March 2022

# CASE STUDY

## Blended finance for Marine Protected Areas (MPAs)

## PROJECT OVERVIEW


### At a glance

**Implementing partner:** Blue finance

**Location:** Turneffe Atoll (Belize). *Other blended finance facilities are being established using the same model for MPAs in the Dominican Republic, Indonesia, the Philippines and Zanzibar.*

**Stage:** Ongoing implementation (2021-current)

### Project description

Approximately 500 million people depend directly on coral reefs for food and income, but 60% of those ecosystems are under immediate threat. While marine protected areas (MPAs) can play a crucial role in protecting them, 70% of the MPAs worldwide struggle to meet minimum management standards due to insufficient, grant-based funding. The social enterprise Blue finance manages five bankable MPAs globally on behalf of Governments. As part of the solution, Blue finance structures blended finance facilities that bring together grants and debt to fund the early-stage investments of the MPAs. The revenues generated from a range of sustainable sources, such as eco-tourism fees and sustainable fisheries, can create tangible returns for investors, while ensuring the financial sustainability of the MPAs. This case study focuses on the blended finance facility structured for financing interventions in the Turneffe Atoll of Belize, but includes lessons learned from the investment model as a whole.

| INTERVENTIONS | ECOSYSTEM SERVICES PRESERVED/ RESTORED | SOCIETAL CHALLENGES | TARGETED IMPACTS |
|---|---|---|---|

**Marine habitat conservation** (mangroves and coral reefs)

- **Carbon sequestration**
- **Habitat maintenance**

**Sustainable production** (seafood)

- **Food provisioning**

**Climate change mitigation**

**Carbon sequestration** through blue carbon projects (e.g. mangrove conservation)

**Environmental loss and degradation**

- **132,000 ha of coral reef ecosystems** sustainably managed
- **Endangered species** protected, including manatees, sharks and corals

**Economic and social development & human health and wellbeing**

- **1,000 artisanal fishers** benefit from livelihoods enhancement
- **15 sustainable enterprises** created (sustainable aquaculture or fish supply chain improvement, under feasibility assessment)
- **25 new jobs** for MPA rangers and management staff

| Beneficiaries | Other stakeholders |
|---|---|
| Local coastal and fishing communities (new micro-enterprises in aquaculture and eco-tourism, job creation) | **Investors:** Mirova Natural Capital, IUCN – BNCFF (Blue Natural Capital Finance Facility), Marfund, GEF, UNDP<br>**Implementation partners:** Turneffe Atoll Sustainability Association (TASA) and Ministry of Blue Economy of Belize |

south pole

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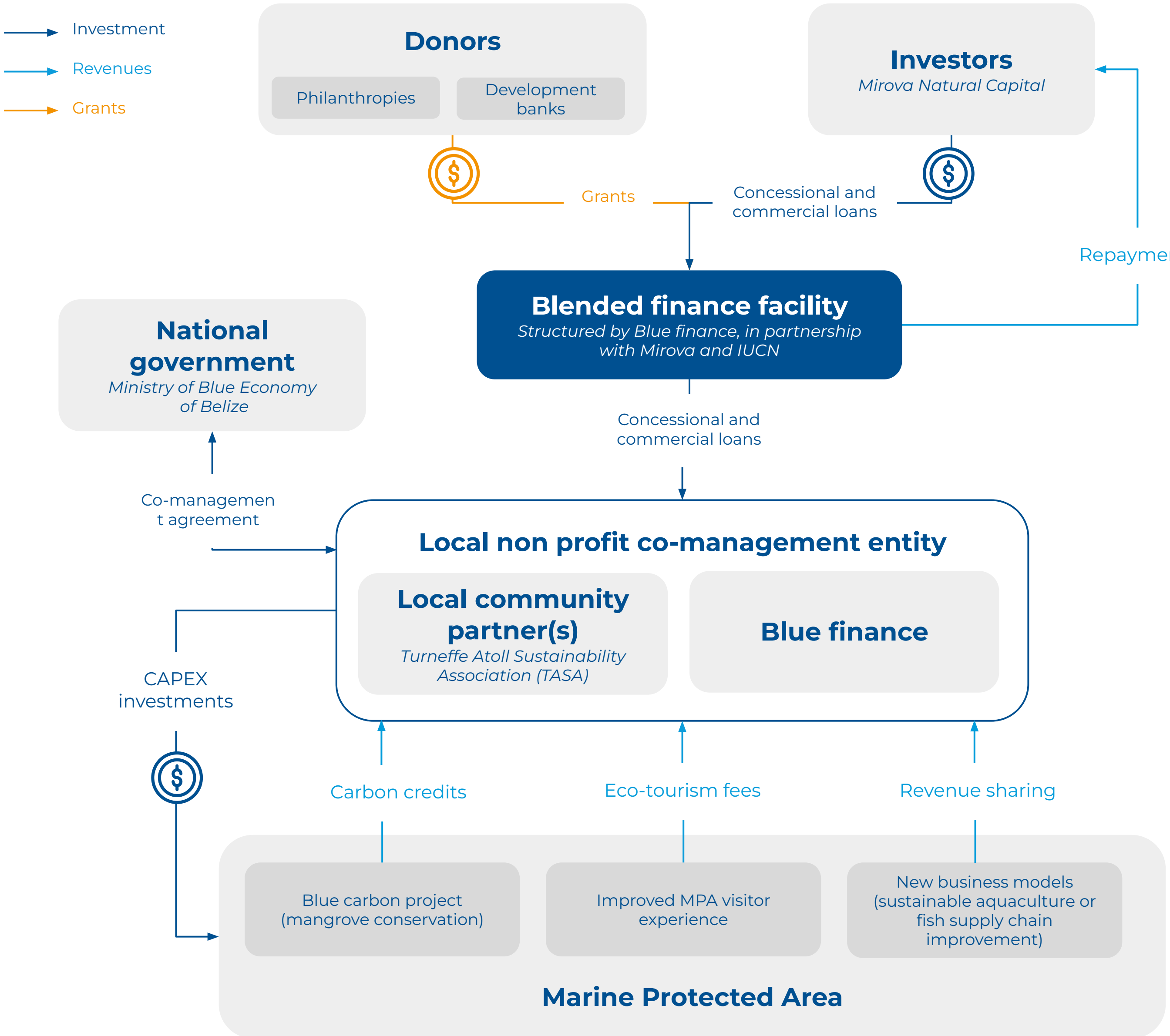
## INVESTMENT MODEL




### How it works

In partnership with IUCN and Mirova, Blue finance has structured a USD 1.2 million blended finance facility which, in addition to catalytic grant funding, provides capital for the implementation of several revenue-generating initiatives in the Turneffe Atoll, including a blue carbon project and new business models around nature-based tourism solutions and sustainable aquaculture. Revenues will be generated from carbon credits and increased eco-tourism fees, providing concessional and commercial investors with repayments.

**Asset classes:** Grants, refundable grants, concessional loans, commercial loans

**Investment raised:** USD 1.2 million (target: USD 50 million by 2030 for 20 MPAs worldwide)

**Investment term:**

- Concessional debt: up to eight years, interest rates relief based on social & environmental performances
- Commercial debt: up to six years

**Revenue streams:**

- User fees (eco-tourism)
- Blue carbon
- Revenue-sharing from sustainable blue economy businesses

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## KEY SUCCESS FACTORS

*The most important success factors are indicated with* ✓

### TECHNICAL SET-UP & DESIGN

#### Building project partners' expertise ✓

In the case of the Blue finance model, capacity building has focused on increasing the entrepreneurial capacities and mindset of local conservation organisations, which are used to working with grant funders rather than investors. Traditional technical assistance approaches, which rely on ad-hoc, one-off training, are not sufficient. Building local expertise takes time and needs to be undertaken in the long term. Depending on the MPA, Blue finance either works with existing partners and staff (as is the case in Belize), or sets up a new co-management entity and recruits dedicated staff, who can help overcome these challenges.

#### Securing an anchor investor or donor

Securing an anchor donor or impact investor early on is a key asset for fundraising for all of the MPAs within Blue finance's portfolio. In the case of Belize, this anchor investment was provided by Mirova Natural Capital (ex-Althelia) – which brings long-standing experience in nature-based solutions (NbS) investment.

### FEASIBILITY & PILOTING

#### Leveraging feasibility funding

Blue finance received preparation grant funding from various philanthropic and donor sources to support environmental planning in all the MPAs in which it works. In Belize, this was supported by the UNDP-GEF. In addition, Convergence provided funding to develop a blended facility model which will channel investments into several MPAs in Southeast Asia.

The feasibility phase of a project can take time, particularly when working with public entities. For the MPAs supported by Blue finance, it took between 10 and 18 months, depending on whether the goals and objectives of the public and private partners were already aligned. It is therefore important to secure dedicated funding to cover the costs associated with the feasibility phase.

### STRUCTURING INVESTMENTS

#### Securing guarantees and insurance

Securing guarantees is usually difficult for smaller scale projects. However, Blue finance is looking at parametric insurance for risks that would affect the MPAs' revenues, such as from tourism. While this is not essential to secure investment, it could strengthen the model by lowering risks.

#### Combining asset classes and investment terms

The project uses concessional, subordinated debt, alongside grant funding and commercial loans. This blend unlocks different types of capital for CAPEX and reduces risks for commercial investors.

#### Aggregating projects for investment

Blue finance aggregates several investment-ready, high-impact MPA projects within its portfolio through a blended investment facility. However, such global aggregation can be an issue for investors with a specific geographic scope, and in the future aggregation at the regional level (rather than globally) may be needed.

### REVENUE & IMPACT GENERATION

#### Combining revenue streams

The Blue finance model relies heavily on diversifying the revenue streams for the MPA. Revenues are generated from a range of activities and can vary depending on the MPAs. They include visitor fees, revenues from sustainably managed fisheries and aquaculture facilities and blue carbon credits linked to conservation projects.

#### Measuring impact

Blue finance has developed a thorough KPI framework for its MPAs. For each MPA, 20+ impacts metrics are monitored under six criteria: 1) ecosystem integrity, 2) species protection, 3) livelihood enhancement, 4) sustainable enterprises, 5) equity improvement and 6) MPA management effectiveness. Independent external partners such as Verra and Gold standard will verify the impact metrics for nature and communities. Dedicated personnel at Blue finance and at the co-management entity will act as performance managers.