



GLOBAL FUND FOR
CORAL REEFS

**LEVERAGING
FINANCE TO PROTECT
AND RESTORE THE
WORLD'S CORAL REEFS**

CALL FOR ACTION AND ENGAGEMENT

INVESTING IN CORAL REEFS – THE TIME IS NOW

The loss and degradation of the world's coral reefs is a major catastrophe of our time. When reefs become vulnerable, marine biodiversity is endangered and the livelihoods of an estimated one billion people are put in peril. But while the situation may be dire, it is not too late.

To meet the challenge of saving our coral reefs, a global coalition of national governments, the United Nations, philanthropists, financial institutions and investment partners have launched a new United Nations multi-partner trust fund for SDG 14, the Global Fund for Coral Reefs (GFCR), the first global fund that mobilizes private sector capital and investments for coral reefs.

CORAL REEF PROTECTION IS AN URGENT AND EXISTENTIAL ISSUE

Across the world, hundreds of millions of the poorest and most vulnerable people depend on healthy and thriving coral reefs for food, jobs, revenue from tourism and fisheries, and to provide protection from increasingly intense storms and floods. The world at large benefits from the medicines and recreation that reefs provide. Further, healthy coral reefs are among the most economically valuable and biologically diverse ecosystems on the planet - nurturing 25 percent of all marine life while occupying only 0.1% of the seafloor.¹ Mangrove and seagrass ecosystems are tightly associated with the health of coral reefs, providing improvements in water quality, acting as nurse habitats for reef species, sequestering carbon and providing reef-adjacent communities with protection from wave action. The Aichi Biodiversity Target 10 outlined priority

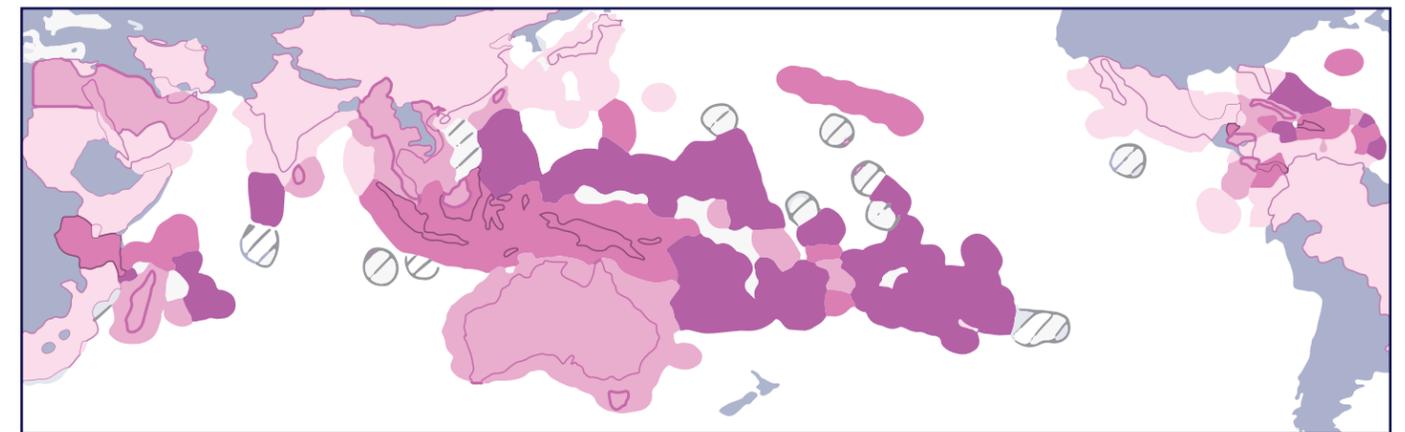
actions to enact by 2015 to minimize the multiple anthropogenic pressures on coral reefs and their associated ecosystems (i.e., mangroves and seagrasses) and maintain their integrity and functioning. Despite this framework, the target has not been achieved as of 2020. **In fact, coral reef ecosystems have shown the most rapid increase in extinction risk of all assessed groups** (Global Biodiversity Outlook 5, CBD Secretariat, 2020).

Battered by over-fishing, pollution, and unsustainable coastal development, coral reefs are also at the frontline of climate change. Unfortunately, since 1997 marine heatwaves and large-scale coral bleaching events are increasing in frequency and intensity resulting in the loss

of half of Earth's coral reefs over the last 30 years.² Globalization and other human activities, combined with increasing seawater temperatures and changing ocean chemistry, have adversely affected coral and fish communities, reduced coral growth rates, diminished the resiliency of coral reef ecosystems, and weakened the value of reef-related goods and services for the communities that rely on them. A 2018 Intergovernmental Panel on Climate Change (IPCC) report warned that **without bold, decisive action over the next decade,**

we will lose 70% to 90% of our remaining coral reefs. Consequently, without targeted action and rapid mobilization of resources, coral reefs around the world will collapse and may disappear within decades. With limited resources and time, our best approach to save coral reefs for future generations is to focus on transforming behaviour and activities to mitigate local threats for coral reef systems that are most resilient to warming oceans and changing ocean chemistry.

SOCIAL AND ECONOMIC DEPENDENCE ON CORAL REEFS



Low Medium High Very High No Reefs Uninhabited with Reefs

Source: Reef at Risk Revisited (2011)

Note: Reef dependence is based on reef-associated population, reef fisheries employment, nutritional dependence on fish and seafood, reef-associated export value, reef tourism and shoreline protection from reefs. Countries and territories are categorized according to quartiles.

HOW CORAL REEFS HELP HUMANITY

In addition to biodiversity values, coral reefs, mangroves and seagrasses have a vital and cost-effective role in protecting people and property. Healthy coral reefs **break up as much as 97% of wave energy** before a wave reaches shore, which dramatically reduces flooding and beach erosion in coastal communities.³

Coastline damage and beach erosion correspond to areas of reef loss. **One-meter loss in reef height doubles the cost of damage when severe weather impacts a coastline.**⁴ One study found that for every 100-year storm event, flood damage increases by 91%; the equivalent of \$272 billion US dollars.⁵

Countless communities rely on coral reefs for their livelihoods and economic security. Over 30% of the world's reefs are used by those working in tourism and are worth approximately \$36 billion US dollars per year.⁶ Reef fish and associated species are significant sources of protein for subsistence fishers and coral-reef fisheries are valued at \$6.8 billion in net benefits per year.⁷ The loss of coral reefs would result in the loss of livelihoods, income, food security and cultural links for over one billion people around the world; and many more when medicinal and recreational values are considered.⁸

“Coastal communities are in jeopardy, the oceans are swamped by a tide of pollution, and marine life is in decline because of climate change. Thankfully, we have a battle plan. [...] If we don't protect our seas and oceans, and if we don't win the battle against climate change, all the assumptions on which we base our policy-making will be worthless.”

United Nations Secretary General, António Guterres, at the July 2018 G7 Summit



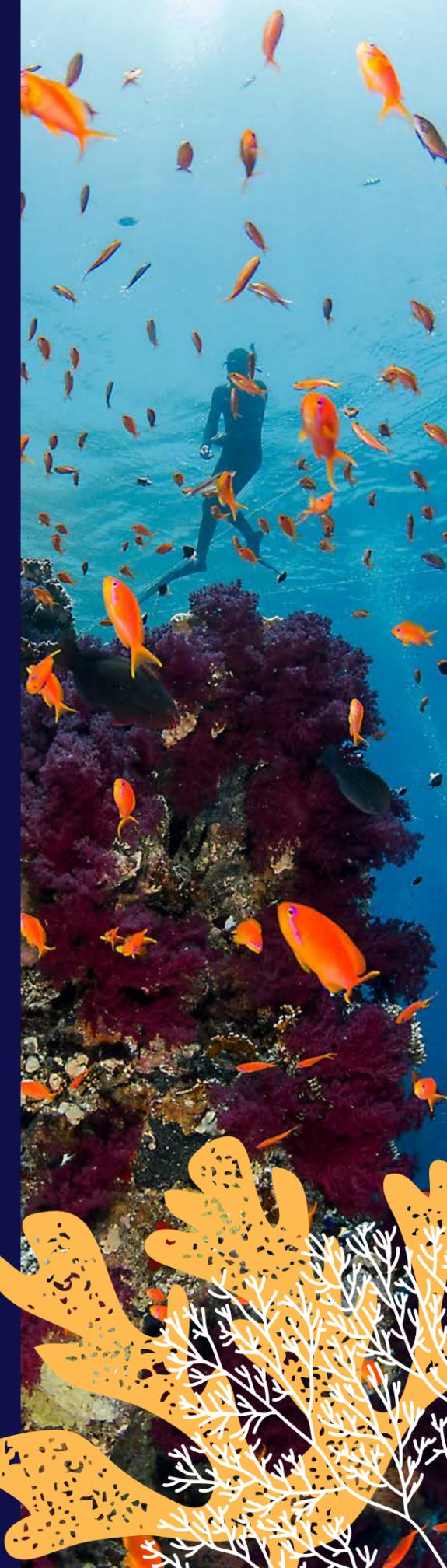
HOW HUMANITY IS FAILING CORAL REEFS

Of the Sustainable Development Goal (SDG) global budget, only 1.1% went towards SDG 14 'Life Below Water' making it the least funded of all SDGs. An assessment conducted by the Conservation for Biodiversity High-Level Panel estimated that the **global investment required for coral reefs is seven times greater than current levels.** Calls for eliminating this **“coral reef funding gap”** have been made by the Convention on Biological Diversity (CBD) Conference of the Parties, United Nations Environment Assembly, the International Coral Reef Initiative (ICRI), and Coral Reef Life Declaration.

An analysis between 2010 and 2016 found only 314 active projects world-wide focused on coral reef protection. Valued at \$1.9 billion US dollars, these projects were funded by 60 individuals, groups, and/or organisations.⁹ Considering that the resources and services that communities gain from healthy coral reef systems is estimated at \$2.7 trillion US dollars a year, this is a massive gap.¹⁰ The financial resources for coral reef protection and restoration comes from just a few public and philanthropy sources, and nearly three-quarters of all projects consist of fragmented and small-scale initiatives.

The **Coral Reef Economy** report shows that interventions led by private entrepreneurs targeting sustainable fisheries, wastewater and erosion management can have a positive impact on the health of coral reefs and reef-dependent economies (UN Environment, ISU, ICRI and Trucost (2018)). By 2030, they have the **potential to close between 45% to 70% of the gap** between the estimated value derived from degraded as opposed to healthy reefs.

By acting now and unlocking the potential of innovative investments, we can buy time for reefs to adapt and survive, while building the resilience of the communities that rely on them.



CORAL REEFS AND SUSTAINABLE DEVELOPMENT



“Coral reefs are marine ecosystems that are essential for the conservation of marine biodiversity. They are severely affected by climate change, and many of them are in danger of eventually disappearing. To address this situation, my Foundation and the Paul G. Allen Family Foundation have taken the initiative to support the setting up of an international financial mechanism to marshal private and multilateral resources that will help to improve scientific knowledge and promote practical solutions to save these reefs. I urge anybody who wants to protect biodiversity to join our initiative.”

HSH Prince Albert II of Monaco

GLOBAL EFFORTS TO PROTECT CORAL REEFS

Various international commitments have been made to mobilize action and funding for coral reef protection and restoration:

Post-2020 Global Biodiversity Framework

Governments that are part of the International Coral Reef Initiative (ICRI) have committed to the inclusion of a new coral reef action plan in the Post-2020 Global Biodiversity Framework. This framework will replace the Aichi Targets from the Strategic Plan for Biodiversity 2011-2020 and will be crucial in advancing biological diversity from 2020 onwards and ensuring specific focus is placed on coral reefs and ocean ecosystems.

2030 Agenda for Sustainable Development

Thriving coral reefs and associated ecosystems were assessed as being vital for achieving the Aichi Biodiversity Targets and delivering on nature-dependent Sustainable Development Goals (SDGs), primarily Goal 14, ‘Life Below Water’. Indeed, most SDGs can be hit through entry points such as coral reef tourism, food security, shoreline protection, and human health and wellbeing. This brings into focus the economic, social and cultural ramifications of degraded coral reefs, declining fish populations, and an increase in coastal erosion.

United Nations resolution on “Sustainable Coral Reef Management”

During the fourth United Nations Environment Assembly (UNEA-4) in March 2019, resolution 4/13 was passed on sustainable coral reef management. Member States and United Nations Environment (UN Environment) recommended a series of actions and called for greater coordination between countries in implementing policies related to the conservation and management of coral reefs at international, regional, and local levels.

Leaders’ Pledge for Nature

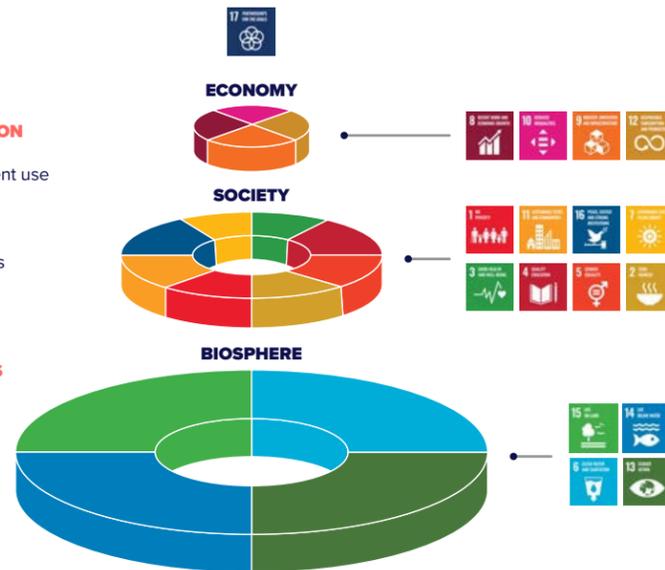
Against the backdrop of COVID-19 and driven by unsustainable production and consumption, humanity is also facing the planetary crises of biodiversity breakdown, rampant pollution and climate change. These interrelated threats, all with severe consequences for coral reefs, require immediate global action. The European Union and 64 countries from all regions have come together to commit to collective and ambitious action. The Pledge includes the commitment to “strengthen all financial and non-financial means of implementation, to transform and reform our economic and financial sectors” in order to safeguard the planet, its biodiversity and to ensure the wellbeing of people.

CORAL REEFS CONTRIBUTION TO 2030 AGENDA AND SDGs

(Source: UN Environment, ICRI)

- GOAL 1. END POVERTY**
1.5 Build resilience
- GOAL 2. FOOD SECURITY**
2.3 Double agricultural productivity
- GOAL 5. GENDER EQUALITY**
5.5 Women's participation and access
- GOAL 6. WATER AND SANITATION**
6.2 Adequate sanitation
6.3 Reduce pollution, halve untreated waste water
- GOAL 8. INCLUSIVE SUSTAINABLE GROWTH**
8.4 Decoupling economic growth
8.9 Sustainable tourism

- GOAL 12. SUSTAINABLE CONSUMPTION AND PRODUCTION**
12.2 Sustainable management and efficient use
- GOAL 13. CLIMATE CHANGE**
13.1 Resilience and adaptive capacity
13.2 Integrating climate change measures
13.3 Education, awareness and capacity
- GOAL 14. LIFE BELOW WATER**
- GOAL 15. TERRESTRIAL ECOSYSTEMS**
15.1 Conservation
15.2 Sustainable forest management
15.9 Ecosystems values



WHY THE WORLD NEEDS A GLOBAL FUND FOR CORAL REEFS

Until now, there had been no dedicated global financial instrument for coral reef protection—what existed was fragmented and operated on a country-by-country or project-by-project basis. Our immediate priority is to collectively shift efforts and resources to coral reefs by establishing a portfolio that shows how new, large-scale and coordinated solutions—supported by private investment—can make a difference. A coalition of global partners committed to reef protection has come together to develop and test this global financing instrument, the GFCR, including Prince Albert II of Monaco Foundation (PA2MF); Paul G. Allen Family Foundation (PGAFF); United Nations Development Programme (UNDP); United Nations Environment Programme (UNEP); United Nations Capital Development Fund (UNCDF); BNP Paribas (BNP); and Mirova (Natixis Investment Manger).

The Global Fund for Coral Reefs has a **dual focus**:

Facilitate the **uptake of innovative financing mechanisms**, including private, market-based investments focused on coral reef conservation and restoration

Unlock financing for coral reef-related climate adaptation through the Green Climate Fund and Multilateral Development Banks (MDBs)

The Global Fund for Coral Reefs is designed to offer grant funding, risk equity and debt capital to deliver exciting, impactful projects. New solutions for preventing the extinction of coral reefs are beginning to emerge and this Fund provides opportunities for demonstration and results at scale.

Grant capital is expected to be leveraged by the Fund and used to help developing countries mobilize the resources they need to meet their coral reef commitments.

HUMAN HEALTH AND WELLBEING

70%

of the protein in diets of Pacific Islanders comes from reef-associated fisheries.



SHORELINE PROTECTION

\$6B

Globally \$6 billion of built capital is protected from flooding by coral reefs.



FOOD SECURITY

1.42M

Coral fisheries provide an average annual seafood yield of 1.42 million tonnes.



TOURISM

\$36B

Coral reef tourism contributes \$36 billion to the global tourism industry annually.



BIODIVERSITY

4,000

Coral reefs support approximately 4000 species of fish and 800 types of coral.



MEDICINES

50%

More than half of all new cancer drug research focuses on marine organisms.



STRATEGIC APPROACH

The Global Fund for Coral Reefs will promote a 'protect-transform-restore-recover' approach in priority locations with climate resilient reefs to save and protect coral reefs.



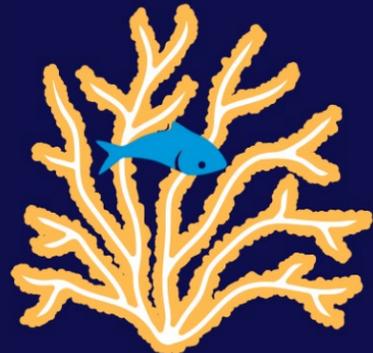
Protect

Functioning reefs are still found in climate-cool spots around the world. These reefs called "climate refugia" need immediate attention to protect them from further loss and degradation.



Transform

Coastal societies will need to find alternative livelihoods and limit their dependence on coral reefs and related ecosystems. Local threats must be reduced through strategic local management to keep remaining reefs above functional thresholds so they can adapt and recover.



Restore

Coral reefs need help to recover when severely degraded by bleaching or other human activities. A range of innovative techniques are proving successful to help reef ecosystems survive and adapt to the impacts of climate change.



Recover

Coral reefs and dependent communities will be helped to recover from major shocks (such as natural disasters, marine heat waves, health crises, disruptions in supply chains, etc.), which can lead to a return to unsustainable practices and ecosystem degradation.

THE FUND'S APPROACH TO CORAL REEF PROTECTION

Due to the multiple drivers of degradation, layered interventions are required. This can range from global (e.g. climate change, ocean acidification, increasing human populations) to local (e.g. overfishing, unsustainable coastal development, destructive fishing, pollution, boat anchoring, etc.), and include drivers that directly and indirectly cause adverse harm to coral reefs and surrounding ecosystems. The Global Fund for Coral Reefs supports efforts to incubate and accelerate revenue-generating interventions that can sustainably finance the **mitigation and elimination of unsustainable direct and indirect local drivers of coral reef degradation**.



DIRECT GLOBAL DRIVERS

- Ocean acidification and reduced coral growth
- Increasing seawater temperatures and bleaching events
- Damage to adjacent ecosystems (e.g., mangroves and seagrasses)

DIRECT LOCAL DRIVERS

- Natural disasters (typhoons, tsunamis, flooding, etc.)
- Overfishing
- Destructive fishing (dynamite, poison, etc.)
- Pollution (nutrients, chemicals, etc.)
- Tourism
- Sedimentation
- Land reclamation
- Invasive species and disease
- Lost and abandoned fishing gear
- Increased intensity of storms
- Crown-of-Thorns starfish outbreaks
- Unsustainable coastal development
- Sand and coral reef mining

INDIRECT DRIVERS

- Human population growth
- Unsustainable consumption patterns
- Political apathy
- Lack of public awareness
- Economic systems that do not take environmental costs into account

STRATEGIC APPROACH: PRIORITY OUTCOMES

The Global Fund for Coral Reefs supports interventions that are designed with the following four priority outcomes in mind:

OUTCOME 1: Protection of priority coral reef sites including climate ‘refugia’

Strategic coral reefs are protected - reefs with high biodiversity or important socio-economic value and exhibit resilience in the face of climate change. Local threats in priority sites are addressed and reduced.

POTENTIAL OUTPUTS

- Establishment of new Marine Protected Areas (MPAs) and Locally Managed Marine Areas (LMMAs) as well as strengthen existing MPAs and LMMAs with effective management and enforcement
- Entrepreneurial and profitable MPAs
- Pioneering scientific studies that help to identify important climate refugia and potential management strategies
- Land-ocean interface projects to protect coral reefs
- Elimination of destructive fishing practices and harmful gear from protection sites
- Establishment of ‘no-take’ zones and nurseries within protected areas
- Legal advice on intellectual property, potential uses and patents related to climate-resilient corals located in refugia

OUTCOME 2: Transformation of the livelihoods of coral reef-dependent communities and sectors

POTENTIAL OUTPUTS

- Community-based projects for sustainable fisheries, seaweed farms, aquaculture, tourism, etc.
- Sustainable value chain development and educational programmes to build skills for alternative careers and livelihoods
- Women empowered through capacity building and safety nets
- Reef-first businesses
- Economic valuation of coral reefs and ecosystem services
- Communication and educational campaigns to drive and sustain behavioural change

OUTCOME 3: Restoration of coral reefs through new technologies and adaptive approaches

POTENTIAL OUTPUTS

- Restoration technologies developed and piloted
- Strategies for high-impact restoration
- Strengthened national policy frameworks based on robust business cases for coral reef restoration and maintenance
- Restoration guidelines and training on coral reef restoration
- Select ‘In situ’ water restoration projects
- Identification of priority restoration sites within targeted MPAs

OUTCOME 4: Recovery of coral reef-dependent communities in the face of major shocks and insecurity*

POTENTIAL OUTPUTS

- Mechanisms in place for rapid financial support to reef-first SMEs and MPAs impacted by shocks. This includes the use of parametric reef insurance.
- Crisis plans in place to mitigate impacts from supply chain disruptions, bleaching events, health crises, etc.
- “Blue” stimulus packages to help recovery after shocks.
- Alternative temporary employment during periods of crisis to aid recovery efforts and provide sources of income for those that have lost their livelihoods.
- Rapid material deployment to deal with crisis

* e.g., health crises, disruptions in supply chain from disasters, natural disasters, etc.

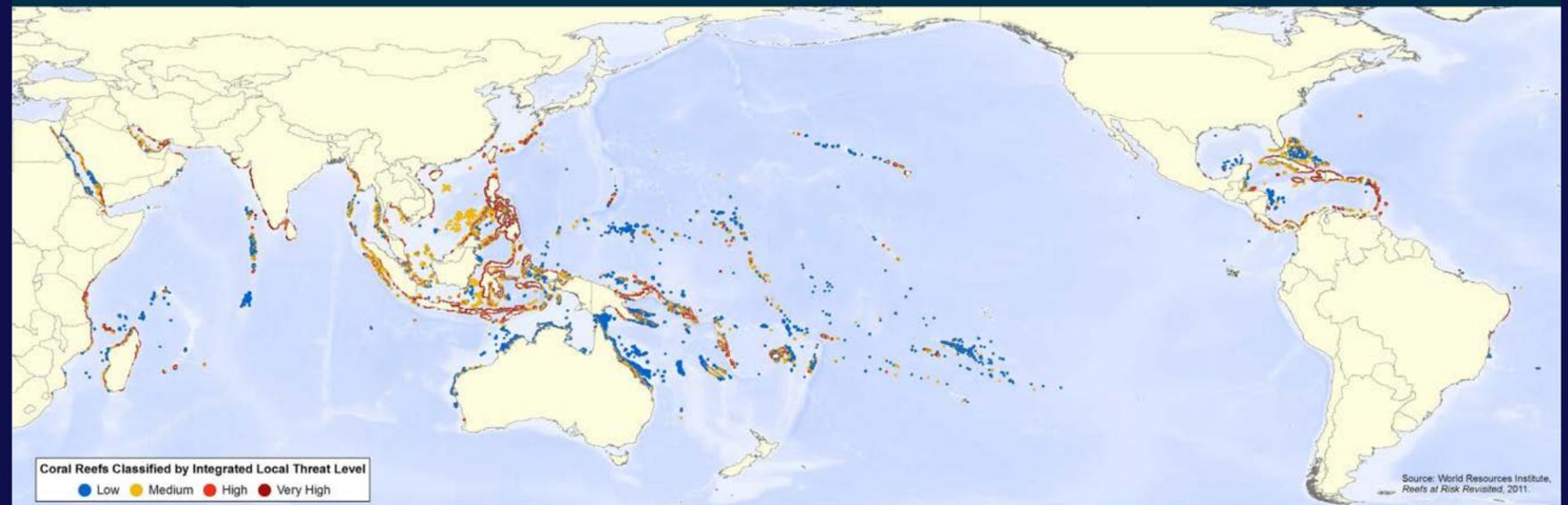
GEOGRAPHIC PRIORITIES

The GFCR has a broad geographic focus but the Fund aims to focus efforts on underfunded regions. Specifically, marine regions of South Asia, the Pacific and the Indian Ocean receive minimal coral reef funding. The high biodiversity of these geographic regions and reef-dependence of coastal communities make these areas a conservation priority for GFCR stakeholders. Plans include supporting projects in Small Island Developing States (SIDS), Least Developed Countries (LDCs) and Middle Income Countries (MICs) that are underfunded, providing the opportunity to make progress on multiple SDGs simultaneously (e.g. no poverty, good jobs, economic growth, climate action, gender equality, good health, etc.).

Underfunded SIDS and LDCs with resilient coral reefs will be the top priority. To identify these sites the GFCR draws on findings from projects like 50 Reefs, UNEP Coral Futures, Super Reefs and WWF Rescue and input from coral reef experts.

In addition to climate change resilience and community reliance on coral reef ecosystems, the GFCR targets coral reefs areas of significant heritage (e.g., UNESCO World Heritage sites) and regions and countries that have national priorities which are conducive for conservation of marine ecosystems.

CORAL REEFS OF THE WORLD CLASSIFIED BY THREAT FROM LOCAL ACTIVITIES



Source: Reefs at Risk (2011)

Note: Coral reefs are classified by estimated present threat from local human activities, according to the Reefs at Risk integrated local threat index. The index combines the threat from the following local activities: overfishing and destructive fishing, coastal development, watershed-based pollution, and marine-based pollution and damage.

HOW WILL IT WORK: INNOVATIVE BUSINESS MODELS

“Business as usual” is not a viable option for sustainable coral reef management. The Global Fund for Coral Reefs combines a mix of financing instruments to unlock new resources for the protection of coral reefs.

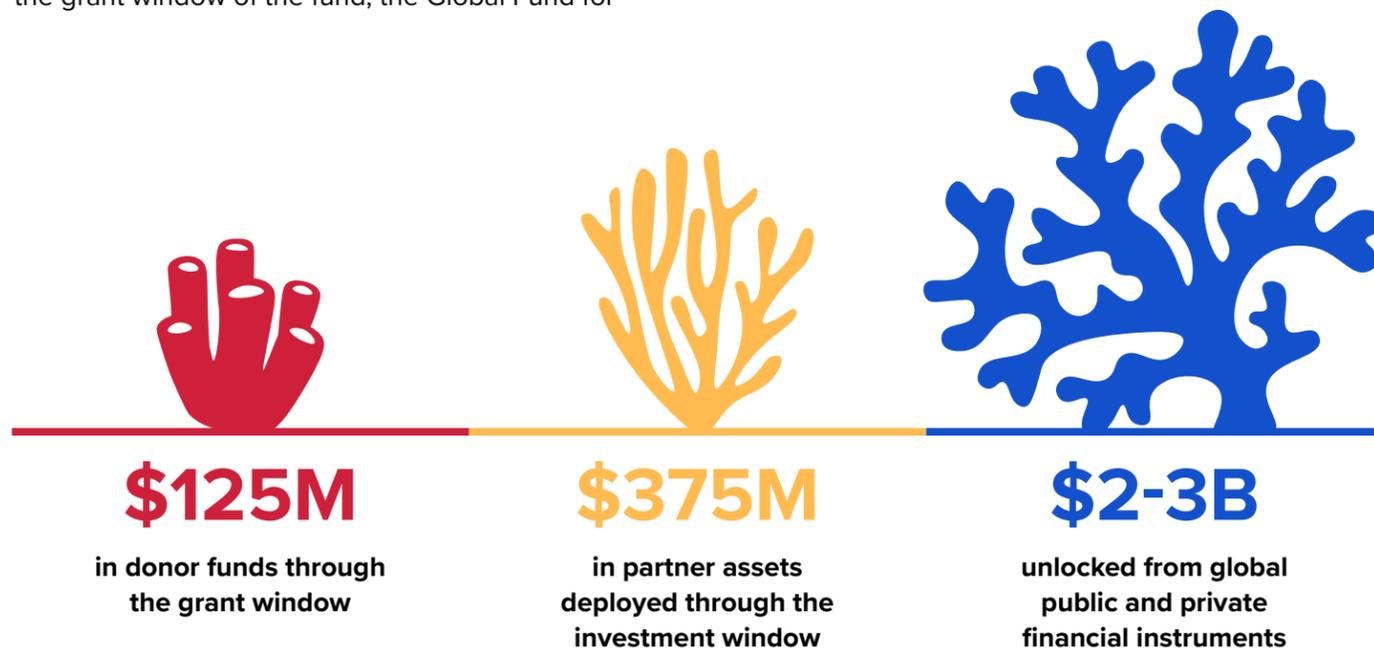
The Fund identifies potential revenue streams with the capacity to provide financial returns to investors. Given that the supply of market-rate seeking, commercial capital usually outpaces the availability of risk-tolerant concessionary capital and grants, the Fund employs blended finance to provide investments and grants that cater to different investment risk profiles.

LEVERAGING INVESTMENTS

By leveraging grants (an estimated \$125 million US dollars) and partner assets deployed through the grant window of the fund, the Global Fund for

Coral Reefs aims to unlock \$375 million US dollars in public and private investment capital by 2030. Through this blended finance model, the Fund could mobilize a significant amount of capital (~\$2-3 billion US dollars) for coral reef conservation and reef-dependent communities.

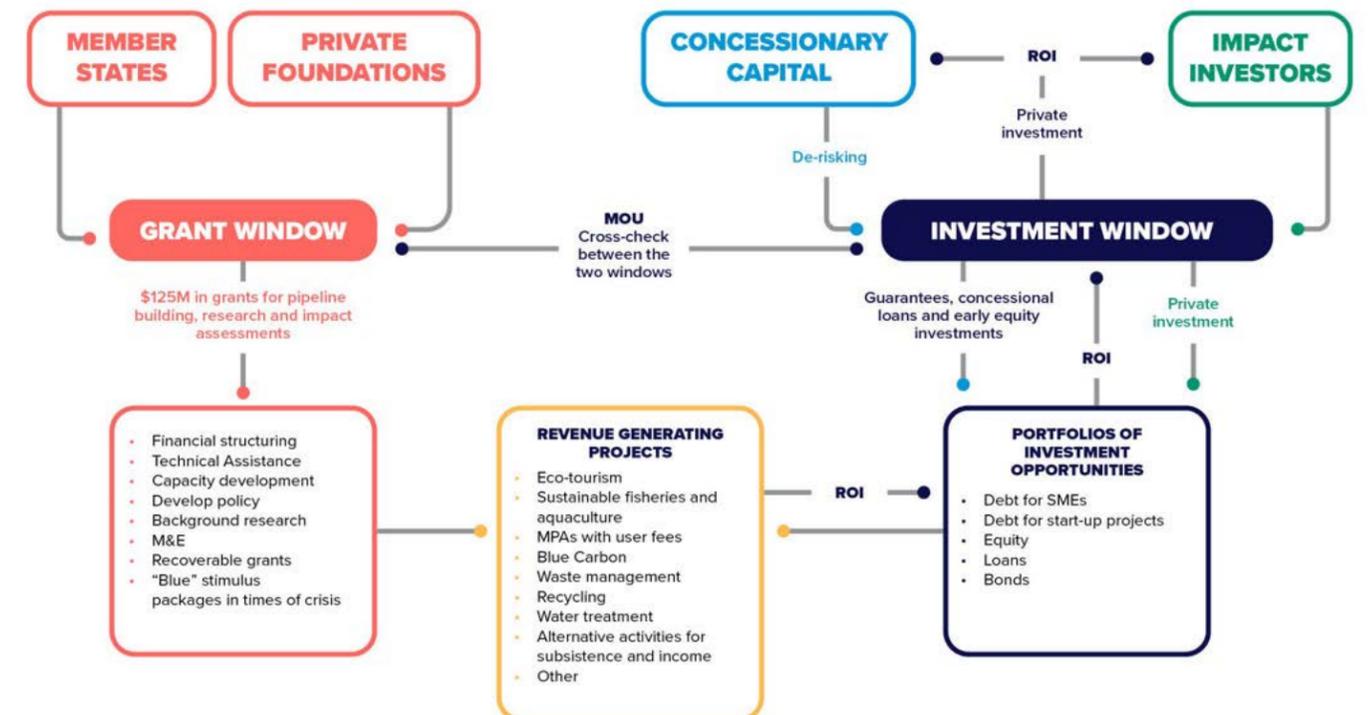
Finances are used to sustainably manage coral reefs and support reef-first businesses, thereby assisting the one billion people who depend on healthy reef ecosystems. By structuring underused and fragmented investments through a global portfolio approach, the Fund steers global financing towards coral reef protection.



STRUCTURE

Given the diversity of coral reef ecosystems and limited, proven, scalable revenue streams, the legal structure of the Global Fund for Coral Reefs is flexible, long-term, and lean. The GFCR is designed as a **10-year US\$500M blended finance vehicle** with two windows working under the same Theory of Change and a common Investment Plan.

- The **Grant Window** is managed by UN agencies and private philanthropy and Member State donors. This window deploys grants for technical assistance, financial structuring, baseline studies, site monitoring and impact assessment.
- The **Investment Window** will provide investment capital to finance and scale-up businesses and initiatives incubated by the Grant Window. Proposed guarantees and concessional loans will be mobilized to de-risk investments in the unfamiliar markets of the blue economy and attract private investor capital. Revenue streams from the supported projects and businesses will be used to repay investors while also ensuring the financial sustainability of coral reef conservation and reducing reliance on short-term grants.



COMBINING PUBLIC AND PHILANTHROPIC DONATIONS WITH WORKING CAPITAL

1. GRANTS

Primarily for technical assistance and capacity building of identified projects and pipeline companies. The Fund will disburse grants on a limited basis to models that are sustainable from financial and social perspectives and have built-in measures to ensure that grant funding is not needed for the life of the investment. Grant making can be used to finance studies once feasibility is established or near certain (e.g. to collect additional data), and to capacitate the associated enterprises with financial skills, back office, accounting, marketing support. Social enterprises may require more advisory services than non-impact focused enterprises.

POTENTIAL APPLICATION

Grants can support foundational work, including building a business case or project pipeline for investments where the balance will shift from grants to investments over time. Grants can be used to support sustainable/alternative livelihoods and education projects in coral reef-dependent communities, as well as on communication, advocacy, and policymaking.

2. RECOVERABLE GRANTS

In recoverable grants, non-profits agree to repay investors/donors the principal plus interest based on the achievement of certain financial or programmatic milestones. These bridge philanthropy and finance in a flexible and patient way. Because repayment is only required under certain circumstances, it is designed for early-stage investments where entrepreneurs rely on risk-tolerant and inexpensive capital—as is the case in coral reef investment opportunities. Recoverable grants are modelled on convertible notes—without an expiration date and where the conversion occurs at valuations greater than a given threshold. Recoverable grants recycle investment capital from successful ventures so funds can be used to support other enterprises.

POTENTIAL APPLICATION

Imagine a recoverable grant in the development of a new recreation service linked to a coral reef in the Pacific Ocean or for snorkelling or scuba diving excursions in a high conservation value/low tourism value area. This grant finances new ventures like these (include training, infrastructure, marketing and promotion) and, if successful, can be repaid by fees charged for the services provided.

3. PAY-FOR-PERFORMANCE INSTRUMENTS, OUTCOME-BASED FINANCING, RESULTS-BASED FINANCING (RBF), AND IMPACT BONDS

These terms refer to an instrument that links financing to pre-determined results, with payment made upon verification that the agreed-upon results have been delivered. RBF can improve both supply and demand performance across sectors. In such a program, payments are based on the quantity and quality of goods or services delivered after verification.

POTENTIAL APPLICATION

With respect to the “blue economy,” this financing model can have several applications, which include ocean and coastal biodiversity conservation and restoration (e.g. coral or mangrove restoration and regrowth projects) or youth unemployment programmes that focus on blue economy jobs and training.

4. GUARANTEES

An obligation undertaken by a guarantor to satisfy the payment of a debt; a guarantee is also the fulfilment of a contractual obligation on behalf of a debtor toward a beneficiary when the debtor fails to comply with the terms of a contract. Think of a guarantee as “insurance” that protects an investor or lender in the event a debtor fails to settle a debt. The guarantee covers the financial obligation (partially or fully), which lowers the financial risk of the initial investment.

POTENTIAL APPLICATION

In structuring and issuing guarantees, the vehicle complements the use of grants and expands the scope of financial instruments notably by unlocking more rational choices about appropriate financing tools—loans, guarantees, grants or a combination—used in project development.



5. DEBT

For the SMEs identified that have business models that are revenue generating (or potentially revenue generating) but need upfront financing for capex, or opex, debt financing is an ideal solution. In this vehicle, tenors will be long and rates at market rate or below, depending on the country, and noting that the countries of operation tend to have very high interest. Openness to steady or current income as a replacement for or complement to short-term capital appreciation has enabled debt financing solutions and diminished the liquidity barrier. Debt funds now outnumber equity funds in impact investing (on an asset weighted basis including microfinance vehicles as these are still the largest vehicles), but also likely due to the current income attributes attractive to long-term investors, and likely also from aversion to PE models where capital appreciation in early stage, unproven, or untested markets is at risk.

POTENTIAL APPLICATION

Debt can be imagined for the dive centres promoting ecotourism in Fiji, growing but established MPAs, and ecotourism sites (especially those catering to higher end tourism)—those projects that can service debt. In commercial concessions, a concessionaire pays a fee for the right to undertake a specific commercial operation in a protected area, in accordance with a ‘user pays’ principle: diving sites, guided tours, snorkelling, restaurants, and hotels in conservation areas. In management concessions, which are usually structured as PPPs (public private partnerships), a concessioning authority (usually a government), outsources responsibility for management of a protected area or other site to an agent or Special Purpose Vehicle (SPV) with greater capacity to undertake management. Terms are usually fixed upfront in terms of expected use, fees, and hence repayment.

6. BLUE BONDS (DEBT SWAPS, DEBT RESTRUCTURING)

Blue Bonds leverage upfront philanthropy to catalyse as much as 40 times more in additional investments (under The Nature Conservancy Seychelles model), which can be used to protect predefined areas around the world’s oceans in a set amount of time. This is essentially a debt restructuring instrument, likely relevant to the SIDS and LDCs involved, where the use of proceeds is linked to coral reefs and where debt relief is needed. The savings from the debt refinancing is then used to invest in marine protection efforts that will revitalize fisheries and protect coral reefs.

POTENTIAL APPLICATION

How the mechanism works (which is often grant funded at the outset to establish feasibility): A local government, conservation advisors, commercial investors negotiate debt-for-ocean--i.e. protecting 30% of ocean area of designating MPA in exchange for restructuring of debt--converting debt held by other countries into more manageable debt held by a local entity. Then a conservation plan is put into effect for protection, restoration and safe-use of the reef and reef-related assets. The country (government) repays the local entity who executes conservation measures.

7. REEF INSURANCE

Coral reefs provide valuable services but can be damaged by hurricanes and other disasters that reduce their ability to provide these services. Identifying an insurable risk (like hurricanes, linked to a parametric trigger like wind speed) associated with a reef that is protecting on-shore assets, like tourism assets, property, and communities, are the essential components of structuring reef insurance.

POTENTIAL APPLICATION

The cost of restoring the reefs after a storm is less than the losses in environmental services and less than other human-made structures providing the same services due to the protective properties of a healthy reef and the livelihoods benefits they provide. There must be interested parties to buy the insurance on the reef and ensure the reef is restored—this comes down to discussions with local governments, the tourism sector or local industry dependent on healthy reefs and community stakeholders.

REVENUE GENERATING BUSINESS MODELS

The Fund is focused on developing capacity and scale of revenue generating activities that reduce threats and maximize ecosystem services for nature and people. **Multiple revenue generating activities are applied in areas that are unified either ecologically** (i.e. biological corridor, reef systems) or administratively (i.e. province, municipality) **to maximize impact and transformative change**. Some examples of revenue generating initiatives include:

- Ecotourism
- Sustainable wild fisheries
- Sustainable aquaculture
- Sustainable near-shore agriculture - to reduce harmful runoff
- Waste management and wastewater treatment
- Sustainable marine transport and related infrastructure
- Plastics reduction, recycling, and circular economy
- Green Finance
- Blue Carbon
- Clean Energy
- Responsible supply chains
- Marine Protected Areas

“Protection of our ocean is a **global challenge requiring global action**. Coral reefs remain vital to this effort, as they support over a quarter of all life in the ocean, and are facing unprecedented threats.”

Zac Goldsmith, UK International Environment Minister

GOVERNANCE AND OPERATIONS

Governance arrangements rely on an efficient and effective decision-making and oversight framework to ensure streamlined allocation of resources and clear lines of accountability. With a Grant Manager and an Investment Manager, the Fund features an innovative business model that allows for the blending of fund and spending modalities. Governance arrangements are built upon, and informed by, five principles: innovation, transparency, accountability, public-private partnership and integrated programming.

The governance architecture of the GFCR features five main components: (1) grant window governance by an Executive Board; (2) investment window governance by an Investment Committee; (3) day-to-day management of the grant window coordinated by a dedicated joint Global Team; (4) consultation from a multi-stakeholder Advisory Board; (5) day-to-day and fiduciary management by a dedicated regulated Asset Manager for the investment window and the UN MPTF for the grant window.

GFCR governance consists of a governing body, comprised of the Executive Board and Investment Committee, which takes all decisions related to the Fund, the use of its resources and operates under a single Theory of Change and investment plan, plus an advisory body that provides strategic direction on political and partner engagement. Both structures take into account the multilateral nature of the fund, building on existing organisations and forums.

“We have already lost 50 percent of the coral reefs globally. To save what is left we **must halt climate change and protect these beautiful and life supporting ecosystems**. The world will be a lot poorer without them.”

Helen Ågren, Ambassador for the Ocean, Swedish Ministry for Foreign Affairs



MAIN GOVERNANCE BODIES AND PRINCIPLES

EXECUTIVE BOARD

The grant window Executive Board is composed of 8-12 committed members, with group members selected to reflect the diversity of the Fund (e.g., four Member States, four private foundations, three UN agencies). A leaner Executive Board is preferred to encourage increased member ownership and decision-making efficiency. The Executive Board provides general oversight for all Fund activities for the grant window, sets Fund strategy, promotes partnerships and advocacy, takes part in fundraising, allocates grant resources from donors and is responsible for overall performance. The Executive Board will work closely with the Investment Committee to align strategy and coordinate the deployment of grant and investment capital.

INVESTMENT COMMITTEE

The Investment Committee, responsible for overseeing the investment window, will be composed of representatives from BNP Paribas, Mirova and other selected investment experts. The Investment Committee will provide general oversight of the Fund activities, commit the investment window to investments and align with the grant window Executive Board on strategy and project pipeline priorities. BNP Paribas and Mirova will source the investment capital and leverage on Mirova's blue economy expertise to make decisions regarding the best investments for positive impact on coral reefs, associated communities and return on investment. The Investment Committee will include two non-voting members from the Executive Board to facilitate this alignment.

ADVISORY BOARD

The role of the Advisory Board is to foster consultation, dialogue and knowledge exchange between all Fund stakeholders. Responsibilities include discussing progress, challenges, lessons learned, sharing reef protection practices, advising strategic issues and recommending actions to improve Fund performance. The Advisory Board includes experts from ICRI.

JOINT GLOBAL TEAM

A dedicated joint Global Team supports the Executive Board and Investment Committee by managing the day-to-day operations of the fund. The Global Team is comprised of the GFCR Secretariat for grant management and a team sourced from the investment window with blue economy expertise for investment management. Coordination between deployment of grants and investment capital for environmental, social and economic impact is further facilitated by the Global Team. The responsibilities include providing technical and operational expertise, reporting impact, developing investment plans, managing the approval of project or programme proposals in accordance with financial decisions made jointly by the Executive Board and Investment Committee.

FIDUCIARY MANAGEMENT

Fiduciary management responsibilities of the GFCR of the investment and grant windows are separated. The grant window will have an Administrative Agent, the UN MPTF, acting as trustee. The UN MPTF provides real-time financial data, giving partners and the general public the opportunity to track contributions, transfers and expenditures. The administrative agent allows each recipient organisation to apply its own procedures, provided they meet the minimum requirements outlined in the Memorandum of Understanding and Terms of Reference. Mirova will work in conjunction with BNP Paribas to manage the work of the investment window, including front and back office operations such as fiduciary management, administration and execution.

INVESTING IN FIJIAN CORAL REEFS

The GFCR's first project is being designed in the South Pacific on the Small Island Developing State of Fiji. The project "Investing in Coral Reefs in Fiji" is a collaborative programme with the GFCR, Joint SDG Fund, UN Agencies, Mirova, Blue Finance, Government of Fiji, the World Wildlife Fund for Nature (WWF) and WWF supported local development and management advisory - Matanataki. The ambition is to apply grant financing to leverage private sector resources to benefit coral reef ecosystems and local Fijian communities. The GFCR holistic approach to coral reef areas is demonstrated as a series of interventions are supported: co-management for a revenue generating network of Locally Managed Marine Areas (LMMAs), sanitary landfill, oyster hatchery and coral restoration.

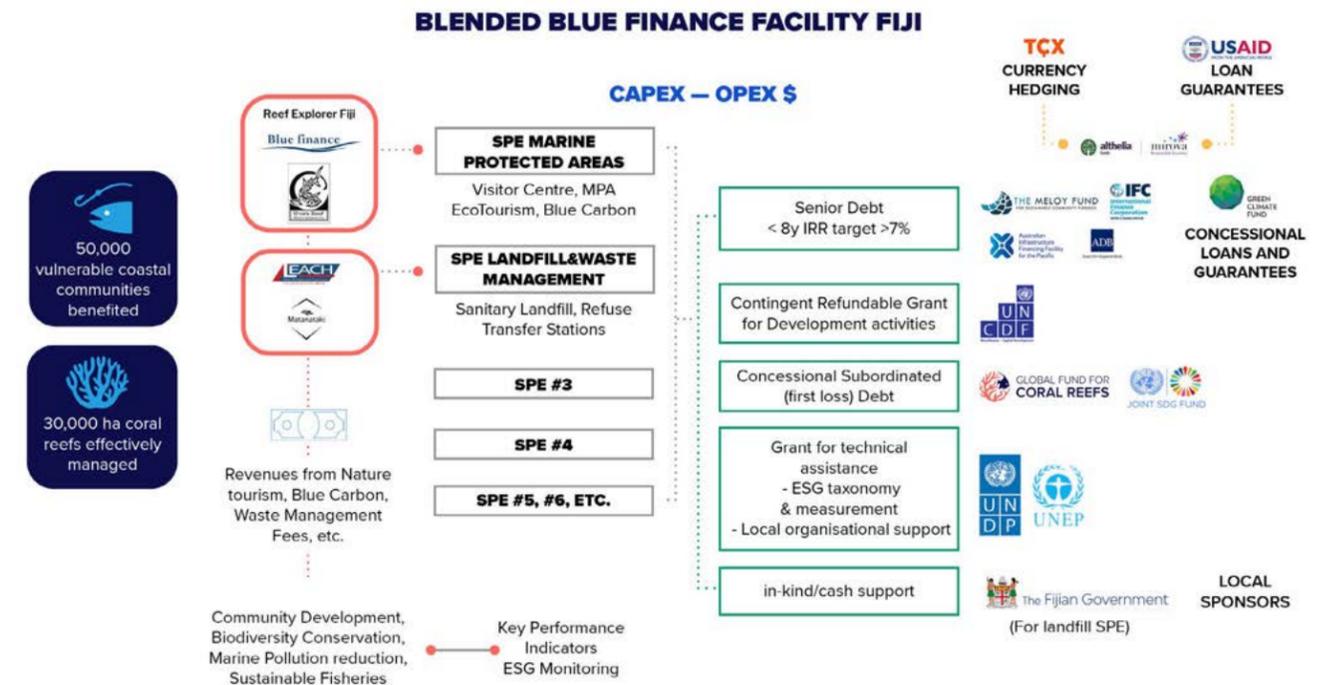
Short-term outcomes (1-4 years)

include return on investment in at least 10 sustainable businesses, a co-management agreement for 10 LMMAs between the government of Fiji and a local Special Purpose Entity (SPE), 1,500 jobs created for the local communities, and a gender responsive local Technical Assistance Facility.

Long-term outcomes (10+ years)

include the mobilization of US\$75M in investment towards natural resource and waste management, improved economic opportunities and food security for 70,000 local people that rely on coral reefs, SPE co-management covers network of 30 LMMAs, large percent increases in species richness, fish biomass and coral cover.

The project will showcase the GFCR's blended finance and collaborative approach to laying the foundation for sustainable financing of conservation and development in coral reef countries. The proof-of-concept model in Fiji will be replicated and scaled for coral reef regions throughout the world.



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PARTNER WITH US

The decisions we make over the next decade will determine the fate of the world's coral reefs, along with the lives of the one billion people who rely on the reefs for food, jobs, and coastal protection.

INVEST IN THE GLOBAL FUND FOR CORAL REEFS

The Global Fund for Coral Reefs brings together people whose expertise and contributions will help mobilize efforts and resources on a large scale. The Fund's initial target of \$125 million US dollars in grants from governments and philanthropies will directly leverage \$375 million US dollars more in capital by protecting coral reefs and the goods and services linked to them.

Donors engaging now will have the opportunity to:

- Join a unique partnership between leading philanthropists, UN organizations and private investors
- Participate in the design of this innovative instrument (its TOC, Business Model and Scope)
- Mobilize resources to support the implementation of the Convention on Biological Diversity Post-2020 Global Biodiversity Framework
- Mobilize resources for the Convention on Biological Diversity Post-2020 Biodiversity Framework
- And meet their commitment under the 2019 UN Funding Compact to double the share of pooled funds contributions.

Leading donors will be given the opportunity to sit on the Executive Board, steer Fund strategy and operations and review priorities and investment plans.

WANT TO ACT NOW?

Contact one of the members of the Global Fund for Coral Reefs Coalition:

The Prince Albert II of Monaco Foundation: sgoyet@fpa2.org

The Paul G. Allen Family Foundation: chuckc@vulcan.com

UNEP : gabriel.grimsditch@un.org

UNDP : midori.paxton@undp.org

UNCDF: fabrizio.cometto@uncdf.org and abhisheik.dhawan@uncdf.org

UN Multi-Partner Trust Fund Office: pierre.bardoux@undp.org

For general inquiries please contact: secretariat@globalfundcoralreefs.org

For more information, please visit our website at www.globalfundcoralreefs.org

