Ocean Invest

Harnessing the next generation of economic valuation tools, decision tools, and sustainable finance mechanisms to expand investment in the Caribbean’s marine and coastal resources

A project concept for discussion

Presented by:
Robbie Bovino & Karen McDonald-Gayle

GEF Constituency Workshop
Saint George’s, Grenada
18 January 2019
1. Overview of TNC Caribbean, Caribbean Biodiversity Fund, Caribbean Sustainable Financing Architecture

2. Overview of Ocean Invest Concept
   a) Links to MEAs, other projects
   b) Socialization / awareness raising re: natural capital values
   c) Sustainable Finance Mechanisms

3. Questions, Discussion
WHERE WE WORK

16 COUNTRIES AND TERRITORIES
REGIONAL HUB (MIAMI), 6 OFFICES IN REGION, 60 STAFF
TNC CARIBBEAN - STRATEGIC FOCUS
Marine-coastal environment, with three macro-strategies

- HEALTHY, PRODUCTIVE OCEAN
- CLIMATE CHANGE AND COASTAL RESILIENCE
- CORAL REEFS
TNC CARIBBEAN
Working at multiple levels

- Site-level projects
- Higher-level partnerships with governments and companies
- Sustainable finance
Caribbean Sustainable Financial Architecture

- Donors
  - Endowment
  - EbA Facility
- Minimum 1:1 match
- Sustainable Financial Mechanisms
- Other funding sources
- National Conservation Trust Funds
- National projects
- Regional projects
- • gov. agencies
  • NGOs
  • CBOs
  • academia
  • private sector
Conservation Trust Funds

Government priorities

Financial resources, goods & services, technical capacity

Field conservation results

Reporting results accountability

Financial resources

Bi and multilateral
Private sector CSR
Offsets/ obligations
PES/REDD+
Taxes and fees

Protected Areas
Gov. agencies
academia
CBOs / NGOs

CTF

Financial market
NCTFs Eligibility criteria

- **Purpose:** The purpose should be aligned with the purpose of the CBF
- **Board composition:** Broad composition and representation, majority civil society board membership
- **Civil society board members:** Should not be solely selected by the government
- **Asset control:** Well-designed and independent asset control
- **Audit requirements:** Well-defined audit requirements
- **Grants:** Ability to make grants to both government and civil society entities
- **Match:** Ability to generate 1:1 match funding
e.g. FUNBIO - Brazilian Biodiversity Fund

- Manages US$578M in endowment & sinking funds
- Supports Protected Areas, including procurement
- Manages various calls for proposals for CSOs;
- Assists private sector in meeting legal environmental obligations;
- Executes environmental management and conservation projects;
- Designs and implements innovative mechanisms; and
- Acts as GEF Partner Agency
Caribbean Sustainable Finance Architecture

CCI – political commitment towards goals

Caribbean Sustainable Finance Architecture

International cooperation + NGO

CBF + NCTFs

public-private governance

Sustainable Finance Mechanisms

debt conversion

local endowments
# NCTFs Establishment Dashboard

(Updated in Jan. 2019)

<table>
<thead>
<tr>
<th>Country</th>
<th>NCTF</th>
<th>Legally Established</th>
<th>Functional Board</th>
<th>Pre-Financing Agreement</th>
<th>By-laws</th>
<th>OM (Board Approved)</th>
<th>Staff Hiring</th>
<th>CBF Eligibility Request</th>
<th>Partnership Agreement Negotiations</th>
<th>First CBF Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A&amp;B</td>
<td>MEPA Trust</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BAH</td>
<td>BPAF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DR</td>
<td>Fondo MARENA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GND</td>
<td>GSDF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HAI</td>
<td>HBF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAM</td>
<td>NCTFJ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SKN</td>
<td>SCNCF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SLU</td>
<td>SLUNCF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SVG</td>
<td>SVGCF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Complete**: The process is completed.
- **In progress**: The process is ongoing.
- **Not initiated yet**: The process has not begun.
- **N/A at the moment**: The information is not available at the moment.
OceanInvest
Helping advance achievement of existing goals
Complementing other Regional Initiatives

• Caribbean Regional Oceanscape Project (CROP)
• CLME+ Project
• Sustainable Finance Architecture
• Caribbean Challenge Initiative
Why a regional approach?

- Access to wider range of sources of GEF funding.
- Experiences and lessons-sharing
- Complements sustainable financing architecture, need for trusts around the region to develop revenue generation mechanisms
- Attractiveness to partners, e.g. donors and private sector partners, many of whom have regional operations
Project Components

• Implementation/operationalization project

• Promote increase in investment in coastal and marine environments
  • Public and private investment through awareness raising
  • Design & operationalization of mechanisms linked to trust funds’ obligations to raise matching funding
  • Consolidate trust fund operations
Components 1 & 2:

Quantifying and Socializing Ecosystem Services Values with Public, Private Actors
TOOLS TO MAP CORAL REEFS AND MANGROVES AT MULTIPLE SCALES

**Satellite Mapping**
- ~12 foot resolution
- ~200,000,000 mi²/day

**Carnegie Airborne Observatory**
- ~3 foot resolution
- ~20 mi²/day

**Field Validation**
- <.03 foot resolution
- ~0.0002 mi²/day
Annual Benefits of Reefs for Flood Reduction

Annual Expected Benefits from Reefs:
Avoided flood damage in $M/20 km coastline

Component 3 & 4:

Sustainable Financing Mechanisms & Consolidation of Architecture
Innovative Insurance Products

Reef Insurance
Pilot recently launched in Mexico (Quintana Roo) with Swiss Re, state government and tourism sector
Insuring nature to ensure its protective value

IS THIS INSURABLE?

Puerto Morelos, Quintana Roo, México
Expected increase in damage with a 1m loss in reef crest height

Quintana Roo Flood Risk (only sections with reefs)

People impacted

Return Period (years)

Healthy Reef
Degraded Coral Reef

78% 87% 65% 44% 36% 43%

Whole Region
Only region with coral reefs

Baseline With reef loss Baseline With reef loss

Annual expected loss ($ million)

99% 177%
The Coastal Zone Management Trust

A trust fund for nature and insurance

1. Municipalities pay into trust fund

2. Trust fund contracts services for reef restoration, maintenance and resilience needs

3. Trust fund purchases parametric catastrophe insurance

4. Parametric event triggers payout into the trust for emergency restoration work

5. Hotels benefit from the payout as resilience value of reef is restored and from beach cleanup/restoration.

6. Livelihoods and tourism assets are protected

Quintana Roo, México
Other Approaches

• **Blue Marinas**
  • Voluntary, opt-out
  • Guests pay a modest amount per night they stay in participating marinas

• **Green Lodging**

• **Tourism Enhancement Fund**
  • Collected by Hotel & Tourism Associations
  • Voluntary, opt-out, ~$2USD
  • Road signage, studies, water management, Rainforest Trails, etc.
Debt Conversion
Seychelles Debt Swap

Deal summary

• Create a permanent funding source for local conservation & climate change adaptation through $22 M of sovereign debt restructuring

• Blend grants & impact capital to purchase & restructure foreign debt into a domestic obligation to invest in conservation & adaptation.

• Deal results in upwards of $8 M to fund activities (over 20 years) and $6.6 M endowment capitalized for conservation

Government’s Conservation/Policy Commitments

• 30% of waters in protected areas (400,000 Sq. Km)
• 15% of waters in no take fish replenishment zones (200,000 Sq. Km)
• Adopt recently completed Marine Spatial Plan to guide updating of Coastal zone management/fisheries/marine policies
Government (Debtor)

Conservation Trust Fund (CTF)

Grants, Loans

Commercial Note Holders

Current Situation:
Purchase of Debt: $20 M
Discounted Note: FV: $40 M

Endowment (EV: $17.2 M)

1. Loan: $13.33 M
2. Purchase of Debt: $20 M
3. Discounted Note: FV: $40 M
4. 1st Note: $13.33 M
5. Loan Repayment: $15.1 M (P+I)
6. Over 20 years

Debt Transaction Structure

Debt Transaction

Commercial Note Holders

Annual Debt Service Payments

Loan: $13.33 M
Grants: $6.67 M

Purchase of Debt: $20 M
Discounted Note: FV: $40 M

Conservation Trust Fund (CTF)

Funding for the Program of Activities

Capitalize Endowment (EV: $17.2 M)

1st Note: $13.33 M
2nd Note: $16.67 M
Debt Forgiveness: $10 M + $X M

Over 20 years

$14.6 M (P+I)
$7.8 M (P+I)

Debt Conversion Transaction Structure

Grants,
Loans
Discussion