project.

Transaction #2: Fertile Factory

This transaction will establish locally produced non-synthetic fertilizer that can service significant local demand and create ecosystem benefits across the sugar industry. Currently the industry utilizes nonorganic fertilizer which is subsidized by the government. The toxic run-off from this fertilizer has been shown to have ongoing and long duration deleterious effects on the coral reef area where this run-off is concerned (in particular the Driketi river entry point).

This business has established a proprietary formula for the production of a cost competitive locally produced non-chemical fertilizer, which when paired with farmer training, can significantly increase yields, soil quality and contribute to reef health:

1. Land based pollution (siltation and nutrient fertilizer runoff) pose a significant risk to reefs around Viti Levu and Vanua Levu)
2. Deforestation and agricultural conversion close to watersheds are major drivers of siltation

The Fertile Factory transaction will be funded by using UNCDF concessional subordinated debt to crowd in the commercial debt which could be provided by the Pegasus Fund. The subordinated interest rate will allow the project to have sufficient cash flows to service the senior debt and also provide just sufficient equity return to make the project viable for the equity sponsors. The envisioned ticket size for the UNCDF concessional investment is $750k.

Transaction #3: Western Sanitary Landfill

This transaction involves the establishment of a sanitary landfill with simultaneous establishment of Regional Transfer stations and second phase Materials Recycling Facility. Sanitary landfill network of refuse transfer stations and GPS-tracked trucks in the first stage, with progressive build-in of a materials recovery facility and ancillary recycling and upcycling businesses. The venture will lay the foundation for large scale recycling which currently does not take place in the Pacific region.

Western Division (second largest of four provinces) is served by a 16ha open dumpsite with no sanitary engineered landfill or leachate control and is situated on mangrove. Western division is adjacent to the Great Sea Reef, hosting 700k tourists annually. The Western Landfill initiative is of political importance with improved environmental outcomes and consistent with the Fijian Environmental Act. The Landfill will serve as a platform for regional hub and/or other waste businesses (material recovery & recycling, upcycling). It will be constructed and operated by the only company with in-country experience: HG Leach with 15 years DBO&M experience at the Naboro Landfill, Suva, Fiji.

The business will generate revenues from gate fees, premium gate fees and service fees to producers of waste (households and businesses) for whom the collection services are provided.

The financing package has been structured based on the financial model developed by the sponsors to the transaction. The transaction will require UNCDF to provide both a subordinated debt tranche (approx. $2,5m), and a liquidity support facility ($1m) in the case of periodic, delayed or lower than projected financial flows from the Local Authorities will make up the predominant gate fee revenue. This will allow the traditional commercial infrastructure financiers (IFC, ADB, AIFFTP) to provide sufficiently well-covenanted senior debt ($4m) and the Pegasus Fund with an acceptable market return for its equity position (c. $5.5m).

ANNEX III – Previously approved Financial Allocation to the Blue Finance led GFCR Programme in the Philippines.

Summary

The first GFCR Executive Board Meeting approved a financial allocation of USD 354,224 to Blue Finance, the convening agent for a GFCR Philippines Programme. The budget was broken down as follows:

- Track 1- Full Programme Proposal Development: USD 96,000
- Track 2- SPE VIP technical capacity building: USD 15,500
- Track3 – SPE Investment for early CAPEX and working capital: USD 218,000
- Operational Cost and Indirect Costs: USD 24,724

During the MPTF's full fiduciary due diligence of Blue Finance, it was determined that Blue Finance had limited experience in early stage SPE capitalization. Although the third track is highly relevant to the programme and essential for effective MPA management, the Global Team has chosen to mitigate risk by having the USD 218k flow through UNCDF who has experience with this type of transaction in the Fiji and will be able to provide proper oversight of Blue Finance.

The itemized Track 3 CapEx Budget for the Verde Island Passage is found below:

Item	# of Units	Unit Cost (USD)	Total 2021 (USD)
1 vessel, 20' fiberglass vessel with 90-115 hp out-board, 10 pax capacity	1	$15,000	$15,000
2 Base radios	2	$2,500	$5,000
Pick-up 2021 model with towing capacity	1	$21,000	$21,000
Moorings	7	$1,000	$7,000
Equipment, demarcation, buoys	1	$5,000	$5,000
Inventories (Underwater gear x20, compressor, dive tanks, spare parts, computers, etc.)	1	$15,000	$15,000
Legal fees	1	$5,000	$5,000
Initial working capital (1 director, 1 business developer, 1 science director, 85 community rangers, back office)	1	$84,000	$84,000
Operating costs (fuel, ecotourism products, communication, PMO)	1	$51,500	$51,500
Office costs (rental, utilities, etc.)	1	$9,000	$9,000
TOTAL			**$218,000**

You may revisit the Philippines Proposal and Decision Memo using the following links:

- Philippines Proposal
- Budget 2021
- Decision Memo

ANNEX IV – Pegasus Capital Advisors' Grant Request

Proposal to the Grant Window to contribute to the development of the GCF funding proposal and Collaboration Framework between the Grant and Investment Window

Pegasus Capital Advisors

May 2021

This proposal requests a performance-based grant from the GFCR Grant Window (GW) for initial support to Pegasus Capital Advisors (PCA) to (1) secure a GCF Equity Investment to serve as the anchor investor into the Investment Window (IW); and (2) to develop the Collaboration Framework between the GW and IW.

PCA requests a performance based grant of USD 500,000 that is intended cover a portion of the cost of internal and external expertise required, and ad-hoc research and analysis, that Pegasus must conduct given the scarcity of studies and data on the blue economy.

This note provides an overview of the contribution of the IW partners, their roles and the main activities and deliverables that are targeted for the requested performance-based grant. The proposal includes an overview of the activities, deliverables and an estimation of the contributions that have been and will be made by the Investment Window partners for the set-up phase of the GFCR. This phase runs from the project start in March 2020 until the first closing date which is expected to be early Q2 2022 when the GCF investment will be confirmed.

Effective project management is critical to deliver timely decision-making, ensure alignment amongst partners and optimize synergies between the Grant and Investment Windows. BNPP and PCA have provided project management support to help deliver milestones and to ensure the Fund meets deadlines and maximizes impact. Since March 2020, the partners have covered all aspects of the project and have participated in existing working sessions as well as ad-hoc meetings.

In addition to coordinating the activities of the Investment Window, the partners have also ensured (i) the alignment of Investment Window and Grant Window activities (e.g. input into CFA's Investment plan), and (ii) the identification onboarding of additional partners (e.g. ORRAA, IUCN) and potential IW transactions.

In order to deliver a suitable pipeline scoping for the Investment Window, PCA and BNPP have:

- Worked jointly with the Grant Window, as part of the Joint Global team
- Jointly assessed potential investment opportunities by participating in meetings with potential investees
- Worked with country programme developers (i.e., Convening agents) identified by the Grant Window

- Identified key areas of intervention for the Grant Window in target geographies

1. MAIN ACTIVITIES TO CONFIRM GCF AS ANCHOR INVESTOR

From the GCF Concept Note to the GCF Funding Proposal

Ensuring high-quality inputs to the GCF funding proposal will be critical to accessing catalytic GCF capital and requires external expertise that PCA and BNPP do not have.

- Capitalizing on the feedback received from GCF on the Concept Note, PCA with the support from SIQ, BNPP, R20 and UNDP will develop and submit the GFCR full GCF funding proposal and its 15 annexes. Through the GCF proposal process, key GFCR IW elements will be developed, including: Financially structuring the IW based on feedback from potential investors (including potential donors such as Sida).
- Developing a business plan for the Investment Window to identify potential asset allocation strategies based on the overall GFCR theory of change.
- Identifying initial pipeline/business case in close relation with UNCDF and UNDP under the Track II of the Grant Window.
- Developing an impact measurement approach for the Fund in line with the M&E framework developed by UNEP. This includes investment and performance criteria.

Non-Objection Letters (NOLs)

Based on their successful experience with the Subnational Climate Fund (SCF), PCA's and R20's contribution will be instrumental in securing the participation of the priority countries identified for the GFCR (by securing "NOLs").

R20 has been acting as a facilitator between four main stakeholders who generally work in silos:

- The sub-national and national authorities who drive the policy and take decisions on their need for climate-friendly infrastructure
- The technology companies and services providers who can respond to the needs expressed by the authorities
- The public and / or private investors looking for impact financing opportunities
- NGOs, academics, and multilateral institutions working in various aspects of climate policy, goal setting, and "MRV" (measuring, reporting, verifying results).

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PCA DELIVERABLES AND ESTIMATED BUDGET TO CLOSE ON GCF COMMITMENT AS ANCHOR INVESTOR:

Deliverable	Portion Covered by GW	Delivery Date
1. Submission of first draft of the full funding proposal to the GCF	100K	July 2021
2. Financial Structuring and Business Plan (developed as part of the FP and FAA)	75k	November 2021
3. Procurement of non-objection letters from priority countries (Covering if possible, at least the GFCR priority countries – condition for full approval of their programme by the Grant Window)	75K	September 2021
4. GCF Board Approval	100k	October 2021
TOTAL	**350K*** to be awarded once deliverables are achieved	

*On average UNDP will spend 300K to prepare a programme of that scale to the GCF, without developing a complex multi country blended financial structuring and business plan.

2. COLLABORATION FRAMEWORK BETWEEN THE GRANT AND INVESTMENT WINDOW

Once PCA's Funding Proposal has been approved by the GCF Board, the Investment Window and the Grant Window will enter into a Collaboration Framework with the goal of ensuring efficient communication and collaboration between the two windows. The Collaboration Framework will address, among other things, (i) the oversight and implementation of the Grant Window and the Investment Window, (ii) obligations designed to contractually ensure that projects funded by the Grant Window will be available for investment by the Investment Window and (iii) marketing, communications and fundraising.

In the meantime, Pegasus will continue to engage with the Grant Window, participating in developing the key strategic elements of the Fund, such as on the evolution of the Investment Plan, coordination with UNCDF to achieve an investment continuum, and participation in all multi-stakeholder engagement meetings:

- Alignment with the Grant Window
- Regular governance meetings – incl. weekly Investment Window meetings, bi-weekly meetings with the grant Global Team, all partner meetings, and Executive Board meetings, convening agents in priority ecosystems

- External meetings – incl. with and onboarding of potential partners, funders, co-investors, etc.
- Public events – incl. speaking roles for Investment Window partners
- Investment window setup – including onboarding of PCA fund manager (covered by the GCF Fee)

Regarding communications activities, they will be mainly delivered by the GFCR Grant Window, and Pegasus will work alongside the Global team, on behalf of the Investment team, to ensure:

- Coordination and briefing for external events with Investment Window partners
- Sign-off of external communications
- Implementation of strategic engagement strategy that includes events, comms and social media

Regarding the Country Programme support (Track I Priority Ecosystems), the PCA aims to join regular meetings with GFCR convening agents which are developing 10-year country programmes to be supported by the Fund. Representatives from the Investment and Grant Windows will continue to provide guidance and input into the country strategies, GFCR investment modalities and review of business models.

Fundraising Strategy and Campaign

Following the Executive Board's support for the strategic engagement strategy, the Investment Window has worked with the partners to advance the next phase of fundraising activities – initially targeting providers of catalytic / development capital to unlock the Investment Window. PCA has developed a pitch deck targeted at philanthropic funders and a consolidated target list across all partners.

The next phase will focus on implementing the strategy, coordinating fundraising activities across partners and preparing for meetings.

BNPP will help PCA to develop and advance the next phase of fundraising activities – initially targeting providers of catalytic / development capital to unlock the Investment Window. This workstream would focus on targeting additional donor and development capital providers, beyond the GCF proposal. It would require close alignment and coordination with the existing fundraising efforts of the Grant Window led by the grant Global Team with public donors and private foundations, to identify potential overlaps and optimize outreach. It would include the following activities:

- Developing a consolidated target list of potential funders – both donors and development capital providers – for the Investment Window building on the involved stakeholders' networks and further research / mapping
- Organize and prepare pitch meetings and follow up with the potential funders

PCA DELIVERABLES AND ESTIMATED BUDGET FOR COLLABORATION FRAMEWORK:

Once the GCF approval is secured development of the Grant Window Collaboration Framework and agreement will begin. Deliverables are included in the table below. The requested performance-based grant of USD 150k would be awarded when the below deliverables are achieved.

Description	**Delivery Date**
Oversight and implementation modalities of the Grant Window and the Investment Window developed	November 2021
Joint arrangements regarding sourcing and exclusivity criteria between the Grant Window and the Investment Window approved	December 2021
Joint marketing, communications and fundraising guidance issued and implemented	September 2021
TOTAL	150 k Paid by December 2021

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LIST OF DELIVERABLES PER ACTIVITY

Project Management & Coordination
Sub-activities: - *Governance set up & Global Team coordination (agenda and material for (i) internal meetings, (ii) external meetings with potential funders and investors and (iii) Executive Board meeting in May)* - *Asset manager onboarding* - *Support for Country programmes* - *Partnerships Identification* - *Participation to external events with Investment Window representation*
Asset manager selection overview
First pipeline scoping incl. sector and country profiles
Strategy document for IW (including structure, governance, impact measurement, etc.)
Coordination and Framework Agreement
Input into the CFA's final investment plan
GCF CONCEPT NOTE [completed]
Project/Programme Information
Indicative Financing/Cost Information
Map indicating the location of the project/programme
Diagram of the theory of change
Economic and financial model with key assumptions and potential stressed scenarios
Pre-feasibility study
Evaluation report of previous project
Results of environmental and social risk screening
GCF FUNDING PROPOSAL
No objection letter (outreach to 10-20 NOLs)
Feasibility study
Economic and/or financial analyses – Market Sizing
Detailed budget plan
Implementation timetable
ESS disclosure report
Environmental and social impact assessment or environmental and social management framework
Stakeholder consultations at national and project level implementation including with indigenous people if relevant
Gender assessment and action plan
Legal due diligence
Procurement plan
Monitoring and evaluation plan
Accredited Entity fee request budget
Co-financing commitment letters
Term sheet
Map of locations of proposed interventions

Multi-country project/programme information template
Appraisal, due diligence or evaluation report for proposals based on up-scaling or replicating a pilot project
Procedures for controlling procurement by third parties or executing entities undertaking projects financed by the entity
FUNDRAISING STRATEGY AND CAMPAIGN
Fundraising strategy priorities and leads
Consolidated fundraising strategy including tailored teaser deck and consolidated target list & engagement process
Preliminary comms strategy to fundraise from the Grant Window
Updated GFCR pitch deck for foundations and commercial investors
DESCRIPTION
Grant Window collaboration agreement signed
Oversight and implementation joint modality of the Grant Window and the Investment Window developed
Joint arrangements regarding sourcing and exclusivity criteria between the Grant Window and the Investment Window approved
Joint marketing, communications and fundraising guidance issued

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Supplement to the Proposal to the Grant Window to contribute to the development of the GCF funding proposal and Collaboration Framework between the Grant and Investment Window

Pegasus Capital Advisors

June 15th, 2021

We thank the Executive Board for their constructive feedback concerning the proposal (the "Proposal") by Pegasus Capital Advisors, L.P. ("Pegasus") for a $500,000 performance-based grant from the GFCR Grant Window ("GW"). Responses to specific questions raised by the Executive Board are below. We are happy to discuss further.

Budget Detail and Partner Roles

The Proposal is intended to cover a portion of Pegasus' and its consortium partners' costs to up until the point that the GFCR Investment Window (the "IW") is ready to commence implementation. This requires that the funding proposal for the IW be approved by the board of the Green Climate Fund ("GCF") and the related Funded Activity Agreement ("FAA") go effective, which is when implementation formally begins and GCF funds can be disbursed. Given prior experience with the GCF, we believe the best-case for FAA effectiveness is January 2022, though this could easily slip into Q2 2022 and beyond.

As a general matter, GCF does not reimburse for costs incurred prior to effectiveness of the Funded Activity Agreement. Furthermore, it is important to note that the $500,000 request will not cover all costs associated with the time and resources that Pegasus and its consortium partners will dedicate to the IW proposal, and Pegasus and the other consortium partners are prepared to cover any excess to ensure the success of the IW proposal. Accordingly, the chart below summarizes the total estimated costs through FAA effectiveness, assuming February 2022 as a base case.

Consortium Partner	Partner Role	Estimated Cost
PCA Resources	- GCF Accredited Entity - Project Management - Funding Proposal and Annexes - Market study and initial pipeline sourcing - iTAP approval - NOL procurement - Board approval - FAA negotiation and effectiveness - Early-stage marketing/fundraising efforts[3] - Coordination & Framework Agreement with GW	$625,000
Operating Advisors	- Funding proposal - NOL procurement	$75,000

[3] Most fundraising will occur after the FAA is effective as private investors are unlikely to engage in earnest until the GCF closing occurs.

	- Early-stage marketing/fundraising efforts	
R20	- NOL procurement	$75,000
SystemIQ	- Funding Proposal and Annexes - Market study and initial pipeline sourcing - NOL procurement - Early-stage marketing/fundraising efforts	$250,000
Legal & Other	- Estimate of unreimbursed legal costs associated with developing and negotiating the funding proposal and FAA	$50,000
Total		**$1,075,000**

Notes:

These costs are estimates based on the costs already engaged for the period and the forecast for the remaining period of the set-up phase (until first closing). The GFCR grant support is the equivalent of 5 senior experts mobilized for a period of 7 months.

Performance Metrics

A question was also raised concerning the deliverables that triggered the performance-based grants. Again, in this context, it is important to note that the Proposal is intended to cover costs pre-effectiveness of the FAA. The proposed deliverables are, in Pegasus' view, the key steps in the effectiveness process. They are also easily verifiable by donors and provide a sequenced disbursement of payments that can support the continued activities of Pegasus and its consortium partners, not least given the GCF timelines. Other accomplishments such as the first IW closing with private investors or the first investment by the IW can take place only after FAA effectiveness, and therefore are not included in this Proposal.