

# PACIFIC REGIONAL OCEANSCAPE PROJECT

## SYNTHESIS REPORT: PROP PACIFIC OCEAN FINANCE

2021



**FFA**  
PACIFIC ISLANDS  
FORUM FISHERIES  
AGENCY



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## ACRONYMS

AFD:	L'Agence Francaise de Developpement
AIIB:	Asia Infrastructure Investment Bank
CBOs:	Community Based Organisations
CFA:	Conservation Finance Alliance
CMMA:	Community Managed Marine Areas
CSF:	Conservation Strategy Fund
DfN:	Debt for nature
FEMM:	Forum Economic Ministers Meeting
FFA:	Pacific Islands Forum Fisheries Agency
FMs:	Financing Mechanisms
FSM:	Federated States of Micronesia
GEF:	Global Environment Facility
GCF:	Green Climate Fund
IDA:	World Bank International Development Agency
LSMPA:	Large Scale Marine Protected Areas
MMA:	Managed Marine Areas
MPAs:	Marine Protected Areas
NGO:	Non- government organisations
OPOC:	Office of the Pacific Ocean Commissioner
PDO:	PROP'S development objective
PICs:	Pacific Islands Countries
PIFS:	Pacific Islands Forum Secretariat
PNG:	Papua New Guinea
PO:	Pacific Ocean
POFP:	Pacific Ocean Finance Program
PROP:	Pacific Regional Oceanscape Programme
PSU:	Programme Support Unit
RMI:	Republic of Marshall Islands
SDG:	Sustainable Development Goals
SPC:	Pacific Community
WCS:	Wildlife Conservation Society

## **1. BACKGROUND INFORMATION OF PROP PACIFIC OCEAN FINANCE**

The Pacific Islands Forum Fisheries Agency (FFA) received grant financing from the World Bank International Development Agency (IDA) and Global Environment Facility (GEF) for the implementation of the Pacific Islands Regional Oceanscape Programme (PROP). PROP is a series of projects which includes separate, but complementary, national projects in the Federated States of Micronesia, Kiribati, the Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga and Tuvalu. FFA is currently implementing the project in collaboration with the Pacific Community (SPC) and the Pacific Islands Forum Secretariat's Office of the Pacific Ocean Commissioner (OPOC).

The FFA PROP has a total grant funding of up to SDR2.7 million from IDA of the World Bank Group and up to USD2.19 million from GEF. The project started on 29 January 2015 and will be ending on 30 September 2021, following an extension of the IDA funded components from 30 September 2020. The GEF funded components of the project have ended on 30 September 2020.

### **PROP Vision and Components:**

PROP's development objective (PDO) is to strengthen the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend. This will provide the basis for sustainable and increased economic benefits to the participating Pacific Island countries (PICs) from these resources.

PROP has four components: 1) Sustainable Management of Oceanic Fisheries; 2) Sustainable Management of Coastal Fisheries; 3) Sustainable Financing of the Conservation of Critical Fishery Habitats; 4) Regional Coordination and Program Management.

Component One focusses on strengthening the capacity of national and regional institutions to sustainably manage Pacific Islands oceanic fisheries. FFA is currently implementing activities under this component through provision of technical support and a suite of capacity building activities for its members.

Component Two constitutes carrying out a program of activities for sustainable management of coastal fisheries. Through PROP funding, FFA is working with the Secretariat of the Pacific Community (SPC) to provide technical support to participating countries for the sustainable management of coastal fisheries, in particular Beche-de-mer.

Component Three FFA is implementing component three at a regional level. Through component three, PROP is funding activities aimed at increasing the amount and efficacy of financial investments into Pacific Ocean governance.

Component Four focuses on project management. The Program Support Unit (PSU) sits within FFA and comprises roles that support the management and implementation of the program, including monitoring and evaluation, procurement, safeguards and communications support.

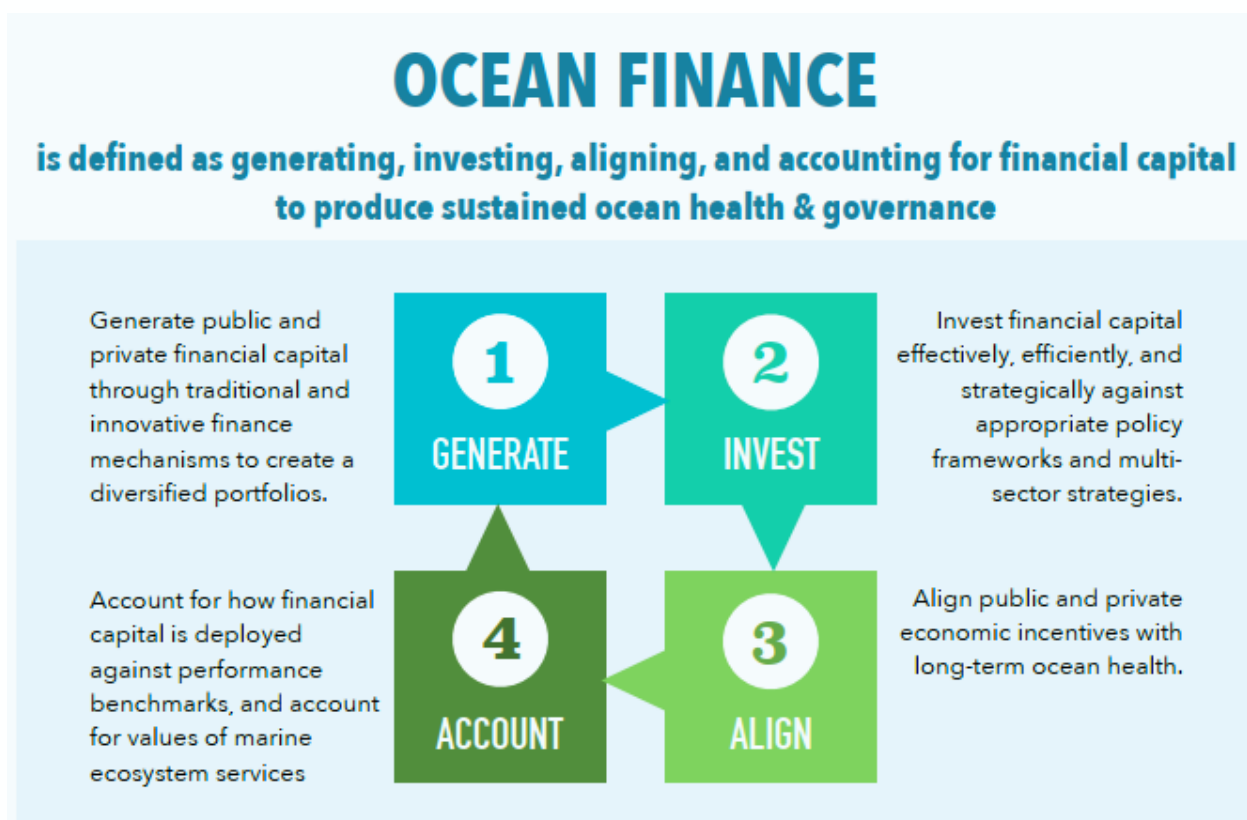
This synthesis report summarises what has been accomplished in terms of products, lessons learned and the overall journey of PROP Component Three on Ocean Finance.

## **2. DEFINITION AND FRAMEWORK OF OCEAN FINANCE IN THE CONTEXT OF THE PROP PROJECT**

The goal of ocean finance is not more money - this goal would likely create perverse incentives that undermine ocean health. The goals of ocean finance are to achieve sustained ocean health and ocean governance - and financial capital must be smartly deployed to achieve these goals.

Ocean finance considers inshore and offshore fisheries, coastal tourism and development, marine debris and plastic pollution, coastal agriculture, deep sea mining, and any other activities and sectors that impact upon the oceans. Ocean finance considers public, private, and cross-sector financial instruments. There are numerous mechanisms that generate finance for ocean governance including but not limited to grants, bonds, loans, payments for ecosystem services, taxes, fines and fees.

All monies for ocean finance should be invested against regional and national frameworks for ocean governance in order to achieve strategic and effective change. Generating and investing new monies will always be necessary, but unless incentives are aligned with ocean health, ocean finance will never be sufficient. It is essential to account for how effective ocean investments are at achieving ocean governance objectives. In addition, estimating and monitoring changes to the economic valuation of marine ecosystem services can serve as a check on ocean investments. This ideal framework of governing ocean finance is described in the figure 1 below.



The Office of the Pacific Ocean Commissioner and the Pacific Islands Forum Fisheries Agency, with funding from the World Bank and the Global Environment Facility collaborated to implement component three of the Pacific Regional Oceanscape Program (PROP): the Pacific Ocean Finance Program.

### 3. KEY OUTPUTS OF THE PACIFIC OCEAN FINANCE

At the global and regional scale, finance for ocean governance is critically limited. The amount of money, duration and diversity of revenue streams, and equity of fund distribution are inadequate to manage the ocean ecosystem services that sustain the livelihoods and well-being of Pacific Islanders.

The aim of the PROP Ocean Finance component focuses on contributing to efforts to improve the amount and efficacy of finance for ocean governance in the Pacific. Three objectives central to this program (as component 3 of the PROP): i) developing novel finance mechanisms, and ii) developing ocean finance profiles - which assess the status and opportunities for ocean finance for each of ten countries, and advancing regional individual and institutional capacities in ocean finance and governance.

The program does not directly provide financing for ocean governance efforts, but rather assess and identify opportunities for strategic and effective finance at the regional and national scales. Stakeholders representing national governments, fisheries, marine conservation, impact investing, agriculture and forestry, resource economists, climate finance, and other relevant parties were engaged throughout the program.

This Component focussed on setting the scene for Ocean Financing in the Pacific region through developing an overall description of Ocean Financing concepts and then commissioning a series of consultancy reports on technical mechanisms for Ocean Financing. Refer to Figure 2: Pacific Ocean Finance Program Resource map.



### 3. KEY OUTPUTS OF THE PACIFIC OCEAN FINANCE



Figure 2: Pacific Ocean Finance Program Resource map, a series of consultancy reports on technical mechanisms for Ocean Financing

## 3.1 DEVELOPMENT OF PACIFIC OCEAN FINANCE MECHANISMS

### I. TAXES AND SUBSIDIES FOR PACIFIC OCEAN HEALTH

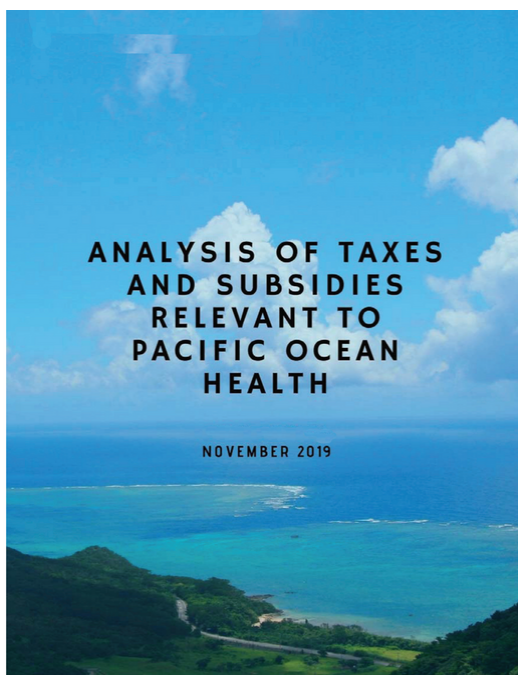
The research describes:

- the links between taxation, subsidies and economic decisions related to the Pacific Ocean,
- a framework for analysing these taxes and subsidies and determining their potential impact on environment,
- the main taxes and subsidies that can have an impact if implemented by Pacific governments, given the constraints they face.

This report concludes with recommendations to Pacific Governments on how best to align taxes and subsidies with long term ocean health.

The research encompasses 11 pacific countries that are participating in the Pacific Ocean Finance Program (POFP). The countries are Solomon Islands, Vanuatu, Fiji, Tonga, Samoa, Kiribati, Nauru, Palau, Marshall Islands (RMI), Federated States of Micronesia (FSM) and Tuvalu (collectively, the POFP11).

Link to e-report: <https://opocbluepacific.net/download/64/full-reports/796/taxes-and-subsidies-for-pacific-ocean-health.pdf>





This report examines how Pacific governments can use taxes and subsidies as a financial lever to support the health of the Pacific Ocean. It surveys taxes and subsidies that are aligned with or pose a risk to, ocean health in the Pacific. It concludes with recommendations to Pacific governments on how best to align taxes and subsidies with long term ocean health benefits.

Taxes and subsidies are a public ocean finance mechanism– they rely on sovereign governments, since only nations have the power to tax. The primary purpose of this report explains how Pacific governments can use taxes and subsidies as a financial lever to support the health of the Pacific Ocean. As a policy instrument, a tax or subsidy offers three potentials:

- Potential to align with ocean health by modifying incentives (for example by internalising externalities from private decisions or subsidising ocean-positive activities).
- Potential to generate financial resources for environmental projects (or to save financial resources by minimising expenditures that harm the ocean).
- Potential to capture records of ocean-related economic activities and place rigours on reporting, which can help account for financial investments in the ocean.

A tax or subsidy can only be helpful if the policy is right, well-administered and politically acceptable. This report describes three headline conditions before taxes and subsidies can contribute to sustained ocean health: right policy, administered-well and politically acceptable. A government wishing to impose a tax needs to ensure that the objectives for the tax are clear and understood by the populace. The government needs to be assured that the tax is the best way to achieve the desired objective relative to other policies or actions.

The research concludes that the use of taxes and subsidies in the partner countries is heavily constrained as a tool for ocean health. This conclusion does not rule out taxes and subsidies, but instead highlights where the opportunities lie. The diagram below illustrates the set of taxes and subsidies used elsewhere (or have potential to be used elsewhere) for ocean health:

 Taxing negative externalities	 Hypothecation or targeted levies	 Taxing resource rents & imposing royalties	 Tax concessions	 Removing harmful subsidies
Waste import levies Plastic bag levies Pesticide and fertiliser tax Corporate social responsibility tax Carbon tax	Tourist levy Environment levy Waste levies Oil pollution levy Earmarking of revenues from tourism, fishing Earmarking of taxes on (some) financial transactions	Seabed minerals taxes Water bottling royalty Catch royalties Royalties on extractive industries	Conservation tax credits Research tax credits or exemptions Duty or tariff exemptions Income tax exemptions Donor exemptions	(Some) Fishing subsidies (Some) Fuel subsidies (Some) Agriculture subsidies

**Figure 3:** Taxes and subsidies commonly directed at Ocean Health  
 Source: Spencer and VertigoLab

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Could environmentally related taxes and subsidies work in the Pacific to support ocean health?

The answer is both simple and complex. The simple answer is yes, for some taxes and subsidies, ocean health can be supported. The complex answer is 'it depends'. The ability of environmentally related tax or subsidy to achieve ocean finance goals depends on a combination of rules, politics and administrative practice. Some environmentally related subsidies and taxes fail at a design level: they create more costs than benefits. Other taxes and subsidies fail at an implementation level - they may be well designed to respond to a problem that exists elsewhere but may fail in the Pacific Countries. Others fail at a political level:- they are implemented for a time and then removed because they are not accepted by the community or valued by politicians. Therefore, this study acknowledged that it is essential to apply a 'policy approach' to considering the role of taxes and subsidies in the POFP11 Pacific. A policy approach considers policy, implementation and political context. Using this approach helps recognise the limitations of taxation and when it can be applied.

Pacific countries are politically motivated to protect the ocean environment but constrained in what they can achieve. The leadership on bans of single-use plastic products and fisheries management in many of the Pacific countries demonstrates they are keen to be good environmental stewards. Effective environmental policy instruments are needed most when the ecosystem is closely connected with livelihoods, as it is with the ocean and Pacific peoples. There is a willingness to consider tax as a tool.

Yet the Pacific countries are different from other countries that apply taxes and subsidies for environmental ends. They are small island developing states, which poses numerous development challenges including limited resources, remoteness, susceptibility to natural disasters, vulnerability to external shocks, excessive dependence on international trade and fragile environments.

These challenges are compounded by public finance issues including disproportionately expensive public administration and infrastructure due to their small size, little to no opportunity to create economies of scale, nascent market economies and very small tax bases. These characteristics mean that while the countries have high environmental consciousness, there is a gap between what they want to achieve and what can be financed or motivated using tax.

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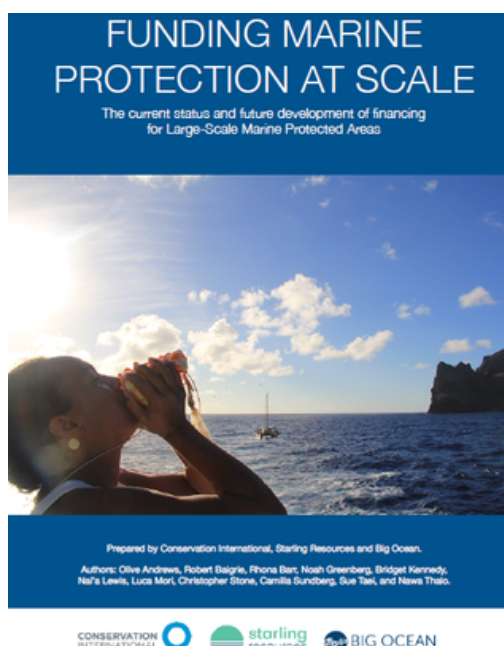
To give an example of the small tax base, all the countries in the Pacific have urban populations of less than 100,000 people aside from Fiji (with urban population an indicator of taxable economies). Tax revenue ranges from US\$6 million a year (Tuvalu) to US\$1.1 billion (Fiji).

Pacific countries are changing, however, and their economies are expanding and becoming more formal. The set of countries in the Pacific have improved tax revenue collection markedly following widespread reforms in the mid- to late-2000s. The countries are still working hard to improve the administrative capacity and capability. But they still need to improve more before tax can be a universally appealing option for conservation finance. This includes bettering the accountability and the way they exercise authority. Many Pacific countries are still working on ways to be more efficient with public revenue management. Some countries (Vanuatu, Solomon Islands, Palau) have comprehensive tax reforms underway or starting soon.

## II. FUNDING MARINE PROTECTION AT SCALE

This study takes stock of the current status of LSMPA financing and provides an in-depth discussion of the key challenges faced by LSMPAs in securing financing. This report aims to consolidate currently available material on LSMPAs, provide new insights where possible, and develop recommendations based on lessons learnt to advance the current state of knowledge on LSMPA financing, and further broaden the dialogue on LSMPA management and financing worldwide.

Link to e-report: <https://opocbluepacific.net/download/64/full-reports/802/funding-marine-protection-at-scale.pdf>



This study takes stock of the current status of Large Scale Marine Protected Area (LSMPA) financing and provides an in-depth discussion of the key challenges faced by LSMPAs in securing financing. It aims to consolidate currently available material on LSMPAs, provide new insights where possible, and develop recommendations based on lessons learnt to advance the current state of knowledge on LSMPA financing.

Marine protected areas (MPAs) are a critical tool in preventing biodiversity and habitat loss, and ensuring the sustainability of critical ocean resources. While small scale MPAs remain a key conservation tool, only well-managed Large-Scale MPAs (LSMPAs) can protect vast or interconnected ecosystems in their entirety. The total amount of ocean protected by all 16,908 MPAs globally is 28,188,975 square kilometers (km<sup>2</sup>), compared with the amount protected by the 20 largest sites at 17,573,997 km<sup>2</sup> (Protected Planet, 2019), demonstrating the globally significant contribution of LSMPAs to ocean protection. A recent report by the United Nations Environment Programme–World Conservation Monitoring Centre and IUCN (2019) notes that the ten largest MPAs currently comprise some seventy percent of all global MPA coverage, highlighting that the sizeable increase in MPA coverage in the last ten years can be attributed to LSMPAs. See figure below.



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### **Sustainable financing:**

A growing body of evidence suggests that, in addition to key factors such as governance, management capacity, and stakeholder engagement, adequate finance is critical to long-term success of MPAs and other area-based conservation and management approaches (Bonham et al., 2014; Emerton et al., 2006). Indeed, one of the most frequently cited causes of conservation programs failing to achieve durable outcomes is a lack of sustained financing. Financial stability is necessary to ensure that on-the-ground practitioners can proactively plan for emerging threats to conservation, effectively recruit and deploy resources for monitoring and enforcement and conduct broad-based outreach and stakeholder engagement activities.

### **Challenges to LSMPA Financing:**

- With few exceptions, governance and management challenges faced by LSMPAs apply to all MPAs. Within LSMPAs, these challenges are inevitably magnified due to the size and scale of the area under protection.
- Across the board, sustainable financing for LSMPAs remains challenging, and widespread examples of LSMPA's Financing Mechanisms (FMs) remain limited for a number of reasons, including:
  - Uncertainty around actual costs: depending upon the amount of existing data prior to or at establishment, the site's location and accessibility, as well as the depth of management and scientific capacity in country, budget calculations can be vastly different for sites of the same relative size.
  - No specific guideline documents or best practices toolkits exist for LSMPA financing.
  - Existing financing options do not address the more complex nature of LSMPA management and governance, which often requires collaboration between multiple jurisdictions and disparate government line offices.
  - Challenges in acquiring financial support for projects that require much longer timeframes to produce results, as well as managing, often unrealistic, expectations created from outcomes at smaller scale MPAs.
  - Unknown future management needs from increasing global threats, such as climate change.

## TOP FINDINGS FROM LARGE SCALE MARINE PROTECTED AREA (LMSPA) REVIEW

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- 01** **Fully-funded is a myth** - None of the LSMPAs within the study reported being fully funded. Moreover, with the ongoing need for innovative research and monitoring, as well as addressing ever-increasing global threats, full-funding was not necessarily the highest priority for a site, nor the bar for identifying a successful management regime. Analysis indicates that securing funding for core management needs (of the moment) and understanding how to increase the scope and scale of financing as well as management and protection over time, is most important. However, as the genre matures and more practical FMs are developed, this assessment may change.
- 02** **Employing multiple FMs, as opposed to a stand-alone FM, leads to better outcomes** - Public budget allocations, tourism fees, and donor-supported CTFs are the most commonly employed FMs for LSMPAs. Many LSMPAs implement only one FM, but it is those LSMPAs that combine two or more mechanisms, irrespective of whether they are traditional or innovative, that display strength and long-term portfolio viability.
- 03** **Innovative FMs are too nascent** - With a minimal track record, especially in the LSMPA genre, emerging FMs have not yet proven their long-term viability. Additionally, as the financial portfolios of even the most veteran sites remain heavily reliant on government resources and tourism, new options and strategies are not actively being developed and tested. At present there does not seem to be sufficient momentum behind developing new FMs nor customizing existing ones to account for the needs of LSMPAs.
- 04** **Financial plans and strategies are underutilised** - A number of the LSMPAs reviewed did not have fiscal plans or strategies in place. Those that did, with the exception of the GBRMP, often only developed these plans and strategies after LSMPA inception and establishment. However, evidence demonstrates that dedicated and well-resourced financial planning from the earliest stages of LSMPA site design and development strongly correlates to the overall strength of the financing portfolio.
- 05** **LSMPA financing generally requires policymaker political support and awareness** - vast MPAs rely heavily on government allocations. Weak political relationships or a lack of understanding by politicians can render a management team ineffective during lean budgetary times. As well, due to their high visibility, LSMPAs can experience significant fluctuations in allocated budget as a result of changing political allegiances and administrations.

- 06** **LSMPAs require a substantive political will at the national-level** – The relationships and outreach required to facilitate high-quality political leadership can be challenging to develop and maintain. It appears, LSMPA managers who understand their site’s legislation and regulations, who track relevant policy changes and consistently articulate the benefits of LSMPAs to government and civil society, are best able to withstand political change and shifting government interests.
- 07** **Successful LSMPA financing generally includes public/private partnerships** – At those sites where government funding is insufficient, LSMPAs that establish partnerships with private organisations and institutions are usually successful in securing additional funding. Inclusion of additional FMs has also required government agencies to support the creation of laws and policies that allow for these partnerships to avoid burdensome administrative processes.
- 08** **LSMPA performance generally benefits from having managing staff with strong capacity in financial administration**– Examples of financially successful LSMPA (e.g. GBRMP) show the importance of robust funding and distribution mechanisms. These are underpinned by institutional and capacity development at the local level.
- 09** **Remote LSMPAs struggle to access finance** – Tourism or entry/access fees are often cited as the least complex FMs that can quickly provide an ongoing income stream for protected areas (marine and terrestrial). However, many LSMPAs have permit-only or minimal access, and for very remote sites, the geographic location alone makes access nearly impossible unless one has substantive financial resources. FMs that do not allow extractive activities nor access or at least do not require public access need further development.

Source: <https://opocbluepacific.net/publications/#65-summaries-p2>

### III. ANALYSIS AND DEVELOPMENT OF PACIFIC OCEAN BOND

The Pacific Ocean Bond report explores how carefully designed bond structures can meet the strategic priorities of mitigating risks to ocean health, increasing the resilience of Pacific communities, generating sustainable economic development opportunities across multiple sectors, and attracting longer-term capital to the Pacific region. It also seeks to build support and develop guidance for potential issuers and project developers for issuance of such a bond instrument. The project's key goal is to design and recommend three bond structures suitable for the above-mentioned purposes and propose guidance for an action plan for issuance of Pacific Ocean (PO) Bonds.

Since the economic and sustainability circumstances were very specific to the Pacific region, the authors of this report noted the need to first understand the regional and local activities that created net positive ocean health impact before attempting to carry across learnings from existing sustainable and green bond.

Under the said approach, the authors sought to provide a balance between reviewing bond financial architecture and use of proceeds, early stakeholder consultation to develop bond concepts, considering governance and institutional/legal capacity, and assessing investor priorities to understand feasibility of the proposed bond concepts.

This study suggests consideration of 3 types of Ocean/Blue Bonds for the Pacific. These include 1. Impact Bond, 2. Resilience Bond and 3. Mitigation Bond.



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Link to the e-report: <https://opocbluepacific.net/download/64/full-reports/944/analysis--development-of-a-pacific-ocean-bond-edited-30-june.pdf>

## THREE BOND STRUCTURES:

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The three bonds proposed vary significantly in their features to provide options that accommodate a wide range of regional priorities. Their design: 1) achieves financing that is clearly additional 2) delivers direct and strong ocean impacts, and 3) provides clarity to investors across investor types.



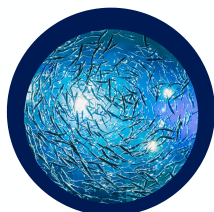
### **01 — Pacific Ocean Impact Bond**

proposes a Pacific sovereign bond issuer, has inherently higher risks related to transparency and accountability requirements.



### **02 — Pacific Ocean Resilience Bond**

proposes an MDB as the bond issuer, benefits from the MDB's strong corporate governance mechanisms and long-standing track record on transparency, accountability and delivery of results.



### **03 — Pacific Ocean Climate Mitigation Bond**

proposes a corporate bond structure and will follow corporate governance standards as they relate to sustainability.

## **PACIFIC OCEAN IMPACT BOND**

The Pacific Ocean Impact Bond leverages philanthropic and impact funding to directly address ocean governance issues that have been prioritized within the Pacific Islands, identified through a marine spatial planning exercise conducted by countries.

The purpose of the funds is to address these priorities through delivering direct, upfront funding to address governance, monitoring, and enforcement mechanisms at the required spatial scale, whilst also funding effective conservation measures among local stakeholders. For example, using a portion of funds to directly support fisherfolk to transition to activities that are aligned to the new measures, such as providing ecotourism services into marine protected areas or sustainably managed aquaculture activities.

This bond would be structured as a sovereign bond, with limited cash flows generated from the use of proceeds. Repayment would need to come from government budgets. This could be from existing taxes or new tax receipts.

Critical to this structure's success would be a strong demonstrated commitment to improve ocean governance with a clear timeline of deliverables, as opposed to the financial viability of local entrepreneurial activities. The experience of designing a bond in the Seychelles shows that one way to achieve this is through debt for nature swaps, in exchange for commitments to advance the prioritized ocean health issues. However, a debt-for-nature (DfN) swap is not a source of new finance and the bond will bring new capital into the region.

Furthermore, there is a need for strong guarantees from institutions like the World Bank, a certain amount of philanthropic capital, and support for appropriate political risk insurance, given the low capacity for new debt in the region. This bond structure would appeal most to impact investors, rather than commercial investors.

## **PACIFIC OCEAN RESILIENCE BOND**

The Pacific Ocean Resilience Bond will focus on identifying measures, businesses and projects that can improve resilience in the region, protecting or rehabilitating natural capital in oceanscapes while adapting to climate change.

As such, the intent of the bond is to provide finance for resilient infrastructure that has a direct and positive impact on marine life, and permanently improves the biodiversity and productivity of the oceans. Examples include protection of coral reefs and mangroves and improving access to data for ocean management <sup>7</sup> through enhanced access to telecommunications.

Investing in cost-effective solutions will also result in communities that are less vulnerable to risks presented by the physical impacts of climate change, offering better environmental and economic outcomes. This focus distinguishes the bond from just a pure disaster resilience approach. Instead, it aims to increase ocean resilience overall. Furthermore, the perseveration of economic assets will typically support economic value creation, which in turn can provide a backing for payments of interest and repayment of capital.

The bond issuer would be an MDB or bilateral agency, such as ADB, the World Bank or the Japan International Cooperation Agency (JICA), as they have the required financial capacity and can provide a bundle of projects to the required scale.

This structure aligns well with the objectives of grant providers and co-financiers in the region, such as the Green Climate Fund (GCF) and the L'Agence Française de Développement (AFD) and could benefit from a blended finance approach with the support of these donors. Additionally, results-based finance components could also be considered.

## **PACIFIC OCEAN CLIMATE MITIGATION BOND**

The Pacific Ocean Impact Bond focuses on financing climate transition needs across the Pacific through mitigation projects that reduce the CO<sub>2</sub> impact on the ocean. These projects will generate revenue through direct sales and/or from feed-in tariffs.

Corporate and national budgets will benefit where renewable generation reduces the need to pay for fuel imports in hard currency. Potential issuers will include financial institutions and corporations, such as local utilities or subsidiaries of multi-national corporations. For example, they could commercially structure a blue bond with this aim with direct repayment sources.

Credit enhancements may be included to raise credit ratings above host country levels. Considering China's strong position in renewables exports, the Asian Infrastructure Investment Bank (AIIB) may be interested in acting as a guarantor or partial guarantor, in addition to ADB or the World Bank.

Given the Pacific Islands' strategic priorities and ocean-related economic and environmental risks, size of economies, limited local commercial activities, and policy development support required around all ocean health activities, there is a need to use donor funding and guarantees to leverage private investment through creating structures with acceptable risk and return profiles for investors that also ensure positive ocean impact.

## IV. PACIFIC OCEAN FINANCE PROGRAM- INSURANCE

Ocean health is crucial to communities across the small island states of the Pacific Ocean. Coastal and island communities are particularly susceptible to climate pressures, and dependence on the blue economy means they are on the frontline dealing with the impacts of climate change and other negative anthropogenic effects on the marine environment. Healthy oceans and coastal ecosystems provide prosperity and protection to coastal communities.

Natural infrastructure such as reefs and mangroves provide coastal protection from storm impacts by absorbing wave energy and reducing storm surge inundation. They are the hatcheries and nurseries for fish populations, which provide a key source of nutrition for small islands. And they generate and protect the coastal land- and seascapes on which tourism revenue is dependent.

As more intense storms, floods, droughts, sea level rise, higher temperatures, and ocean acidification increase the vulnerability of coastal communities, threatening both lives and livelihoods, it is a key priority to strengthen the resilience of the ocean environment which supports them.



This report explores the feasibility of insurance instruments to support Pacific Ocean health thereby increase the resilience of Pacific communities. The Pacific Ocean Finance Program-Insurance (POFPI) aims to develop insurance products to:

- Protect investments in conversation
- Provide immediate liquidity for early post-event response and
- Increase the financial resilience of communities reliant on the blue economy and natural infrastructure assets.

Link to the e-report: <https://opocbluepacific.net/download/64/full-reports/801/analysis-and-development-of-pacific-ocean-risk-insurance.pdf>

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## Why Insurance?

Insurance is a tool to finance risk and build resilience to shock events, mitigating the impacts by arranging finance in advance. It can be more cost-efficient than other financial mechanisms, especially credit arranged after-the-fact, particularly for extreme risks. Pay-outs provide funding for recovery quickly after an event, and this predictability of funding allows for the development and implementation of contingency plans, which can further minimise negative impacts.

## Incentivising Risk Reduction and Environmental Stewardship

Insurance can incentivise risk-smart behaviour and stewardship of the environment. Risk transfer generates greater risk awareness and recognises the real financial consequences of risk. Putting a price on risk creates the real incentive of potential reduced insurance cost, retained market value, and maintained access and use. Insurance mechanisms can be truly beneficial when they not only provide protection against the impacts of catastrophic events, but also incentivise local stewardship of the environment and the sustainable growth of the blue economy by providing a financial mechanism by which risk reduction activities are recognised.

Insurance can provide coverage and liquidity to respond to threats to ocean health and natural infrastructure. It can also de-risk investments in coastal ecosystems and their conservation.

This study aims to develop insurance products to:

- Protect investments in conservation;
- Provide immediate liquidity for early post-event response; and
- Increase the financial resilience of communities reliant on the blue economy and natural infrastructure assets.

## Parametric Insurance of Blue Infrastructure

Coral reefs are severely impacted by wave action during hurricanes, and sediment, trees and other detritus cause even greater damage in the days and weeks after a storm. Reef recovery is greatly speeded and enhanced by rapid clean-up.

Parametric insurance is a financial mechanism that provides pay-outs based on the occurrence of an event rather than an actual loss. This allows rapid liquidity post-event, since there is no loss-adjustment process and events are defined by verifiable independent agencies.

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This type of cover could protect coral reefs and mangroves, providing rapid funding to respond to damaging events such as cyclones and heavy rain through:

- Rapid reef clean-up and/or mangrove replanting (funding early response that increases reef recovery after cyclones and / or enables rapid mangrove restoration, which in turn can incentivise planning for response)
- Rapid liquidity for waste and water infrastructure response to address impacts of run-off on ocean health
- Pay-outs could be used to give payments to fisherfolk to not fish, fish aggregating devices and assistance to fish offshore, or provide other social benefit support to ease post-cyclone stress on reefs (or mangroves)
- Could be a more general hedge against revenue interruption for MMA-type conservation business model – diving and visiting reefs will not be as attractive if a reef has severe impacts from a storm.

### **Fisheries Support**

Fisheries play a vital role in food security for the world's population and provide livelihoods to some of the poorest and most vulnerable communities. Yet fishing is a high-risk activity, with injury and loss of life all too common. Physical risks threaten assets such as boats, and volatile catch quantity and prices create high interannual income variability. Destructive or damaging fishing activities also threaten the very resource these communities rely on. Supporting a resilient and sustainable fisheries sector is a key pillar for prosperity and long-term ocean health. Preferential access to insurance products can be provided as a reward for registration and tagging and /or in exchange for adherence to responsible fisheries management. This can incentivise environmental stewardship, support sustainable fisheries, and increase the financial resilience of fishing communities. Coverage could be through a microinsurance initiative or sovereign level insurance scheme and could include:

- Life and health insurance;
- Vessel coverage; and /or
- Livelihood protection.

### **Early Climate Change Impact Finance**

Coasts and islands are particularly susceptible to the impacts of climate change and resulting increases in ocean risk, many of the effects of which will be chronic and slow onset, rather than acute and immediate. While insurance is typically most effective to mitigate the financial impacts of shock events, it can also protect against timing risk, in a life insurance-like model. Coral reefs are particularly susceptible to changes in ocean temperature and acidification. Insurance that can mitigate the financial impact of damage to reefs can unlock sustainable investment on the coasts. It can also provide liquidity during a bleaching event, which can be used to fund activities to reduce pressure on reefs, allowing them to recover. An insurance programme could also serve as a mechanism to pool the risk of severe bleaching events to a range of stakeholders / across a wide geographical zone. The rate of ocean warming or sea level rise can be measured and represented as an index, and, therefore, parametric insurance can be designed, triggering pay-outs if rates exceed pre-agreed thresholds.

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## V. COMMUNITY MANAGED MARINE AREAS

Community managed marine areas (CMMA) are an important governance tool for achieving ocean health and community resilience results and have experienced significant growth of adoption in recent years in the Pacific.

Financing of CMMAs is one of several catalysts that can foster the further adoption of community based marine management and its long-term sustainability. Analysing and developing a finance mechanism for CMMA, however, cannot be viewed in isolation from other catalysts such as capacity, governance and policy. Therefore, this study makes broader considerations and analysis part of the mechanism development.

In a diverse region such as the Pacific of far flung and isolated communities, with relatively limited amount of consistent high-quality data, generalisations about the inner mechanics of CMMAs and communities themselves prove difficult. However, it is possible to broadly categorise communities into the circumstances surrounding their CMMA and develop mechanisms for working in these circumstances.



ANALYSIS AND DEVELOPMENT OF A REPLICABLE COMMUNITY MANAGED MARINE AREA FINANCE MECHANISM

The objective of this report is to further the knowledge of the growth of sustainably managed marine areas by developing finance mechanisms that are suitable and replicable to different categories of the communities in the Pacific.

OPOC FFA PACIFIC ISLANDS FORUM FISHERIES AGENCY THE WORLD BANK gef

Link to the e-report: <https://opocbluepacific.net/download/64/full-reports/795/community-managed-marine-areas-finance-report.pdf>

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This study identifies five community archetypes and seeks impactful and cost-effective mechanisms for financing their CMMA. Literature review is the basis for conceptualising financing mechanism options; however, the key piece of mechanism development has been carried out through a series of stakeholder consultations with a wide range of CMMA communities, national and regional stakeholders.

This study identifies three mechanisms that are existent in certain forms and successful in selected cases in the region. It attempts to innovate them by amending key features in order to leverage strengths and manage weaknesses. Each of the three mechanisms operate at a different scale from a single village to several communities to an entire island or province. Therefore, overlaps between mechanisms are possible and potentially synergetic.

Potential implementation sites for each of the mechanisms have been identified and systematised piloting and scaling has been proposed to serve as a steppingstone for rolling out the mechanisms to the wider region.

The study follows guidance from the Framework for a Pacific Oceanscape on financing, strongly emphasizes on building self-reliance through nationally cost-effective solutions and the importance of sustaining support through achieving cost effectiveness.

The development of CMMA finance mechanisms requires balance of various factors, that in some instances may be competing/opposing, and sought approaches to at least reduce trade-offs and if possible, create alignment and synergies.

Literature review was the basis for understanding theoretical possibilities and lessons learned from other sites. However, the key tool for developing feasible mechanisms has been physical stakeholder consultations.

### **Status of CMMA in the Pacific**

Defining community in the context of marine area management (and resource management more generally) proves to be difficult given ownership, customary rights, user rights and diversity of governance structures applied throughout the Pacific. More consistency seems to be possible by defining the resource managed (e.g. qoliqoli or customary fishing areas) and reproducing the various stakeholders involved in its management (e.g. resource owners and resource users).

There are some terms that have similar meanings for marine resource management efforts (although there are others) depending on countries and/or organizations that have similar meanings. Alignment of definitions between regional stakeholders could contribute to transparency and information collection.

Of the five community archetypes below the majority receive little to no support, while being intrinsically motivated, which calls for approaches that empower communities rather than providing financial incentives.

T1: Community-driven MMA (little to no outside involvement) at any stage of planning and implementation)

T2: Community-driven MMA with NGO, CBOs or government support

T3: NGO or government conservation driven - jointly negotiated conservation area

T4: Private sector driven - jointly negotiated MMAs

T5: MPAs - top down with varying degree of community development

**Table 1:** Five community archetypes

Community-driven MMAs cover small part of the total MMA area (largest part is top-down large-scale MPAs) but are of utmost importance to the majority of population and reef, seagrass, mangroves and their associated biodiversity. The success of CMMAs should therefore not be measured by area of coverage only.

The complexity of land (and sea) tenure, decision making within the communities, dual ownership or resource use rights and physical assets in places, necessitates need to build up on existing structures and experiences within the communities, i.e. build-up on what works.

Effective CMMAs address traditional/ community needs and communities must be involved, government and communities need to be aligned on how rights are shared; significant risks involved if that alignment is not there.

Traditional split of work between men (sea, lagoon and near the reef) and women (rather in mangroves and close to the shore) is to be considered when developing integrated (e.g. ridge-to-reef) and gender sensitive management strategies,

Attempts to support communities with short term interventions have mostly failed, however long-term partnerships have shown success.

Cooperation with the private sector has been very fruitful to some, but detrimental to others. Communities may require support and mediation in their interactions with private sector operators, including finding partners with naturally aligned interests. Managing the marine area often requires limited incremental resources to what the community already has (although when faced with donor support communities will most likely accept it.)

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The management actions are often more of a governance nature (i.e. decisions within the community to close down the area).

Support to CMMA from government is necessary. Relevant government agencies must communicate with each other, and their priorities aligned, with sufficient finances and allocated to that work, otherwise can have significant impact. Need for greater alignment between these government departments. In addition, policy for sustainable community businesses could create comparative advantages and spur community business.

Analysis and development of finance mechanisms for CMMA

- While project level mechanisms are the focus of this study, we point to the fact that programmatic approaches might be a cost-effective option to raising capital and distributing benefits to communities for community managed marine areas
- While there are a number of mechanisms theoretically available to communities, these are applicable mostly to archetypes 3 to 5 communities. Creating a more significant coverage throughout the Pacific requires mechanisms tailored to the circumstances of communities in Archetypes 1 and 2

The following feasibility criteria have been identified for the development of CMMA finance mechanisms:

- Any feasible financing mechanism should therefore establish a clear link between ocean health and economic development and livelihoods mindful of gender, both short- and long-term
- Any feasible financing mechanism will be able to ensure efficient and effective allocation of capital
- Any feasible financing mechanism will build on the availability of sustainable financing, matching the needs of establishment and management of marine areas
- Any feasible mechanism will match communities financing needs for upfront investment and running costs or be compatible with another mechanism able to do so
- Therefore, feasible financing mechanisms should be able to accommodate communities' ecological objectives (whether internally set or negotiated).
- A feasible financing mechanism will be open to locally feasible marine management and other actions and flexible enough to incorporate any lessons learned during its implementation.
- Feasible financing mechanisms will consider land and marine ecosystems in an integrated manner and be centred around the active management of marine resources
- Feasible finance mechanisms will empower communities, being flexible with regards to their social structures.

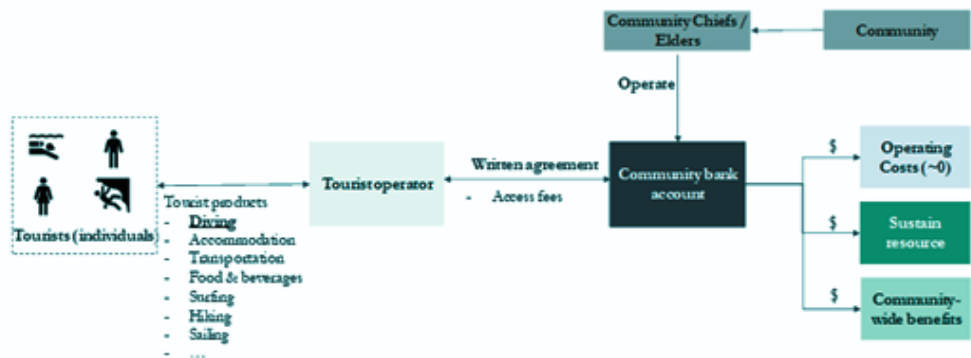
The three-funding mechanism identified:

M1: Natural Capital Partnership

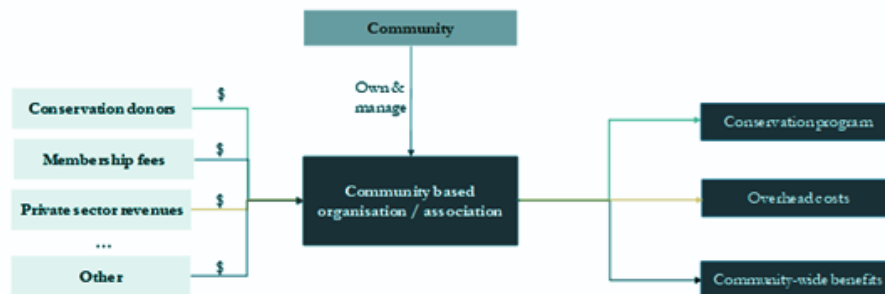
M2: Blended Finance for Community Based Organisations

M3: Island wide/Provisional Mechanism

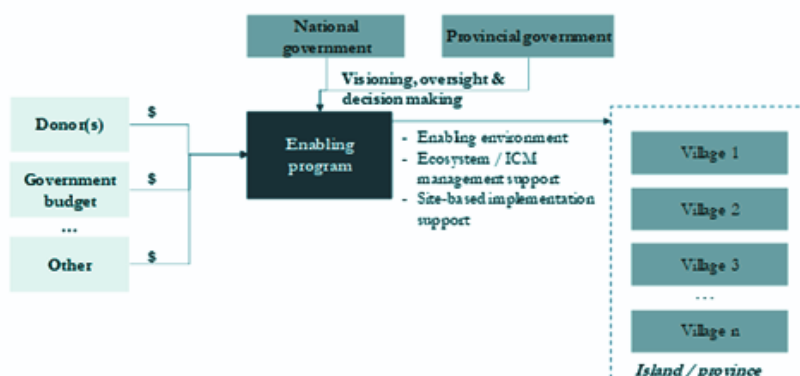
### M1: Natural Capital Partnership - existing



### M2: Blended Finance for CBOs - existing



### M3: Island-wide / Provincial Mechanism – existing



## 3.2 DEVELOPMENT OF PACIFIC OCEAN FINANCE CAPACITY BUILDING INITIATIVES

### I. PACIFIC OCEAN FINANCE FELLOWSHIP

The Pacific Ocean Finance Fellowship Program is part of the PROP Ocean Finance Component funded by the World Bank and the Global Environment Facility - and implemented through the Pacific Islands Forum Fisheries Agency (FFA) and the Office of the Pacific Ocean Commissioner (OPOC).

To achieve this goal, the objectives of the 9-month Fellowship Program were to: 1) increase individual capacity of Pacific Islanders by providing professional development training in ocean finance and governance, and 2) advance ocean finance initiatives both within institutions and across sectors in the Pacific Islands region through a program of mentored projects in fellows' home countries.

Pacific Islands Forum Fisheries Agency (FFA) and the Office of the Pacific Ocean Commissioner (OPOC) in partnership with Conservation Strategy Fund (CSF), Conservation Finance Alliance (CFA) and Wildlife Conservation Society (WCS), implemented the Fellowship Program between April 2019 and May 2020. Pacific Ocean fellows from 12 nations in the North and the South Pacific were chosen to be trained and mentored by the Pacific Ocean Finance Fellowship Program.



This report provides a summary of the first ever Pacific Ocean Finance Fellowship Program 2019-2020 including reports of the Ocean Finance fellows in-person training workshops and virtual webinars purposed to impart knowledge and skills related to ocean finance, economic development and ocean governance..

Link to the e-report: <https://opocbluepacific.net/download/64/full-reports/794/pacific-ocean-finance-fellowship-program.pdf>

Two training events were carried out, in Solomon Islands in June 2019 and Fiji in November 2019, and Fellows also participated in the Pacific Ocean Finance Conference in Fiji in November 2019. Fellows conceived, designed and conducted individual projects in their home country with support and personalized technical assistance from the team of Mentors.

The Fellowship team provided Fellows with in-person training workshops and virtual webinars to impart knowledge and skills related to ocean finance, economic development, and ocean governance. In addition, Fellows were given research support and mentoring guidance to develop their project ideas, define their methodology, plan their activities and budget, collect and analyse data, and develop presentations to share their research results (summarised as per pictures below).

## FELLOWSHIP PROJECT SUMMARIES

<div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">ALISSA TAKESY</h3> <p style="margin: 0; font-size: small;">FEDERATED STATES OF MICRONESIA</p> <p style="margin: 0; font-size: x-small;">Updating and Aligning the FSM Protected Areas Network's Sustainable Finance Plan to the Micronesia Challenge 2030 Targets</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">AMELIA FAOTUSIA</h3> <p style="margin: 0; font-size: small;">TONGA</p> <p style="margin: 0; font-size: x-small;">Sustainable financing mechanisms for the implementation of the Special Management Area Programme for community inshore fisheries management in Tonga</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">APISALOME MOVONO</h3> <p style="margin: 0; font-size: small;">FIJI</p> <p style="margin: 0; font-size: x-small;">Pacific Ocean Finance: a pathway towards sustainable marine custodianship through tourism.</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">DANITA STRICKLAND</h3> <p style="margin: 0; font-size: small;">SAMOA</p> <p style="margin: 0; font-size: x-small;">Mapping the current status of ocean financing sources in Samoa and evaluating the alignment of their objectives to the prioritised solutions for the Samoa Ocean Strategy and exploring opportunities to enhance existing Financial Mechanisms for Grassroot Projects</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">EMMA KABUA-TIBON</h3> <p style="margin: 0; font-size: small;">REPUBLIC OF THE MARSHAL ISLANDS</p> <p style="margin: 0; font-size: x-small;">Evaluating Ocean Finance Solutions to Sustain RMI's Protected Areas network</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">FA'AUI EKAPALE-TELII</h3> <p style="margin: 0; font-size: small;">TUVALU</p> <p style="margin: 0; font-size: x-small;">Assessment of options to strengthen and expand the current model for the Community Vessel Day Scheme (C-VDS) Funds</p> </div>	<div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">FIAFIA ALANA REX</h3> <p style="margin: 0; font-size: small;">NIUE</p> <p style="margin: 0; font-size: x-small;">Niue Coral Reef Restoration Project</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">MARTIN PINE</h3> <p style="margin: 0; font-size: small;">REPUBLIC OF KIRIBATI</p> <p style="margin: 0; font-size: x-small;">Ecotourism in the Phoenix Island Protected Area(PIPA) as a financial strategy to support Marine Protected Areas in Kiribati</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">MARY RUI MACDONALD</h3> <p style="margin: 0; font-size: small;">COOK ISLANDS</p> <p style="margin: 0; font-size: x-small;">A sustainable financial plan for funding "core" costs of an Environmental NGO in the Cook Islands.</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">OBED TIMAKATA</h3> <p style="margin: 0; font-size: small;">VANUATU</p> <p style="margin: 0; font-size: x-small;">An economic diversification strategy for the conservation of an organic island's marine ecosystem, fostered through the successful participatory branding of its marine life sanctuaries and its hatchery developed marine products.</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">PRESLEY KOKWAIYE</h3> <p style="margin: 0; font-size: small;">PAPUA NEW GUINEA</p> <p style="margin: 0; font-size: x-small;">Economic diversification of community managed marine protected areas: A business model for Anagusa Island, Milne Bay Province, PNG.</p> </div> <div style="background-color: #003366; color: white; padding: 5px; text-align: center;"> <h3 style="margin: 0;">ROSALIE MASU</h3> <p style="margin: 0; font-size: small;">SOLOMON ISLANDS</p> <p style="margin: 0; font-size: x-small;">Improving Management and Development of Sea Cucumber Fishery in Solomon Islands</p> </div>
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## II. INAUGURAL PACIFIC OCEAN FINANCE CONFERENCE

The conference was held from the 11-15 November 2019, at Coral Coast, Fiji, with participants coming from around the region and the world. They included conservation practitioners, finance experts, country representatives, Pacific Ocean Finance Program-contracted researchers, Pacific Ocean finance Fellows, regional organisations, non-government organisations and ocean investors and other interested stakeholders. The theme was “Improving finance for Pacific Ocean Health & Governance”.

The goal of the conference was to explore and further define opportunities in ocean finance in the Pacific Islands region.

- Improve collective regional understanding of ocean finance, regional challenges and opportunities to improve ocean finance, and which ocean finance solutions are best suited for the Pacific.
- Present the preliminary results of research projects funded by the Pacific Ocean Finance Program and solicit feedback from regional stakeholders and international technical experts before these research projects are finalised.
- Support Pacific Island Countries in developing national ocean finance profiles that articulate country-specific challenges and opportunities to improve national ocean finance and resource mobilisation for Sustainable Development Goal (SDG)14.



This report provides a summary of the Pacific Ocean Conference held in 2019 with deliberations of the conference, key outcomes reached and key messages focussing on the theme: Improving finance for Pacific Ocean Health and Governance.

Link to the e-report: <https://opocbluepacific.net/download/64/full-reports/797/report-for-the-2019-pacific-ocean-finance-conference.pdf>

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## Outcomes of the Conference

- The conference provided an overview on ocean finance in the Pacific Islands region, including challenges and opportunities for future application across the region. A feedback survey was issued to better understand the impact of the workshop on participants. While the topic of ocean finance was very new to many participants, they expressed having increased understanding of ocean finance broadly, and application to their countries specifically, as a result of the conference.
- The Pacific Ocean Finance Program (POFP) contractors presented their areas of ocean finances and related expertise, including insurance, marine managed areas (MMA) finance, large-scale marine protected area (LSMPA) finance, taxes and subsidies, and bonds.
- The Pacific Ocean Finance Fellows also presented their individual country research projects, with representation from: Tuvalu, Samoa, Papua New Guinea (PNG), Kiribati, Niue, the Republic of the Marshall Islands (RMI), Fiji, Republic of Palau, Tonga, the Solomon Islands, the Federated States of Micronesia (FSM), the Cook Islands, and Vanuatu.
- Participants further expressed that the practical discussions and presentations related to ocean finance policies and governance for individual country representatives and Pacific Ocean Finance Fellows strengthened their general knowledge and understanding of the various ocean finance mechanisms in relation to Pacific Island countries and territories. This provides participants with the foundation to develop tailored ocean finance profiles for their specific geographies.

### 3.3 Piloting the development of a National- Level Ocean Finance profile for Tonga

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The Tonga Ocean Finance Profile assesses the status and opportunities of ocean finance landscape and its modalities on accessing, management and delivery of ocean governance priorities. This national profiling exercise of ocean finance used four key-processes of the ocean finance framework: which are 1. generate, 2. invest, 3. align, and 4. account for financial capital to achieve sustained ocean health and governance.

These four pillars also form the essential and broad foundation for developing a resilient blue economy that promotes the conservation of aquatic and marine ecosystems and sustainable use and management of associated resources in Tonga. This framework also builds on principles of equity, low carbon development, resource efficiency, and social inclusion.

Tonga is a leader in ocean governance/planning and has a large ocean budget. However, much of this budget is secondary. The direct ocean finance is estimated at US\$20 million. Tonga's ocean budget is heavily dependent on ODA and, to a lesser degree, philanthropic donations. While traditional sources of funding remain necessary, it is recommended that Tonga generate, diversify and pursue additional revenue streams.



This report, "The Tonga Ocean Finance Profile" assesses the status and opportunities of ocean finance landscape and its modalities on accessing, management and delivery of ocean governance priorities. The ocean finance profile process is a start in identifying where Tonga can improve in ocean finance. It is an opportunity for the government, alongside development partners, civil society, and the private sector, to articulate how Tonga can increase the amount and efficacy of financial resources to achieve sustained ocean health and governance that maximizes benefits to Tonga.

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The isolation of the Tonga archipelago and the exposure to external shocks creates challenges with economic development, and when combined with perceived risk about private sector ocean investment, there are very few large-scale opportunities that are ready to receive external investment. Pipeline development and sustainable development capacity building are required before Tonga is ready for large-scale ocean impact investments. Small-scale opportunities for new ocean finance mechanisms do exist and they are well-matched to the scale of traditional and cultural governance structures. The whale-watching and super yacht industries provide unique opportunities for local communities to gain economic benefits from their well-managed marine resources.

There is an important and urgent opportunity to insert a finance facility or ocean finance mechanism(s) in the forthcoming Tonga Ocean Plan, to build towards a diversified portfolio of revenue streams to support this overarching ocean governance policy framework. Underlying all ocean finance work is the need to better understand and strengthen Tonga's capacity to generate, invest, align, and account for ocean investments. The ocean finance profile process is a start in identifying where Tonga can improve in ocean finance. It is an opportunity for the government, alongside development partners, civil society, and the private sector, to articulate how Tonga can increase the amount and efficacy of financial resources to achieve sustained ocean health and governance that maximizes benefits to Tonga.

## 4.0 OTHER RELATED BENEFITS OF THE PROP PROJECT

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This Component focussed on setting the scene for Ocean Financing in the Pacific region through developing an overall description of Ocean Financing concepts and then commissioning a series of consultancy reports on technical mechanisms for Ocean Financing. Three reports provided insights on technical aspects of the respective financing tools along with an overview of possible applications in the region (including national and sectoral descriptions where relevant):

- Analysis and Development of a Pacific Ocean Bond
- Analysis and Development of Pacific Ocean Risk Insurance
- Analysis of taxes and subsidies relevant to Pacific Ocean Health

Two further reports provided summaries of marine protection at large (global) and community scale respectively. The first presented comparative analysis of financing options for large scale MPAs, while the second report developed a tiered set of approaches for financing community scale management based on on-the-ground experience in the Pacific Islands region:

- Funding marine protection at large scale
- Analysis and Development of a replicable Community Managed Marine Area finance mechanism

The Pacific Oceans Commission held a formal launch of the Ocean Finance reports in early 2021(link: <https://opocbluepacific.net/2021-ocean-report-launch-affirms-value-of-the-blue-economy/> ); the Component 3 reports in full can be downloaded at: <https://opocbluepacific.net/publications/#64-full-reports>.

### **Ocean Finance Profiles**

A major activity in Component 3 was the development of national Ocean Finance Profiles. A template for developing national profiles was prepared in 2018 but work to roll this out was delayed. One ocean finance profile – for Tonga – was completed in 2021.

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## Pacific Ocean Finance Fellowship

The Pacific Ocean Finance Fellowship programme (POFP) was initiated as a way to build capacity in the region relating to ocean financing, and also ‘socialise’ the concepts involved. Applications were invited for the programme in 2019, with the intention of offering fellowships to one person from each participating country. Twelve ‘fellows’ participated in the programme, representing Cook Islands, Fiji, Federated States of Micronesia, Marshall Islands, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. The format involved:

- An initial joint workshop / training event (1 week)
- Preparation of a project concept to be developed by each fellow during the course of the programme
- Fellows work to develop individual project, with mentoring support from trainers (on-line)
- A second joint workshop / training event (1 week)
- Participation in the Pacific Ocean Finance Conference and presentation of projects.
- Finalisation of individual projects

## Pacific Ocean Finance Conference

This Component also supported a regional Pacific Ocean Finance Conference in 2019, which brought together the various streams of work on Ocean Finance along with relevant regional stakeholders.

The Conference attracted over 80 participants coming from around the Pacific region and the world. They included conservation practitioners, finance experts, country representatives, Pacific Ocean Finance Program-contracted researchers, regional organisations, non-government organisations and ocean investors.

The ocean finance reports has added to the growing body of information for capacity building initiatives on ocean finance and the blue economy. The reports informs policy making on increase ocean finance for economic diversification and efficacy of finance for the sustainable use of the Blue Pacific Ocean.

In launching the Ocean Finance reports, Hon Seve Paeniu, Minister of Finance and Chair of the Pacific Islands Forum Economic Ministers Meeting (FEMM), quoted, “The launching and dissemination of these Ocean Finance Reports, contributes to the fulfilment of some of our 2020 FEMM outcomes (e.g. decision 15(v) of 2020 FEMM outcomes). This is in relation to Forum Island Countries’ plea to our Development Partners and International Financial Institutions, to explore and provide levels of support on innovative financing measures to support the economic recovery from the COVID-19 pandemic and our own economic growth.”

## 5.0 RECOMMENDATIONS

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Some recommendations include the following:

1. Encourage Members Countries to explore the reports and sensitize the findings with their key stakeholders such as Ministry of Finance, Ministry of Fisheries, Ministry of Environment, to name a few.
2. Encourage Members Countries and Regional Organisations to follow up with their individual fellow who participated in the fellowship program to continue their efforts on their projects; as well as building further local networks that could contribute to increasing ocean finance and projects in their countries.
3. Encourage partners to facilitate more dialogues and expert meetings on ocean finance topics
4. Encourage partners to build on the Tonga Ocean Finance Profile methodology to develop other Member Countries' National Ocean Finance Profiles that are aligned to their National Ocean Policies or related national policy frameworks.

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