



# GLOBAL FUND FOR CORAL REEFS

## TNC - The Bahamas

<b>Programme Title:</b> BahamaReefs	<b>Recipient Organisation(s):</b> The Nature Conservancy
<b>Programme Contact:</b> Shenique Smith, Northern Caribbean Program Director , The Nature Conservancy salbury@TNC.org	<b>Programme Location:</b> Commonwealth of The Bahamas
<b>Programme Description:</b> The preparatory grant will be used to by TNC to bring together a consortium of local partners to catalyse innovative finance mechanisms and revenue streams for coral reef ecosystems and reef-dependent communities in The Bahamas.	<b>Total Preparatory Grant Costs:</b> USD 100,000
	<b>Proposed Project Start Date:</b> March 2021 <b>Proposed Project End Date:</b> December 31 <sup>st</sup> , 2021
<b>Key expected outputs</b> <ul style="list-style-type: none"> <li>- Full Programme Proposal submitted to the GFCR Executive Board in August/September 2021</li> <li>- Key elements to be included in the full Programme Proposal: (a) Presence of resilient reefs; (2) Blended Finance to promote sustainable revenue streams with positive impact on coral reef ecosystems and dependent communities; (3) Consortium of partners convened by TNC; (4) M&amp;E Strategy; (5) Budget and workplan tied to clear milestones</li> </ul>	
<b>Signature of Recipient Organisation – The Nature Conservancy:</b>  Print: Marci Eggers Name _____  Title _____ Deputy Director, Caribbean Division Signature <u>Marci Eggers</u> Date <u>12-Apr-2021</u>	



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## Signature of UN Partner

Print:

Name Andrew Hudson

Title Head of water and ocean governance UNDP

Signature

*Andrew Hudson*

Date 29/04/2021



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## Concept Note



# BahamaReefs

## A project to save the Caribbean's Most Expansive Coral Reef System through Innovative Financing

Preparation Grant Proposal to the Global Fund for Coral Reefs

(Submitted February 12, 2021)

### I. Background

#### 1. Background on The Nature Conservancy

With nearly 70 years of experience, The Nature Conservancy (TNC) is a global leader in protecting and restoring coral reefs and developing innovative financing for conservation. Our ocean projects span the globe—from the South Pacific to the Caribbean to the Western Indian Ocean, and in every U.S. coastal state and territory. With nearly 4,000 staff worldwide spanning multiple disciplines and with work underway in 79 countries, TNC has the capacity to test, demonstrate and scale up new and innovative approaches to coral conservation and restoration. In the Caribbean, our deep roots and local connections (40 years of experience in the region, along with seven offices) enable us to directly partner with governments and a wide range of other stakeholders whose lives are linked to healthy coral reef ecosystems.

#### 2. Coral reefs in The Bahamas

The Bahamas has the most expansive coral reef system in the Insular Caribbean, providing critical ecosystem services—tourism, fisheries and coastal protection—that support The Bahamas economy. The annual value of coral reefs to tourism in The Bahamas has been estimated to be \$671 million. More than 70% of livelihoods (fisheries, tourism) in The Bahamas are directly or indirectly dependent on healthy coral reefs across the country. Despite their immense value to the national economy and ecology, coral reefs in The Bahamas have declined due to a combination of threats: unsustainable/illegal fishing practices, unsustainable coastal development, habitat loss, climate change, marine pollution, and coral



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diseases. This has weakened their ecological functions and services. Despite these trends, recent research highlights the resilience of the reefs in The Bahamas, specifically the large number of thermal refugia<sup>2</sup>.

The Bahamas Government has recognized the importance of coral reef ecosystems. At the heart of the country's commitments to coral reefs, under the [Caribbean Challenge Initiative \(CCI\)](#), the government set a target of effectively managed marine protected areas (MPAs) covering at least 20% of its nearshore waters. Achieving this target would represent a tremendous step forward for coral reef conservation. While some progress has been made, unfortunately, the government is falling behind in its effort to meet this target. Additional long-term funding, in particular, is needed to (i) achieve the 20% target, and ensure that MPAs have effective management in place; and (ii) support other coral protection and restoration efforts covering reefs inside and outside the national MPA system. In addition to protection efforts, the Government and other stakeholders have recognized the need to scale up coral restoration across the country to stimulate reef recovery.

### 3. Innovative finance mechanisms

Inadequate financial capacity and the lack of reliable, long-term funding is a major barrier to scaling up coral protection and restoration in The Bahamas. To address this barrier, in recent years, TNC has developed and introduced a range of innovative finance mechanisms (IFMs) to generate reliable and long-term funding to support coral reefs and marine conservation more broadly. These IFMs include, for example, debt conversions (using “blue bonds”), reef and mangrove insurance, blue carbon and resilience credits (BCRCs), conservation trust funds, and tourism-based finance mechanisms. The Bahamas is one of the priority countries for the implementation of these IFM efforts. Examples of this work on IFMs are provided below.

#### Debt Conversions: Blue Bonds for Ocean Conservation

TNC is currently working with The Bahamas Government to develop an innovative debt conversion mechanism: Blue Bonds for Ocean Conservation. TNC led the world's first ocean-focused [debt conversion in the Seychelles](#) in 2016, resulting in the Seychelles Government setting aside more than 440,000 square kilometers of ocean area for protection—an area the size of Germany. Building on this groundbreaking model, TNC is exploring a debt conversion for The Bahamas that would reduce and restructure a portion of its sovereign debt and direct the proceeds into a conservation trust fund to generate long-term, reliable funding for coral reefs and marine conservation more generally.

Ambitious marine conservation commitments by The Bahamas Government would be built into the debt conversion agreements. The new Bahamas Blue Bond would help the government (i) prioritize coral reef conservation and restoration; (ii) meet its previously defined national biodiversity targets (including 20% nearshore ocean protection under CCI); (iii) commit to an aspirational target of 30% of its EEZ and territorial waters under protection in the near-term—with half of this in high-protection status, determined through a marine spatial planning process; and (iv) meet other national, regional, and global goals (e.g. Caribbean Coral Reef Action Plan, CCI, UN Convention on Biological Diversity, UN Framework Convention on Climate Change,



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Sustainable Development Goals). A successful debt conversion deal would generate the single most significant flow of conservation funds in the nation’s history and could fill much of the coral reef funding gap.

### Blue Carbon Resilience Credits (BCRC)

While a successful debt conversion would generate a substantial portion of annual coral reef protection and restoration costs, additional funding would be required from other sources, such as carbon markets. There is potential to couple the Blue Bond approach with another novel approach, BCRCs, creating two complementary funding streams for coral reefs and marine conservation in The Bahamas.

Coral reef ecosystems often include adjacent mangroves. While coral reefs are not significant carbon sinks, nearby mangroves are. By targeting sites that contain coral reefs adjacent to mangroves, a new funding stream (BCRCs) benefitting coral reefs can potentially be created. This new funding stream can directly benefit coral reefs because: (i) new MPAs can be created at sites that have both reefs and mangroves; (ii) activities to reduce pollution and sedimentation in mangrove systems improve water quality and promote the health of adjacent coral reefs; and (iii) protecting and restoring mangrove forests (which serve as fish nursery grounds) supports the health of herbivorous fishes who graze algae that can overgrow coral and compete with coral for settlement space.

TNC is currently working with insurance sector leaders to develop the BCRC—which would be the first-ever credit to value two combined services of coastal wetlands: carbon sequestration and coastal resilience (e.g., resilience against coastal flooding). TNC is developing “Resilience Credits” as a new methodology to advance SDG Goal 13: Climate Action. By combining carbon offset and coastal resilience credits, mangrove conservation and restoration projects can sell these credits to support ongoing conservation work. TNC engaged EY (formerly Ernst & Young) to conduct a market analysis of BCRCs and identified an appetite among a variety of corporate partners to purchase these credits (e.g. airlines, insurance companies). In the future, TNC may explore whether the resilience credit methodology could be applied to coral reef systems.

The Bahamas is an ideal region to develop BCRC projects, with its 97,000 hectares of mangroves across multiple islands, its high risk of tropical storms, and an urgent need to maintain healthy mangrove and nearby coral reef habitats. Recently, TNC started work on a pre-feasibility study, targeting several mangrove sites in the Bahamas, to assess application of the BCRC concept. Pending study recommendations and availability of funding, a next step would be to identify a pipeline of BCRC projects that could be supported through a blended finance approach that “de-risks” individual pilot sites. On the financing side, philanthropic and public funding would be pooled to develop site-based projects, while investment capital would provide long-term financing for restoration and conservation activities.

### Bahamas Protected Areas Fund (BPAF)

In recent years, TNC was instrumental in establishing and operationalizing the BPAF—an independent trust fund with a focus primarily on marine as well as terrestrial protected areas. TNC currently serves on the BPAF Board. If the debt conversion transaction (outlined above) is successful, the current plan is for BPAF to manage the proceeds. A number of discussions with BPAF on this topic have already been held.



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We are also exploring with the BPAF Board the opportunity to create an *investment window* that would provide concessional loan financing to enterprises that support the BPAF mission.

## II. Outcome, Outputs and Activities

To address the needs in The Bahamas to mobilize expanded and sustainable funding for coral reefs and scale up coral protection and restoration action, TNC intends to lead the development of a new multi-year project (“BahamaReefs”) that would be designed and implemented in collaboration with a set of Consortium Partners. TNC is requesting \$100,000 in funding from the Global Fund for Coral Reefs to carry out a five-month Preparation Phase for this project. The Outcome, outputs and activities for this Preparation Phase are described below.

### 1. Outcome

**Outcome 1: Full Proposal.** The main outcome will be a full proposal detailing a comprehensive, multiyear project in The Bahamas for advancing coral reef conservation through a range of interventions that are aligned with the strategy and approach of the Global Fund for Coral Reefs.

### 2. Outputs and Activities

#### Output 1.1: A Consortium for implementing the BahamaReefs Project

Activity 1.1.1: Convene meetings of potential Consortium Partners. Convene meetings of possible Consortium Partners to assess potential financial models and financing strategies, develop the multi-year program, and establish the Consortium. Invitees could include, for example: , Ministry of the Environment & Housing, Ministry of Agriculture & Marine Resources, Ministry of Finance, Office of the Prime Minister, National Fishers Association (NFA), Blue Finance, Coral Vita, Bahamas National Trust (BNT), Bahamas Protected Areas Fund (BPAF), Perry Institute for Marine Science (PIMS), Cape Eleuthera Institute, major hotels (e.g. Bahamar), Bahamas Hotel and Tourism Association, and financial institutions/programs such as IDB and Bahamas business support programs.

#### Output 1.2: Identification and socialization of priority finance mechanisms for full project implementation

Activity 1.2.1: Conduct preliminary assessment of a set of finance mechanism options. Conduct a preliminary assessment of the feasibility of a set of options for priority finance mechanisms that could become a focus of work during full project implementation. Options will include, among others: (i) debt conversions (Blue Bonds for Ocean Conservation); (ii) blue carbon resilience credits; (iii) an investment window within BPAF or another trust fund; (iv) reef insurance; and (v) an MPA co-management revenue models (e.g. models developed by Blue Finance).

Activity 1.2.2: Prepare a Concept Brief. Prepare and circulate a short Concept Briefs for “Tier 1” finance mechanisms identified through Activity 1.2.1. Concept Briefs could include such content as: (i) financial



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models (e.g. cashflows, financial outcomes for various scenarios, deal structures); (ii) key benefits to the government; (iii) conservation commitments; and (iv) other information on other relevant components such as marine spatial planning (MSP), roles of key entities such as a conservation trust fund and an investment company, and relevant technical information and technical gaps.

Activity 1.2.3: Conduct consultations with key stakeholders. To socialize Tier 1 finance mechanisms, organize consultations with the Bahamas Government (e.g. Ministry of Finance, Department of Marine Resources), BPAF, BNT, NFA, tourism companies, and other relevant stakeholders. Consultation agendas will be designed to present the Concept Brief, solicit concrete feedback, and reach agreement on the basic approach and possible next steps to be carried out during full project implementation.

## **Output 1.3: Prepare an initial pipeline of financial mechanism projects for in-depth feasibility assessments**

Activity 1.3.1: Prepare a Pipeline Action Document. Based on the above activities, prepare a Pipeline Action

Document that includes a list of promising finance mechanism projects to be assessed in greater depth during Year 1 of full project implementation. For each finance mechanism, a feasibility assessment work plan will be completed, outlining specific timebound tasks, information/data needs, and other components.

**Output 1.4: Scoping Paper describing opportunities for policy work and in-the-water activities related to coral reef conservation and restoration** (in support of GFCR 4 outcomes (protecting reefs/reef refugia; sustainable livelihoods of reef-dependent communities; reef restoration and adaptation technologies; recovery of communities to shocks)

Activity 1.4.1: Assess policy enabling environment. Assess current laws and policies and develop a preliminary list of potential policy activities for the full project implementation phase.

Activity 1.4.2: Assess opportunities for in-the-water activities. Assess opportunities for in-the-water activities for the full project implementation phase, with an emphasis on activities that reinforce the work on Tier 1 priority finance mechanisms.

## References:

<sup>1</sup>Spalding, M. D., Longley-Wood K., Acosta-Morel, M., Cole, A., Wood, S., Haberland, C., and Ferdana, Z., 2018. [Estimating Reef-Adjacent Tourism Value in The Caribbean](#)

<sup>2</sup>Beyer, H.L., Kennedy, E.V., Beger, M., Chen, C.A., Cinner, J.E., Darling, E.S., Eakin, C.M., Gates, R.D., Heron, S.F., Knowlton, N. and Obura, D.O., 2018. Risk-sensitive planning for conserving coral reefs under rapid climate change. *Conservation Letters*, 11(6), p.e12587.

<sup>3</sup>UNEP 2020. Projections of future coral bleaching conditions using IPCC MIP6 models: climate policy implications, management applications, and Regional Seas summaries. United Nations Environment Programme, Nairobi, Kenya



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## Annex 1: Budget for 2021

[Link to full pre-grant budget and workplan](#) (contact [maxime.philip@undp.org](mailto:maxime.philip@undp.org) for access)

UNDG BUDGET CATEGORIES	Amount (US\$)
1. Staff and other personnel	62,670
2. Supplies, Commodities, Materials	-
3. Equipment, Vehicles, and Furniture (including Depreciation)	-
4. Contractual services	30,788
5. Travel	-
6. Transfers and Grants to Counterparts	-
7. General Operating and other Direct Costs	-
<b>Total Direct Costs</b>	<b>93,458</b>
8. Indirect Support Costs (Max. 7%)	6,542
<b>TOTAL Budget</b>	<b>100,000</b>

## Annex 2: 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 three (3) to five (5) business days after having





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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
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
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



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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
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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.



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## **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



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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 3: 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



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**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

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- 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.
2. 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.