



GLOBAL FUND FOR CORAL REEFS

Blue Finance in the Philippines

Programme Title: Mamuhunan sa mga MPAs (‘responsible investment in MPAs’)	Recipient Organisation(s): Blue Finance
Programme Contact: Nicolas Pascal, Executive Director, Blue Finance Association Npascal@blue-finance.org	Programme Location: Philippines <ul style="list-style-type: none"> • Verde Island Passage • Calamian Islands • Tañon Strait
Programme Description: The initial grant is requested to build technical capacity and for early CAPEX costs of the new Special Purpose Entity (SPE), Blue Alliance, responsible for MPA co-management in the Verde Island Passage (VIP). Additional funding is requested for the development of a full programme proposal with scoping of feasibility and businesses for all three target areas. The Concept Note below details the full vision for developing the blue economy in and around MPAs in the Philippines over 10 years.	Total Preparatory Grant Costs: USD \$131,182 Proposed Programme Start Date: March 2021 Proposed Programme End Date: September 2022
Key expected outputs <ul style="list-style-type: none"> - Full Programme Proposal submitted to the GFCR Global Team in July 2021 with detailed scoping of ‘quick-wins’ of revenue streams in VIP. - Key elements to be included in the full Programme Proposal: (a) Evidence 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; (4) Clear strategy for implementation in all three target areas; (5) M&E Strategy; (6) Budget and workplan tied to clear milestones - Blue Alliance SPE with operational capacity for effective management of the protected area network in VIP. - Potential co-investment of US\$1.4M from the Sustainable Ocean Fund into the Blue Alliance SPE and associated businesses in VIP. 	



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Signature of Recipient Organisation - Blue Finance:

Print: [Redacted]
Name _____

[Redacted]
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[Redacted] [Redacted]

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Signature [Redacted]

Date 29/04/2021



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Concept Note

FACT SHEET

Title of the proposed Programme: Mamuhunan sa mga MPAs ('responsible investment in MPAs')

Convening Entity: Blue Finance Association

Date: January, 12th 2021

Lead contact person: Nicolas Pascal, Executive Director, Blue Finance Association
Npascal@blue-finance.org

Other participating entities and contact persons:

- Blueyou: Rene Benguerel
- Blue finance : Nicolas Pascal
- UBÁ Sustainability Institute: Marina Gavaldao
- Rare: Rocky Sanchez
- Conservation International Philippines: Enrique Nuñez

Name of coral reef site or project area:

Verde Island Passage MPA network (adjacent to Vibrant Oceans BCU "Central Philippines"),
Calamian Island MPA network (adjacent to Vibrant Oceans BCU "Palawan") Tañon Strait
MPA network (Part of Vibrant Oceans BCU "Mindinao"),

Period of implementation (years and months):

Initial Grant: March 2021 – July 2021

Full programme vision: 2021-2030 Pilot phase 2021-2023

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Total amount requested for 2021-2023:

Initial Grant: US\$354,224 Full programme

Vision:

Grant Window capital amount requested: **US\$3.4M**

Investment Window capital amount requested: **US\$8.7M**

Average leverage ratio (Total project / Grant): **3.5X**

Relevant objective/s from national strategic document/s:

This Project is anchored on key national priorities, including:



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1) Philippine Development Plan (PDP) 2017-2022.

Goal: Ensuring **ecological integrity**, clean and healthy environment.

The PDP lays-out the following key strategies: intensification of sustainable management

- (i) of natural resources through the adoption of ridge to reef approach and **Sustainable Integrated Area Development (SIAD)**;
- (ii) expansion of sustainable resource-based enterprises;
- (iii) mainstreaming of ecosystem values into national and local development planning.

2) Philippine Biodiversity Strategy and Action Plan (PBSAP) 2015 – 2028.

The PBSAP is the biodiversity roadmap of the country with the vision “By 2028, biodiversity is restored and rehabilitated, valued, effectively managed and secured, **maintaining ecosystem services** to sustain healthy, resilient Filipino communities and delivering benefits to all.”

For the coastal and marine sector, the PBSAP targets **no net loss in presence and area of distribution of live coral cover, mangrove and seagrasses by 2028.**

SDG targets on which the progress will be accelerated (includes targets from a range of SDGs and development pillars):

- Goal 14: Life below water, the proposal centers on coral reefs and the blue economy. SDG 14 is severely underfunded and requires additional resources and innovative projects to safeguard biodiversity rich ecosystems and reef-dependent communities, as found in Philippines. (SDG 14 targets to be addressed: 14.1, 14.2, 14.3, 14.4, 14.5, 14.6, 14.A, 14.B.)

-- Goal 8: Sustained, inclusive and sustainable economic growth is targeted specifically through the promotion of and investment in MPAs that provide for new economic activities, decent job creation, entrepreneurship, and as such, encourage the formalization and growth of micro-, small- and medium-sized enterprises that focus on the blue economy and promote sustainable tourism (SDG 8 targets to be addressed: 8.3 and 8.9).

- Goal 17: Partnerships for the goals is targeted through use of a blended financial instrument that promotes innovation and offers a unique public/private partnership, bringing together UN organizations, Member States, philanthropy (IUCN, BIOFIN), private investors (e.g., Althelia, Meloy Fund), nonprofit organizations (Blue Alliance, Blue Finance, CI, Rare), private sector (Blueyou, Meliomar) and oceans-focused networks in which the UN is an active member or founder (for instance, ICRI and ORRAA). (SDG 17 targets to be addressed: 17.1, 17.3, 17.7, 17.9, 17.15, 17.16, 17.17, 17.19.)

Relevant GFCR outcomes and outputs:



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- Outcome 1: "Protection and effective management of priority coral reef sites and climate change-affected refugia are sustainably financed."

Output 1.1 Increased area of climate refugia and priority sites designated as MPAs

Activity 1.1.1: Design of the MPAs high-level business plans and set-up of the Special Purpose Entities (SPEs - co-management body for the MPAs) in the 3 MPA networks of Calamian Island, Tañon Strait and Verde Island Passage

Activity 1.1.2: Stakeholder engagement and advocacy in the 3 MPA networks

Activity 1.1.3: Screening, feasibility study and selection of new priority MPA sites in Philippines

Output 1.2: Strengthened management, enforcement and monitoring systems of MPAs by SPEs

Activity 1.2.1: Technical & Scientific assistance with training in coral reef conservation and natural resource management including Marine Spatial Plans process, use of high-resolution mapping of coral reef and ecosystem services assessment, habitat & resource monitoring, Community based management, MPA compliance, mangrove restoration and conservation, fishery, aquaculture, water quality, etc;

Activity 1.2.2: Project Management Office for the SPEs and capacity building to upskill SPEs and MPAs on social entrepreneurship and sustainable business management

Outcome 2: "Transforming the livelihoods of coral reef-dependent communities"

Output 2.1: Established Development Facility, managed by several business developers to structure a pipeline of reef-positive sustainable blue economy businesses for the SPEs within and around the 3 MPA networks

Activity 2.1.1: Scoping, technical assistance and training to develop a pipeline of investment ready projects in Blue economy sectors unlocking **US\$9M** from private sector. Priority will be given to eco-tourism, coastal community-based fisheries, extensive aquaculture, mangrove restoration for blue carbon credits. Upskilling local businesses and communities on social & environmental entrepreneurship, sustainable business, financial management and market linkages to responsible consumer markets will be provided. Other sectors such as waste management and coastal protection will be screened to identify opportunities.

Activity 2.1.2: Technical assistance and training to upskill local businesses on methodology to measure, monitor and manage the environmental impact of their business operations.

Output 2.2: Mobilized public and private investment in priority sustainable initiatives related to addressing coral reef degradation drivers

Activity 2.2.1: Co-fund early stage CAPEX costs of the pipeline of projects of the 3 SPEs. The facility will start with investment in 2021 in the Verde Island Passage MPA network for a pipeline of 3 bankable projects (ecotourism, blue carbon and crab aquaculture) with **3.5X** leverage from the private sector.



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Activity 2.2.2: Design of the blended finance facility (**US\$50M** target by 2030) for aggregating the investments in the pipeline of the blue economy projects and improving risk profile of the portfolio.

Activity 2.2.3: Strengthened and harmonized policies, strategies, plans and financing from the government for improved environmental biodiversity protection thresholds.

SELF-ASSESSMENT

Eligibility criteria	Yes/No
The proposal reflects a holistic approach to mitigating various drivers of coral reef degradation	Y
The proposal is based on a blended finance approach, with the goal of creating an enabling environment for private sector engagement and/or developing revenue streams to sustainable finance coral reef conservation and reef-first businesses	Y
The proposed results are aligned with national SDG priorities	Y
The proposed Programme will be endorsed by the government and include key national stakeholders	Y
The proposal is based on country consultations, as explained in the Concept note, and efforts have been or will be made to secure Programme government endorsement of the full proposal (the Letter of Endorsement)	
The proposal is based on the standard template for Concept Notes, it is complete, and it includes: <ul style="list-style-type: none"> - Theory of Change demonstrating contribution to GFCR Outcomes - Results-oriented partnerships - Environmental and socio-economic baseline data is available and/or there is a strategy in place to collect this data - Results are measurable and a clear plan exists for monitoring and evaluation - Blended solutions (transactions) and substantive outcome-level results, and - Initial risk assessment and mitigation measures. 	Y
The proposal is expected to leverage resources for the SDGs at scale	Y



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PROPOSAL FOR JOINT PROGRAMME

1. Summary of the Programme.

The project seeks to create an impact investment development facility to accelerate implementation of Blue Economy projects for Marine Protected Areas (MPAs) in the Philippines. The Facility will unlock private and public investment capital (**US\$50M** target by 2030) for coral reefs, associated ecosystems and the communities that rely on them.

During the next 3 years (Pilot phase), the development facility will structure a pipeline of bankable projects generating critical finance for 3 networks of MPAs in Calamian Island, Tañon Strait and Verde Island Passage. Projects will contribute to the effective management and financial sustainability of the 3 networks (total 80 MPAs), protect over 75 000 ha of coral reefs and mangroves, benefit >80,000 vulnerable coastal community members and unlock private investment capital (circa **US\$9M** by 2023).

Initial business models include reef-first businesses such as eco-tourism, blue carbon credits from mangrove restoration, sustainable coastal aquaculture and fisheries transition programs. Other sectors such as waste management, coral reef restoration and coastal protection will be explored.

A pipeline of 3 projects is already close to investment readiness, with an anchor impact investor confirmed (the Sustainable Ocean Fund) and US\$1.4M soft committed for 2021.

The expected results of the pilot phase should include:

1. A pipeline of 8 bankable reef-first Blue economy projects ready for investment by 2023 in the 3 networks of MPAs (including 3 projects ready in 2021); The development facility will accelerate concession work already underway and finalise pre-investment life cycle activities.

2. Co-fund early-stage costs of the pipeline of projects to increase positive impacts and reduce commercial and ESG risk. The GFCR will participate with other catalytic funders (grants) in the blended solution providing technical assistance and equipment for the natural resource management activities in the MPAs. Grant funding will allow for a 3.5X leverage from private capital. In 2021, the GFCR will support 3 bankable projects based on eco-tourism, sales of blue carbon credits and crab aquaculture for the Verde Island Passage MPA network. 2 impact investment funds have confirmed initial interest to provide series A debt funding for the projects.

3. Provide scientific & technical assistance to construct projects with high-quality environmental, social and financial design. Support includes marine spatial planning based on coral reef high-res. mapping, gender action plans and support to entrepreneurial activities through comprehensive business plans and capacity building;

4. Design a blended finance facility for the GFCR investment window. The facility will aggregate investments in a strong and balanced portfolio of bankable blue economy projects, reduce transaction costs and improve risk profile of the portfolio. By 2023, the facility will have aggregated projects and mobilized circa **US\$9M** as commercial and catalytic finance from the GFCR investment window and other sources.



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5. Work with Government to improve regulatory framework for Blue Economy and create a policy and financial environment that incentivizes private sector engagement in marine conservation.

6. Construct measurement and verification procedures of positive economic and environmental impacts to vulnerable coastal communities (>80,000 people) of which 50% will be women and youth; and coral reefs,

The present initiative is led by a consortium of 3 project developers: Blue finance, a non-profit specialized in the development of Impact investment solutions for MPAs in South East Asia and globally, Blueyou Consulting, specialized in private sector led, coastal community-based sustainable aquaculture and fisheries improvement programs, with a 10 year track record of developing pipelines for impact investment and ongoing program implementation in the Philippines; UBÁ, specialized in Blue carbon projects with work in progress with mangroves in the Philippines. The consortium will work in close relationship with Conservation International Philippines, Rare and the University of the Philippines which holds an extensive track record in conservation activities in the 3 MPA networks.

Strong partnerships have been built with the Government, local NGOs, private sector companies such as MELIOMAR and Community Organizations. The Sustainable Ocean Fund acts as the initial anchor impact investor. Co-financing has been secured for the initial projects in the VIP with IUCN-Blue Natural Capital Financial, the BIOFIN-UNDP project. Convergence is providing co-financing for the design of the blended finance facility.

The structure creates efficiencies of scale – at facility level, and within country, directly addressing the transaction cost barrier by blending finance and establishing investment management infrastructure to service a substantial pipeline of investments.

The project will allow for the mobilization of commercial finance towards sectors that would traditionally not be considered commercially attractive. The facility will provide an opportunity for commercial partners to acquaint themselves with quality standards in unfamiliar markets.

The approach could be transformative for MPAs, and precedent-setting for impact investment in marine conservation and economic development in the region (and worldwide) .

2. Climate resilience of coral reefs in the proposed project area

Verde Island Passage (adjacent to Vibrant Oceans BCU “Central Philippines”):

Based on the recent coral reef assessments by CI-Philippines, 319 coral species belonging to 74 coral genera have been observed in the Verde Island passage (CI 2009). Carpenter and Springer (2005) noted that more than half of the documented fish species worldwide overlap in this area of the Philippines. Furthermore, iconic species such as dolphins, whales, turtles, and whalesharks occur in the passage (Dolar 2006).

An increase in Sea Surface Temperatures (SSTs) of 0.15-0.30°C/decade has been observed in the VIP region was seen over the last 2 decades. Interpretation of time series data (SSTs 1900 – 2008) suggest an increase of 0.06°C/decade but such data should be treated with caution. In general in the VIP, coastal



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areas experienced less increase in temperature, relative to areas offshore. However, embayed areas were observed to be more susceptible to prolonged extreme heating events most likely due to longer residence time of warm water within bays as compared to open coasts. Coral cover decline that can most likely be attributed to coral bleaching to date ranged from 3% to 22% across the Verde Island Passage. The most vulnerable sites had high cover of *Acropora* sp. and pocilloporids and the least vulnerable were dominated by coral *Porites* spp.

An adaptive management approach to the climate change adaptation is suggested as the way forward. This would require incorporation of monitoring for impending potential impacts and the participation of universities and local communities to build knowledge-based communities in the VIP where lessons learned and knowledge gained are regularly fed back, e.g., through the State of the Coasts report. Long-term monitoring together with simulation models that investigates how to enhance the adaptive capacity (e.g., abundance and range of vulnerable ecosystems) will need to define the priority research questions and their interdisciplinary concerns. A network of sensors (e.g., thermal sensors and weather stations) would also be useful for the VIP in mainstreaming climate change adaptation measures.

Calamian Island MPA network (adjacent to Vibrant Oceans BCU "Palawan")

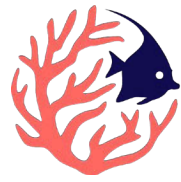
Calamian project is composed of four main island municipalities lying in Northern Palawan. The group comprises Busuanga, Culion, Linapacan and Coron islands with 16 MPAs and about 95 lesser coral isles and islets. The group of islands is part of Palawan's Biodiversity Corridor. This area is among the 14 hotspots ranked by the Philippine government as "extremely high priority" for conservation of marine biodiversity because of the increasing population and socioeconomic threats besetting its coastal resources. It is one of the most productive fishing grounds and has relatively intact marine environments such as mangrove forests, seagrass beds, giant clams, dugong and coral reefs and is host to several rare fish species. 17 mangrove species cover the coastline, 9 seagrass species and 47 coral genera representing 60% of the total genera found in the Philippines.

The Calamian Islands also provide important foraging and nesting grounds for four species: green turtles (*Chelonia mydas*), hawksbill turtles (*Eretmochelys imbricata*), loggerheads (*Caretta caretta*), and leatherbacks (*Dermochelys coriacea*).

Tañon Strait (Part of Vibrant Oceans BCU "Mindinao"),

Coral reefs cover an area of over 18,800ha in the Tanon Strait Protected Seascape. Much of the reef is located in the northern portion of Cebu and Negros island covering the municipalities of Bantayan, Sta Fe, Madrejos and Escalante City and in the central portion within the waters of Moalboal, Bais City and San Carlos City. Based on the Philippine Bleaching Watch report, an incidence of coral bleaching was reported in 2016-2017, and climate models project an increase in these incidences in the coming years.

The TSPS General Management Plan indicates that less than 10% of the reefs are in good condition and almost 90% are either fair to poor, which was attributed to overfishing and destructive fishing practices. Most of the good reefs are within the 100-plus no take zones of the seascape, which cover an area of more than 5,000 hectares. Ensuring sustainable fishing practices among fishers and eliminating illegal and destructive fishing within the reef complex are the Plan's top recommendations for ensuring climate resilience. Work done by local governments in partnership with the Protected Area office and NGO partners demonstrate that strengthening marine protection through effective establishment and management of no take zones have good potential for increasing coral cover and fish abundance and diversity. However, more work needs to be done to ensure that the no-take zones are properly-sized and well connected and that governance and enforcement remain effective.



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3. Barriers hindering progress towards sustainable practices, development of financial instruments and barriers to private sector engagement related to coral reef ecosystem health.



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Urgent financial resources are required to pursue active adaptation strategies to save the reefs from climate change and multiple local anthropogenic threats. Well managed and financed Marine Protected Areas (MPAs) and blue economy projects are the cornerstones of international efforts to “replenish biodiversity and nourish the growing human population” (IUCN, 2018). Benefits that flow from improved marine ecosystems include enhanced food supply and fishing incomes for coastal communities, opportunities for nature tourism businesses, shoreline protection and greater resilience to climate change (and contribute to SDGs no 14, 1, 5, 8 and 13). Despite the commercial viability of blue economy initiatives with positive impacts on coral reefs, neither public nor private funding is invested in adequate sums.

Conservation projects, particularly around marine ecosystems, are not attracting impact capital at the same pace as the rest of the impact investment market (GIIN, 2018), largely due to a shortage of investment-ready projects and organizations developing future opportunities, private sector perceived risk of investing in blue natural capital and the resulting high interest rates to get blue economy businesses operationalized. Development finance is a scarce and precious resource, so the mobilization of additional funds from commercial investors into marine conservation is indispensable for meeting the financing needs of the 2030 Agenda.

The non-profit Blue Alliance, co-managing part of the Verde Island Passage MPA network in Philippines, is working in partnership with a consortium of three project developers to structure a pipeline of reef-first blue economy businesses. Projects will offer credible and functional strategies for environmental and social impact as well as business models that can generate cash flow and support financial returns. The Blue Alliance is seeking for a blended finance solution for the up-front CAPEX of the project and needs to improve the quality of the project design and execution, strengthen environmental and social impacts to meet the investor and development institutions’ criteria and reduce commercial and ESG risk through a diversified portfolio of bankable projects.

By building partnerships with local and international NGOs coupled with a diverse range of development finance institutions and philanthropic funders, project developers such as Blueyou, Blue finance and Ubá can mobilize commercial financial resources (SDG 17). Blueyou and Blue finance bring both track record in structuring innovative blended finance solutions. Blue finance has developed a blended finance solution for the effective management of the SE Coral Marine Sanctuary in the Dominican Republic (one of the largest MPAs in the Caribbean) with a business model based on nature fees, innovative tourism facilities and eco-tourism activities. Similar solutions are being developed in the Caribbean, Sub-Saharan Africa and in SE Asia. Blueyou Consulting has developed several impact investment business plans for the seafood sector in the realm of Bloomberg Philanthropies’ Vibrant Ocean’s initiative (Philippines, Chile, Brazil), delivered 4 bankable sustainable fisheries and aquaculture projects for PEMSEA’s blue economy initiative during 2016 – 2018 (Vietnam, Indonesia, Philippines), implemented and executed one small-scale fishery transition and sustainable seafood business case successfully in the Philippines (Meliomar Project).

This proposal will upscale the approach and remove some of the barriers impeding private capital into natural capital through structuring a blended finance facility (US\$50M target by 2030) for MPAs and Blue Economy projects in Philippines and accelerating the short-term investment readiness of a pipeline of projects in 3 MPA networks (US\$10M target by 2023).

4. Thesis and theory of change of the Programme.



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Problem statement



Coral reefs face extinction as climate change impacts accelerate and marine conservation initiatives are not attracting impact capital at the same pace as the rest of the impact investment market.

Causes and drivers

- Immediate causes – Unsustainable and damaging practices by communities and businesses (overfishing, coastal development, agricultural run-off, pollution, etc.)
- Underlying causes – Climate change leading to extensive coral bleaching
- Structural causes – Shortage of investment-ready projects, private sector perceived risk of investing in blue natural capital, high interest rates.

Pathway to Change

IF the programme deploys grants to catalyze private sector and conservation actor capacity, THEN local actors will have the resources and access to skills to develop reef-positive businesses and financial instruments.

IF bankable projects for investment are created and IF the programme co-funds early-stage investments and structures guarantees and concessional loans with third parties, THEN there will be private sector investment in businesses and financial instruments that address coral reef degradation drivers and provide blue economy opportunities for local communities.

IF coral reef degradation drivers are addressed, THEN coral reef ecosystems and the people who rely on them will be healthier and more resilient to the impacts of climate change.

Logic of the intervention

The programme will target the structural causes hindering private investment into reef-positive initiatives. The programme will construct bankable projects to meet the investor's criteria, use grants, fundraise, work with government and establish a robust M&E framework to monitor impact. The programme is structured with the following interventions:

(1) Structuring of Special Purpose Entities (SPEs) that will effectively protect, manage and monitor networks of Marine Protected Areas (MPAs) in priority coral reef sites in Philippines (**Outcome 1**). The programme will provide environmental and business technical assistance to construct high-quality bankable project design and execution to meet the investor's criteria. Support includes marine spatial planning based on coral reef high-res mapping, gender action plans and support to entrepreneurial activities through comprehensive business plans and capacity building. The project will structure an aggregation of Special Purpose Entities (SPEs) co-managing the 80 MPAs and developing blue economy bankable projects. Each SPE has long-term management lease for a network of MPAs with tangible revenue models for MPA management and investor returns.

(2) Establishment of a project development facility managed by three business developers to structure blue economy reef-positive businesses (**Outcome 2**) supporting the MPA networks. Due to limited self-financing capacities, MPAs often lack the resources to adequately protect, manage and improve coral reef ecosystems. To address this issue, the SPEs will generate revenue to fund their management role by catalyzing new and existing reef-first businesses within and around the MPAs. The development partners Blue finance, Blueyou and UBÁ currently have 8 projects in their pipeline, but projects require assistance in developing a financial and policy enabling environment. The development facility will create a portfolio of reef-positive investments, ready businesses which are attractive for the private investment window of the GFCR and thus allowing to scaling-up and implementation. The development facility will design blended finance solutions mixing grants, concessional loans, guarantees and commercial debt for the projects. The geographic scope (all bankable projects around 3 MPA networks) and the similar business models in each MPA network will allow to for aggregation of the pipeline of investments,

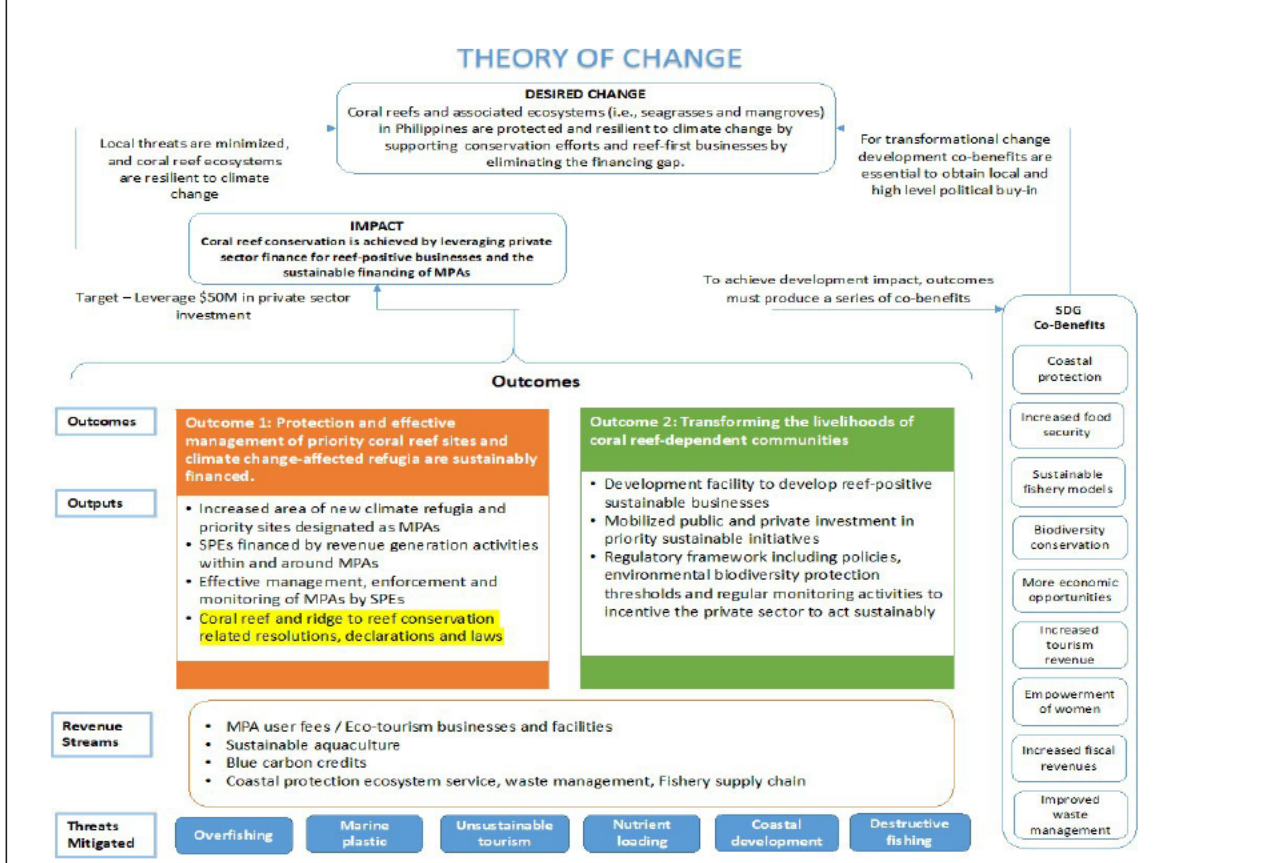


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reduction in the transaction costs and improvements to the risk profile of the investors' portfolios for investors. The development facility will implement a M&E framework for the socio-economic, management and ecological impacts measurement of project activities.

(3) Leverage Private investment for the initial pipeline deal (**Outcome 2**). Partners are developing bankable projects linked to eco-tourism, blue carbon and sustainable aquaculture and fisheries. In addition to accelerating the development of the pipeline of bankable projects, the programme will help leverage the commercial investment capital by providing grant funding for early stage capital expenditures and local organizational support of these projects.

The 3 project developers have currently 3 projects close to investment readiness (expected in 2021, early 2022) linked to eco-tourism, mangrove restoration and mud-crab farming in the VIP MPA network (Oriental Mindoro MPA sub-network). The programme will provide grant funding for early stage capital expenditures of the projects and local organizational support in eco-tourism (incl. a visitor center, new underwater attractions and set-up of nature fees paid by users), mangrove Blue carbon (incl. project certification and mangrove restoration) and mud crab aquaculture (incl. hatchery and supply chain). GFCR support will leverage commercial investment capital (**3.5X** leverage ratio). An anchor impact investor has already been confirmed (the Sustainable Ocean Fund, Mirova-Althelia with **US\$1.4M** soft committed).



5. What are the specific intervention(s) of the proposed Programme?



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Main approach:

Over the next 3 years, the project will consolidate 3 Special Purpose Entities (SPEs) that will participate in the co-management of the 3 MPA networks (80 MPAs in total) (**Activity 1.1.1**). SPEs will be formed by local communities, local NGO partners, entrepreneurs and Blue finance. The SPEs will develop eco-tourism facilities, blue carbon solutions, small-scale fishery transition and sustainable seafood business, all contributing to the sustainable financing and effective management of MPAs. Members of the SPEs will agree to long term co-management leases for MPAs with local Governments. The SPEs are expected to contribute to the following MPA activities: Monitoring marine habitats, Improvement of ecosystems, Community engagement, Community livelihood enhancement, Zonation and Compliance, Support to tourism activities, Maintenance and Management.

The present proposal will structure a pipeline of bankable reef-positive projects supporting the management of 3 networks of MPAs by 2023, accelerate the short-term investment readiness of a pipeline of 3 bankable projects in the VIP MPA network (**US\$4M** target) and design a blended finance facility to aggregate all the projects (**US\$50M** target).

Critical revenues for both MPA management and investor returns will be generated through tangible business models based on eco-tourism, blue carbon credits from mangrove restoration, sustainable coastal aquaculture and fisheries transition programs. For the 3 initial bankable projects in the VIP MPA network, revenue is expected to be above **US\$3M p.a**

For the short-term initial pipeline (**US\$4M** target), the GFCR will contribute via a **US\$1M** grant support with a target to leverage **US\$2.5M** as series-A debt from impact investors and **US\$0.5M** as additional grants from other donors in 2021. An initial anchor impact investor has already been confirmed (the Sustainable Ocean Fund managed by Mirova-Althelia with **US\$1.4M** soft committed) as well as donors and private sponsors (**US\$0,2M**).

Sum-up table:

Pilot Phase (2021-2023):

GFCR grant contribution	USD 3,400,000
GFCR Investment window (starting in 2022)	USD 4,900,000
Other impact investors (before 2022)	USD 2,500,000
Other grant co-financing:	USD 1,300,000
TOTAL	USD 12,100,000
Co-financing ratio (1: Total/GFCR grant Contribution) 1 : 3.5	

2021:

GFCR grant contribution	USD 1,000,000
GFCR Investment window (starting in 2022)	USD 0
Other impact investors (before 2022)	USD 2,500,000
Other grant co-financing:	USD 500,000
TOTAL	USD 4,000,000
Co-financing ratio (1: Total/GFCR grant Contribution) 1 : 4	

The following part describes the 3 initial bankable projects/interventions and provide details on the development facility:



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Intervention #1: Eco-tourism facility in VIP MPA network: Phase 1 North Oriental Mindoro in 2021

(For detailed information on this transaction, refer to Annex 3)

In the Phase I of Verde Island Passage (North Oriental Mindoro), the MPA and eco-tourism project is in a mature stage with design work already completed for a **US\$2.2M** investment in 9 MPAs. The Special Purpose Entity "Blue Alliance" (formed by local community organizations and Blue finance) has completed relevant structuring arrangements for the co-management of the MPAs with local governments and stakeholders actively involved in execution. The project is expected to be investment ready by mid-2021. The project has been developed with the support from UNDP and the DENR (Department of Environment and Natural Resources, National Government) in strong collaboration with local partners (such as Conservation international) and community organisations with a proven track-record in marine conservation and community enterprise. Blue finance is providing long term project management office support to ensure a management focus on strategy execution.

The business model is based on generating revenues from improvements to marine biodiversity and ecosystem services. The project will concentrate efforts on the following primary revenue sources:

- Statutory user fees paid by divers, snorkelers and day-tours;
- Fees to access the MPA under-water attractions (e.g. wreck, events and shows);
- Entrance fees to a high-tech Marine Life Exhibit center ("the Sea Sensorium Center®");

Revenue generated are expected to be above **US\$1.8M p.a.** for both MPA management and investor returns.

In 2019, more than 400,000 guests visited the area. 40,000 of these visitors directly enjoyed the marine biodiversity diving or snorkelling in the MPAs and 220,000 enjoyed the beaches and water sports. Visitors are nationals (40%), from China and Korea (50%) and Europe (10%).

The target market, primarily stay-over visitors, is consolidated¹ (>3 500 hotel beds in 2019) and dynamic (annual average growth >8% since 2017). Puerto Galera is one of the premier dive locations of Philippines.

The total investment sums **US\$2.2M** to cover equipment and vessels of the MPAs (**US\$0.5M**), eco-tourism facilities such as new underwater attractions and sea safari tours (**US\$0.5M**) and a high-tech Digital Marine Life Visitor center "the Sea Sensorium Center®" (**US\$1.2M**).

The GFCR will contribute via a **US\$0.4M** grant support for CAPEX (**Activity 2.2.1**) with a target to leverage **US\$1.4M** as series-A debt from impact investors and **US\$0.4M** as additional grants from other donors in 2021. An anchor impact investor has already been confirmed (the Sustainable Ocean Fund managed by Mirova-Althelia with **US\$1.4M** soft committed) as well as donors and private sponsors (**US\$0.2M**).

Intervention #2: Blue Carbon credits in VIP MPA network: Phase 1 Oriental Mindoro in 2021

Mangrove ecosystems in the Philippines represent a biodiversity hotspot. They are highly diverse, with 35 different species recorded.



¹

Even if deeply affected by the pandemic, the tourism industry in Puerto Galera has shown great resilience and quick recovery (at least in between lock-downs) due to its proximity to Manila and being established as a consolidated destination for national tourism. Some high-end hotels for example reported >60% occupancy rate in 2020.



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In the Verde Island Passage, Phase I, North Oriental Mindoro, the project is in an advanced stage with a desk technical and institutional pre-feasibility already completed. Mangrove restoration and conservation of 260 ha of mangroves has been initially identified in Calapan and Baco districts. Studies indicate a gross average potential of 2013 tCO₂e /ha for the conservation of existing areas (549 ± 30 tC/ha) and 37 tCO₂e/ha.y-1 for plantation of new areas ($10,2 \pm 0,7$ tC/ha.y-1) in both living biomass and soil compartments. The gross carbon credit potential generation would be from **85.000 up to 170.000 tCO₂e** over the project period (20 years).

In addition, there has been a pre-identification of potential end buyers for blue carbon credits confirming clear market appetite.

Resources from the GFCR will allow to prepare the ground for the blue carbon certification and the definition of benefit sharing in close concertation with local POs managing the areas, scientific and governmental institutions. The partnerships will create an enabling environment to reduce important barriers as access to financial resources creating successful examples of an economy where commercial activities are in balance with nature conservation. The GFCR support will allow to have a full complete and on-the-ground check more than 45 criteria following international standards and recognized methodologies for social and environmental carbon projects (**Activity 2.1.1.**).

In addition, the SPE "Blue Alliance" is leading the restoration of 45 hectares of mangroves to immediately start reversing degradation trends. For this purpose, it is necessary to install and gradually expand mangroves nurseries taking into consideration the great diversity of species, prepare plots and implement the plantings or assisted natural regeneration when possible. The restoration activities will include a precise diagnostic of each area including topography, soil and water quality analysis, natural regeneration potential levels and phytosociological survey, disturbance factors, as well as trainings of local planters. Finally, a specific monitoring plan will be implemented, as well as the replacement of dead plants, installation of protection barriers and equipment to settle permanent plots for forest inventories.

The proposed project will allow also for income generation from conservation activities such as nurseries, monitoring activities and , restoration of degraded areas, as well reinforcement of traditional activities, bioprospection and local products. Finally, a benefit sharing mechanism and governance system will not only allow for improvements to the system itself, but also allow for improved social welfare of the communities. The governance will respect the key principles of the UNFCCC's REDD+ Cancun's safeguards of Free Prior Informed Consent, and social representation.

The total investment sums **US\$0.6M** to cover certification project (**US\$0,2M**) and mangrove restoration activities (**US\$0,4M**).

The GFCR will contribute via a **US\$0,2M** grant support (**Activity 2.2.1**) with a target to leverage **US\$0.3M** from impact investors and **US\$0.1M** as additional grants from other donors in 2021.

It is important to stress out that the initial analysis is positive towards the development of a viable carbon project, with an attractive potential for expansion in the coming years. According to the Coral



Triangle Initiative¹, in 2010, a total area of mangrove forests was estimated circa 2 583 ha in the VIP. Long et al (2013)³, estimated a surface of 54 457 hectares in Palawan (including Calamian islands) in 2010.

**Intervention #3: Mud crab extensive ponds /Sustainable mangrove aquaculture Phase 1
Oriental Mindoro**

¹ The Coral Triangle Initiative, Mangrove mapping for the Verde Island Passage, Philippines, USAID & CTSP ³
Long B.J, et al, 2013, A mapping and monitoring assessment of the Philippines Mangroves Forests from 1990 to 2010, Journal of Coastal Research.



Blueyou has worked on a model for a vertically integrated hatchery-based sustainable crab production in the VIP, including a hatchery and contract farms that apply an extensive farming regime and restore mangrove.

Shrimp and crab can be grown extensively without the addition of feed, because the mangrove is their natural habitat. Extensive systems have a much lower impact on the environment because they produce no discharges, and furthermore, the mangrove coverage could be increased in these systems, following e.g. the example of the silvofisheries in Vietnam. Crab in particular has advantages for a community-based impact investment case: i) there is no commercially functional crab hatchery in the VIP (as opposed to shrimp where a few commercial producers exist), ii) the crab market and demand in the Philippines is however quite important, driven by the demand on live crab from China, putting a lot of pressure on a natural resource that is not managed, iii) crab can be maintained and sold alive to the final customer (as opposed to shrimp, where the secondary industrial processing is indispensable), i.e. the crab farmer already disposes of the product that will be sold to the final customer. Since there is no hatchery in the VIP, the juvenile crablets for farmers have to be caught in the wild, imposing a risk of overexploitation of these resources. The commercial crab hatchery in this sense represents a real bottleneck in the Philippines.

The model starts with the crab hatchery, managed by the community-based SPE "Blue Alliance". The hatchery also includes a nursery operation that grows the crablets to 25-50g in a few ponds, in order for the hatchery to be profitable (the price for these crablets is higher because survival will be higher). The crablets are sold to contract farmers that grow out the crablets in their ponds under a monitored extensive farming regime, i.e. without feeding and by restoring mangroves, if these have been degraded. The farmers would have to document the operations following previously defined farming protocols. Once at harvestable size, the SPE will buy back the commercial sized crabs from the contract farmers and sell these to the ultimate Chinese live crab market. The live crabs can be sold either directly from the SPE to the Chinese market, or alternatively the Blueyou-owned company Meliomar can serve as an intermediary for volume consolidation and quality control in this supply chain.

The model for mangrove-based crab farming is the silvo-fisheries in Vietnam where Blueyou has run its brand and forest management program, Selva Shrimp for 12 years. It is currently being implemented in a similar program in Indonesia. The approach therefore focuses on mangrove restoration incentivized by the improved productivity and improved value chains from recovered mangrove systems.

The investment will provide for a crab hatchery, crab nursery, farm consolidation and sales center. It will require a CAPEX of **US\$1M**, based on the planned scale of production, which depends on the number of contract farmers that can be recruited within the project unit. The hatchery would have to produce 1.5 million of crablets per year to produce about 100t of crabs per year with an expected sales revenue of **US\$1.8M p.a.**. The EBIT is expected in the range of 15% with profits reinvested in the MPAs.

The GFCR will contribute via a **US\$0,2M** grant support for CAPEX (**Activity 2.2.1**) with a target to leverage **US\$0.8M** as series-A debt from impact investors.

Intervention #4: Project Development Facility

This intervention focuses on the establishment of a Project Development Facility for structuring the pipeline of Blue Economy bankable projects around the 3 MPA networks.



The facility will be convened and managed by a consortium of 3 project developers working in collaboration with CI Philippines, Rare and the University of the Philippines.

Blue finance is specialized in the development of bankable MPAs with a focus on eco-tourism projects. Bf is leading design and execution works with local communities and eco-tourism stakeholders in 2 of the 3 MPA networks of the project (the VIP and Calamian MPA networks). Blueyou is specialized in sustainable aquaculture and fishery with a track record in improvements of the fishery supply and value chain around the VIP and the 2 other MPA networks. UBÁ Sustainability Institute is specialized in Blue carbon projects with work in progress in the VIP for feasibility assessments of carbon credits from mangrove restoration and conservation.

The consortium will work in close relationship with Conservation International Philippines, Rare and the University of the Philippines, all with extensive experience in conservation and community activities in the 3 MPA networks.

The Facility will develop a pipeline of investment ready reef-positive sustainable businesses with an emphasis on employing local community members, especially women and youth (**Activity 2.1.1**). Pipeline development will be achieved through scoping, technical assistance and training to upskill local businesses operating in the blue economy, on social entrepreneurship, sustainable business and financial management.

Currently the partners have pre-identified over 8 potential projects in eco-tourism, responsible aquaculture, sustainable fishery and blue carbon credits from mangrove restoration with an investment need over **US\$12M**. Other sectors such as waste management and coastal protection will be explored. 3 of these projects (see above) will be ready for investment in 2021.

For the next 3 years, the operational expenditures of the project development facility are estimated at **US\$1.6M**. Costs will cover technical assistance and related field costs.

The GFCR will contribute via a **US\$1M** grant support with a target to leverage **US\$0.5M** as additional grants from other donors.

Project pipeline	Details of the investment	Total investment per project
VIP – MPA ecotourism Phase I ready in 2021	Equipment for 50 MPAs, eco-tourism facilities and visitor center	US\$3.4M (Phase I: US\$2.2M)
VIP – Blue carbon Phase I ready in 2021	400 ha of mangrove restoration and conservation; certification process (Phase I: 260 ha)	US\$1.1M (Phase I: US\$0.6M)
VIP – Aquaculture (crab) Phase I ready in 2021-Q1 2022	Extensive farming of mud crab including a hatchery and contract farms	US\$2M (Phase I: US\$1M)
Calamian – MPA ecotourism	Equipment for 14 MPAs and eco-tourism facilities	US\$1.6M
Calamian – Blue carbon	2000 ha of mangrove conservation; certification process	US\$0.5M



Calamian– (bivalve)	Aquaculture	Equipment for farming of oysters, clams (cockles) and mussels	US\$1M
Tañon Strait – ecotourism	MPA	Equipment for 17 MPAs and eco-tourism facilities	US\$0.8M
Tañon Strait – reef fishery	Sustainable	Fishery improvement project and supply chain	US\$0.7M
TOTAL 8 projects			US\$10.6M

Development Facility OPEX		US\$1.6M
TOTAL 8 projects with Development Facility cost		US\$12.1M
<p>The approach is scalable with an aim of 200 additional MPAs by 2030 for a US\$50M facility (Philippines counts with more than 900 MPAs in 2020). New MPA networks projects will be selected in collaboration with Government and local stakeholders based on ecological, social and business criteria (activity 1.1.3).</p> <p>The dedicated Facility will design blended finance solutions to aggregate the different projects and provide concessional capital and other blended finance (activity 2.2.2). Design will focus building a portfolio that can match the requirements of the GFCR investment window managed by Mirova and the GCF (through a project sponsored by BNP Paribas). The facility will blend catalytic capital, development finance, commercial debt instruments and loan guarantees. It will allow for the mobilization of commercial finance towards sectors that would traditionally not be considered commercially attractive. It will provide an opportunity for the GFCR Investment Fund/Window (Mirova) to acquaint themselves with quality standards in unfamiliar markets.</p>		

6. What are the expected results of the proposed Programme?

Max 400 words

Key outcomes and outputs:

- Outcome 1: “Protection and effective management of priority coral reef sites and climate change-affected refugia are sustainably financed.”

Output 1.1 Increased area of climate refugia and priority sites designated as MPAs

Output 1.2: Strengthened management, enforcement and monitoring systems of MPAs by SPEs



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Short-term outcomes (1-3 years)

- 80 MPAs effectively managed and progressing towards their financial sustainability for 76,000 ha of coral reef and mangroves
- Creation of +100 community MPA jobs benefiting large number of women (e.g. crab farming, resource monitoring, carbon restoration, fish supply chain) within MPA Network.
- Providing food security and incomes for >80,000 fisher households
- A minimum of 216 ha of mangroves are conserved and 45 ha are restored with multispecies plantations models;

Long-term outcomes (10 years)

- Increased Financial/Blue Economy Impact: sustainable fisheries and aquaculture projects, blue carbon projects with clear benefit sharing mechanism for communities, MPAs self-financed and gender responsive
- 200 MPAs effectively managed for >400,000 ha of coral reef and mangroves

- Improved economic opportunities and food security for vulnerable coastal communities (approx. 240,000 people from fisher households benefitted from increased catch productivity, circa 400 new jobs)
- Enhance climate change resilience benefitting approx. 300,000 households protected from coastal erosion
- Increased conservation Impact: Biomass of fish inside MPAs >4000g per standard fish survey and coverage of hard coral inside MPAs >25%
- Communities are 100% engaged in conservation activities;
- 1,000 hectares of mangroves are under active conservation, and 250 hectares are restored with multispecies plantations, generating approximately a gross value of 1.2M tonnes of CO₂e in a 20 years horizon;.

Outcome 2: "Transforming the livelihoods of coral reef-dependent communities"

Output 2.1: Established Development Facility, managed by several business developers to structure a pipeline of investment ready reef-positive sustainable businesses and projects within and around the MPA networks of Calamian Island, Tañon Strait and Verde Island Passage

Output 2.2: Mobilized public and private investment in priority sustainable initiatives related to addressing coral reef degradation drivers

Output 2.3 Strengthened and harmonized policies, strategies, plans and financing from the government for improved environmental biodiversity protection thresholds.

Short-term outcomes (1-3 years)

- Development facility is established and operational
- 3 pipeline projects are invested with high leverage from private sector (US\$1.4M target)
- 5 pipeline projects are further developed and investment ready
- Blended finance facility set-up with a US\$12M target to aggregate investments in MPAs and Blue economy project.
- Initial returns on investment and initial impacts on local population and coral reef habitats
- Certification process initiated and preparation for carbon validation
- Established M&E framework for environment and socio-economic monitoring



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Long-term outcomes (10 years)

- 15+ pipeline projects are developed and investment ready benefiting 200MPAs

7. Describe the innovative nature of the Programme

This proposal presents a unique opportunity to accelerate the flow of commercial resources into natural capital projects in Philippines (and in the region), by building a strong and balanced portfolio of investable projects for the investors. Conservation projects, particularly around marine ecosystems, are not attracting impact capital at the same pace as the rest of the impact investment market (GIIN, 2018), largely due to a shortage of investment-ready projects.

The GFCR support will contribute to creating a pipeline of investable deals/projects focused on protection and enhancement of marine and coastal natural capital in Philippines and playing a critical role in contributing to the SDGs in their respective seascapes; and will accelerate flows of impact investment into such projects. The facility will allow for the mobilization of commercial finance towards sectors that would traditionally not be considered commercially attractive. It will provide an opportunity for



commercial partners to acquaint themselves with quality standards in this as yet unfamiliar market of marine natural capital. The project will efficiently leverage development finance to mobilize commercial finance towards sustainable goals.

The project will contribute also to the design and set-up of an innovative finance facility blending commercial debt, technical assistance, grants and de-risking partners to provide financing for projects up-front capital needs.

The innovative solution:

- Provides 'turn-key' blended finance solution for MPA investments in Philippines, building confidence of project developers and governments to support and scale-up development of pipeline projects;
- Reduces financial burden of MPA management on governments, whilst enabling more effective management of these critical sites;
- Reduces dependence on limited and short-term grant funding, enabling long-term planning, sustained management effort and effective impact monitoring over time;
- Establishes local entity that ensures representation and participation of key local stakeholders, which is vital to securing social licenses to operate and the building of local capacity, in addition to ensuring investments drive benefits to local people and effectively address SDGs.

In eco-tourism, revenue strategies will rely on a portfolio of innovative services adapted to market context and coral reef ecosystem scenic beauty. Focus will be on the implementation of nature fees paid by end-users to enjoy improved biodiversity due to the MPA management and/or new underwater attractions; development of high-tech Digital Marine Life Visitor center ("the Sea Sensorium Center©") for residents and visitors to discover the underwater world in an entertaining way; set-up of small-scale high-end sea-safari tours to uncover the wildlife and natural habitats with specialized eco-guides. Other strategies include services rendered to the blue tourism industry (e.g. moorings, beach maintenance, events), wildlife caretaking, coral gardening, etc.

In fisheries and aquaculture, innovative revenue strategies will focus on high value seafood products, such as tuna, crustaceans, or high value mollusks that can be caught selectively (e.g. tuna, spanner crab, octopus) or can be farmed at low impact (e.g. oysters, mussels, crab, shrimp) or that can be farmed to substitute a problematic fishery (e.g. grouper). Currently the option to generate higher revenues from shrimp and crab ponds is evaluated for the river deltas in the VIP, which would include a mangrove restoration component (inside the MPAs), following the model of the silvofisheries in Vietnam and Blueyou's pond management improvement and mangrove restoration program in Indonesia. In the same way, in Tañon Strait MPAs, Rare has been working on building the investment readiness in blue infrastructure including but not limited to cold storage, processing facilities and renewable energy with storage.

(Proposed vehicle is the most appropriate:

- *The vehicle proposed is based on the model developed by Bluefinance in the Dominican Republic and Blueyou in the Philippines and builds on lessons learned;*
- *The vehicle structure creates efficiencies of scale – at fund level, and within countries, directly addressing the transaction cost barrier by blending finance and establishing investment management infrastructure to service a substantial pipeline of investments;*
-



8. Expected added value of partners and the GFCR

The present initiative is led by a consortium of 3 project developers. The consortium will work in close relationship with Conservation International Philippines, Rare and the University of the Philippines with a long track record of conservation activities in the 3 MPA networks.

The GFCR support is additional for the project. In its absence, the development partners would be required to delay all structuring activities until fundraising activities are successful to cover facility budget needs. Support will allow for relatively quick action, which is important as the development and commercial partners are ready to act on this initiative. The GFCR support will contribute to:

- (i) Improving the quality of the project design and execution (e.g. during 2021 for the initial pipeline of 2 projects);
- (ii) Strengthening environmental and social impacts to meet the investor and development institutions' criteria;
- (iii) Reducing commercial and ESG risk through a diversified portfolio of bankable projects;
- (iv) Reducing implementation risk of the environmental interventions through concentrating activities in/around MPAs with well trained staff and well enforced regulations;
- (iv) Reducing the cost of funding for the SPEs (blending impact capital with different risk-return profiles);
- (v) Reducing transaction costs for the investors by aggregating projects;
- (vi) Accelerating the investment readiness of the projects;
- (vii) Helping investors to monitor their impacts;
- (viii) Rationalizing the use of development finance (a scarce resource);
- (ix) Developing MPA projects that meet the needs of the coastal communities, governments and investors

In short, GFCR support will provide the catalyst for impact investment to flow into sustainable natural resource management, food security enhancement, sustainable economic development and climate change resilience in Philippines.

9. Leadership and implementation of the Programme

The present initiative is led by a consortium of 3 project developers. The role and engagement of these institutions and partners are described in the following table:

Stakeholder name	Role of stakeholder in structure	Level of engagement/support to date



Blue finance	co-lead, project developer. Blue Finance builds and structures the pipeline of bankable MPAs. Bf will design business models and build local capacities for Special Purpose Entities for MPA co-management and revenue generating activities.	Blue finance has significant work underway for the set-up of the SPE for the Oriental Mindoro MPA network and Verde Island Passage. Bf is working with local partners on the design of the SPE and business planning for the Calamian Island MPA network. Blue finance has 4 local staff with expertise
	Business models are based on tourism nature fees, sustainable fisheries, and blue carbon.	in program management, eco-tourism, natural resource management and visitor centre.
Blue you	co-lead, project developer. Blue you is specialized in private sector led, coastal community-based sustainable aquaculture and fisheries improvement programs, with a 10 year track record of developing pipeline for impact investment and ongoing program implementation in the Philippines	Blueyou has been operationally present in the Philippines since 2010 through its own impact investment case Meliomar Inc., a private sector seafood company promoting responsible fishing practices and working with small-scale fishing and farming communities across the Philippines. Blue you is presently evaluating the feasibility to generate higher revenues from shrimp and crab ponds in the VIP.
UBÁ	co-lead, project developer. Ubá is a start up specialized in forestry and carbon finance with a track record of more than 15 projects certified. It has 10 projects in its pipeline and a portfolio of more than 30 clients and potential investors.	UBÁ has work in progress in the VIP area assessing a project in Oriental Mindoro for mangrove restoration and conservation of 261 ha of mangroves (initially identified in Calapan and Baco districts). Its team has been in contact with key resources in the Philippines, notable the national government's referee on carbon finance, local governmental representatives and scientist from the University of Philippines.
Conservation International Philippines	Technical partner and subcontractor of the SPE "Blue Alliance" in the Verde Island Passage MPA network. CI will implement specific conservation and scientific activities for and with the Blue Alliance.	Since 2005, Conservation International has worked with the government and local communities to develop scalable conservation and marine protected area plans within the Verde Island Passage. CI holds the secretariat for the VIP MPA network and has led studies on the biodiversity and climate change vulnerability of the area, and provided important data for governments to formulate regional plans.
Rare	Technical partner and subcontractor for activities in the Tañon Strait Protected Seascape MPA network. Rare will implement specific conservation and scientific activities for and with the SPE.	Rare is working with over 70 municipal governments in the Philippines. Rare, through its Fish Forever program, specializes in a proven model of networked and community-based coastal fisheries management systems aimed to reverse overfishing, protect biodiversity and safeguard prosperity of coastal communities. Rare Philippines has 37 local staff with expertise in program management, coastal and fisheries science and governance, behavior adoption, training, policy, financial and market inclusion and innovative finance.
University of the Philippines Marine Science Institute (UPMSI)	Technical partner and subcontractor for activities in the Calamian islands and VIP MPA network. UPMSI will implement specific conservation and scientific activities for and with the SPEs.	Established in 1974, the UPMSI served as the University's coordinating base for marine research in marine biology, marine chemistry, physical oceanography, marine geology, and related disciplines. The UPMSI and its Coral Reef Ecology Laboratory have conducted many studies in the Calamian islands aimed to understand ecosystem health, the ecological processes behind biodiversity distribution in the corridor, and identifying the impacts from various disturbances.



Path Foundation Philippines Inc. (PFPI) – Calamianes Group of Islands	Technical partner and subcontractor for activities in the Calamian islands MPA network	PFPI has been working in the Calamian since 2013 in scaling up CIG MPA Network to Provincial Level with PCSDS, Academic institutions (i.e. PSU, WPU), Provincial government, NGOs. PFPI has facilitated operation of fisheries management institution including the inter-LGU MPA network. PFPI has conducted relevant skills and training workshops to enhance capacity in fulfilling management body
		(including IP MPA management bodies) tasks e.g. leadership, proposal writing, conflict management, MPA enforcement.
Mindoro State College for Agriculture and Technology (MINS CAT)	Technical partner and subcontractor for activities in the VIP	MINS CAT conducts R&D on impact of climate change on agriculture and provides extension programs particularly to the rural folks by helping them improve their quality of life. Through the program, barangay folks are provided with training on skills development on various technological fields thus enabling them to acquire other livelihood opportunities.
Blue Alliance Inc. for Or. Mindoro MPA network (SPE)	Investee – Special Purpose Entity for the co-management of the Verde Island Passage MPA network and formed by 3 community organizations and Blue finance.	Co-management lease signed with Local Governments in 2020. Implementation of initial MPA activities with local staff and local partners. Term sheet in progress with impact investors.
Meliomar Ltd	Technical partner for the fishery improvement projects. Meliomar has a vast customer base on the domestic high-end market, as well as internationally in Asia, the US and Europe, for most of the common fisheries and aquaculture products in the Philippines. It also has deep experience of fishery improvement in community fisheries of the Philippines and counts on a local team of experts.	MELIOMAR (which is fully owned by Blueyou), successfully served as MELOY FUND's first investee and currently plans a significant financing round [10 Mio USD] for up-grading its sustainable seafood processing and distribution facility and scaling-up its sustainable fisheries and aquaculture programs in various provinces of the Philippines.
Vulcan-Paul Allen Foundation	Technical partner and financial support (in kind through access to high-res coral reef atlas GIS)	MoU signed in 2019 with Blue finance for hi-res coral reef mapping and monitoring.
Ropes&Gray	Subcontractor – Legal counselor Financial support (Pro-bono)	Pro-bono legal advice agreement (signed in 2019).
Wildaid	Technical partner and financial support (in kind through Technical Assistance) for the MPA compliance plans.	WILDAID Marine Program is helping the Blue Alliance to design and implement comprehensive marine protection systems that incorporate both law enforcement and community partnership components.
Sustainable Ocean Fund	Anchor investor , Impact investment fund	US\$4M soft committed for 2020, LOI signed in 2020.
Meloy fund	Potential impact investor	Initial interest in Philippines, MoU signed in 2018 with Blue finance for pipeline development.



Bloomberg Philanthropies Vibrant Oceans Initiative	Catalytic donor for the Tañon Strait MPA project	Bloomberg Vibrant Oceans focus on the following goals in the Tañons Strait 1. Promote adoption of high-impact, science-based fisheries and marine protection policies 2. Protect reef geographies that are projected to be less vulnerable to long-term climate impacts and can repopulate other reefs over time. 3. Achieve fishing activity transparency in national waters..
International Climate Initiative (IKI) of the BMU	Catalytic donor for the Tañon Strait MPA project	
Resonance - USAID	Catalytic donor linked to Calamian island project	Part of the project FISHRIGHT (2018-2023). The Program's focus in the Calamianes Island Group are: 1. Strengthening and expansion of the reef based MPAs and MPA networks primarily by establishing mechanisms to sustain their management bodies.
		2. Establishment of mechanisms for effective long-term implementation and compliance of regulations related to right-sizing fishing effort, sea use plans (marine spatial plans), and other short and mid-term priorities and actions of the CIG Inter-LGU Management Plan.
USAID	De-risking partner	Contract signed with the Sustainable Ocean Fund (2018) Extension to the project pipeline to be negotiated.
SIDA	De-risking potential partner	Initial interest to explore guarantee to the projects.
IUCN Blue Natural Capital Finance Facility (BNCFF)	Catalytic donor – accelerator for the VIP MPA project	Grant agreement signed in Q2 2020 for technical and financial support (US\$80k) with the Blue Alliance New grant agreement in negotiation (US\$200k)
BIOFIN Philippines (Biodiversity Finance project)	Catalytic donor	Grant agreement in negotiation (US\$10k) with the Blue Alliance
Meloy fund development facility	Catalytic donor linked to impact investment	Discussions in progress for in-country and/or regional funding arrangements.
Convergence	Catalytic donor	Grant agreement (US\$250k) signed in 2020 with Blue finance for blended finance facility design in SE Asia.
Local Communities, fishers, civil society and marine stakeholders (tourism, transport, port, etc.) Philippines	Technical partners. Active participation of representatives from all the different sectors in the stakeholder meetings organized in each MPA sites (e.g. during the Marine Spatial Planning processes, the MPA management plan meetings or fishery/tourism annual meetings). Advanced stages in the 3 networks. Representatives will become members of the co-management advisory committees to provide inputs on the work plans and performances of each MPA.	Listed as members of the co- management advisory committee in the management lease agreement.



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Tourism stakeholders (hotels & accommodation, service providers, Tour operators, etc.), Hotel & Tourism associations Philippines.	Technical partners. Hotel & Tourism associations and/or individual businesses commit to implement environmental standards through a code of conduct (e.g. green fins sustainable standards for dive shops). Activities in advanced stage in Mindoro and Calamian MPAs, Philippines.	Hotel & Tourism associations and 14 individual businesses signed the Green Fins code of conduct during 2018-2019 (Philippines).
3 Community Organizations of San Teodoro, Calapan and Baco (Mindoro, Philippines).	Technical partners. Founder members of the SPE in Mindoro, Philippines	Non-profit, non-stock company membership (2020).
Palawan Council for Sustainable Development (PCSD)	Institutional partner of project in Calamian Islands. Supervision of the co-management in Calamian Group of Islands	Charged with the governance, implementation and policy direction of the Strategic Environmental Plan of Palawan.
VIP MPA and Law Enforcement Network	Institutional partner Policy guidance in the VIP-wide MPA management	Composed of 5 provinces and DEN to ensure the protection and conservation of the VIP. These networks enable the national agencies and local government units to work together to conserve, protect, improve, and manage the coastal and marine environment along the VIP.
Local Government Units from Mindoro and Calamian Islands, Philippines	Institutional partner signatory of co-management agreement with site-level SPE	LOI signed in 2019 with 8 LGUs.
Government of the Philippines	Institutional partner Supervision of the co-management	LOI signed in 2019 with UNDP and Blue finance (DENR and other Provincial Governments).

10. Expected period of implementation

The project is divided in two phases:

Pilot Phase (2021-2023):

The development facility will structure a pipeline of bankable projects supporting/generating critical finance for 3 networks of MPAs in Calamian Island, Tañon Strait and Verde Island Passage. Projects will contribute to the effective management and financial sustainability of the 3 networks (total 80 MPAs), protect over 75 000 ha of coral reefs and mangroves, benefit >80,000 vulnerable coastal community members and unlock private investment capital (circa **US\$9M** by 2023)

Milestones for scaling success will be measured by achieving the following:

- Investment readiness of first pipeline projects;
- Completed structuring of all the elements of the blended finance facility, comprising the investment vehicle, the technical assistance facility, and the loan guarantee;
- Fundraising and partnership agreements;
- Progression of further pipeline opportunities towards investment readiness.

Milestones will be based on progress towards investment readiness of pipeline projects, and these projects meeting ESG criteria; plus the steps required for establishment of the blended finance facility and readiness to invest in pipeline projects meeting the investment criteria.

Up-scaling Phase (2024-2030):

The development facility will scale-up the pipeline of projects with a target of benefitting 200 additional MPAs by 2030 for a **US\$50M** investment target (Philippines counts with more than 900 MPAs in 2020). New MPA



networks projects will be selected in collaboration with Government and local stakeholders based on ecological, social and business criteria. Business opportunities will be explored in the waste management industry, coral reef restoration and coastal protection in addition to eco-tourism, blue carbon credits from mangrove restoration, sustainable coastal aquaculture and fisheries transition programs.

Technical Criteria Associated to Answer:
2.3 Duration and milestones (Clarity and appropriateness of)

11. Cost, co-financing and leverage potential of the Programme

Pilot Phase (2021-2023)	
GFCR contribution	USD 3,400,000
Project Development Facility	USD 1,000,000
Blue economy projects' CAPEX	USD 2,400,000
Co-financing for the Project Development Facility	USD 600,000
Confirmed	USD 250,000
Co-financing for the projects' CAPEX:	USD 1,300,000

Impact Investment (before the GFCR investment window is operational)	USD 2,500,000
GFCR Impact Investment window (starting in 2022)	USD 4,900,000
Loan guarantees mobilized by BNP Paribas from the GCF	USD 3,700,000 (starting 2022)

TOTAL	USD 12,100,000
Co-financing ratio (1: Total/GFCR Contribution)	1 : 3.5

Up-scaling (2024-2030)	
GFCR contribution	USD 14,000,000
Project Development Facility	USD 3,000,000
Blue economy projects' CAPEX	USD 11,000,000
Co-financing	USD 10,000,000
GFCR Impact Investment window	USD 26,000,000
Loan guarantees mobilized by BNP Paribas from the GCF	USD 13,000,000

TOTAL	USD 50,000,000
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Co-financing ratio (1: Total/GFCR Contribution)

1 : 3.6



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The project will blend catalytic capital, development finance, commercial debt instruments and loan guarantees.

The blended finance distribution is:

- * Series-A debt (with different IRR objectives) from the GFCR investment window. Funds will come from impact investors, asset managers and family offices. The Sustainable Ocean Fund will act as the initial anchor investor of this proposal with US\$1.4M soft committed for the first 2 projects. The Meloy fund has confirmed initial interest for projects in the VIP MPA network.
- * Grants from the GFCR grant window and other institutions for early stage CAPEX of the pipeline of bankable projects
- * Technical assistance through the Development Facility funded by the GFCR and other philanthropic institutions during the pre- and post-investment phases to improve quality in the design and execution of the projects, strengthen environmental and social positive impacts, reduce risks and enable the projects to meet the investor’s criteria.
- * De-risking partners providing loan guarantees to mitigate credit risk. One potential de-risking partner is USAID, through its first loss guarantee facility, which Althelia-Mirova secured for both the Sustainable



Ocean Fund and the Land Degradation Neutrality Fund. SIDA - Guarantee Units has been approached also.

* Revenues to be generated by the SPEs (for both MPA management and investor returns) via a range of sustainable and tangible finance tools including ecotourism, aquaculture, fishery and sales of blue carbon credits.

The GFCR support will leverage the initial support received during 2019-2020 for the development of the project in the VIP MPA network. IUCN-BNCFF's grant was earmarked towards environmental and social activities of the MPAs, UNDP Smartseas and PEMSEA grants have allowed for the design and implementation of the co-management lease agreement.

For 2020-2021, one of the partner has obtained a grant from Convergence for the design of a blended finance facility in SE Asia (US\$250k). Part of this funding will be directed to the present project and will co-finance the facility design activity (Activity 2.2.2).

For 2021-2023, partners have identified additional potential organizations that are able to leverage additional grant resources through matched funding arrangements. This includes ensuring the sufficient technical assistance funding is secured to swiftly bring projects within the wider pipeline to an investible stage. The initial identified organizations are:

- IUCN – Blue Natural Capital Finance Facility: upscaling grant agreement to co-finance the CAPEX for MPA monitoring equipment and vessels (up to US\$250k);
- Paul Allen Foundation / Vulcan Inc.: technical support for GIS and access to high-res coral reef mapping (in kind)
- BIOFIN (Biodiversity Finance project): grant support for entrepreneurial capacity building in the VIP (up to US\$10k)
- Meloy Fund Development Facility: grant co-financing for the business planning activities in aquaculture and fisheries (up to US\$150k)
- Meloy Fund: potential impact investor for 2021 and for the GFCR. Meliomar Inc. (which is fully owned by Blueyou), successfully served as MELOY FUND's first investee and currently plans a significant financing round (10 Mio USD) for up-grading its sustainable seafood processing and distribution facility and scaling-up its sustainable fisheries and aquaculture programs in various provinces of the Philippines.
- Conservation International Ventures: potential impact investor for 2021 and for the GFCR - RS group: Family office potential impact investor for 2021 and for the GFCR

Technical Criteria Associated to Answer:

2.4 Budget adequacy (Cost-efficiency and appropriateness)

3.2 Ability and strategy to convene the public and private sector to engage in project implementation and co-financing

3.3 Expected co-finance leverage from the public and private sector

3.4 Use of blended finance and it's added value is clearly described

12. Country conservation ambition



-The Philippine Development Plan (PDP, 2017-2022) gives priority (under Sub-Sector Outcome 1: 'Biodiversity and functioning of ecosystem services sustained', Strategy: 'Intensify sustainable management of natural resources through the adoption of ridge-to-reef approach and SIAD') to the following interventions in the 'Coastal and Marine' ecosystem: (i) 'Strengthen law enforcement and the management of coastal and marine areas'; (ii) 'Rationalize the identification of MPAs and their networks'; and (iii) 'Intensify research on coastal and marine habitats and resources'.

- The Philippines Biodiversity Strategy and Action Plan (PBSAP, 2015-2028) details the national strategies and programmes for the conservation and sustainable use of biological diversity under the Convention on Biological Diversity (CBD). The project aligns with a number of the Enabling and Direct Programme Interventions under the 'Coastal and Marine' ecosystem and 'Protected Area' themes of the PBSAP.

- The National Framework Strategy on Climate Change (NFSCC, 2010-2022) targets the improved resilience of coastal and marine ecosystems and communities to climate change, and promotes the mainstreaming of biodiversity adaptation strategies in national and local policies, strategies and programs.

- Philippines has adopted numerous policies, legal instruments, and strategies that further support and enable the conservation marine wildlife and their habitats. These include the: (i) Wildlife Resources Conservation and Protection Act (RA 9147); (ii) Fisheries Code (RA 8550, as amended by RA 10654); (iii) National Integrated Protected Areas System (NIPAS) Act (RA 7586, as amended by RA 11038); (iv) Local Government Code (RA 7160); (v) Civil Code (RA 386); (vi) Coastal and Marine Ecosystem Management Program (CMEMP 2017-2028); (vii) Sustainable Coral Reef Ecosystem Management Program (SCREMP) and (viii) Biodiversity Friendly Enterprises (BDFE) program.

These national-level policies, legal instruments and strategies are in turn supported by a hierarchy of plans and programmes at regional and local levels, with a diversity of institutions in government and civil society mandated to facilitate their implementation.

- The DENR-BMB currently administers three major programs in its portfolio: The first, the Protected Area Development and Management program, covers the main in-situ measures required to conserve biodiversity within and adjacent to protected areas within the National (and Expanded) Integrated Protected Area system (NIPAS). It also provides appropriate governance regimes for the protection of Key Biodiversity Areas (KBAs) such as through Local Conservation Areas (LCAs) with the LGU concerned and through Indigenous Community Conserved Areas (ICCAs). The Ecotourism Development Program (linked to the National Ecotourism Strategy) also falls under this program. The second, the Management of Coastal and Marine Resources/Area program, focuses on the sustainable management of coral reefs, sea grass beds, mangrove stands, soft bottom areas (mudflats), plankton community, and water quality of coastal areas. Under this Program, the Coastal and Marine Ecosystems Management Program (CMEMP, 2017-2028) is working to improve the management of the country's coastal and marine ecosystems and includes facilitating the establishment and strengthening the management of marine protected areas and building institutional and individual capacities to manage coastal and marine resources. The third, the Protection and Conservation of Wildlife program, which prioritises activities linked to (a) sustainable wildlife resource use; (b) management of invasive alien species (IAS); and (c) wildlife enforcement, include the operations/mobilization of Wildlife Traffic Monitoring Units (WTMUs) and Wildlife Enforcement Officers (WEOs); (c) operations and maintenance of Wildlife Rescue Centres



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(WRCs); (d) establishment and management of Critical Habitats; and (e) conservation of threatened wildlife species (including dugong and marine turtles).

- The DA-BFAR has, with the technical and financial support of USAID (under the Ecosystems Improved for Sustainable Fisheries [ECOFISH] Project) established 12 Fisheries Management Areas (FMAs) covering all the major fishing grounds of the country (FAO 263 of 2019). It is currently in the process of developing a science-based and participatory governance framework for their management. Each FMA will convene a management board, where all stakeholders are represented. Each management board will then develop policies and programs for the FMA based on an ecosystems approach to fisheries management, as well as local government ordinances that would promote sustainable fishing. The DA-BFAR will also convene scientific advisory groups (SAG) with representatives from academic institutions, BFAR regional offices, municipal fisherfolk groups, the commercial fishing industry, and NGOs.

-Recently, Memorandum Circular (JMC) *Guidelines on the establishment and management of Marine Protected Area Networks* (MPANs) which lays down the basis, criteria and processes for the establishment and management of MPANs² in the Philippines has been signed by DENR, and expected to be co-signed by BFAR and Department of Interior and Local Government (DILG).

Technical Criteria Associated to Answer:

2.6 Risk Management (including mission drift and reputational exposure)

13. Risk assessment

Deal flow risk: Inability to deploy capital in a swift manner.

Partners have assembled a team made of natural resources and financial management practitioners. The team brings a broad international sourcing network with a track record of successful transaction execution, ensuring a steady deal flow of investment ready opportunities.

Operational risk: Risk of loss incurred for failed internal processes.

Partners have developed robust investment processes, building on Natixis Investment Managers' internal controls and existing support functions.

Country risk: Adverse conditions arising from possible changes in the business environment (mass riots, civil war, etc.)

Portfolio diversification will limit exposure to a given market. The team constantly liaises with FI's Country Risk department, which is consulted for every investment appraisal. Political risk insurance policies will be purchased if deemed necessary.

² The draft JMC defines a MPAN as one in which 'connectivity of at least two MPAs based on ecological and/or socio-economic and/or governance considerations, at various spatial scales, and with a range of protection levels that are designed to meet objectives that a single MPA cannot achieve'.



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Currency risk: Currency of OPEX and fee incomes are different. Currency pairs subject to swings between USD and emerging market local currencies.

For eco-tourism, the facility intends to finance SPEs that have their currency of borrowing match their currency of revenues, thus eliminating FX risk. Financing in local currency will be limited.

Project risk: The risk of losses related to operation incidents arising on the underlying projects.

Main project risks are examined in advance during a thorough due diligence process, using a risk matrix developed in-house by Partners, the GFCR investment facility and third-party consulting firms.

Technical risks for mud-crab aquaculture project:

- Larval rearing is complex, survival low to extremely low



- There have been many attempts but there has not been a no successful example of a corporate commercial crab hatchery so far
- Survival becomes acceptable above a certain size (>50g)
- Hatchery unlikely to produce crablets at price that can compete with wild-caught crablets - Long grow-out period
- Risk to secure tenure with contract farmers, i.e. the possibility to buy back the commercial sized crabs after grow-out
- Highly perishable product (supply chain risks)

Blue carbon project risk: Non-acceptance from the communities towards the implementation of carbon project

Risk will be mitigated through a detailed process of concertation and involvement to ensure the appropriation and consideration of local capacities and collective will.

Climate risk: The risk that climate change effects negatively impact coastal natural capital and the prospects of the tourism industry as a driver of revenue

The impacts of climate change pose a direct threat to coastal tourism infrastructure and livelihoods. However, this risk is also a direct incentive for all local stakeholders to invest in the protection and enhancement of the natural coastal protection provided by the coral reefs, mangroves and seagrass beds, and this will be used to leverage local support for the projects. Again, a diversified portfolio of pipeline investments will ensure that risk to the wider investment vehicle due to site-specific risks is mitigated.

Capital loss risk: Risk of capital loss for investors

Prospective investors should have the ability to understand the risks involved as well as sufficient financial means to bear the loss of their investment

Pandemic creating risk of delays in finalizing negotiations with government partners and other enabling actors.

Key elements of risk mitigation include strengthening intensive engagement with project local partners within government and local communities / civil society (reducing need of international travel agenda). As of today, Partners have been working with Government in Philippines to finalise the legal aspects of the lease agreement in the Phase I VIP (North Oriental Mindoro). Government sees this project as an important opportunity in this pandemic context bringing foreign investment, reducing financial and human burden on the Government and addressing food security issues. We received recent confirmation from the Ministry of Environment to support and accelerate the process in the other MPA sites.

For the project development, growing focus on adaptation and resilience on the international political agenda (for both the climate and other crises like covid-19) suggests that solutions like Blue finance will be in even higher demand in the near future.

Post-crisis pandemic affecting local economy: unemployment, increased strain on food and nutrition security. Health issues. Mitigation activities include:

- Support local communities and the economy to develop sustainable pathways post-crisis (e.g. livelihood enhancement, income generating activities, MPA staff).



- MPA activities protecting natural capital will be an important source of long-term revenues and “future proofing” in times of economic strain which should reinforce the negotiations with local governments.

Negotiate flexible conditions on a specific part of the funding received from grantors and investors pledging “no business as usual” to respond to the crisis.

Pandemic affecting MPA revenues from tourism sector.

The present Covid-19 context will have an important impact on tourism sector due to the drop in the visitations. Our mitigation relies on the following aspects:

- The SPE business model does not rely on any revenues from fees paid by tourists during the first 6-12 months of 2021. That is expected to leave adequate time for the sector to fully recover.
- Past extreme events (e.g. Hurricanes in the region) have proven the resilience of the sector with a quick recovery after the crisis.
- Diversified sources of revenues are developed in each pilot sites and will limit exposure to this risk (e.g. National tourism, Blue carbon, aquaculture, etc.)
- Investors have been contacted since the Covid-19 crisis and have confirmed their support to the project. They have confidence in the resiliency of the tourism sector and at any rate, have a loan guarantee in case of default of payments.

Technical Criteria Associated to Answer:

~~2.6 Risk Management (including mission drift and reputational exposure)~~



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OVERVIEW OF FUNDING REQUESTED

Indicate the financing needs from the GFCR grant window and the leverage ratio of private sector investment capital. Additionally, please provide a very brief description of the activities in each funding category.

Category	Amount Requested	Description
Project Development Facility	USD 1,040,000	Technical assistance during pre- and post-investment phases to improve quality in the design and execution of the projects, strengthen environmental and social positive impacts, reduce risks and enable the projects to meet the investor's criteria.
Initial CAPEX of the pipeline of projects	USD 2,420,000	Co-financing for scientific equipment&vessels for the 80 MPAs ; Monitoring equipment for Blue carbon mangrove restoration project, assets to improve the sustainability of the fishery and aquaculture projects.
Indirect support costs (7%)	USD 240,000	
TOTAL	USD 3,700,000	
Expected Programme leverage ratio of grants to investment capital	3.5	

Annex 1: Technical review criteria for Concept Notes

Category	Criteria	Weight in category	Weight of total
	1.1 Submission is appropriate, complete and follows guidelines outlined in the call for proposal	Pass/Fail	
	1.2 Feasible timeframe (2-8 years) with quantitative milestones on a semi-annual basis	Pass/Fail	



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1. Mandatory criteria	1.3a Clearly delineated impact metrics positively affecting coral reefs and associated ecosystems (e.g., x hectares protected, x% increase in fish density, x% increase in biodiversity, etc.)	Pass/Fail
	1.3b Drivers negatively affecting coral reefs and associated ecosystems identified and clear actions to mitigate (e.g. overfishing: impose a no-take zone, agricultural runoff: introduce upstream regulation and enforcement)	Pass/Fail
	1.3c Monitoring plan adequately described tied to delivering proposed impact metrics and appropriately resourced	Pass/Fail
	1.4 Clearly delineated impact metrics for positively affecting coastal and reef-dependent communities (e.g. providing alternative incomes for xx fishers, coastal protection for xx households, etc.)	Pass/Fail
	1.5 Co-investment from local sponsors (can be in the form of funding or in-kind/staff time)	Pass/Fail
	1.6a Revenue generation schemes are included	Pass/Fail
	1.6b Already revenue generating	Pass/Fail
	1.6c If Point 1.6a is 'Fail' then does the proposal include a clear, feasible route to market and eventually secure financial sustainability?	Pass/Fail
	1.7 Clear budget with overhead/management accounting for no more than 18% (breakdown by outcome and output)	Pass/Fail
	2.1 Relevance of approach according to GFRC vision and the SDGs (drivers addressed and use of blended finance mechanisms)	X/5
	2.2 Rationale for the proposal and potential for scaling-up and replication	XX/10
	2.3 Theory of Change (clarity and quality of)	XX/10



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2. Relevance	2.4 Conservation and biodiversity outcomes are project priorities and tied to milestones appropriately timed and measured (clearly stated; % increase in live coral cover, reduction of invasive species, increase in fish density, hectares protected, reduction in pollution, etc.)	XX/20	75%
	2.5 Blue finance mechanisms are viable and include appropriate timeline to implementation (business models using blue bonds, debt, guarantees to attract investment, etc.)	XX/15	
	2.6 Scale of positive impact for coastal and reef dependent communities. (i.e. number of benefactors and type)	X/5	
	2.7 Addresses multiple drivers of stress on coral reefs and associated ecosystems (e.g. actions taken to reduce poor water quality, as well as destructive fishing practices) with clear metrics, timelines, and route to delivery	X/5	
	2.8 Project aims to address issues of gender and social inclusion with clear metrics, timelines, and delivery routes (e.g. more economic opportunities for women)	X/5	
3. Delivery and operations	3.1 Roles and responsibilities (clarity and appropriateness of governing and policy frameworks) with local employment favoured and gender balanced	X/5	25%
	3.2 Capacities (technical capacities and/or abilities) to access, readiness of actors involved, baseline metrics, capacity for monitoring and reporting impacts	X/5	
	3.3 Duration and milestones (clarity and appropriateness of), with risks and mitigating factors delineated	X/5	
	3.4 Budget adequacy (cost-efficiency and appropriateness)	X/5	



	3.5 Stage of development—is the concept past the idea stage, demonstrated by financing secured, signed partnership agreements, signed contracts with the community or government, IP produced, or other contractual evidence	X/5	
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Annex 2: additional baseline data

Please provide any site-specific documents of baseline studies on coral reef ecosystem health, resiliency to climate change and baseline data on socio-economic context.

The Coastal Resource Management Project – Philippines 1996-2004

For the mangroves areas there is a considerable amount of high quality studies on carbon content and sequestration in mangroves and their state of conservation, several research projects and publications exist, notably: Initiatives>

- the Partnerships in Environmental Management for the Seas of East Asia (PEMSEA),
- IAMBlueCECAM Program,
- BlueCARES and Blue carbon project funded by JICA,
- Palawan Knowledge Network,

Publications>

- Mangrove Mapping and Assessment for the Green Wall of Mindoro, Betty Villamayor, 2019
- Establishing rates of carbon sequestration in mangroves from an earthquake uplift event, Severino G Salmo III et al., 2019
- Community perception of a mangrove restoration and alternative livelihood program in the Verde Island Passage, Philippines, Shannon Switzer, 2015
- Mangrove blue carbon in the Verde Island Passage, Severino G Salmo III, CI Philippines, 2019
- State of the Mangroves in Oriental Mindoro, Marilyn M. Alcanices, Supervising Agriculturist Fishery and Coastal Resources Management Division Chief Provincial Agriculture Office
- Assessing the vulnerability of the fisheries and coastal integrity of the 13 coastal municipalities and a city in Oriental Mindoro: a mangrove assessment report, Cayabyab N. 2014.
- Mangrove Area Mapping , Conservation International-Philippines. 2010. Mangrove Area Mapping.
- 2010–2015 Integrated Coastal Area Management Plan, Provincial Agriculture Office. Fishery and CRM Division.
- Provincial Coastal Area Profile , Fishery and CRM Division. Provincial Agriculture Office. 2014 - Oriental Mindoro Facts and Figures, Provincial Planning and Development Office, 2014.
- State of the Coasts of Oriental Mindoro, Romero FG et al. 2015
- State of the Mangrove Summit, Severino G Salmo III et al., 2015
- Who owns the carbon in trees – clarifying carbon rights in the Philippines and guidance in benefit sharing arrangements, GIZ 2013
- Rates and drivers of mangrove deforestation in Southeast Asia, 2000–2012, Daniel Richard and Daniel Friess 2015
- Distribution and dynamics of mangrove forests of South Asia, GIRI C., et al, 2015 - Mapping the Philippines' Mangrove Forests Using Landsat Imagery, LONG et al, 2011 - Philippines' Mangrove Ecosystems: Status Threats and Conservation, 2013, GARCIA et al. - Benefits and constraints of Community-Based Forest Management in the Philippines, 2018, Carig E.
- Community-Based Coastal Resources Management in the Philippines: Key Concepts, Methods and Lessons Learned, Ferrer et al., no date
- Women's Inclusion in REDD+ in the Philippines: Lessons from Good Practices in Forest, and Other Natural Resources Management Sectors – WOCAN, UNDP, USAID, Leaf, 2014
- Estimating Global "Blue Carbon" Emissions from Conversion and Degradation of Vegetated Coastal Ecosystems, Pendleton et al., 2012

Although knowledge over carbon stocks and fluxes is still needed, key initiatives are building the ground for doing so. Biomass storage and ecosystems relevance of the target region has, and it is continuously been studied with a relatively good volume of information available (including basal area and forests density). Tier 1 and Tier 2 data can be found, and even Tier 3 depending on the MPAs/NIPAs. Available



data often concerns aboveground & belowground biomass, and sometimes soil compartments. The proposed activities will identify data gaps for a carbon certification process.

Annex 3: Business models and financial instruments

Please provide any specific documents or graphics that illustrate in greater detail the financial models associated with the interventions of the programme.

See ANNEX 3 as a separate attachment

Annex 4: Budget

[Link to Budget for 2021](#) (contact maxime.philip@undp.org for access)

[Link to Budget for Pilot Phase 2021-2023](#) (contact maxime.philip@undp.org for access)

2021 Budget by UNDG Category

UNDG BUDGET CATEGORIES	Amount (US\$)
1. Staff and other personnel	-
2. Supplies, Commodities, Materials	-
3. Equipment, Vehicles, and Furniture (including Depreciation)	
4. Contractual services	100,000
5. Travel	11,500
6. Transfers and Grants to Counterparts	-
7. General Operating and other Direct Costs	11,100
Total Direct Costs	122,600



8. Indirect Support Costs (Max. 7%)	8,582
TOTAL Budget	131,182

Annex 5: 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 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:



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Each Receipt Organisation will provide the Administrative Agent and the Fund Secretariat (for narrative reports only) 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
Annual progress report, which may contain a request for additional GFCR allocation if the context requires it	15 December	Convening Agent on behalf of all implementing or recipient organizations and in consultation with/ quality assurance by the GFCR Global Team

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

Financial Reports and timeline

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

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



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

Ownership of Equipment, Supplies and Other Property

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

Public Disclosure

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

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

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

Special Provisions regarding Financing of Terrorism

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

Annex 6: 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



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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 subparties will take all appropriate measures to:
- i. Prevent its employees, agents or any other persons engaged to perform any services under this Project Document, from engaging in SH or SEA;
 - ii. Offer employees and associated personnel training on prevention and response to SH and SEA, **where the Implementing Partner and its sub-parties have not put in place its own training regarding the prevention of SH and SEA, the Implementing Partner and its sub-parties may use the training material available at UNDP;**
 - iii. Report and monitor allegations of SH and SEA of which the Implementing Partner and its sub-parties have been informed or have otherwise become aware, and status thereof;
 - iv. Refer victims/survivors of SH and SEA to safe and confidential victim assistance; and
 - v. Promptly and confidentially record and investigate any allegations credible enough to warrant an investigation of SH or SEA. The Implementing Partner shall advise UNDP of any such allegations received and investigations being conducted by itself or any of its sub-parties referred to in with respect to their activities under the Project Document, and shall keep UNDP informed during the investigation by it or any of such sub-parties, to the extent that such notification (i) does not jeopardize the conduct of the investigation, including but not limited to the safety or security of persons, and/or (ii) is not in contravention of any laws applicable to it. Following the investigation, the Implementing Partner shall advise UNDP of any actions taken by it or any of the other entities further to the investigation.
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.