



**Session 10:
Sustainable Financing Plan for the Coordination Mechanism and
Regional Governance Framework**



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25'



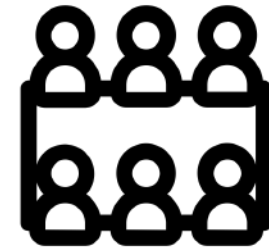
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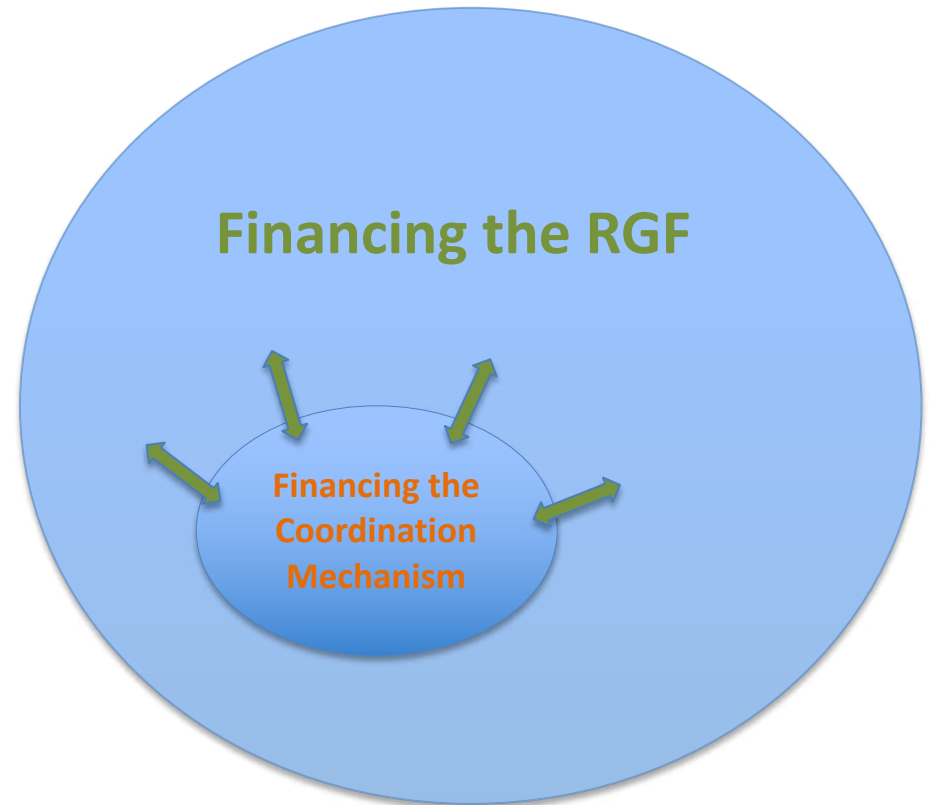
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Expected results:

Discuss and select the preferred financing options for the Coordination Mechanism and recommend the way forward (short term and long term).

- Financing of the Coordination Mechanism needs to be embedded in a financially sustainable regional ocean governance framework (RGF) in order to be viable and sustainable in the long term.
- The Coordination Mechanism plays a critical role to enhance financing of the RGF.



0. General Approach & Guiding Considerations

1. Financing the Coordination Mechanism

2. Sustainable Financing of the RGF

Approach

The sustainable financing plan combines a strategic approach to donor grant coordination and acquisition (“**donor centred approach**”) and the “**beneficiary centred approach**” which aims to finance ocean governance to the largest extent possible by the beneficiaries of marine ecosystem services and/or ocean governance, both public and private.

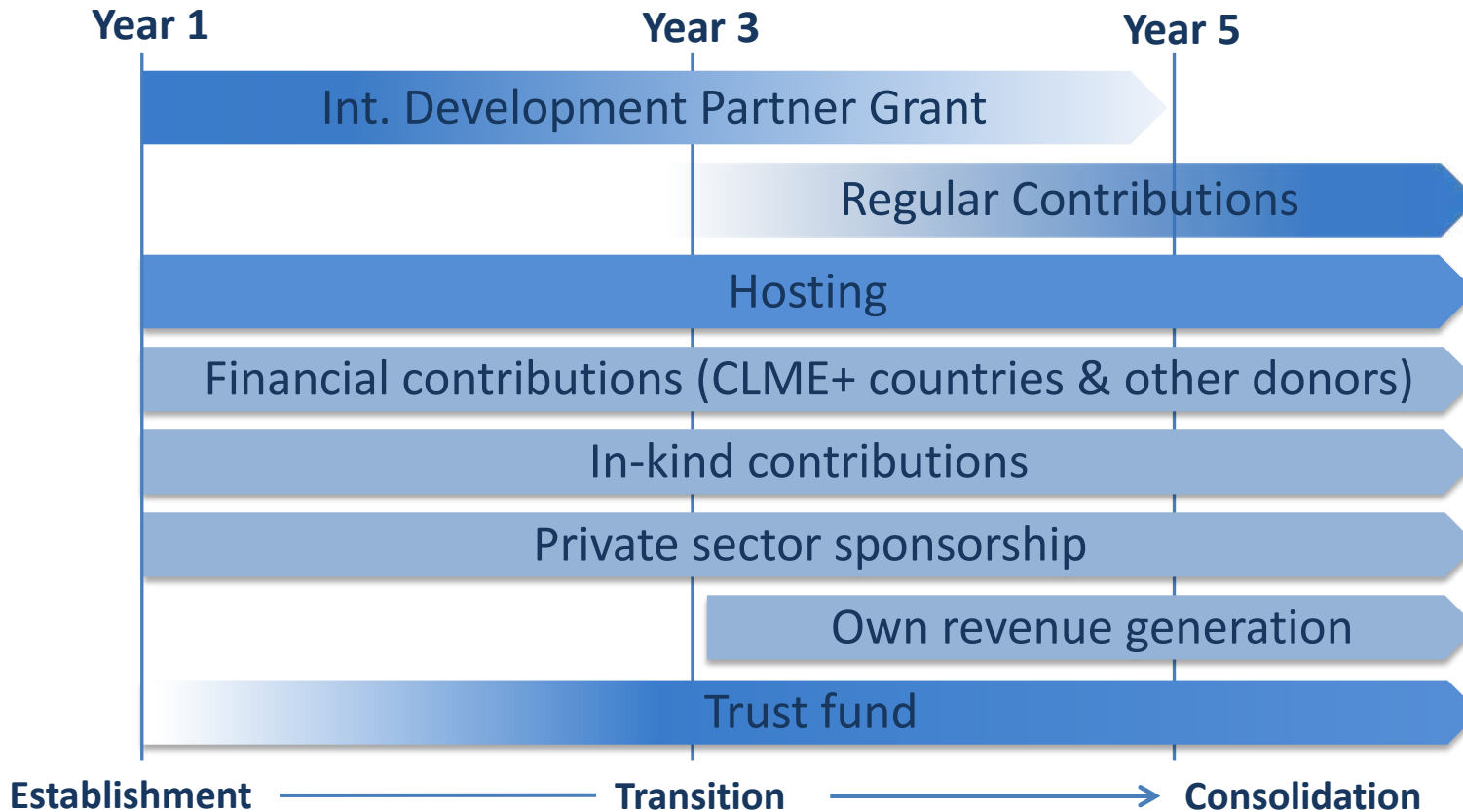
Guiding Considerations

- at the very minimum core functions of the Coordination Mechanism implemented
- diverse combination of complementary sources of income necessary
- financing plan to accommodate evolving Coordination Mechanism & RGF

-> Emphasis and specific selection of financing sources depends on the choices of participating countries

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FINANCING THE COORDINATION MECHANISM



From Establishment to Transition

1-3 Years

- > *Coalition of committed stakeholders to share effort & demonstrate ownership*
- > *Acquire in a shared effort a transitional project grant*
- > *Develop a balanced self-financing solution for after transition*

From Establishment to Transition

1-3 Years

-> *Sources of funding:*

- International Development Partner (IDP) Grant
- Hosting agreement
- Complementary funding through:
 - in-kind contributions
 - support from capable CLME+ countries & additional donors
 - sponsorship

International Development Partner (IDP) Grant

Potential cost coverage:

- Current CLME+ Project grant value: USD 12,500,000 over 5 years
- Coordination Mechanism (3 core functions): approx. USD 600,000 to USD 1,400,000
- Share of grant financing decreases over 5 years
- share of the total grant value between 25% and 55%.



Preconditions:

- Agreement before end of current project period to gradually shift toward self-financing
- Cooperation on inter alia preparation of a PIF/project

To consider:

- ICM members work as a group, build joint donor relationships with & succeed on joint action will be an enabling condition for the whole process

Next steps: Agreement on procedure to prepare inter alia a PIF/project concept

Co-Financing through hosting of the Secretariat

Potential cost coverage:

- Depending on capacity: Can range from provision of office space & infrastructure (incl. basic services) to staff time
- Additional funding for remaining costs required

Preconditions: Hosting IGO or country needs to have the required resources

To consider:

- Supporting countries and IGOs could advance their international profile & realize synergies with existing ocean governance efforts & local economy benefits
- Question of location may further influence this decision
- physical set-up of the Secretariat could take place relatively fast
- host IGO's capacity determines capacity of the Secretariat (evolution of the Coordination Mechanism)
- Agreement by the IGOs member countries + agreement with respective host country required

Next steps:

- Identification of a host IGO or country
- Initiate decision-making process within hosting IGOs
- Initiate negotiation of a hosting agreement

Complementary Funding

In-kind contributions from countries and IGOs

Potential cost coverage:

- IGOs could decide to share certain tasks of the establishment and transition phase
- Countries could also second staff

Preconditions: respective capacity/available resources

To consider:

- Could reduce staff costs of the Coordination Mechanism
- A dedicated group of countries and IGOs demonstrates high ownership to donors
- Supporting countries and IGOs advance their international profile & realize synergies with existing ocean governance efforts

Next steps:

- Identify willingness & capacity of IGOs and countries to contribute
- specify type of support

Complementary Funding

Financial support CLME+ countries & additional donors

Potential cost coverage: meeting, translation, travel to operational and staff costs

Preconditions:

- Commitment of financially capable countries
- shared IGO effort to use existing bilateral donor relationships

To consider:

- Ensure reliable commitments for a defined period of time
- Early on, financial planning needs to take care of follow up financing
- Partners to be approached: Multi-lateral donors, philanthropic foundations, capable CLME+ participating countries, European Union (EU), Germany, Nordic countries, UK, Canada, Japan

Next steps:

- Identify “Contribution packages” and willingness of CLME+ & donor countries
- Approach donors in a coordinated effort, e.g. in the form of a donor round table



Complementary Funding

Private Sector Sponsorship

Potential cost coverage: meeting costs, travel, translation

Precondition:

- A coherent long-term strategy to engage the private sector needs to be developed FIRST
- Incentives to partner need to be identified and communicated in a coherent manner
- Demonstrated country ownership of the Coordination Mechanism

To consider:

- Feasibility of private sector sponsoring may be restricted by legal requirements of ICM members
- Different forms of commitment could be part of a future engagement strategy
- Need to determine acceptable degree of sponsorship to ensure independence

Next steps:

- Develop a shared idea of how to best engage the private sector institutionally and financially,
- Identify synergistic benefits, incentives and a communicative approach
- **Develop a long term commonly supported engagement strategy**



From Transition to Consolidation

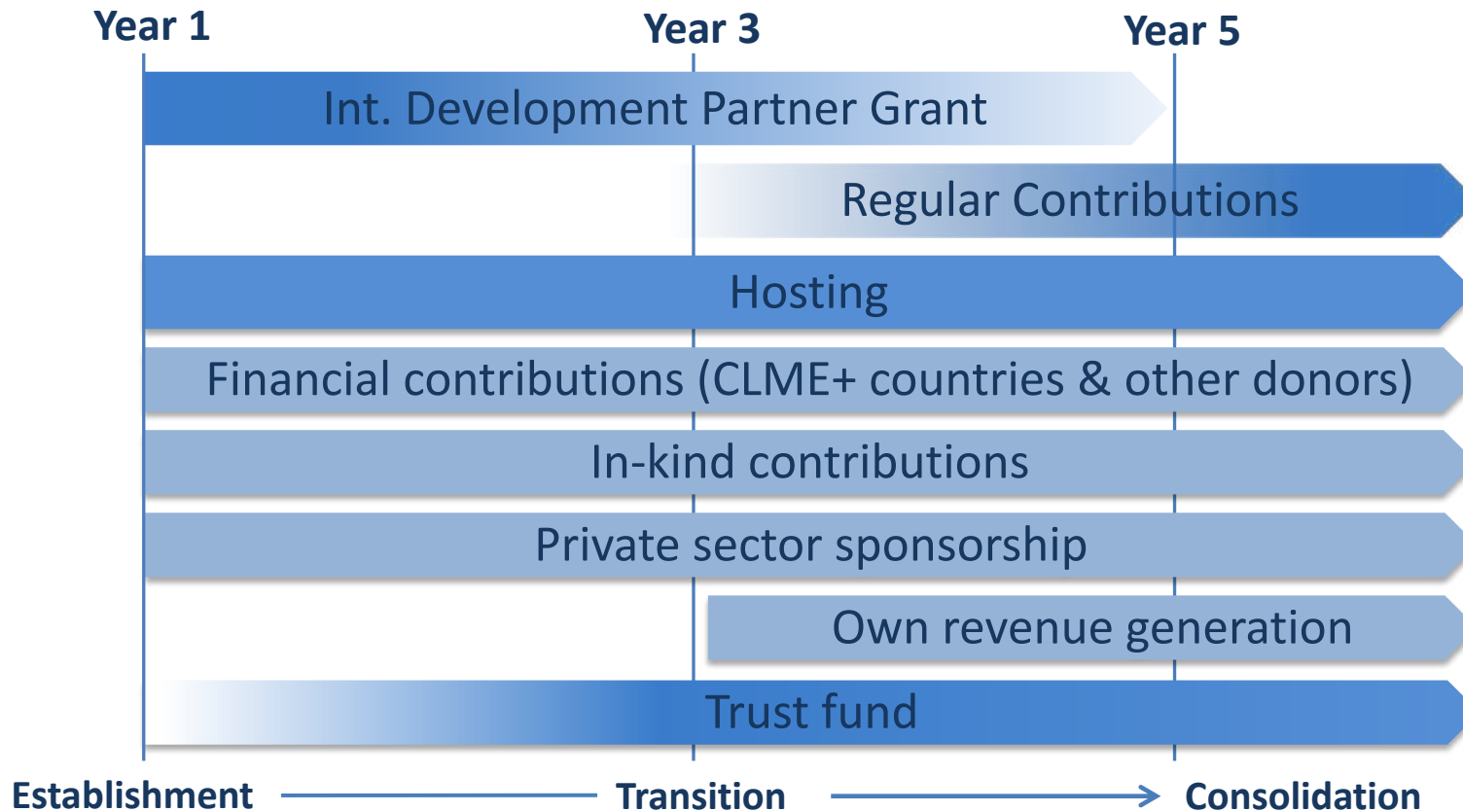
3 to 5 years & beyond

-> introduce regular contributions to ensure stability of the Coordination Mechanism

-> succeed to shift from project grant financing to self-sufficiency

-> develop additional income streams through own revenue generation

FINANCING THE COORDINATION MECHANISM



From transition to consolidation

3 to 5 years & beyond

-> *Sources of funding:*

- International Development Partner (IDP) Grant gradually phases out
- Hosting agreement & Complementary funding continue as established
- **Country contributions phase in**
- **Own revenue generation (service provision) is introduced**



Regular direct Country Contributions

Potential cost coverage:

- Cover as a minimum recurring administrative and staff costs of the Coordination Mechanism
- Additional funding for certain functions and activities to complement this

Precondition: Agreement on a contributing formula

To consider:

- The formula could take into account:
 - GDP or GDP generated from (specified) ocean-based activity
 - Annual amount already being paid to the ICM members
 - Voluntary contributions or offsetting options (e.g. via in-kind contributions) for low income countries could be considered.
- Option to discount contributions against new taxes or payments for environmental services
- **Next steps:** Define criteria to establish the contribution formula

Alternative: Regular Contributions through IGOs

Potential cost coverage:

- Cover as a minimum recurring administrative and staff costs of the Coordination Mechanism
- Additional funding for certain functions and activities to complement this

Precondition: raise of pledged country contributions to the IGOs may be necessary

To consider:

- could be approved through the work plans of the respective ICM members/would forego negotiations among all participating countries.
- All members to the eight IGOs would have to agree to this in separate decision-making processes
- IGOs already face difficulties to negotiate needed raises of regular budgets.
- Inter-relation of this sourcing option with a possible IGO-hosting agreement
- Contributions of the IGOs could be equal or differentiated
- Additional members joining the Coordination Mechanism could pay an annual fee like all other IGOs

Next steps: Establish criteria for contributions formula

Own revenue generation

Potential cost coverage: Partially or fully cover staff costs enabling service

Precondition: Implement respective functions & provide staff capacity

To consider:

- Differentiate between services offered against fees & mandated functions
- Own revenue generation could cross-fund mandated functions
- Services and beneficiaries need to be defined
- Coordination must not be hindered by the payment of service fees
- own revenue generation may be restricted by the legal requirements of the current ICM members or a hosting IGO

Next steps:

- Decision on which role own revenue generation should play to finance the Coordination Mechanism
- Agreement on beneficiaries
- desired extent during transition and afterwards
- Evaluate demand for the mentioned services
- Develop operational criteria



Own revenue generation

Examples

- Technical assistance with proposal development could be offered as an optional service to IGOs (charge: percentage of the grant value)
- Co-develop regional proposal initiatives with ICM members (charge: percentage of the grant value)
- Other services realizing economies of scale to the benefit of ICM members' work could be identified
- Knowledge and advisory services could be offered to the private sector.
- At a later stage of the process, a standard certification scheme could be developed; the certification process could be conducted and charged for by the Coordination Mechanism



Trust Fund

Potential function:

- administer grants, donations and other contributions
- restricted to cater to the operational budget of the Coordination Mechanism and later be expanded if e.g. IGOs and participating countries decide to embark on joint programming

Precondition: A legal entity as trustee

To consider:

- could be a transparent measure to administer budget composed of multiple sources
- could enhance financial resilience
- could signal stability and commitment to donors
- If used to finance programmes or projects duplication with existing trust funds needs to be avoided
- Trust fund administration could be covered by the resource mobilization function of the Coordination Mechanism
- An existing organisation need not but could act as trustee

Next steps: Identify legal and procedural requirements.



Steps towards the Coordination Mechanism

- Development of a project concept/PIF (timely procedure)
- Define the choice of major and complementary funding sources for transition and post-transition to be further explored
- Discuss the set-up and possible legal entity of a trust fund to administer the resources of the Coordination Mechanism
- **Agreement by the CLME+ Project Steering Committee on the financing plan for the transition phase**

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Sustainable Financing of the RGF

Why?

The financing of the Coordination Mechanism needs to be embedded into a financially sustainable regional ocean governance framework (RGF) in order to be viable and sustainable in the long term.

How?

1) **Recommended measures** to strengthen the financial sustainability of the RGF:

- Coordinated grant leverage increases available resources
- Strategic regional approach to private sector partnership
- Catalysing investment for a thriving and sustainable ocean-based/blue economy
- Broadening countries' resource base for ocean governance

2) **Specific opportunities for each IGO** identified

Coordinated grant leverage

- High level of regional coordination enhances grant acquisition potential
- Enhances quality of proposals by sharing ideas and resources
- Reduces administrative costs
- Avoids duplication of efforts
- New opportunities arise if individual IGO profiles & experiences are matched in a synergistic manner
- Joint initiatives develop a stronger momentum

-> increased leverage & efficiency gains could amount to additional resources of USD 11.6m to 25.3m annually



Coordinated grant leverage Recommendations

- Continuously share information about ongoing and planned projects.
- Identify similar projects, common objectives & synergies
- Incorporate the CLME+ SAP (& future updates) into formal strategies and programmes
- Highlight the specific respective IGO contribution to the CLME+ SAP
- tap into the funding opportunities for Climate Change Mitigation, Adaptation & Biodiversity conservation by integrating respective agendas into ocean governance issues (& vice versa)
- Endorse a common strategy for a sustainable ocean-based economy (incl. possible contribution of each IGO)
- Formally adopt resource mobilization strategies in line with the above at IGO level
- **Introduce a regional donor round table**

Coordinated grant leverage: Donor round table

- Coordination Mechanism could initiate a regional donor round table on ocean governance (to meet regularly e.g. every two years)
- Can Ensure effective allocation & efficient use of resources
- Avoid duplication of efforts
- Establish & deepen relationships
- Need for more donor coordination has been highlighted

Strategic approach to private sector partnership

- Key business sectors are major beneficiary of healthy marine ecosystems & ocean governance
- Regional ocean governance addresses risks which cannot be solved at sub-regional or sectoral level (transboundary issues)

Effective integrated ocean governance provides for *investment security* by offering

- a coherent and harmonized regulatory framework,
- solid scientific data,
- balancing of interests,
- reliable partnership.

It can additionally contribute to

- development of new investment opportunities and
- knowledge exchange on best practice examples.

Strategic approach to private sector partnership Recommendations

- Identify synergies between ocean governance activities and existing CSR and compliance activities & objectives of the private sector
- Consider options for interactive and participatory governance to include the private sector into ocean governance
- Consider to market contribution packages on a tender basis
- Define effective sector adjusted modes of cooperation and specify measurable voluntary contributions in the Private Sector Actions and pursue MoUs with sectoral associations
- ***Develop a coherent strategy to communicate the benefits of ocean governance to the private sector is highly recommended***

A thriving and sustainable ocean-based economy

An economic opportunity

+ USD 80bn additional economic value by 2030*

+ 1.2 million additional jobs by 2030*

- Management & transition to sustainable use of ecosystems is a business case
- Impact capital investors turn towards ocean finance
- **“conservation finance” had reached USD 8.2 billion in 2016, growing fast**
- Multilateral development banks & institutions (e.g. World Bank, FAO, EIB) have adopted topic
- growing number of philanthropic investors focus on blue investments

*Compared to “unsustainable scenario”, based on OECD 2016 & World Bank 2016

A thriving and sustainable ocean-based economy Need for a shared definition

Example Definition:

“Beyond simply being a collection of coastal and marine industries, blue economy is the set of environmentally and socially sustainable commercial activities, products, services and investments dependent on and impacting coastal and marine resources. Activities that erode natural capital through degradation of ecosystem services are inherently not sustainable, and not ‘blue’” (Whisnant et al, 2015).

Catalyse Investments into:

- Management activities to preserve marine natural capital
- Promotion of emerging sustainable industries
- Promotion of transition of existing industries to sustainable uses
- Be socially inclusive

A thriving and sustainable ocean-based economy Matching capital & investment opportunity

“Blended finance” solutions (e.g. debt swaps):

- Blend low-interest loans, guarantees or grants from philanthropic or public institution *to leverage commercial investment*
- Require time, resources & experience

-> If adequate resources are dedicated to the development of investment portfolios, greater leveraging ratios are possible.

A thriving and sustainable ocean-based economy

Requirements of “Blended financing” solutions

- Adequate resources & expertise for project development
- Harmonized and clearly defined regulatory frameworks necessary to reduce the risk profile of investments
- Stakeholder engagement & government ownership to ensure successful implementation
- Agreement on Sustainable Financing Principles to ensure investment standard
- A regional pre-investment facility could be critical to scale up current efforts.

A thriving and sustainable ocean-based economy

The role of the Coordination Mechanism

Sustainable ocean based business models specifically rely on effective ocean governance.

The Coordination Mechanism can

- create a favourable investment climate
- substantially enhance knowledge base for project development
- contribute to capacity building
- cooperate with a regional sustainable ocean economy pre-investment facility

A thriving and sustainable ocean-based economy

Moving forward

- Nearly all IGOs & many member countries are currently developing strategies
- IGOS & Coordination Mechanism play a key role in enabling favourable investment conditions
- CDB proposes a Blue Economy knowledge hub to share lessons learnt (CDB, 2018).
- Endorse a common definition of a sustainable ocean-based economy and start to develop a respective regional strategy, which includes principles for sustainable investment
- Commission an investor landscape mapping and investment needs assessment in order to identify financing needs and opportunities of a sustainable ocean-based economy

Broaden Countries' Resource Base for Ocean Governance

- **removal of harmful subsidies** and the introduction of **earmarked taxes, user fees & permits** (beneficiary centred approach)
- **Contributions** to the Coordination Mechanism could be **discounted against commitment** to introduce such measures at country level
- Once introduced, a share of the new additional revenue stream can be used to consolidate reliable contributions to ocean gov. institutions
- Coordination Mechanism could build capacities to assist with introduction of these measures
- Coordination Mechanism provides opportunity to seek a regionally harmonized approach

Broaden Resource Base for Ocean Governance Examples

- **Removal of fisheries subsidies** (until 2020, corresponds to target 6 of SDG 14)
- **Earmarked taxes**
 - *Tourism tax on the price of hotel rooms in Costa Rica*
 - *Tourism tax per arriving passenger in Belize.*
- **User fees or charges**
 - *entrance and recreation fees for diving in the Bonaire National Marine Park (BNMP)*
- **Permits**
 - *Marine Conservation Permits at the British Virgin Islands*

Broaden Resource Base for Ocean Governance Recommendations

- Seriously consider options outlined to secure financing of ocean governance at national levels
- Thoroughly explore the full exercise of the sovereignty rights within UNCLOS for the EEZ, in case of membership

Regional Service Fee for Ocean Governance

The paramount importance of marine ecosystems to food security, livelihoods, disaster risk reduction & climate change mitigation and for the economies of the region calls for a courageous approach.

- All ocean based economic activity depends on effective ocean governance
- A regional service fee would reflect the effort
- A regionally harmonized approach would avoid unfair competition
- Fee per user could be extremely low and generate sizeable revenue stream
- Small share of revenue to enhance financing for ocean governance
- Some of the revenue could be allocated to ocean investment fund



Thank you
Gracias
Obrigado
Merci
Dank u

