

‘Bankable’ Marine Protected Areas

Blue Finance is a social enterprise building and managing ‘bankable’ Marine Protected Areas (MPAs) on behalf of governments. To ensure the financial sustainability of the protected areas, Blue Finance develops a blue economy for local communities in and around the protected areas, and structures blended finance investment facilities for the projects.

BF presents an innovative and scalable approach that uses blended finance into MPAs to strengthen natural resource management, improve food security, promote sustainable development and enhance climate change resilience. The approach is precedent-setting for impact investment in marine conservation and economic development worldwide. It builds up on the [Sustainable Blue Economy Finance Principles](#), particularly the recommendations regarding the marine and coastal tourism sectors.

Key facts:

- **Blue economy sectors targeted:** Marine biodiversity, Coastal tourism, Seafood
- **Project:** Blue Finance – Building and managing ‘bankable’ Marine Protected Areas
- **Timeline of the project:** Since 2016
- **Geography:** Bahamas, Belize, Cabo Verde, Dominican Republic, Fiji, Indonesia, Mozambique, Philippines, Zanzibar
- **Key words:** Climate change resilience; biodiversity; coastal and marine habitats; inclusive livelihoods; blue carbon

Who?

Blue Finance (BF), a social enterprise registered as a non-profit entity.¹

Where?

Bahamas, Belize, Cabo Verde, Dominican Republic, Fiji, Indonesia, Mozambique, Philippines, Zanzibar

What?

Approximately 500 million people depend directly on coral reefs for food and income, but 60% of those ecosystems are under immediate threat. While 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.

In this context, Blue Finance created a new investment facility that aggregates a pipeline of “bankable” high-impact MPA projects and provides an opportunity for investors to participate with concessionary capital in ecological resilience, while empowering local communities.

As of early 2022, BF, with local partners, manage five MPAs. Its efforts help preserving 1,000,000 hectares of high-biodiverse coral reefs, protecting over 40 endangered species and improving livelihoods of over 20,000 coastal community members in the Caribbean, SE Asia and Sub-Saharan Africa. Each MPA has a long-term mandate, from their respective governments for operational management, with trusted local partners.

These five MPAs are in various stages of development, listed in order of most to least mature: Belize, Philippines, Tanzania, Indonesia and the Dominican Republic (total 1,000,000

¹ BF is one of the only groups with experience in co-managed, self-financed MPA project execution in developing countries. BF work has forged strong links with more than 30 conservation partners and financial institutions to cover and meet all the needs of MPAs.

hectares of coral reef ecosystems). Five new MPAs are in preparation in the Bahamas, Cabo Verde, Fiji, Belize and Philippines.

All MPAs will become progressively independent from donors through tangible revenue models based on eco-tourism programmes, blue carbon and other innovative blue economy initiatives in and around MPAs.

How?

BF’s approach relies on an innovative management lease for MPAs with tangible revenue models and leveraged by blended finance.

Creating the “bankable” MPA

Long-term co-management leases are arranged between government and a local non-profit entity for the MPAs. The local non-profit entity is set as the responsible party for the execution of all management functions and is accountable to the government. The government remains the MPA owner and determines the applicable policies.

Blended finance facilities bring together grants and debt to fund the early-stage investments of the MPAs.

Revenues are generated from a range of sustainable sources, such as eco-tourism fees, blue carbon credits, sustainable fisheries and other innovative blue economy investments. In turn, these revenues create tangible returns for investors, while ensuring the financial sustainability of the MPAs and their progressive independence from donors.

Measuring impact

BF has developed a thorough KPI framework for its MPAs. For each MPA, 20+ impact metrics are monitored under six criteria:

- 1) Ecosystem integrity
- 2) Species protection
- 3) Livelihood enhancement

- 4) Sustainable enterprises
- 5) Equity improvement
- 6) MPA management effectiveness

Independent external partners such as Verra and Gold standard verify the impact metrics for nature and communities. Dedicated personnel at BF and at the co-management entity act as performance managers.

Belize case study

In partnership with International Union for Conservation of Nature (IUCN) and Mirova, BF has structured a USD 1.2 million blended finance facility. This, 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 are generated from carbon credits and increased eco-tourism fees, providing concessional and commercial investors with repayments.

In Belize, the blended facility has allowed the MPA to implement a number of sustainable revenue-generating initiatives and enhance the protection of the 132,000 hectares of coral reef ecosystems. The investment has a positive impact on the local economy, including coastal fisher communities. Since re-opening in mid-November 2021, Belize MPA has been visited by more than 6,000 paying visitors, generating already US\$150k in revenues. The MPA expects to reach financial self-sufficiency by 2024.

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

Investment term:

- Concessional debt: up to eight years with interest rates relief based on social and environmental performances
- Commercial loan: up to six years

Revenue streams:

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

Looking back...

Building project partners' expertise

In the case of the BF 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. In BF's experience, 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, BF 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 and donor

Securing an anchor donor or impact investor early on is a key asset for fundraising for all of the MPAs within BF's portfolio.

Securing guarantees and insurance

Securing guarantees is usually difficult for smaller scale projects. However, BF 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

BF 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.

Combining revenue streams

The BF 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.

"Where real effective protection of the ocean is today still only at about 3% , Blue finance is a great example of the type of initiatives the Sustainable Ocean Fund is seeking to support, and where there is significant potential to scale environmental and social impacts for marine protection, in lockstep with a sustainable long term business model".

- Simon Dent, Head of Blue Investment at Mirova Natural Capital