



ADVANCING FINANCE FOR FIPs

Strategies to unlock public
and private finance for Fishery
Improvement Projects (FIPs)





About Future of Fish

Future of Fish is an international non-profit that supports small-scale fisheries and communities impacted by overfishing to build sustainable livelihoods while also protecting fish, a critical source of protein for billions of people worldwide. www.futureoffish.org

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The following report is an output of nearly two years of research, conversations, interviews, and meetings with key stakeholders involved in FIPs in general, and especially participants to the Belize spiny lobster FIP+ and Peruvian Mahi-mahi longline FIP. The ideas presented here reflect insights based on deep collaboration, and we acknowledge the enormous intellectual contribution from colleagues at TNC Belize, Blue Ventures, and the Steering Committee of the Belize Spiny Lobster FIP+; likewise, colleagues with WWF Peru, WWF US, SPDA, Intelfin, Asesorandes, Oikocredit and CARE have contributed substantially to our current thinking and approaches in Peru. Finally, we recognize and appreciate the contributions of FIP and finance experts that participated in our finance workshop and those with whom we have had on-going conversations over the past two years regarding how to advance 3E outcomes in small-scale fisheries. In acknowledging the contributions of these experts, we hereby also take full responsibility for the content of this report, which reflects our current understanding of a complex and dynamic space. We expect to continue to refine and advance the concepts presented here and offer this report as a working draft. We look forward to input and updates from the sustainable seafood and conservation finance communities.

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Purpose

This report proposes a development framework and associated strategies for diversifying and increasing funding to support success of FIPs, with a particular focus on small scale fisheries (SSF) and fisheries in the developing world context. In particular, the framework:

- Recognises the key enabling conditions, drivers for impact, and requirements for investment, including both asset and enabling investments for a sustainable and profitable SSF;
- Introduces the concept of a multi-level action strategy, which connects FIPs with other initiatives to build collective impact and unlock greater financing; and
- Incorporates a blended finance and landscape approach (expanding impacts to include environment, economic, and equity (3E) considerations) in order to match funders with goals, identify entry points, and design a multiphased project that includes an investment readiness phase. The pathway starts with addressing barriers to finance and then progresses to attracting return-seeking investment in later stages.

To apply the proposed framework and implement the strategies, we need to build a network of practitioners who can serve as landscape managers or “developers” to advance this landscape approach for fisheries improvement. We hope this document helps progress conversation and attract interest by:

1. Outlining a framework based on blended finance and landscape management approaches for advancing finance to FIP+s—FIPs that seek to advance economic, equity, and environmental impacts;
2. Providing “developers” with a summary of the complex but exciting opportunity that FIP+s offer for driving positive impact in coastal communities and ecosystems, especially in the developing world;
3. Detailing two specific examples of this framework as it is being developed for FIP+s in Belize (Spiny Lobster) and Peru (Mahi mahi); and
4. Highlighting pathways for FIP implementers to consider opportunities beyond market levers to drive improvements.

Future of Fish has also created a companion report, *A Guide for Advancing the FIP+ (FIP+ Guide)*, focused on design and strategy recommendations for advancing FIP+, including an introduction to the finance concepts developed here. We recommend the FIP+ Guide as a starting point for those not as familiar with the finance space.

PART 1

The FIP+ Finance Theory of Change

Momentum is building at a global level for solutions that can drive environmental, equity, and economic impacts (3E). From Sustainable Development Goals (SDGs) to new efforts within FIPs to include social responsibility and consider financial consequences), practitioners across diverse sectors are recognizing the strategic benefits (and ethical responsibility) of designing transformation processes that marry conservation, social, and economic improvements.

In this section, we explore the finance opportunity that this momentum brings for the sustainable seafood sector. We introduce the potential for landscape management approaches, combined with the concept of blended finance, to help address core barriers to finance that currently limit FIP projects. This work synthesizes the extensive body of research that has emerged in recent years investigating key barriers to finance in fisheries as well as triple impact approaches applied to other sectors.

Introduction

THE FINANCE CHALLENGE OF FIPS

Fisheries and the global seafood supply chains they support are complex systems that have their own biology, infrastructure, culture, politics, institutions, and market considerations. Solving for sustainability within such complexity requires integrated solutions to restore and sustain healthy fish stocks and ocean ecosystems while preserving livelihoods and building greater equity for coastal communities. Today, Fishery Improvement Project (FIP) practitioners are recognizing the need to support both environmental and social improvements in fisheries and associated supply chains; in addition, there are growing concerns over how FIP activities may create unexpected and negative consequences, including financial hardship for fishers. Designing solutions that can effectively address environmental, equity, and economic (3E) impacts adds complexity and cost to the FIP equation.

While FIPs are a leading model for applying market leverage to drive more environmentally sustainable fisheries, current investments made in FIPs by industry and philanthropic (and very recently, development aid) donors are essential but insufficient to address all the costs associated with sector reform. This problem is exacerbated in developing countries, where there is significant need for fishery improvements yet core enabling conditions are lacking for FIP success.

The benefits of 3E (or triple impact) approaches to FIPs, heretofore referred to as “FIP+”, may be more necessary than ever in order for practitioners to gain traction in these more complex fisheries—and will require additional financial support. As noted in the most recent Global FIP Assessment, “Faced with new challenges in less developed countries and small scale fisheries, FIPs are being drawn into the world of human rights, economic development, poverty reduction, and food security—likely for the better—making implementation more intensive and costly” (CEA, 2020).

Table 1. Summary of the core barriers to finance in fisheries and SSF from the most recent literature relevant to the FIP context.

Barrier	Conditions Needed to Unlock Finance	Source
Lack of government engagement and capacity limits data	Investors need information in order to evaluate and manage risk; Investors need information that shows the stock is sustainable.	CEA 2020 Holmes et al., 2014
Lack of government engagement and capacity for monitoring and enforcement	Strong enforcement and monitoring ensures that the value and cash flows generated from a productive fishery are secured and participants are legal.	Holmes et al., 2014
Lack of secure tenure	Access and fishing rights, as well as the use of sound management data, have been identified as the most crucial elements of success associated with positive ecological and socioeconomic outcomes. Secure tenure ensures safe and enforceable legal rights (by effort, catch volume, or place) to a fishery, allowing commercial and private investors to confidently invest in the catching sector.	CEA 2012; Holmes et al. 2014; Inamdar et al. 2016; Anderson et al. 2016

Barrier	Conditions Needed to Unlock Finance	Source
Inconsistent market engagement	Consistent market demand is central to the success of FIPs, as market access and value creation drives the business case and secures revenue to seek a finance strategy. Consistent demand for sustainable seafood is essential at all stages of the supply chain to be able to deliver improvements in a fishery resource.	CEA, 2020
Lack of tailored strategies to overcome challenges of SSF	Seafood certifications and FIPs have found constraints when applying to developing world, small-scale fisheries. In those realities, project success is limited which, in turn, limits the potential of investment. Thus, new strategies are needed.	CEA 2020
Fisheries “Finance Gap”	Lack of resources available to support the early stages of governance reform and required infrastructure for sustainable and legal production, where returns are not easily monetizable, thus private capital is less likely to invest. Early stages of FIP and FIP+ lack funding-- funding is primarily for assessment; industry funding is limited in terms of ability to support early stage coordination and development for execution of FIP activities or development of blended finance strategies.	EDF, 2018 Inamdar et al. 2016; FoF Lessons Learned 2020
Lack of fishery infrastructure	Infrastructure refers to the physical and organizational structures and facilities that allow an enterprise to operate. In the context of the fisheries supply chain, strong infrastructure enables fish to travel through the supply chain without losing value (quality). Lack of infrastructure limits value and investment opportunity.	Holmes et al, 2014
Lack of project pipeline	Without governments establishing the enabling conditions, SSF remains informal or under illegal practices, which prevent investors from engaging. FIPs can work to implement proof of concepts to demonstrate the business case of investing in fisheries and generate a project pipeline for return-seeking investments.	Holmes et al, 2014 Inamdar et al. 2016
FIP lack legal and governance structures for investment	The legal and governance structures of FIPs are not appropriate for project financing or similar investments. Therefore, vehicles that complement the FIP are the only viable path to opening up return-seeking public or private capital.	
Need for blended finance approach to de-risk and crowd-in private funding	To reduce the risks inherent in fisheries to levels that investors can tolerate, governments, development institutions, NGOs, foundations, and industry actors must strategically fund interventions (through either concessional lending, grants, and/or technical assistance) with the intention of removing the barriers to impact investment	FoF, 2019; Inamdar et al, 2016

By and large, FIP implementers have not yet tapped into the enormous pool of capital that sits in the public and private sector space (CEA 2020). Numerous studies have noted the core barriers and lack of conditions that significantly limit financing opportunities within fisheries, and small scale fisheries (SSF) in particular, and thus also affect the traditional FIP model (Table 1). These barriers imply the need for broadening the scope of FIPs in order to leverage public and development finance to overcome structural barriers that are preventing return-seeking capital from crowding-in.

Faced with these challenge of how to more effectively support and execute FIP+ projects, this report explores two related questions:

1. How might we unlock larger and more diverse financing to support FIPs?; and
2. How might 3E approaches to fisheries transformation create new opportunities to unlock this financing?

THE FINANCE OPPORTUNITY FOR FIP+

The expansion of the FIP model to include social and economic concerns is a necessity as well as an opportunity. First and foremost, the addition of social considerations within FIPs is critical for ensuring that any market advantage driven by the model does not unintentionally benefit actors that rely on illegal or abusive practices when it comes to human welfare. Additionally, the expanded scope provides new pathways for more effectively engaging stakeholders and attracting resources from outside the traditional FIP circle of participants and funders. This is especially relevant for aligning and engaging with public bodies and funders who may invest in the enabling conditions for sustainable fisheries that can generate long term socio-economic and environmental impacts.

At Future of Fish, we created the Fishery Development Model (FDM)¹ as a process and framework for advancing such 3E transformation in fisheries and have been researching its application and potential benefits to FIPs for the past several years.² What we have found so far is that, from a stakeholder engagement perspective, a 3E approach creates the opportunity to provide benefits over shorter time horizons than programs focused on only environmental improvements, which inherently take some time. This approach also allows practitioners to address critical pain points, building trust and the enabling conditions for more effective participation in environmentally-oriented solutions.

From a financial perspective, the FIP+ approach aligns with the increasing number of initiatives focused on advancing economic development and environmental sustainability of the oceans.³ The year 2021 marks the start of the UN Decade for the Oceans, and according to the High Level Panel for a Sustainable Ocean Economy (Ocean Panel, 2020), US\$90 trillion is projected to be invested over the next decade on infrastructure alone, much of which will be on the coast. Distinguished from previous “ocean economy” development, popular definitions of the “blue economy” today marry sustainable development with green growth, and explicitly seek to foster social inclusion, environmental sustainability, and economic growth linked with improved livelihoods (Wenhai et al. 2019). Now, more than ever, resources are being focused on how to sustainably develop the estimated \$24 trillion dollars of ocean assets around the world.

Combined with other global efforts such as the Sustainable Development Goals (SDGs) and biodiversity and climate change targets, this momentum offers enormous opportunity to drive funding towards FIP+ projects; a FIP+ multi-stakeholder platform and activities can help countries—in addition to seafood companies—meet their commitments to foster prosperity for people and the planet.

1. Future of Fish's *Fishery Development Model (FDM)* is a 3E approach to driving fishery transformation around the world. It is a landscape management approach that includes five streams of focus: (1) Data/Technology, which includes environmental components of MSC criteria such as stock biomass, bycatch, etc.; (2) Value Chain; (3) Governance, which includes management and policy components of MSC criteria; (4) Deal Structuring; and (5) Livelihoods. The FDM looks holistically across the five streams to identify culturally appropriate and fishery-specific improvements and then co-designs interventions to ensure stakeholder-specific incentives are built in. The ultimate goal is to create sustainable, data-rich, investable fisheries that deliver environmental, economic, and social returns.

2. To date, we have conducted a global scan of barriers and strategies for success in FIPs, integrated the FDM into two FIPs (Peruvian Mahi-mahi and Belizean Spiny Lobster), as well as led a finance-focused workshop on how to unlock finance in FIPs.

3. See for example: UN Decade of the Oceans; Sustainable Development Goal (SDG) 14; and biodiversity targets, including 30% protection of land and ocean area by 2030 led by the High Ambition Coalition for Nature and People: <https://www.hacfornatureandpeople.org/why-30x30>.

Successful models for such holistic approaches towards 3E improvement can be found in other sectors, particularly agriculture (commodity products, such as coffee or cocoa) and forestry in developing countries. These sectors are also experimenting with how to address the effects of climate change and anthropogenic impacts on natural resources, and are also connected to global value chains and small scale production. In the last 20-30 years, these sectors have advanced innovative and programmatic solutions under “landscape management approaches,” including ecosystem-based climate action, driving change by unlocking public and private resources via blended finance approaches, and successfully incentivising the integration of stakeholders under common and long-term visions.

Today, the blue economy continues to lag behind its terrestrial counterpart, but momentum is building for new approaches to drive transformation. Here, we propose to integrate a landscape management approach into FIPs (creating FIP+), and connect national programmatic strategies to FIP+ objectives, unlocking resources that can help develop the enabling conditions and provide the tools to overcome the operational and technical challenges which currently limit FIP success, especially in small-scale fisheries and developing world contexts.

Leveraging Novel Finance Approaches to FIP+

The FIP+ remains, at its core, a multi-stakeholder engagement platform that leverages market drivers to push for specific improvements in a fishery. The key differences under the proposed development framework, are that:

1. FIP+ improvements also include economic and equity impacts, along with environmental ones (3E impact); and
2. The FIP+ leverages multiple drivers and financial mechanisms in addition to the reliance on market drivers (supplemented by philanthropic support) of a traditional FIP.

For FIP+ implementers, the goal is to strategically identify how to harness existing resources in the system (often, initiatives at a country-level) to drive progress within the FIP+. The proposed framework helps to guide practitioners through the various levels of engagement and considerations that can help shape this strategic work, and includes core elements of both landscape management and blended finance approaches.

OVERVIEW AND INTRODUCTION TO LANDSCAPE MANAGEMENT

The term landscape refers to interconnected socio-ecological systems that are shaped by their local contexts and histories—typically within boundaries defined by culture, bioregion, or jurisdiction (SHAMES et al, 2020). **Integrated Landscape Management** (EcoAgriculture Partners) involves long-term collaboration among different groups of land managers and stakeholders to achieve their multiple objectives and expectations within the landscape for local livelihoods, health and well-being.

The landscape approach ensures inclusiveness of all stakeholders are accounted for and that the development and execution of technical, institutional, market, and policy solutions enable stakeholders to better align and integrate efforts. The ultimate goal is that landscapes are managed by their stakeholders, across sectoral and administrative boundaries, in a way that integrates food security, sustainable production, livelihood development, and ecosystem services. At its core, integrated landscape management involves a systematic process of stakeholder engagement, landscape assessment, collaborative visioning and action planning, accessing finance, encouraging action, and assessing impact for adaptive learning. The approach works by enabling

stakeholders to achieve synergies and more effectively manage trade-offs across a wide range of economic, social, environmental, and cultural goals.

Investment Types within Integrated Landscape Management

Long term financing is a key aspect of the landscape management approach, and is based on two different types of investment (SHAMES et al, 2020):

- a. **Asset investments**, which directly improve production, ecosystems, income or other aspects of the landscape. Most asset investments should generate financial returns for the investor, though some conservation investments may not. Typical examples are the financing of value chain and production activities, but it can include natural restoration investments or payment for ecosystems services related to fishers sustainable management.
- b. **Enabling investments** lay the institutional and policy foundation for asset investments by generating the driver for impact and positive incentives. These are typically investments in stakeholder engagement and cooperation, strengthening legal and regulatory frameworks, knowledge and capacity to plan and manage on a landscape scale, and the development of incentive mechanisms. Typical FIP activities fall within this category of investments, as do FIP+ activities that are non-return-seeking.

These investment types then work together to form the Integrated Landscape Management investment portfolio. To build and finance the portfolio, the following are four key elements within a landscape management approach (adapted from SHAMES et al, 2020):

1. **Investment readiness at the landscape scale.** Creating the enabling conditions to prepare the fishery for project-level investment is essential. Building this readiness is an important aspect of a landscape partnership's action plan and overall financial strategy. It will typically require negotiation and actions by government agencies, businesses, civil society organizations, universities, and other actors.
2. **A robust pipeline for a portfolio of investable projects.** Developing such a pipeline requires a systematic process that begins with the collective development of a long-term landscape vision and action plan and the generation of individual landscape-friendly investment ideas.
3. **Accessible sources of finance with appropriate deal structures.** To meet the needs of landscape-friendly investments, financial deals need to be structured in innovative ways in terms of size, time horizon, and risk/return. The blended finance approach is a core de-risking strategy, along with risk guarantees and insurance. Nonfinancial risk-reducing actions may be promoted by the landscape partnership, for example, in relation to regulation, trust building, or ensuring complementary investments are made by other actors.
4. **Mechanisms to coordinate financing of the investment portfolio.** Depending on how big the initiative is, it may require a mechanism to coordinate and connect projects in the investment portfolio with suitable sources of financing.

Evolution of landscape investment and financing over time

The mix of financing will evolve as integrated landscape initiatives and specific landscape projects develop. Sequential investments over time build on the achievements of earlier investments. In the early stages of a landscape partnership, finance—usually provided from philanthropic and public sector sources—is needed for enabling investments in stakeholder convening and planning, business concept testing, and capacity building. Once the partnership is established and associated businesses develop, local commercial finance will play a more important role. Funding sources will shift from smaller and shorter term to larger and longer term as landscape businesses and projects mature.

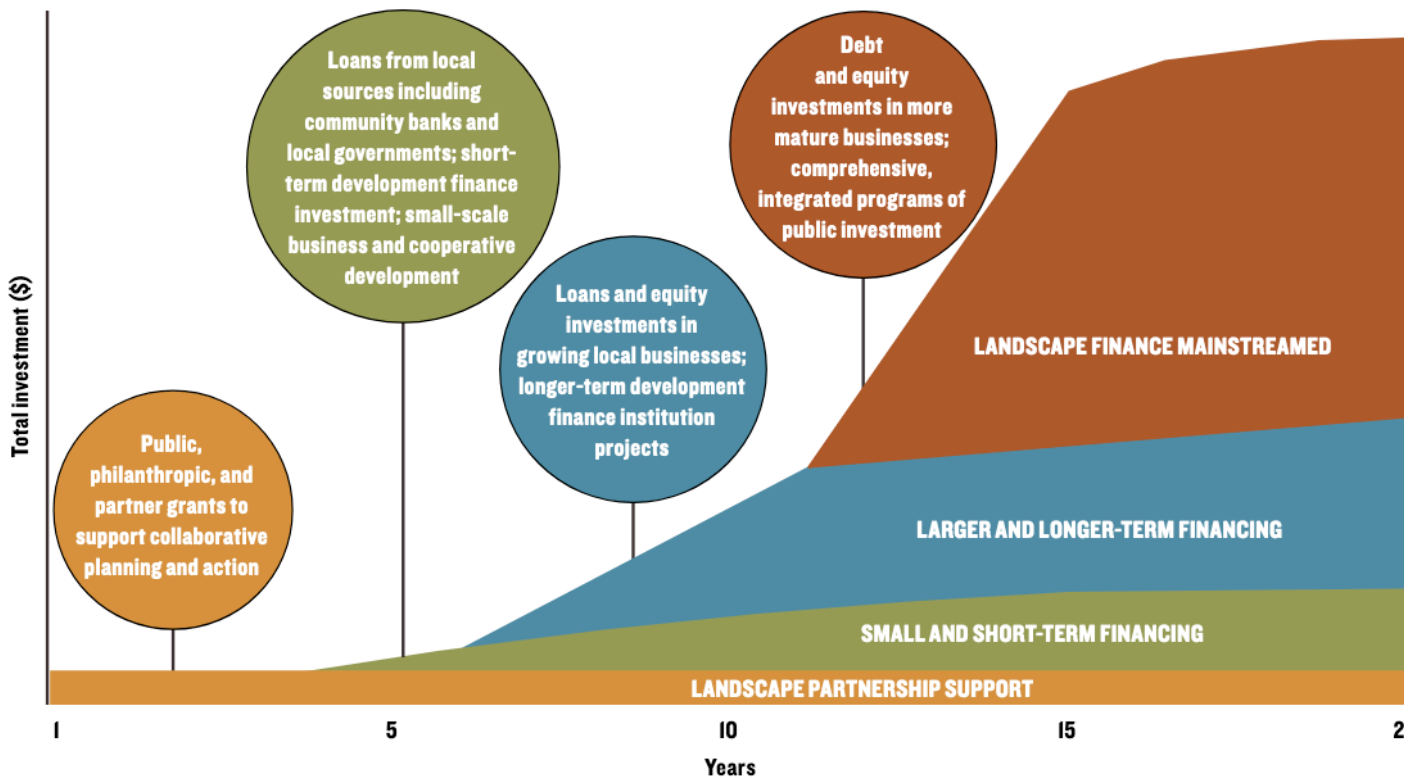


Figure 1. The source and volume of funds over time, demonstrating the ability to crowd-in capital and increase total funding over time. To "Landscape Partnership Support" we would also include system enabling investments Source: Shames et al., 2020.

OVERVIEW OF BLENDED FINANCE

By definition, blended finance is an investment structuring approach that combines public and private capital to reduce risks and allow institutions to invest together while achieving their own objectives (return, risk, and impact) (see Box 1).⁴ Ultimately, this approach aims to attract commercial capital towards projects that benefit society while providing financial returns to investors. Critically, this approach helps mobilize additional capital that would not otherwise support sustainability or development outcomes, which are increasingly required to achieve more equitable, environmentally sustainable, and prosperous societies.

BOX 1 - Blended Finance definition

Blended finance is an emerging strategy to leverage philanthropic and development capital to crowd-in private investment in the pursuit of sustainable development (Figure 1).

Blended finance is an **investment structuring approach** that combines public and private capital, to reduce risks and for institutions to invest together while achieving their own objectives (return, risk and impact)

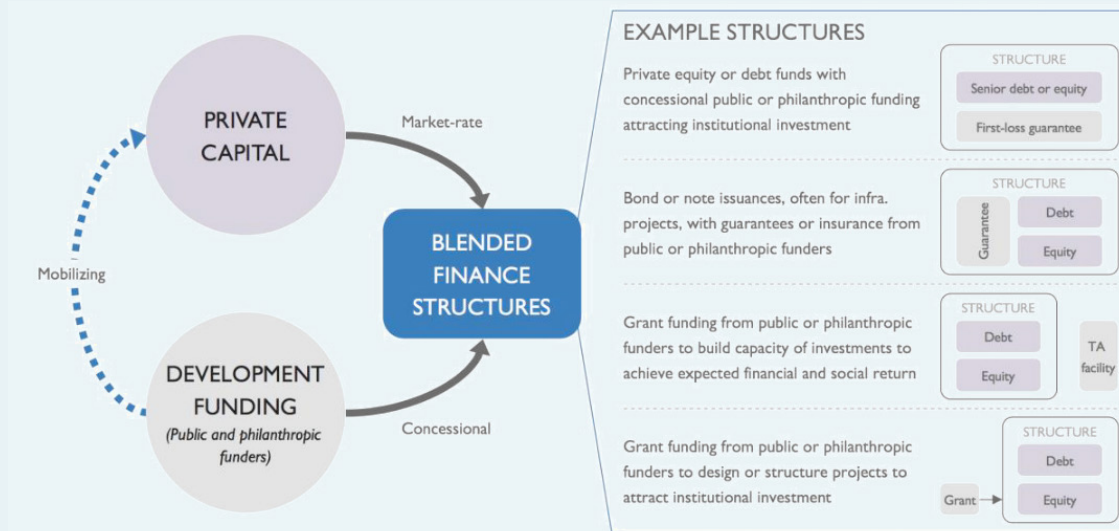
Blended finance exists to **mobilize investment to triple impact** projects that are bankable “as is” or require a level of risk mitigation to make them bankable.

Blended finance is characterised by:

- **Impact:** supporting impact-based strategies to contribute to achieving sustainable development;
- **Return:** investments that must generate a positive financial return;
- **Limit risks:** public and/or philanthropic financing serves as catalytic capital that reduces and limits risks to realise returns in line with market expectations, and
- **Leverage:** leveraging and crowding in private investment, to increase scale and impact

Existence of **different type of blended finance archetypes:**

- The structure is tailor-made to the problem and the solution proposed.
- The combination of instruments will depend on the market and system level of development, and the level of risk perception and how to mitigate it.



4. Future Of Fish’s approach to Blended Finance follows definitions from Convergence, Conservation Finance Alliance, FAO, WEF, UNDP’s BIOFIN, GIIN, and OCDE. See References..

The terminology and application of blended finance is commonly confusing, so at Future of Fish we distinguish between:

- **Capital coordination** intends to match specific funding with financial needs and goals of targeted projects at any stage. It matches funding mandates with specific projects within the FIP+, and does this goal by goal. Capital coordination of concessional and grant funding has particular relevance at readiness phases and for strategies that are centered on building enabling conditions in early stages of the FIP+, with funding often supporting the execution of services from experienced service providers to achieve specific solutions that help lay the groundwork of enabling conditions broadly in the fishery.
- **Blended finance**, which is a financial structuring approach, is a strategy for attracting private finance to fisheries and it also includes, importantly, preparatory finance in order to execute pilots and fund landscape level initiatives that enable the unlocking of private capital. Blended finance is an investment approach, and that is the main difference with capital coordination that consists of matching needs with funders. As an investment approach, blended finance requires a longer time horizon and looks for a combination of instruments and sources to finance a project or integrating a finance vehicle to attract private capital by using public finance to de-risk opportunities.

In the case of immature fisheries where the government is not engaged and the enabling conditions of the fishery system are not in place, capital coordination often becomes the preliminary strategy to any blended finance approach. This implies that a blended finance strategy for many FIP+s may require a lift from grant-based funds through capital coordination to create the enabling conditions that set the basis for investment readiness where return-seeking investments can then come in.

In the case of immature fisheries where there is a particular engagement from the government and alignment with international commitments and programs, there may be opportunity to fast-track to create a long-term blended finance strategy, as has been the case of Seychelles (see Appendix 3), built on innovative finance structures to support blue economy and fisheries transformation.

Ultimately, the blended finance approach is a necessity in the investment and intervention design for fisheries transformation, as it combines multiple sources of finance and focuses on solutions that support risk mitigation while increasing resilience and opportunity that is necessary to advance FIP+. Future of Fish has developed a *Blended Finance Approach and Roadmap*,⁵ which provides a pathway for building a blended finance strategy for fisheries, especially for SSF and developing world fisheries. The approach depends upon defining a common long term vision among stakeholders that recognizes a continuum of investment and impact, considering the following five key elements critical to design of a blended finance strategy:

1. SMART indicators and a common vision for IMPACT
2. Volume or value enough to generate a RETURN
3. Carefully and strategically match instruments to funders/investors to generate ADDITIONALITY
4. Manage RISK through both financial instruments designed to mitigate risk and by building enabling conditions
5. Follow the PRINCIPLES of blended finance (OECD).

5. Access to the full *Blended Finance Approach and Roadmap* can be provided upon request.

The *Roadmap* to design a blended finance strategy can apply to any intervention in a fishery; however, the *strategy and approach must fit* the specific fishery context. The starting point for blended finance is a deep understanding of the maturity level of the fishery (resource management and governance, fishers' organizations maturity and capacities, infrastructure capacity and market demand) and the fishery community needs. Next, analysis of data and market opportunities for long-term investment possibilities, as well as prioritization of levers to incentivize social and environmental impact, can be defined.

SYSTEM MOMENTUM

Despite well-documented long-term benefits, the transition to sustainable fisheries still needs a strong level of political opportunity and will. Though this has been a challenge for FIPs especially in the developing world, shifts in global, regional, and national development agendas and initiatives present an opportunity to overcome this barrier. Today, there exist multiple new pathways to mobilize public and private investments and leverage conservation, climate, and international trade funds (Box 2).

To date, many of these funds have been devoted to finance adaptation and mitigation measures around the intersection of forest preservation and agriculture expansion in order to reduce GHG emissions and avoid deforestation. FIP+s could learn from strategies and resource mobilization experiences from other sectors. For example, Forestry Investment Programs for Reducing Emissions from Deforestation and Degradation (REDD+) (Appendix 3) is a promising approach.

While the ocean space remains more limited, creative finance vehicles are being pioneered for national level investments in oceans. The debt-for-nature-swap and blue bond scheme in the Seychelles is an example (Appendix 3). Tapping into this momentum is a key strategic element of our proposed framework.

Box 2. Country-level commitments to sustainable development and environmental conservation are driving national policies and initiatives.

Some of the most promising include: Sustainable Development Goals, Paris Agreement for Climate Change, the Ocean Panel, and the UN Convention on Biological Diversity.

To implement these commitments, countries are currently in the process of defining and reviewing their national strategies and plans to address their global commitments. In relation to ocean and fisheries, **Nationally Determined Contribution (NDCs)** and **National Sustainable Ocean Plans (NSOP)** are promising opportunities for FIP+s to engage. **NDCs** represent the primary implementation mechanism of the Paris Agreement, and many countries are incorporating sustainable management of ocean ecosystems and protection of coastal wetlands as part of their NDC target renewal for the 2021 – 2025 period. **NSOP** are set by members to the Ocean Panel to reach sustainable and integrated management of 100% of jurisdictional waters, and are science-informed, ecosystem-based and goal-oriented. The NSOP include: inclusive and participatory approaches to address trade-offs and distribute benefits equitably; consider collective impact of human activities on ocean ecosystems; and build on existing initiatives and promote monitoring and assessment to check progress.

As signatories to these various conventions, countries can gain access to significant sources of funding focused on sustainable development and climate change mitigation including:

1. Concessional funds, such as the Blue Action Fund (Appendix 2), part of the Green Climate Fund (GCF), is one of the world's largest public funders promoting marine conservation and sustainable livelihoods in coastal communities) and the Global Environmental Facility (GEF) to support specific mitigation and adaptation strategies to climate change;
2. National Development Funding
3. Development funds from multilateral institutions and bilateral development institutions that are focusing on socio-economic development and commitment to conservation and sustainable development conventions.
4. Institutional (private) investors are showing increased interest in financing the sustainable ocean economy (Responsible Investor survey). Note : investors do not provide a source of funding directly to governments, but can invest in businesses and blended finance vehicles that are linked to these national commitments.

PART 2

A Working Finance Framework for FIP+

Future of Fish has designed a working development framework to support more strategic and diverse financing of FIP+. This framework draws upon insights from landscape management approach and blended finance strategies to attract novel financing opportunities from both the public and private sectors to generate 3E impact. This framework is a working prototype and we welcome input from practitioners experimenting with novel finance approaches for FIPs and small scale fisheries around the world.

Introduction

The roadmap to unlocking investment for FIP+ is not straightforward, however suitable paths to finance fisheries, including small-scale fisheries, have been documented and shared with a major expert consensus (Holmes et al, 2014; EDF, 2018; EDF, 2018b; OCEAN ACTION, 2020). The working framework presented here builds upon this body of work, including suggested approaches and strategies that can bridge the gap to engage immature fisheries to become more investable.

CONDITIONS TO UNLOCK INVESTMENT

Current literature and FoF field experience have identified basic system conditions that are necessary for a regulated, profitable, and sustainable (3E) fishery to attract long-term, scalable investment (Table 2) and the finance implications to reach them. It should be noted that the finance implications will vary depending on the maturity and the goals of the specific FIP+.

Table 2. Summary of basic systems conditions necessary for 3E fisheries to attract long term scalable investment and a list of accompanying finance implications of these conditions. Italics denote areas of activity that are not usually addressed by a standard FIP but would be included within a FIP+.

Type of Condition	Description of condition	Finance Implications
Fishery System Enablers	<ul style="list-style-type: none"> Secure Tenure (consistent with FAO guidelines (2012)) and informed by SRAT; Sustainable Harvest via strengthening science-based rules; informed by MSC pre-assessment or rapid assessment; Governance through political willingness and legal and regulatory frameworks. Robust monitoring and enforcement systems; informed by MSC pre-assessment or rapid assessment Financial literacy and business planning and management of project developers, entrepreneurs, and communities; and Knowledge and capacity to plan, including data collection and management systems. 	<p>Assessing these conditions in a scoping phase would help determine maturity of the fishery, and strategy needs.</p> <p>Achieving these conditions requires enabling investments, especially high risk and grant funding. Requires active participation of government, international regulatory bodies, and alignment with national strategies.</p> <p>In addition to supporting more effective management of the fishery, fisheries with these conditions in place can reduce, manage, and control risks and set the needed infrastructure, management, and data to attract capital.</p>
Drivers for triple impact and Engagement Enablers (conditions that allow individuals to participate in a change-making process)	<ul style="list-style-type: none"> Ecosystem health through stock management and capacity building for co-management; Business health through capacity building of business and grass roots organizations and by maximising value utilization through: <ul style="list-style-type: none"> Quality Improvements; Operational efficiencies; Product-market optimization; and Value-added products. Community and human development to deliver socio-economic value and benefits. (See FIP+Guide report section on socio-economic engagement enablers) 	<p>Achieving these conditions requires enabling investments and/or asset investments. Requires public-private coordination and or cross-sector partnerships. Depending on the maturity and the challenges, the focus could be grant and high risk, concessional capital, or impact investing.</p> <p>Fundamental to develop alignment with investors and landscape stakeholders through a long term vision of impact and investing. To achieve this requires stakeholders develop a Theory of Change or Logic Framework, considering outputs, outcomes, and impacts.</p>

Type of Condition	Description of condition	Finance Implications
Requirements for pipeline investable projects	<ul style="list-style-type: none"> • Roadmap and business case • Investable entities • Collateral and cash flows • Mechanisms capturing return • Risk assessment and management • Incentives and disincentives of public and private stakeholders 	<p>These are the conditions of any project to attract asset investments, meaning long term profit-seeking capital. All investors seeking any type of return, no matter their risk profile, will check these conditions via due diligence.</p>

Development Framework for FIP+

Future of Fish’s FDM is a form of landscape approach to achieve fisheries transformation. Building off this model, our development framework for FIP+ (the “Framework”) includes three components that support the development of a finance strategy that can support our approach to build long-term vision, planning and collective action necessary for 3E fishery transformation. The three components are: levels of engagement; phases of investment; and landscape levers.

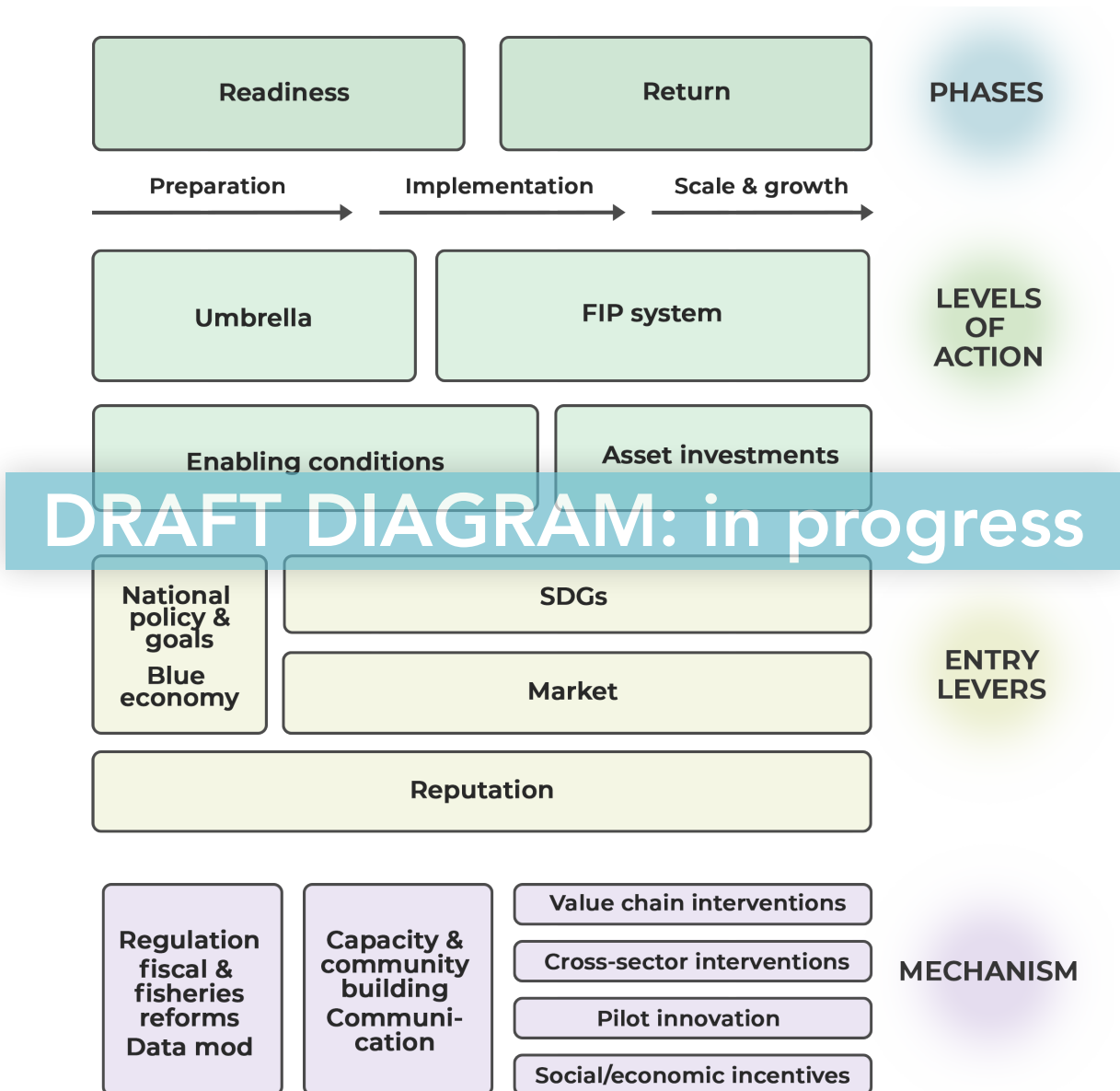


Figure 3. Overview of The Framework (figure to come in designed version).

LEVELS OF ENGAGEMENT

The Framework considers three levels of engagement for FIP+ stakeholders (Table 3):



Umbrella level (Figure 4), where FIP+ management connects with global players, other FIP+ players, market roundtables, and government to align FIP+ strategy with national and government strategies, which can be key to unlock funding for enabling conditions at scale.



FIP+ level, which comprises the FIP+ objectives and associated activities of the workplan and partnerships, and is specific to a fishery and the communities associated with that fishery for which we are measuring socio-economic and environmental outcomes. Projects that seek to move forward specific enabling conditions or address a single barrier (such as supporting development and application of a stock assessment) exist within this level. The FIP+ level is intensive in coordination and management in order to leverage and scale funding within a comprehensive and aligned strategy at the FIP+ level to reach triple impact goals.



Pilot level, embodies individual pilots that are part of the FIP+ strategy, but are conceived as individual, cross-sector projects that function as a proof of concept. The distinction between FIP+ level and Pilot level projects are that Pilot level projects are catalytic in testing innovations, business models, strategic approaches, and demonstrating the case to stakeholders, investors, and the fisher community. Pilot projects are by design cross-sector, and focused on implementing several different but coordinated interventions at a small scale to prove impact and build the evidence to support scaled approaches that could attract blended finance structures.

DRAFT DIAGRAM: in progress

Current situation:
FIPs operate as iso-
lated fishery-oriented
proejcts



Framework approach:
FIP+s operate as
one of many projects
within larger national
level strategies; FIP+s
can also work to-
gether on shared
objectives.

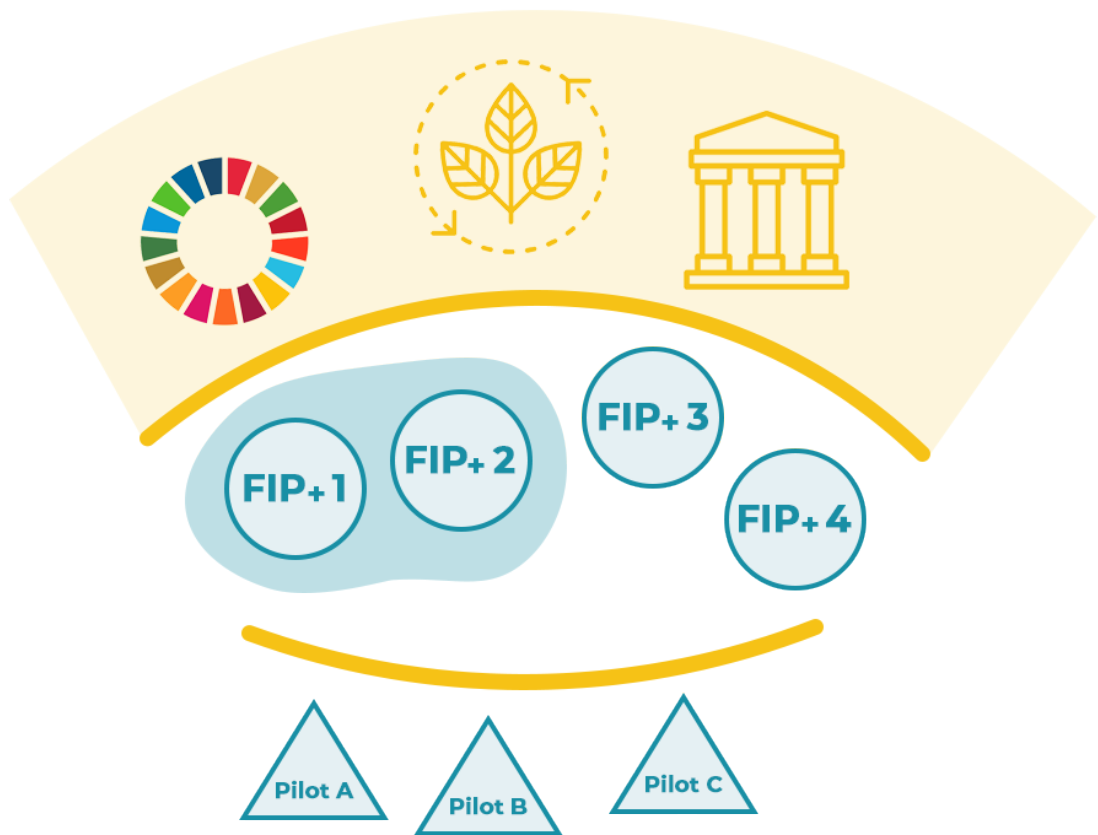


Figure 4. Illustration of Umbrella level of activities under the Framework. Blue circles represent FIPs (upper panel) and FIP+ (lower panel). Green squares are other initiatives that may be occurring under national or regional-level strategies. Under the Framework, FIP+ will evaluate existing Umbrella opportunities and select which initiatives align with FIP+ objectives and may provide strategic opportunities. Likewise, FIP+s may jointly push forward shared objectives at a national level.

By operating across these three levels, a FIP+ is able to leverage resources from national strategies and align with existing government priorities while also working to execute specific proof-of-concept pilots to demonstrate social and environmental impact as well as potential business wins at a project-level.

Table 3. Levels of Engagement. Summary of goals, approach, activities, and examples of action at the three different Framework levels.

Levels of action	Umbrella level	FIP+ level	Pilot level
Goal	Influence in achieving enabling conditions, and leveraging international and public funding	Develop multi-stakeholder strategies and implement FIP+ actions.	Execute projects under the FIP+ that prove concepts leading to replication and scale.
Approach	Engage and partner with government bodies and/or other FIP(+) managers at national or regional level, as well as market roundtables or other industry platforms, in order to aggregate umbrella efforts and advocate for FIP integration in national plans.	Coordination of work plan needs, and advocate for a sustainable finance strategy built on market based strategies. Integration of triple impact strategy by leveraging partners and definition of pilots.	Specific projects embedded in FIP+ strategy. Seeks testing specific innovations and incentives (e.g. community building, supply chain improvements, etc...) for social and environmental impacts.
Activities	<ul style="list-style-type: none"> • Alignment of FIP+ with National programs and strategies (SDGs, NDCs, Ocean Panel, etc) to leverage public funding. • Enabling system conditions for fisheries reform. • Integration of cross-sector incentives and strategies, specifically with trade, tourism, social development and conservation/climate change. • Alignment with FIPs on policy advocacy and with buyers roundtables to develop alternative high value markets • Delivery of impact 	<ul style="list-style-type: none"> • Stakeholder management • Common vision, and goal alignment among stakeholders • Communication with stakeholders, and fishery communities • Market development and alignment of incentives in holistic strategy • Finance strategy, capital coordination and blended finance design with experts • Capacity building strategy aligned to FIP work plan and capacities for finance and management strategy • Impact management and measurement 	<ul style="list-style-type: none"> • Align to FIP+ workplan • Set local capacity via governance and management foundations • Communication and transparency within communities and stakeholders for buy-in. • Results of testing innovations and strategy approaches • Data collection and management • Impact management and measurement
Examples and inspiration from other sector	Using the umbrella level to push the inclusion of blue carbon goals as part of Nationally Determined Contributions, or the development of Blue Bond (Appendix 3) strategies to finance NDC.	Using landscape approach in defining market strategies: from product certification to Verified Sourcing Areas (IDH, 2019)	<p>Review Peru & Belize approaches in (Part 3).</p> <p>Anchor company for input or asset finance</p> <p>Strengthening cooperatives and local businesses under aggregation model</p>

PHASES OF INVESTMENT

Future of Fish distinguishes two different investment status phases of a FIP+ project, the readiness phase from the return phase, when considering the forms of capital that are accessible along the pathway of FIP+ development. The readiness phase includes the early stages of development when planning and initial enabling conditions are being established. During this phase, grant funding or government led-programs are required due to the lack of maturity of the fishery, with a major focus on socio-economic development and capacity building to prime the FIP+ for return-seeking capital. The return phase includes the latter stages of development of the FIP+ when the enabling conditions have been established and it is possible to apply blended finance solutions within the fishery. The transition between these phases is characterized by strategies executed through capital coordination that de-risk for private investment coordinated through shared vision. However, there may be unique cases where governments invest at the umbrella level (e.g. through investments into fisheries enabled through

debt swaps or blue bonds, such as in the Seychelles (see Appendix 3) that may preclude the need for significant capital coordination. Such circumstances are certainly not the norm for the vast majority of active FIPs, and therefore, capital coordination will be required for most.

The execution phases of the FIP+ model are defined in three stages: preparation (which includes capital coordination); implementation; and scale & growth (Table 4).

Table 4 - Phases and finance implications in FIP+ strategic framework for finance (source FoF):

Phase	Objective	Finance implication
Preparation (including capital coordination)	READINESS PHASE: focus in enabling investments on fishery system conditions and engagement enablers, and alignment of drivers.	<p>Significant initial costs are encountered, especially in immature fisheries. Focus on grant funding from National Programs, Development institutions, and foundations to support start up of FIP+, strategy & visioning coordination, capacity building and development of enabling conditions and finance strategy.</p> <p>Engaging and aligning strategy with Umbrella level initiatives would be useful to attract this type of capital, especially those related to SDGs and Climate Change or Conservation National Goals.</p>
Implementation	READINESS PHASE: focus in enabling investments on fishery system conditions and triple impact drivers, as well as underpinning requirements for investment in early stages of asset investments.	<p>Develop blended finance approaches - combining sources of capital in a single instrument, or develop capital coordination for each need:</p> <ul style="list-style-type: none"> Capacity Building and development of socio-economic development incentives aligned with blended finance strategies, as well as continued FIP+ coordination and implementation efforts. Focus on grant funding from National Programs, Development institutions, and foundations. In terms of return-seeking solutions, experimenting with new ideas, products and business models in early-stage investments are tested here but funded through grants or highly concessionary capital as it is difficult for private investors to justify the time and funds to support innovation. Seafood industry stakeholders should be included and potentially invest.
Scale & Growth	RETURN PHASE: focuses on asset investments and is suitable to attract private funding. System fishery enablers are in place, business cases built on requirements for investment, and triple impact drivers can attract sustainability funders and markets.	<p>The target is to seek private funding. Return-risk profile of the funder may differ as the project matures, also scale and growth will generate more volume which could be attractive to target bigger investment tickets.</p> <ul style="list-style-type: none"> Strengthening to scale: Ongoing projects and enterprises requiring capital to fund expansion of operations may offer strong development returns. However, risk-adjusted returns for private investors may be below commercial thresholds. Scale to growth: Mature or credible enterprises/projects seek capital for scaling or replicating in critical areas of development. Capital providers may be hesitant to invest because of real and perceived macro risks. <p>Both are in a transition period where Blended Finance vehicles and Impact Investors could be the best fit. In the growth stage, projects are matured and suited for commercial investment viability, and so the effort should be focused in matching pipeline to investment criteria and mandates of investors.</p>

LANDSCAPE LEVERS

Each investor or public program, whatever level of engagement they are involved in, seeks a specific entry point (e.g. dictated by their mandate, risk appetite, and/or return needs) and therefore a specific outcome. However, outcomes are interrelated: livelihoods and social development outcomes are critical to ensure resource management and conservation outcomes, and long-term financial outcomes depend on the management of the previous two. Applying a landscape perspective allows FIP+ stakeholders to recognise the entry points of each investor and develop capital coordination and incorporate a blended finance strategy, according to the investment needs and FIP+ objectives defined at the different levels.

Table 5. Common Levers within a landscape approach (source FoF). Levers are given within categories of impact sought by each type of funder. For reference on concessional and impact investing funds available for sustainable development and fisheries, see Appendix 2.

Category	Common landscape levers	Types of funders (also see Appendix 2)
Fisheries, Ecosystems and Nature	Biodiversity, climate change mitigation and adaptation, resource management and fishery sustainability, governance and traceability, conservation actions	Development Institutions Governments Foundations Impact Investors Seafood industry as donors
Livelihoods and Wellbeing	Socio-economic development, education, financial access and savings, gender equity, food security, community health and fishers security and livelihoods, etc.	Development Institutions Governments Foundations Impact Investors Seafood industry as donors
Economy and business acumen	Business capacity, governance and leadership, operational efficiencies, production and sustainable value chains	Development Institutions Governments Foundations Impact Investors Commercial Capital Family Offices Institutional Investors Seafood industry as investors
Innovation and partnerships	Integration of tech solutions for business acumen, financial management, traceability and resource management, partnerships coordination and systems intermediation	Development Institutions Governments Foundations Impact Investors

Once we have identified funders and the particular landscape levers they are most aligned or interested in, the next step in building the finance strategy is to match instruments and funding goals, as well as investment strategy. To achieve this task, we recommend FIP+ practitioners consider multiple variables that are critical to building a blended finance strategy (Table 6).

Table 6. Blended finance variables (Adapted by FoF based on WEF, 2015)

Variable	Description	Common categories
Funder Mandates	The remit an individual funder pursues for allocating funds.	<ul style="list-style-type: none"> • Innovation • Environment • Social impact • Economic development
Funder Types	The classification of a funder, which influences the type of capital mechanism employed and their funding mandate	<ul style="list-style-type: none"> • Development funders include donor agencies, governments, development finance institutions and public philanthropic foundations. • Philanthropic funders include private foundations, venture philanthropy institutions and angel investors that provide catalytic capital. • Financial intermediaries are institutions that facilitate the channelling of funds between investor and investee companies or projects, and between lenders and borrowers. • Private sector capital providers/investors/actors are diversified financial institutions and intermediaries, institutional investors (such as pension funds, insurance companies and sovereign wealth funds) and high net-worth individuals. It includes impact and sustainability investors. • Supply Chain and corporates that provide investments in their supply chain.
Instruments	The type of capital or other resources provided to recipients by the funder Are instruments of direct funding to a project or company, or pool of projects or companies, fund or facility, at various stages.	<ul style="list-style-type: none"> • Concessional/Flexible debt is debt with favourable terms for the borrower relative to market rates and risks (e.g. longer tenor, lower interest rate). • Grants are financial awards with no expected repayment or compensation over a fixed period of time. • Junior equity refers to equity investments accepting lower financial returns in exchange for positive development impact; it has the lowest-priority claim on a company's dividends and, in case of bankruptcy or liquidation, on a company's assets. • Market rate debt is borrowed money to be repaid, typically with interest. Senior equity refers to ownership in a company where value is determined at the time of investment. • Subordinated/Junior/Mezzanine debt is debt which, in the event of default, is repaid only after all senior obligations have been satisfied.
Supporting Mechanisms	Are a set of indirect mechanisms that attract private capital by mitigating risk to address investor barriers across the entire life cycle of a project or enterprise.	<ul style="list-style-type: none"> • Technical assistance: Advisory services that support the investee project or enterprise to function more effectively and efficiently, creating the potential for long-term commercial sustainability and ultimately improving the investment viability. • Risk underwriting: Unfunded risk underwriting tools that improve the credit rating by offering better terms and/or additional assurance that investors will be repaid amid unforeseen credit events, effectively shifting the risk-return profile of an investment opportunity enough to enable private investors to commit capital • Market incentives: Risk management tools that can reduce investor risks from excessive market volatility while seeking to deliver positive returns and limit the downside risk of investing in emerging and frontier markets; these include local currency swaps, interest rate swaps and credit default swaps
Risks	Risks perceived that are limiting investments. Financial and non-financial risk that generate a possibility of losing money on an investment or business venture	<ul style="list-style-type: none"> • Corporate risk • Currency risk • Liquidity risk • Political risks • Credit risks • Market risks <p>Other non-financial risks specially considered in blended finance strategies:</p> <ul style="list-style-type: none"> • Climate change risks • Early-stage business model risk • Lack of bankable pipeline • Lack of standard financial products • Project "go/no go": • Small and segmented investment options
Target investees	Type of recipient to which the funder can allocated funds	<ul style="list-style-type: none"> • Individuals • Small and medium enterprises • Cooperatives/Associations • Large enterprise • Start-ups • Financial institutions • Funds

Applying the Framework is not a simple task and we recognize that it requires expertise beyond that held by traditional FIP stakeholders. However, multiple tools already exist to support finance strategy development and implementation that are applicable for fisheries, landscape, and sustainable development (Box 3). Future of Fish created two templates that can serve as a starting point: *Capital Coordination and Initiative Funder Map*, and a *Funder and Landscape Template*.

Box 2. Strengthen capacities related to finance for actors involved in the FIP+.

To develop long-term and sustainable finance strategies within FIP+ requires financial expertise. FIP+ managers need to develop additional expertise and capacity in these terms, particularly to engage with financial actors from a position of strength. In addition to their typical roles in stakeholder convening, workplan development and planning, and program coordination, FIP+ implementers should understand the investment readiness needs (both enabling conditions and asset investments) required for financial strategy and planning, and pull in advisors, as necessary, to develop investment portfolios, promote suitable investment opportunities, and access appropriate sources of finance.

There are many available tools (see Appendix 1) applicable for fisheries, landscape and sustainable development that could support FIP+ implementers in this new arena. Resources and training programs to support widespread adoption of these tools for FIP managers, business developers, and FIP stakeholders is key to achieve large-scale development and implementation of successful financial strategies in FIPs.

SUITABLE STRATEGIES UNDER THE FRAMEWORK

As a result of analysing system conditions and building the framework for a particular case, FIP implementers should prioritize the needs, actions and actors, by understanding the context and maturity of conditions, and considering the levels of engagement, the phases of investment and the landscape levers as covered above. The final element to consider is how finance can be orchestrated by FIP+ implementers to progress the FIP+ from inception to completion (a multi-year endeavor) success of which will be highly dependent on: the conditions and commitment to the FIP+ from stakeholders and funders; the ability to link the FIP+ to bigger, umbrella initiatives; and the strategy and planning to prepare the FIP+ for private capital through the use of Pilots.

The following table (Table 7) highlights the different finance strategies that should be considered distinguished between solutions that provide capital to service providers that typically are supported through capital coordination and solutions that provide capital through blended finance structures

Table 7. Suitable finance strategies (developed by FoF, based on SHAMES et al, 2020). The following table summarizes a variety of strategies depending on whether the focus is on finance to a service provider or in the structuring of finance solutions.¹

Strategy	Model type	Level	Description	Examples
Finance for Service providers (capital coordination)	Multi Stakeholder partnership	Umbrella / FIP	Support coordination, including the development of a common vision and action plan, looking for the landscape levers to contribute to finance strategy, analysis of financial flows, and early stage investment opportunity scoping.	Regular FIP managers Collaborative philanthropy & funding models
	Portfolio developers (non-profit)	Umbrella / FIP	Organizations that work closely with the multi-stakeholder partnership (at umbrella and FIP+ levels) to identify and build investment opportunities, coordinate with market roundtables, bringing in expertise in both multi-stakeholder landscape planning and finance.	Initiative for Sustainable Landscapes (IDH)
	Intermediation companies (profit or non-profit)	Umbrella/ FIP / Pilot	Intermediary organizations to enable aggregation, incubation of new businesses and business activities to generate pipeline and to design investment models that share responsibility with well-established organizations; ideally without taking an excessive share of returns.	<u>IDH - Beyond Chocolate Partnership</u> <u>ACELI</u>
	Development companies (for profit)	FIP / Pilot	Development of companies that cover a gap in the value chain. Commonly developed under a b-corp or social business structure, with the purpose of covering the gap or developing the sector and being profitable. Can play a double role as a service provider attaching capacity building technical assistance.	<u>BlueYou</u> <u>Smart Fish</u>
	Anchor company for input or asset finance	FIP / Pilot	Anchor firm partnership to finance input and assets. Coordinate finance of input and service providers as well as seafood processors who play the role of tractor or anchor companies. These private businesses have the advantage of operating legally and complying with all the requisites required to apply for loans with formal financial institutions. They also have a better risk profile and fixed assets to use as loan guarantees that allow them to access short and long term credits at better financial terms.	<u>One Acre Fund</u> Inclusive business models ⁶
	Direct strengthening of cooperatives and local businesses	FIP / Pilot	Promote local associativity for aggregated purchases to attain economies of scale, reduce operational costs and generate income for secondary level fishery organizations. Cooperatives can provide a line of services that generate multiple revenue streams. These can be financed by impact investors, development finance and local financial institutions.	Traditional cooperatives, such as FEDECOOP in Mexico.
	Business incubators and accelerators	Umbrella / FIP	Work with project developers and entrepreneurs to refine business plans and financing strategies to generate pipeline.	NXTP Labs Agora Partnerships
Finance thru integrated finance solutions and vehicles (blended finance structures)	Place-based investor collaboration	FIP / Pilot	Investors commit to social/ecological goals in a specific FIP or place and pool financial resources with others to support development of an integrated landscape investment portfolio. Traditional source of funding of FIPs from philanthropy and stakeholders.	Regular FIP investments
	Blue Bonds	Umbrella	Mechanism that can be used to borrow from a wide group of investors, could be used in landscape contexts either by government agencies to achieve NDC and programmatic goals. Sourcing from institutional investors and impact investment funds	Seychelles Blue Bond (see Appendix 3)
	FIP focused investment funds	Umbrella	Blended finance vehicle targeting to finance the activities of several FIPs orchestrated from an umbrella level.	<u>CPIC concept</u> (in feasibility stage)

1. 1. For more details see <https://publications.iadb.org/publications/english/document/Transforming-Business-Relationships-Inclusive-Business-in-Latin-America.pdf>

Strategy	Model type	Level	Description	Examples
Finance thru integrated finance solutions and vehicles (blended finance structures) continued	Debt for Nature	Umbrella	Innovative financial mechanism to swap sovereign debt for conservation outcomes. It requires government-led definition and the involvement of international sovereign-debt financiers. It is an innovative model to unlock public finance to achieve NDCs, develop payments for ecosystem services or conduct development programs.	NATURE VEST Seychelles (Appendix 3)
	Trade finance schemes or vehicles	FIP/Pilot	Trade finance secured against purchase orders (PO's) or letters of Intent (LOI) to provide working capital to finance exports to certified and niche markets. Risk management depends on long-term commitment of buyers with a particular region and supplier. These commercial documents can then be leveraged by business and cooperatives through commercial and impact investors in order to access loans	FEDECOOP and <u>Root Capital</u>
	Project finance and carbon credits	FIP/Pilot	Project finance of a multistakeholder strategy seeking triple impact goals and to develop payments for ecosystem services. The project combines the enabling investments (both infrastructure investments, governance policy and technical assistance and capacity building), asset investments and technical assistance investments. Investments secure alternative revenue, via conservation goals and the commercialization of carbon credits in the voluntary market as the main source of credit repayment.	<u>Althelia's Tambopata - Bahuaja REDD+ and Agroforestry Project</u> , Madre de Dios, Peru (see REDD+ appendix)
	Microfinance and/or lending and saving groups	FIP/Pilot	Promote access to finance of targeted population by partnering and funding Local Financing Institutions or promoting the development of savings and lending groups, which are an established tool for mobilizing internal savings to finance micro enterprise initiatives while building trust among their members. Impact investment and development funding is well positioned to fund this type of program.	<u>UNICAS program by COFIDE in Peru</u>
	Subsidies as incentives for improvements	FIP/Pilot	Multi stakeholder strategy to promote technology innovation and improve efficiencies, tailor appropriate technology access or substitution programs that include financial incentives to subsidize their cost and facilitate the transition. Combines public subsidies via an innovative finance structure, that can be credit or leasing. Government financial incentives are usually structured under the form of tax credit or a result-based finance. Development and impact investors can provide funding to local institutions and input providers as anchor firms, or develop trade finance schemes.	Marine engine swap program of Mexico's Secretariat of Environment and Natural Resources (SEMARNAT) Colombia's Coffee Fund managed by <u>Colombia National Coffee Federation</u>

When considering the most appropriate approaches to attracting financing to FIP+, consideration should be given to maximizing efficiencies and ensuring the FIP+ is progressing in a holistic manner. Given the current state of most developing world FIP fisheries, the likelihood is that most current FIPs will still need to start with capital coordination strategies. However, with a good FIP+ strategy that utilizes the landscape approach and incorporates a blended finance strategy, FIP+ stakeholders, implementers and prospective investors should be able to recognize the most effective solutions that will work for their FIP+ projects.

Future of Fish suggests that FIP+ implementers and stakeholders strive to ideate, socialize and test the potential of multiple integrated finance solutions and vehicles. This process should be prioritized along with progressing the FIP action plan in the development of any FIP+ as this strategy, long-term, is the most efficient path forward.

PART 3

Current Finance Strategies in FIP+s

The following section provides a detailed description of the two current finance strategies that Future of Fish and partners are working to implement for the spiny lobster FIP+ in Belize and for the line-caught mahi mahi in Peru. To date, these strategies:

Incorporate blended finance and landscape management approaches;

- Work at all three levels, but due to the differing contexts have different focal points:
 - **Belize:** seeks to move all three levels forward simultaneously and, in particular, looking to leverage existing momentum at Umbrella level
 - **Peru:** seeks to advance pilot level to build proof of concept to scale up
- Continue to develop in consultation with specific partners; and
- Demonstrate application of the framework to small scale fisheries (spiny lobster in Belize) and the developing world context (mahi mahi in Peru).

Belize Spiny Lobster FIP+ Finance Strategy

CONTEXT

The *Belize Spiny Lobster FIP+* is the first FIP launched as a FIP+FDM from the start, and included a co-design process with the primary stakeholders in 2019. This work is in partnership with The Nature Conservancy, Belize (TNC) and the two largest lobster cooperatives, National Fishermen's Producers Cooperative Society Ltd. and Northern Fishermen Co-operative Society Ltd. The official FIP+ workplan includes activities to address social and economic gaps, along with the standard environmental Performance Indicators (PIs). As noted in the workplan, high priority issues include:

1. Produce consistent and regular stock assessments and associated harvest control rules
2. Develop tech-based MCS strategies to improve adaptive management
3. Research and test new market opportunities around Storied Lobster and additional product forms and types
4. Update and enforce new membership policies at the cooperatives that reward best practice (including environmental), reduce risk, and increase trust and transparency
5. Develop new and improved member benefits program
6. Increase capacity within cooperative to improve business performance
7. Create systems for effective communication among fishers, cooperatives, and other FIP+ stakeholders to build efficiencies, iterate design of solutions, and increase participation.

After tourism, the fisheries sector is the second most important marine-based sector in Belize, supporting over 2,500 fishers directly and over 15,000 people indirectly (nearly 5% of the total population of Belize; BFD, 2019). In 2018, Belize exported 1.8 million pounds of seafood product worth US\$18.6 million (SIB, 2019) from which spiny lobster and queen conch represented about 77% of the total, with the US as the main export market. The long-term sustainability of the lobster industry is thus critical to the economy of Belize and for the livelihoods of thousands of people.

The impetus for the FIP+ stems from growing concerns about the health of this vital fishery, as well as new market conditions that threaten to undermine the viability of the cooperative model in Belize. The entry of private buyers into the export market in recent years has disrupted the 40 year-old cooperative model by sparking an aggressive price war that manifested during the 2019 and 2020 seasons, and which artificially inflated payments to fishers. This condition, combined with longer-term issues related to trust, transparency, and governance of the coops, has affected membership, weakening the cooperatives traditional business models and affecting their results and financial resilience. While Belize has a robust track record for progressive conservation and management (including their recent Managed Access program for fisheries), the pre-assessment for the FIP identified several gaps across all 3Es and set the stage for more holistic approaches to fishery transformation.

The goal of the FIP+ is to support improvements in social, economic, and environmental conditions in the fishery for fishers and cooperatives by capturing or creating value, and linking fishery improvements with larger national initiatives and policies that are currently underway. Over the last decade, Belize has developed several policy frameworks⁶ and constituted a National Climate Change Committee as the main body to respond to their national development challenges while moving towards attaining a low carbon emission economy.⁷ The most relevant frameworks related to fisheries are:

1. **Belize's Nationally Determined Contribution under the United Nations Framework Convention on Climate Change (NDC)**, which is currently under revision and expected to include coastal wetland protections to reduce greenhouse gas emissions and to protect them as nursery grounds for regional fish stocks and maritime ecosystems.
2. **International trade standards and Ocean Economy and Trade Strategy** which is being led by UNCTAD, Beltraide, and the new Blue Economy Ministry of Belize. This work will guide Belize to overcome the trade challenges to maintain access to international seafood markets by enhancing synergies with national plans, increasing capacity and creating the enabling environment for research and development (R&D) and developing national strategies for greater development and resilience of marine-based communities.

6. Including: (1) Horizon 2010-2030, (2) National Energy Policy Framework, (3) Sustainable Energy Action Plan 2014-2033, (4) National Climate Resilience Investment Plan, (5) Growth and Sustainable Development Strategy 2020 - 2025 and (6) the National Climate Change Policy, Strategy and Action Plan 2020 - 2025.

7. According to the WB Group, Belize incurs an average loss of close to 4% of GDP annually due to natural disasters (Carneiro, 2016).

THE PUSH

The Belizean Lobster fishery is mature in terms of its history, however, guaranteeing sustainability of resources and long term resilience of cooperatives requires a significant effort to build system conditions. The most pressing are:

1. fishery assessment and harvest control rules based on data, and improved enforcement from the government (fishery system enablers);
2. the development of value drivers for triple impact, especially related to cooperative resilience and the generation of socioeconomic incentives for increasing membership trust and engagement; and
3. to work in strengthening the cooperatives in their investment readiness.

Therefore Belize Lobster FIP+ is focused in the readiness phases, specifically in the preparation at umbrella level, and preparation and implementation at FIP+ and Pilot levels

With the new Blue Economy Ministry, the year 2021 opens a unique window to move forward with the implementation of the spiny lobster FIP+ by ensuring that the fishery system enabling conditions are incorporated within the country's different policy frameworks and strategies, specifically in relation to fisheries development and climate mitigation. These will require actions that are cross-sectoral and multidisciplinary in nature and will therefore require a coherent approach to implementation. This alignment and coordination has been a major barrier as the responsibility for implementation falls within various ministries and government departments; and several ministries still consider climate change an environmental issue and not a priority. The multi-stakeholder FIP+ platform offers a unique opportunity to build more effective collaborations across these currently siloed entities.

THE FINANCE STRATEGY FRAMEWORK

The Belize Lobster FIP+ is finishing its first year of implementation, having reached a C rating⁸ in the first reporting in 2020. One of the major advances in regards to the FIP+ has been the creation of task forces led by groups of stakeholders to support the implementation of the FIP+ work plan (Table 8).

Table 8. Current activity status of Belize FIP+. Note: limited action at Umbrella and Pilot levels.

Level	Umbrella	FIP+	Pilot
Current Situation	<p>Action limited to Public participation in FIP task forces, from Belize Fisheries Department and Coop. Department.</p> <p>Primary conversations with Beltraide (Belize's trade agency) about UNCTAD strategy.</p>	<p>Limited advancement in the work plan, due to COVID-19 and other challenges.</p> <p>The FIP+ workplan includes activities specific to addressing social and economic needs in the system, alongside environmental PIs. The stakeholders and FIP+ participants involved are aware of the FDM+FIP integration from the onset of the project.</p> <p>Prioritization of Communications Task Force (hiring of communications manager and launching of Facebook page to serve as central hub) and Market and Finance Task Force (draft strategy developed and shared with Steering Committee).</p> <p>Initial meetings of other Task Forces and planning also underway.</p>	<p>Strengthening plan of National Cooperative (leveraged funding from TIDE/EU funds)</p>

8. Given the COVID-19 pandemic, the C progress rating is considered very positive, as it shows continued momentum in the FIP+, despite market set backs and significantly restricted movement.

Considering the importance of this fishery to Belize's economy and fishing communities, and the fact that spiny lobster is a high-value species, the level of influence of FIP+ stakeholders in public strategies could be significant, as technical implementers, beneficiaries, and advisors. The finance strategy framework that we are proposing (see Table 9 below) is focusing on developing long-term political support by engaging the FIP+ in these public strategy conversations, as well as in building a long term market strategy based on cross-sector alignment and pilots as follows:

1. Mobilization of public investment in enabling conditions via the Umbrella

Level. The main goal is for the FIP+ developers and steering committee to engage government and advocate for policy alignment to ensure that the enabling conditions required for FIP+ to progress (i.e. secure tenure, sustainable catches, and robust monitoring, evaluation and enforcement mechanisms) are addressed by Belize's Blue Economy policies, strategies, and action plan. Key actions would include:

- a. Aim to include these needs in the National Climate Resilient Investment Plan, Growth and Sustainable Development Strategy, Oceans Economy and Trade Strategy, as well as an updated NDC plan.
- b. In terms of financing, the biggest potential identified to date is to advocate for Belize to join the Ocean Panel. This could open up access to international funds, as well as create opportunities to negotiate tailored sovereign financial instruments, such as a debt-for-conservation swap or government-led blended instruments to secure the financing needed to implement a long term strategy towards transitioning into a Blue Economy.

1. Development of a long term strategy (FIP+ level) based on a proof of concept (Pilot level).

The suggested common vision is to implement a market strategy for long-term resilience of the fishery and the cooperatives. This proposed strategy builds on maximum value-based utilization of sustainably harvested marine resources in support of the two member Coop's goals of competing by providing their members with a superior value proposition and benefits in exchange for loyalty. The focus is on the following actions:

a. End-to-end traceability pilot. Develop a pilot to test and prove a holistic model that supports sustainable development of Belize's fisheries sector while reinforcing ecosystem, economic, and community health and resilience. The pilot would be limited to up to 100 fishers that co-manage and legally harvest lobster within the MPA of Turneffe Atoll Marine Reserve and will serve as a proof of concept of market demand of end-to-end traceable and high quality lobster, while testing environmental and social incentives, such as adopting gear for sustainable practices or access to health and security benefits. The proposed pilot would be a two-year project to be funded by public (government and development) finance.

b. Cross-sector strategies to promote landscape levers. FIP+ has an opportunity to connect with tourism and conservation actions related to climate change mitigation and adaptation, and to create alliances with service providers for socio-economic development. The specific targets would be:

- i. Alignment of fishery strategies with tourism and conservation sectors, specifically through the Marine Protected Areas where fisheries activity takes place to contribute to national goals and unlock new funding.

This strategy would target conservation finance tools such as Pay for Ecosystem Services (PES) or voluntary carbon credits associated with protected areas.

- ii. Definition of social benefits from the cooperatives to the fisher members, in relation to safety at sea, community health and financial education and inclusion. In the first stage, this can be funded by development and public funding, while in a second stage it could be sustained by a percentage of sales or premiums on certifications, or even results based-finance from public and/or development funders based on conservation and environmental impacts of fishery activity.

c. Market strategy that unlocks finance. The suggestion is to build a long-term strategy around the idea of a consortium that builds on a public-private partnership aligned with national trade programs and blue economy strategies (UNCTAD-Government strategy). The consortium includes:

- i. A market-based solution to secure revenue and cash-flows, that aims to position “storied lobster” based on quality, sustainable practices, resource management and traceability, traditional fishing culture and livelihoods impact. The consortium would seek to secure revenue via buyer commitments (Long Term Purchase Orders), and promote a seafood industry policy for engaging and contributing to a triple impact strategy.
- ii. Focus in grant capacity building and strengthening of cooperatives through technical assistance from public and private funders. Especially targeting governance and management systems, and development of transparent communications policies to increase and better engage membership.
- iii. Definition of a Special Purpose Vehicle to invest in both cooperatives, which would allow them to restructure their debt and access new funding, while investors will reduce risks by securing a transparent governance and data-based decision making process.
- iv. Apply a blended finance approach to combine technical assistance grants, plus long term debt for debt restructuring and CAPEX investments of cooperatives and short term debt for working capital, and including the possibility of de-risking instruments (first loss or guarantee). Targeting impact investors and public investors.

Table 9. Overview of Belize Finance Strategy Framework.

Level	Umbrella	FIP+	Pilot
PHASE	<p>READINESS: Preparation.</p> <p>Focus on advocacy for public (national and international) investment in fisheries system enabling conditions. Particularly relevant are: governance and data modernization (stock assessment, HCRs, enforcement), capacity building, and traceability.</p>	<p>READINESS: Preparation and implementation</p> <ol style="list-style-type: none"> 1. Engagement of FIP+ stakeholders, including cross-sector partners and seafood market players to understand implications of FIP+ and align in a common vision. 2. Implementation of workplan led by FIP+ task forces. 3. Collaborative definition of a long-term market development and finance strategy within the FIP aligned to Blue Economy national strategies in order to strategically raise funding. 	<p>READINESS: Preparation and implementation.</p> <p>Definition and implementation of a proof of concept of market and finance strategies promoted by the FIP+, by proving market demand and valuation of end-to-end traceable and high quality lobster, while promoting environmental and social incentives.</p>
LANDSCAPE LEVERS	<p>LEVERS: Focus on climate change, conservation, and livelihoods.</p> <p>ACTORS: Connect with the Ministry of Blue Economy, Social Development, Trade, and national development agencies Development Finance Corporation (DFC) and Beltraide.</p> <p>MECHANISM: Advocacy for public (national and international) investment in fisheries system enabling conditions via integration of Belize in the Ocean Panel, alignment to NDC renewal, and integration of FIP+ goals with Blue Economy and Trade programs.</p>	<p>LEVERS: Focus on a common vision towards resilience, built on the following long term objective: achieve maximum value-based utilization of sustainably harvested marine resources in support of Coop's goals of competing and providing members with greater value in exchange for loyalty.</p> <p>ACTORS: Connect with key new partners: Beltraide, DFC, Ministry of Blue Economy, International Buyers, Impact Investors, Service providers (capacity building and members benefit services).</p> <p>MECHANISMS: public programs (linked to umbrella efforts) for grant funding in coordination and capacity building, and public and private impact investors and development finance (DFC, Althelia, Common Fund for Commodities, Compete Caribbean) for investment needs of Coops.</p>	<p>LEVERS: Focus in proving integrated intervention with end-to-end traceability and cross-sector goals, including sustainable practices, marketing strategies, and social security and member benefits.</p> <p>ACTORS: Connect with key partners into a landscape pilot: TNC, TASA, Belize Fisheries Department (BFD), FoF, Blue Ventures, Coops, and Beltraide.</p> <p>MECHANISM: Grant funding from development finance (Compete Caribbean, DFC, GEF) for program coordination and capacity building, in combination with working capital for the cooperatives via impact investors or local financial institutions.</p>
GOALS	<ol style="list-style-type: none"> i) Fishery system enabling conditions included in national strategies (Blue Economy and Trade - UNCTAD); ii) FIP+ stakeholders have advocated for Belize to join the Ocean Panel or related strategies to unlock international funds or leverage tailored sovereign instruments; iii) FIP+ integrated in cross-sectors strategies, particularly related to conservation, climate adaptation, gender and livelihoods. 	<ol style="list-style-type: none"> i) definition of a common vision and align stakeholders goals; ii) quick assessment and gap analysis of cooperatives situation and needs, and conduct capacity building actions; iii) definition of a market development strategy, including industry engagement policy and high-margin focus strategies; iv) define market-based proof of concepts; v) strategic stakeholder and cross-sector alignment under environmental, economic and social incentives; vi) engagement and external communication plan; vii) attract financing to cooperatives and market-based solutions. 	<p>Develop a pilot targeting 100 fishers in the Tourneeffe area, including:</p> <ol style="list-style-type: none"> i) capacity building centered in business leadership, governance, and social capital; ii) Full end-to-end traceability with ThisFish and VMS pilots; iii) Cross-sector connections including FIP+ and MPA strategy; iv) Member/social benefits; v) Launch of marketing and finance strategy; vi) Serve as business case for consortium stakeholders and proof of concept for fishers; vii) Testing of industry-generated data for management via AMF.

STATUS OF FUNDING TO SUPPORT THE BELIZEAN LOBSTER FIP+

We have begun the initial capital coordination steps in Belize, including mapping of the funder landscape and efforts to secure funding for FIP+ level projects. To date we have:

- Secured funding for development of a business plan for one of the cooperatives. This work then led to additional funding support from the EU Commission to support business training and strengthening (i.e. new accounting system) in the cooperatives. These initiatives were based on a short-term strengthening plan that was informed by the business plan development.
- Funding from industry supply chain companies is supporting execution of the FIP+ Communications Plan, including hiring of a communications assistance and launching of a Facebook page to serve as a central communication hub for the FIP+.

Additional active proposals seeking support for FIP+ activities and strategies include:

- Linking FIP+ with biodiversity and climate adaptation funding program under UN and GEF;
- Small-grants from GEF to support activities that would strengthen the traceability pilot in Turneffe Atoll;
- IDB's Compete Caribbean Cluster initiative to conduct capacity strengthening work in both cooperatives, for governance, management, accounting and traceability.

These efforts are the first steps in the finance strategy as outlined in Table 9; the next steps are to focus resources to especially engage actors within the Umbrella and pilot levels.

Finance Strategy for Peruvian Mahi Mahi FIP+

CONTEXT

The *Peruvian mahi mahi longline FIP* project is an example of integration of the FDM into an existing FIP that is seeking to accelerate progress. For this project, the FDM integration focuses on unlocking value (economic incentives) through a quality improvement project, while also providing core capacity building for the community as a social benefit. This focus is largely in response to concerns about the reputation of Peruvian Mahi mahi quality, which has declined in the recent years due to poor practices within the supply chain and management, leading to rejections in exports to the US and decline in the demand for mahi (internationally and domestic). Together, the combined social and economic projects seek to test the opportunity for a more robust blended finance approach to the FIP. This work is in partnership with the World Wildlife Fund (WWF).

The Peruvian Mahi Mahi fishery is the second most important artisanal fishery in Peru, and it accounts for the 50% of global Mahi Mahi, being the largest supplier in the world. The fishery, recognised as artisanal, employs more than 4,906 fishermen using 1,140 vessels.⁹ The port of Paita is the largest port of landing for mahi mahi in Peru, with 24% of the national landing (2000-2013, WWF). Given the size of the fishery and vessels involved, the mahi mahi FIP+ project is an opportunity to test the finance framework in a very different context than that of Belize spiny lobster.

Despite the importance of artisanal fishing (mahi mahi and squid being the most relevant) for the coastal economies of Peru, there is little information and few effective regulations for their sustainable management (Pesca Emprande, WB, 2020¹⁰). In addition to the lack of fishery system enablers, there are also significant socio-economic challenges for communities in the region. These conditions make it difficult for individuals to participate in any kind of change-making process, as they are focused often on simply having their basic needs met. The COVID-19 pandemic only exacerbated this situation.

9. Guevara-Carrasco R., Bertrand A. (Eds.). 2017. Atlas de la pesca artesanal del mar del Perú. Edición IMARPE-IRD, Lima, Perú, 183 pp.

10. Fishery Performance Indicators - Evaluación y análisis de pesquerías costeras del Perú. PescaEmprande, World bank Group, GEF, 2020 <https://pescaemprende.com/wp-content/themes/intelfin/uploads/FPI-es.pdf>

While the barriers are many, the core challenges are:

- i) Weak institutional capacity and sectoral governance;
- ii) Open access fisheries, lack of fishing rights and quotas;
- iii) High levels of informality;
- iv) Poor technological development;
- v) High vulnerability to climatic events;
- vi) lack of long term vision from fishermen and boat owners;
- vii) Low education levels;
- viii) Low levels of associativity and joint commercialization strategies;
- ix) Lack of monitoring and enforcement of regulations;
- x) Lack of access to formal credit as artisan fishers are financed by intermediaries in cash or goods; and
- xii) Highly fragmented artisanal fishing sector.

The general General Fisheries Law¹¹ is in process of being adapted for small scale and artisanal fisheries by the development of specific Fisheries Management Regulations (ROP). One of the priority areas of action for the FIP+ is to support development of a ROP for the mahi mahi fishery. However, multiple government entities and jurisdictions make for challenging conditions to push policy and management forward. Governance is dependent on the Ministry of Production (PRODUCE), the regional Governments (GORE), and the port Authority (DICAPI). This creates complexity in implementation of laws, specifically in relation to formalization of vessels and fishing permits.

THE PUSH

The numerous barriers keep the mahi mahi fishery at an immature stage. The main issues behind these problems are structural, and properly addressing them requires long term political support and financing. The high level strategy for 3E transformation in this fishery is to work on the fishery system enabling conditions required to ensure long term positive socioeconomic and environmental impacts while reducing risks to unlock private and public-private investments. Particularly relevant is to resolve the formalization problem, which is preventing any investment.

Government long term support and financing is critical to implement the required actions and create the supporting policy environment to facilitate this transition. While always a challenge, today, the potential for such support is relatively strong. Currently, the government is implementing three programs relevant to artisanal fisheries development, each of which could lend resources (finance, capacity building, and regulatory) to the artisanal sector and in particular, the mahi mahi FIP+. These are: 1) Programa Nacional de Innovación en Pesca y Agricultura (PNIPA), the Coastal Fisheries Initiative; and 2) UNDP BIOFIN - Peru Biodiversity Financing Plan, which aims to mobilize finance towards sustainable artisanal fisheries and related national strategies. Additionally,

11. Small scale fisheries governance and policy situation in Peru http://toobigtoignore.net/wp-content/uploads/2021/02/Peru_s.pdf

PRODUCE leads the definition and implementation of 18 adaptation measures included in the National Determined Contributions (UNFCCC’s NDC) and in accordance with the National Strategy for Climate Change, which could unlock further finance for climate adaptation of the sector.

Key actions to realize the potential of these programs include advocating for major participation of FIP+ stakeholders as part of the NDCs multi-stakeholder processes, to leverage financing towards governance, capacity building and adaptation to climate change of Peruvian small scale fisheries. Additionally, proof-of-concepts via commercial pilots that demonstrate formalization and capacity to meet trade requirements regarding quality, legal production/catch, and qualifying sanitary conditions are necessary in order to help fishery businesses and cooperatives (OSPAs) to operate as viable, profitable entities and thereby attract further support.

THE FINANCE STRATEGY FRAMEWORK

The Mahi Mahi FIP is currently in the implementation stage, as it has been run as a traditional FIP since 2013. FoF and WWF-Peru, the FIP coordinator, have been working on a strategy roadmap for how the economic and social incentives can help alleviate core barriers in the FIP, to create a FIP+. At this time, a limited number of stakeholders and FIP participants are aware of the wider FIP+ initiative and existing activities (Table 10).

Table 10. Current status of Peru Mahi Mahi FIP. Note the limited action at Umbrella and pilot levels.

Level	Umbrella	FIP+	Pilot
Current Situation	No major coordination among multiple FIPs in Peru to leverage country strategies and international funds for system enabling investments	<p>WWF’s coordinated socialization of the ROP-Perico (Mahi Mahi regulation, the Peru Mahi Alliance, and the Interinstitutional Working Group for Traceability) have progressed actor engagement in governance.</p> <p>Efforts by SFP and SPDA have progressed formalization within the fleet and brought the main barriers to national attention</p> <p>FoF has advanced a research and innovation pilot to prove different technologies on-board of vessels for quality improvements, testing quality impacts in prices in the domestic market.</p> <p>All partners developed COVID-19 impact relief (PPE equipment) and livelihood support projects (commercialization campaigns and channels).</p> <p>Funding provided for general FIP+ strategy by Walton Family Foundation and at project level by PNIPA among others.</p>	Lack of system enabling conditions is the main barrier to implementation. However, better coordination and alignment of the current standard, multiple, uncoordinated projects being implemented within the same communities, is needed to maximize efficiencies and leverage resources for the greatest impact.

Considering the importance of the fishery, the level of influence of FIP stakeholders in public strategies should be considered, particularly to advocate for solutions to the lack of formalization of fishers and first-mile businesses. However, due to the political instability in the country, the finance strategy framework that we are proposing (see Table 11 below) focuses mainly on developing pilots based on capacity building, market-based solutions, and finance innovations all generated under partnerships and project alliances, with minimal advocacy at the Umbrella level.

The key actions within the current Finance Strategy Framework are:

- 1. Mobilization of public investment in enabling conditions via the Umbrella and FIP+ Level.** Considering two key areas of action:

 - a. Formalization processes.** Unlocking formalization processes and creating incentives for more vessels and fishers to formalize should be a priority for the FIP+ stakeholders. This is the key system barrier, preventing any social-economic development and fisheries organization to adopt better environmental management. However, the Peruvian strict tax legislation could be a major deterrent for artisan fishery businesses to pursue formalization as presently 100% of their operations are paid in cash with no paper trail or registration of any transactions, thus avoiding paying any taxes. This strategy pushes for FIP+ stakeholders to engage not only with the governance bodies (PRODUCE; DICAPI; GORE) but also to check any potential incentives via fiscal relief or subsidies, therefore engaging SUNAT and other relevant government bodies.
 - b. Resource mobilization to invest in enabling conditions,** by advocating to replicate the multi-stakeholder participatory processes done in forestry and REDD+ (see Appendix 3) to unlock international climate funds via nature-for-debt swaps or sovereign financing to target artisanal fisheries reform and enabling investments. This effort would be in partnership with Mahi Mahi and Squid FIPs stakeholders, together with market alliances, to unite forces and appeal to initiatives and programs at the Umbrella Level to advocate for changes in fisheries management and regulation.
- 2. Holistic intervention in a community.** Launch a holistic pilot project in one or more of the communities of Mahi Mahi to specifically address the main bottlenecks affecting artisan fishermen organizations and their ability to move forward with the formalization of their boats and businesses, as well as achieving better prices for quality improvements. Special attention to capacity building in topics related to business management, accounting and tax implications attached to operating as legal entities is necessary, as is strong communication around the business case for formalization and the benefits of associations.

FoF will lead the pilot in partnership with the main local cooperative in La Islilla with the initial focus on this community, and later scale to other relevant FIP+ communities. The pilot would benefit at least 200 people directly in three years, and will be funded by public (national and development) finance, mainly grant funding and reimbursable long term concessional capital. The current pilot design includes the following components: 1) Support for the completion of the formalization process for pilot participants; 2) Provide access to improved technologies and markets; and 3) Capacity building of cooperative, vessel-owners and families, with a focus in leadership, financial education and business management. The financial strategies will consider:

 - a. Aggregated purchases to attain economies of scale, reduce operational costs and generate income for the cooperative.** The objective would be to strengthen associativity and the capacity of the Cooperative to provide greater benefits and reduce general dependence of vessel owners on intermediaries, by aggregating monthly purchases and negotiating better prices and payment terms with each of the service providers. This ultimately will allow capitalization of the cooperative to provide additional services, and access to

funding from local financial institutions, and impact investors.

- b. Promotion of finance to access technology improvements.** In order to improve traceability, reduce costs and bycatch while improving product quality and prices, a technology package would be offered in partnership with technology distributors. Technologies range from fuel efficient boat engines, to improved fishing gear, to technologies that improve traceability and product quality as well as refrigeration and storing systems. Finance from public (development) finance institutions could support inventories and defray costs associated with granting the machinery and equipment to vessel owners (or via the cooperative) under leasing agreements to avoid any cash transfer and misuse of funds. This can be guaranteed via commercialization commitments.
- c. Financing against purchase orders (PO's) or letters of intent (LOI).** To execute this the pilot would require pre-competitive agreements with value chain stakeholders to design a project that is market-driven and is based on purchasing commitments that reduce credit risks in order to unlock investment. Commercial commitments can then be leveraged to access loans from impact investors or development lenders, and even including an agreement of repayment of a direct deposit from the buyer to reduce transaction and credit risks. This can be linked to the finance mechanism to access to technology improvements, or to finance inputs and working capital via the cooperative or local processing plants.
- d. Blended finance approach** that integrates all of these strategies in a single multi-stakeholder alliance including: within the value chain, the cooperative, technology provider, a plant processor and final buyer; the vessel owners as beneficiaries; and a development or public financial institution to provide financing. Ultimately risk can be mitigated by the inclusion of a guarantee in case private investors crowd-in. Additionally, any capacity building, formalization and quality improvements, could be accelerated by incentives paid by results-based mechanisms to be considered in partnership with public funders.

Table 11 - Peru finance strategy framework, based on current situation and suggested strategies:

Level	Umbrella	FIP+	Pilot
PHASE	<p>READINESS: Preparation.</p> <p>Advocacy for fishery reform and governance, mainly in formalization of the fleet and data modernization of the state.</p> <p>Integration of efforts of Squid FIP and Mahi mahi FIP, which involve the same fleet. Engagement with the Government (PRODUCE - DICAPI, GOREs) and Development institutions, especially in relation to current efforts and programs, such as: leverage efforts around PNIPA, UN's CFI, Peru NDC and Peru National strategy for biodiversity, with the aim of articulating and including fishery improvement in national strategies and policy to unlock finance to enable investments.</p>	<p>READINESS: Preparation and implementation.</p> <p>Fleet support in associativity, formalization, commercialization, and links to data modernization with the government. Provide capacity building to vessel owners, cooperatives, and local registry bodies. Map and build synergies with the many capacity building programs available and provided by local public government and FIP+ stakeholders.</p> <p>Increase efforts in communication and alignment among FIP+ stakeholders. Continuity of partnership and alignment efforts at Peru Mahi Alliance and the interinstitutional working group for traceability.</p> <p>Continuity efforts to catalyze formalization. Build the case for formalization, including business costs and fiscal impacts. Implement a communication and peer-to-peer campaign.</p>	<p>READINESS: Preparation and implementation.</p> <p>Develop an holistic but commercialization-driven pilot in one community to show the business and development case to all stakeholders. The result is to build engagement with fishers, supply chains, and the government to attract capital to scale up. Use the pilot to advance formalization and strengthen capacities and the business model of the community cooperative.</p> <p>Alignment of pilots of different service providers and NGOs, particularly in their interventions in the targeted communities of the FIP.</p>

Level	Umbrella	FIP+	Pilot
LANDSCAPE LEVERS	<p>LEVERS: Focus in enabling conditions and capacity building for sustainable fisheries.</p> <p>ACTORS: Connect with WWF (Mahi FIP), SPDA and SFP (Squid FIP), FoF, Government (multi ministry, and current programs PNIPA, CFI), Mahi Mahi Roundtable, Squid Roundtable, Development Institutions.</p> <p>MECHANISM: i) Grant funding to support system intermediation by FIP+ stakeholders at umbrella level grant funding. Actively engage with Government and via market roundtables. ii) Development Finance (government and international) to develop a small scale fishery reform program.</p>	<p>LEVERS: Focus in enabling conditions and capacity building for sustainable fisheries.</p> <p>ACTORS: Connect with WWF, FoF, SFP, SPDA, PRODUCE, DICAPI, SUNAT, regional GOVs (GORE), Mahi Alliance</p> <p>MECHANISM: Grants from WFF and PNIPA (current). Development finance targeting social, economic and environmental outcomes related to fishery development.</p>	<p>LEVERS: Focus in capacity building, equity and proving innovations (traceability, finance, quality) for better socio-economic development.</p> <p>ACTORS: Connect with WWF, FoF, SFP, SPDA, regional GOV, value chain partners (plant, buyer and tech supplier), capacity building and strengthening support partners, quality research partners.</p> <p>MECHANISM: Gov. Piura Technical assistance and grant funding, Development Finance institutions (USAID, CAF, etc) for grant and reimbursable funding, and catalytic capital from foundations.</p>
GOALS	<p>i) integrate system enabling conditions of small scale fisheries in public programs related to climate adaptation, fisheries improvements, and community development;</p> <p>ii) advocate an integral regulatory framework adapted to artisanal fisheries to improve resources and ecosystem management;</p> <p>iii) establish umbrella FIP roundtables with development institution partners to advocate for national strategy for artisanal fisheries.</p>	<p>i) definition of a common vision and align stakeholders goals;</p> <p>ii) quick assessment and gap analysis of cooperatives situation and needs, and conduct capacity building actions;</p> <p>iii) engagement and external communication plan;</p> <p>iv) business case for formalization research and seek potential incentives strategies with PRODUCE and SUNAT;</p> <p>v) innovation and research for best technology improvements on-board and build business case of cost-benefit of adoption;</p> <p>vi) data modernization via coordination with PRODUCE and Working Committee on Traceability.</p>	<p>i) Pilot public-private partnership; ii) Business case for formalization and technical assistance;</p> <p>iii) Build the case for a finance scheme to access to technologies;</p> <p>iv) Prove commercial viability of traceable and quality product and generate purchase orders;</p> <p>v) develop aggregation model and revenue streams for the coop.</p> <p>vi) implementation of financial mechanism to access quality improvement technologies;</p> <p>vii) increase the capacity building and social capital, through a financial education program targeting community leaders and women.</p>

STATUS OF FUNDING TO SUPPORT THE PERUVIAN MAHI FIP+

The primary support for Future of Fish’s work in Peruvian Mahi FIP+ has been provided by the Walton Family Foundation to finance high-level strategy and coordination with three primary programs that either are focused on or relate to the FIP+ including: (1) co-design solutions for improving quality in the mahi supply chain; (2) engagement with Peruvian chefs and gastronomic movement to conduct a small-scale quality improvement pilot; and (3) assessment of opportunities for financing in the mahi supply chain. The funding from WFF has been catalytic, supporting efforts to secure additional funding through capital coordination for FIP+ through several pilots to date including:

- Secured funding from PNIPA to support R&D for on-board cold storage technology to improve quality on the boat. The work is managed by Future of Fish and executed by partners from Universidad Cayetano Heredia and CITES Pesquero and will

be tested with fishers from the Cooperativa de La Islilla.

- In response to COVID, Future of Fish organized a crowdfunding campaign to provide PPE and training to seven mahi communities in Peru, increasing our network of fishers and building trust, which will help with future scaling.

Additionally, Future of Fish has several additional projects and pilots that are actively being negotiated with funders to provide additional grants for the FIP+ including:

- A FIP+ level grant with WFF to support piloting of high-quality, traceable mahi through the value chain, business planning and capacity building for cooperatives/ associations, and FIP+ level strategy and collaboration work with other NGO's and stakeholders working in the Mahi fishery (as detailed in Table 11);
- A multi-year grant from a UK-based philanthropic organization whose mission includes tackling poverty for women and youth by improving employment. The project would engage the mahi communities to develop leadership and provide training and resources for social improvements to meet the needs of the community. The outcome of the grant is a "community hub" which would be run by leaders in the community to continue to deliver technical assistance to stakeholders from the community. (Note, this is a collaborative philanthropic funding opportunity that Future of Fish is arranging between the UK funder and WFF);
- In partnership with CARE and Fundacion Capital, Future of Fish is engaged with a regional development bank to provide funding for financial inclusion and gender equality in mahi communities; and
- Future of Fish has had early-stage, preliminary conversations with an official development assistance (ODA) agency with a mission in Peru, to consider funding FIP+ collaboration and piloting for an alliance of stakeholders supporting the Mahi FIP+.

These efforts are all still in the readiness stages of applying our finance strategy as outlined in Table 11; the primary efforts over the next couple years will continue to focus on capital coordination efforts that can mature and de-risk the fishery to consider and apply blended finance strategies.

Conclusion

Today, the global seafood industry continues to suffer from unsustainable and irresponsible practices, threatening marine biodiversity and the food security, livelihoods, and well-being for hundreds of millions of people around the world. Meanwhile, a push for sustainable blue economy development, which includes equitable and environmentally sustainable outcomes from economic growth in ocean sectors, is gaining momentum at the same time that climate change is forcing new approaches and funding to support adaptive management of coastal communities and marine resources.

We believe a unique opportunity exists to leverage these conditions to forge new approaches to sustainable fisheries development, especially for small scale fisheries (SSF) in the developing world. And we believe FIP+s offer an exciting avenue for applying this approach. As the leading model for fishery improvement, FIPs offer enormous opportunity for driving untapped resources to support 3E fishery transformation under the proposed framework; however, FIP implementers cannot do it alone. Effective execution of the framework will require capacity building for FIP implementers and partnerships to bring in needed financial expertise. This requires funding and importantly, more opportunities for cross-sector collaboration among conservation and creative finance experts, and FIP practitioners.

Future of Fish is dedicated to building these connections and capacities and we welcome input and partnerships from those interested in joining this effort.

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Appendices

APPENDIX 1: Selection of existing tools to support fishery and finance development

Specific assessment tools	
Pre-assessment tools	<p>The MSC assessment process reviews 28 Performance Indicators grouped under the 3 principles. MSC Handbook. Guidelines for developing pre-assessment and full assessment projects.</p> <p>Guidance for Using the Benchmarking and Tracking Tool (BMT)</p> <p>MSC Fisheries Certification Requirements and Guidance v2 The MSC assessment process reviews 28 Performance Indicators grouped under the 3 principles.</p> <p><i><u>MSC Handbook. Guidelines for developing pre-assessment and full assessment projects.</u></i></p> <p><i><u>Guidance for Using the Benchmarking and Tracking Tool (BMT)</u></i></p> <p><i><u>MSC Fisheries Certification Requirements and Guidance v2</u></i></p>
FIP evaluation and progressing tool	<p>Sustainable Fisheries Partnerships <i><u>FIP evaluation program</u></i> and <i><u>SFP Evaluation Tool for FIP Progress</u></i></p>
Triple impact scoping tool	<p>Future of Fish applies a <i><u>Scoping tool</u></i>, that focus in a quick understanding of the state of the fishery and the communities involved, by mapping actors, understanding capital and process flows, and getting key business data of main organizations profiled.</p>
Rapid Assessment tools	<p><i><u>Package</u></i> of Rapid Assessment tools from MSC, Ocean Outcomes, Conservation International and Smart Fish.</p> <p>Environmental Rapid Assessment (ERA): The <i><u>Environmental Rapid Assessment tool</u></i> can be used as a Needs Assessment for Basic FIPs on FisheryProgress.</p> <p>Social Rapid Assessment (SRA): <i><u>Social responsibility assessment tool</u></i> for the seafood sector built on the <i><u>Monterey Framework, the United Nations Food and Agriculture Organization's (FAO) Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries.</u></i></p> <p>Financial Rapid Assessment (FRA): The <i><u>business capacity assessment of seafood enterprises</u></i>, which build from capacity <i><u>assessment tools from FAO.</u></i></p>
Fishery Principles	<p><i><u>Fishery Principles Scorecard</u></i>, to evaluate a fishery against the Principles.</p>
Environmental Assessment	<p><i><u>Framework for Integrated Stock and Habitat Evaluation</u></i> (FISHE), includes assessment tools, including: i) estimate ecosystem health, ii) assess species vulnerability and iii) depletion, iv) stakeholder mapping.</p>
Business and finance tools	
Finance tools	<p>IUNC's and Ecoagriculture's <i><u>LIFT Landscape Investment and Finance tool</u></i>, to conduct the investment and financial structuring process. Applying a landscape approach it includes 3 stages: 1) assess financing needs for priority investments, 2) identify potential sources of funding, 2) devise a financial mobilization strategy</p> <p>It includes, practical tools as the Business canvas, or a worksheet for <i><u>valuation of NPV model</u></i></p> <p><i><u>A landscape assessment of financial flows tool</u></i></p>
Business and financial modeling	<p>ENCOURAGE CAPITAL's Case studies of Invest in Vibrant Oceans.</p> <p><i><u>Chile Mariscos strategy</u></i></p> <p><i><u>Brazil Menque strategy</u></i></p> <p><i><u>WWF's Blue prints for bankable nature based solutions</u></i></p>

Instruments and mechanisms	<p><i>OCDE Biodiversity finance</i> (Sources of funding)</p> <p><i>BIOFIN: The Biodiversity Finance Initiative Workbook</i> (Finance mechanisms and instruments; Case studies)</p> <p><i>SDG Financing solutions</i> (Finance mechanisms and instruments; Case studies)</p> <p><i>CFA: Conservation finance framework</i> (Framework and roadmap; Finance mechanisms and instruments; Sources of funding)</p> <p>CPIC Blueprints - finance models (Blended finance in Fisheries; Public-private partnership for MPA)</p> <p>GLOBAL CANOPY - <i>Little book of investment in nature</i></p> <p>WEF - <i>Ocean Finance handbook</i></p>
Structuring and investment cycle	<p><i>CPIC investment structuring blueprint guidance</i></p> <p><i>GIIN tool on how to structure Blended finance vehicles</i></p>
Finance risk assessment tool	<p><i>Finance risk assessment tool</i></p> <p>EDF Sustainable Fisheries Toolkit - <i>Resource Toolkit</i></p>
Capacity development	<p><i>Learning practices and practical tools for capacity development</i>: principles, learnings, assessments, programming and development.</p>
Blended finance vehicles	<p><i>GIIN tool on how to structure Blended finance vehicle</i></p> <p>General structuring <i>blueprint guide of CPIC</i></p>
Key guidance	
Fishery Improvement Project guidance	<p><i>Templates and resources</i> that provide guidance on developing and launching FIPs</p>
Fishery Improvement Project guidance	<p>A <i>social policy for FIPs</i> is under development, and the standardized reporting framework will be expanded to include social indicators sometime in 2021.</p>
Blue Action fund guidances	<p><i>Gender Guide from Blue Action Fund</i>: Gender-responsive guidance for coastal conservation and sustainable fisheries projects</p>
FAO on gender	<p><i>Towards gender-equitable small-scale fisheries governance and development</i>. In support of the implementation of the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication</p>
Blue Carbon	<p>Blue Carbon Initiative <i>Guide how countries may include blue carbon in their Nationally Determined Contributions</i></p>
WB on impact investing in fisheries	<p>WB's white paper on <i>developing impact investing opportunities for return-seeking capital in sustainable marine capture fisheries</i></p> <p>Investment Sequencing Options</p> <p>How to overcome Investor questions</p>
Guidance on blended finance and impact investing	<p>The <i>Global Impact Investing Network</i> for General information about impact investing</p> <p><i>Convergence</i> for general information and guidance about Blended Finance</p> <p><i>Conservation Finance Network</i> for general guidance and resources on conservation finance</p> <p>EVPA report "<i>Impact investing Strategies - How Investors Drive Social Impact</i>"</p>
Guidance on Integrated landscape management	<p><i>Ecogriculture</i> partners for general guidance, tools and resources about Integrated Landscape Management</p> <p>IUCN's supported <i>Landscapes for people, food and nature</i>, for general guidance and resources.</p>

Impact Management and Measurement	The GIIN created <i>IRIS tool</i> , which is the generally system for measuring, managing, and optimizing impact. The <i>Impact Management Project</i> for general guidance on dimensions of impact and classifying funders
Frameworks	
Fishery Development Model Future of Fish	Future of Fish. <i>Fishery Development Model: A Systems Development Model for Data-Rich, Investable Fisheries. 2018.</i> The FDM offers both a framework to understand the types of stakeholders and interventions required in the system (i.e. across data, value chain, governance, deal structuring, and livelihoods domains), as well as a process to guide a phased progression from research through pilot development, and ultimately the system-wide scaling of viable interventions. The report offers the following tools to support assessment and application of the FDM in each phase, including: Scoping assessment, valuation scorecard, system profile, maturity assessment, archetype profile, blueprint, finance and innovation platform, diligence package.
UNEP Finance Initiative	<i>Sustainable Blue Economy Finance Principles</i>
Fishery Principles	Environmental Defense Fund, Rare/Meloy Fund and Encourage Capital. 2018. <i>Principles for Investment in Sustainable Wild-Caught Fisheries.</i>
IUCN Nature-based Solutions	<i>Global Standard for Nature-based Solutions.</i> A user-friendly framework for the verification, design and scaling up of NbS. IUCN.
CFA Finance framework	<i>CFA: Conservation finance framework</i>

APPENDIX 2: Potential Existing funds to Support 3E Fishery Development

Type	Name and link	Description
Public, for sovereign operations and blended finance purposes	<i>Green Climate Fund</i>	Multilateral driven fund of USD 16.400 million The Green Climate Fund supports the efforts of developing countries to respond to the challenge of climate change through GHG reduction and adaptation, and climate-resilient development.
Public, for sovereign operations and blended finance purposes	<i>The Global Environment Facility</i>	GEF funds are available to developing countries and countries with economies in transition to meet the objectives of the international environmental conventions and agreements. GEF support is provided to government agencies, civil society organizations, private sector companies, research institutions, among the broad diversity of potential partners, to implement projects and programs in recipient countries
Public, for blended finance purposes	<i>Blue Action Fund</i>	With support from GCF, the Blue Action Fund was founded in 2017 with support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and Agence Française de Développement (AFD). Blue Action Fund is one of the world's largest public funders promoting marine conservation and sustainable livelihoods in coastal communities.
Blended, for seeding and accelerating projects	<i>Nature+Accelerator Fund</i>	Promoted by GEF, IUCN, Mirova, CPIC. Project focus includes Marine, coastal resilience and fisheries. Starting in 2021, the Accelerator Fund will offer financing (e.g., loans and equity) through the three financing windows: seed, early venture, and venture. Seeking to invest US\$ 40 M and leverage US\$ 160 M from private sector.
Blended, impact investing in fisheries, biotech and marine conservation	<i>Mirova Sustainable Ocean Fund</i>	Mirova's Sustainable Ocean Fund the SOF is expected to deploy USD 100 million, of which 40% will be allocated in Latin American countries, 30% in African countries, and 30% in Asian countries. In early 2020 the fund achieved its final close at USD 132 million dollars in capital commitments towards this goal.

Type	Name and link	Description
Blended, impact investing in fisheries, biotech and marine conservation	<u>Aqua-spark</u>	Aqua-Spark is a global investment fund of 9.3 million that makes investments in sustainable aquaculture businesses that generate investment returns while creating positive social and environmental impact. They invest in primarily small-to-medium enterprises that are working toward the production of safe, accessible aquatic life in ways that do not harm the environment.
Blended, targeting eco businesses	<u>EcoEnterprises Fund</u>	USD 140 million fund targeting growth financing for nature-based businesses that contribute to the sustainable use and conservation of natural resources and biodiverse ecosystems, the mitigation of climate risks and the creation of resilient local economies
Blended, targeting eco businesses	<u>EcoBusiness Fund</u>	Led by Finance in motion, is a USD 231 million fund to support businesses in biodiversity, mitigation and adaptation in agriculture, aquaculture, forestry, and tourism through direct and local financing investments in Latin America.
Blended, impact investing in fisheries	<u>The Meloy Fund</u>	Impact investment fund of 22 million that incentivizes the development and adoption of sustainable fisheries by making debt and equity investments in fishing-related enterprises that support the recovery of coastal fisheries in Indonesia and the Philippines. The Meloy Fund is a wholly-owned subsidiary of Rare - a global conservation organization. The Meloy Fund works with Rare's global fisheries management program (Fish Forever) to enable new economic opportunities and more sustainable long-term fisheries.
Other impact investors		General information on the Impact Investing sector, to check out fund managers and national initiatives: <u>Global Impact Investing Sector</u> <u>Global Steering Group for Impact Investing</u>

APPENDIX 3: Examples of finance initiatives applying landscape and blended finance approaches, with high engagement at umbrella level

Seychelles Islands debt-for-nature swap and blue bond¹²

In 2018, the Seychelles, a Commonwealth Small State, became the first ever country to successfully undertake a debt-for-nature swap to protect the world's oceans. It is a compelling example of leveraging a country's assets as part of the Blue Economy Sector – a comparative advantage for Large Ocean States. The debt restructuring mechanism is an innovative method of debt condonation in which a portion of a developing country's foreign debt is forgiven in exchange for a commitment for investments in domestic environmental conservation and sustainability projects. This pioneering project was accomplished through the partnership of The Nature Conservancy's NatureVest, strong political leadership from the President and the Environment, Finance and Foreign Affairs Ministries of Seychelles, and many private foundations. This initiative provides a proof-of-concept, innovative, financing model for marine habitat protection for Small States. It can be adapted across the Commonwealth and globally. The Small States Centre can help countries wishing to start such a project.

Debt service payments fund three distinct cash flows through this initiative:

- The SeyCCATs Blue Grants Fund - targets projects that relate to MPA Management, Sustainable Fisheries, Ecosystem Rehabilitation, Climate Change Adaptation and Blue Economy Businesses.
- Repayment of the impact investor / NatureVest.
- Capitalizing the SeyCCAT endowment. Benefits of the scheme.

12. <https://seyccat.org/wp-content/uploads/2019/07/SSCOE-Debt-for-Nature-Seychelles-Case-Study-final.pdf>

- Financing for adaptation to climate change through management of Coasts, Coral Reefs and Mangroves.
- Promoting implementation of a Marine Spatial Plan (MSP) for the entire Seychelles Exclusive Economic Zone.
- Approximately 400,000 sq. km. managed for conservation as marine protected areas (MPAs) within 5 years.
- Implementing the Marine Spatial Plan setting ground rules for what is permitted and where, this may be carried out in Seychelles water.

Project milestones

1. Financial Negotiations with Creditors: The Government of Seychelles launched an innovative debt restructuring for which it sought support from its main bilateral creditors, most of which were members of the Paris Club. The official Seychelles delegation visited London, Paris and Brussels to meet with relevant officials. The debt-restructuring initiative, was facilitated by US-based NGO - The Nature Conservancy (TNC). In 2015, TNC raised US\$15.2 million in impact capital loans and US\$5 million in grants to buy back US\$21.6 million of Seychelles debt held with the Paris Club – the difference was discounted. The government would repay \$15.2 million at 3% over 10 years to TNC.
2. National Stakeholder Consultations: The Ministries of Environment and Finance in Seychelles met with all the sectors involved in the use of marine resources, including the Tourism, Fisheries, Transport, Environment and Oil Exploration Sectors to discuss developing a National Marine Spatial Plan.
3. The Creation of a Marine Spatial Plan: TNC is working with The Ministry of Environment, Energy and Climate Change to facilitate the creation of a Marine Spatial Plan for the entire 1.37 million square kilometers of the Seychelles Exclusive Economic Zone. Science, spatial data, stakeholder input and local knowledge are being used to propose zones for high and medium biodiversity protection and multiple uses.
4. Executing the Conservation Actions: A locally registered Trust, Seychelles; Conservation and Climate Adaptation Trust (SeyCCAT) was established. It purchased and restructured the debt, manages the endowment as well as the terms of the debt forgiveness agreement.
5. Emission of blue bond: In October 2018, the Seychelles was the first country to issue a US\$15 million blue bond from three main investors – Calvert Impact Capital, Nuveen and Prudential. Standard Chartered acted as placement agent for the banks and the bond is guaranteed by the WB. Its proceeds are being used to develop the Seychelles' blue economy. Through the bond, SeyCCAT received another US\$3 million for grants. The Development Bank of the Seychelles (DBS) is in charge of the rest, which is to be distributed as loans via its Blue Investment Fund (BIF).

Environmental and socioeconomic importance of this investment

In 2018, tourism and travel contributed just under 70% of total GDP for the Seychelles. Fishing makes up around 20% of GDP and 97% of total exports, thanks to the large industrial tuna fishing boats that come from the EU and Korea, which have long-term contracts with the government of the Seychelles.

According to the WB, GDP growth in the Seychelles was 5.3% in 2017, 3.6% in 2018 and 3.4% in 2019. Current trends suggest that it will continue to fall to 3% in 2020, worse off after covid-19. Overfishing, exploitation and climate change have devastated fish stocks, mangroves and coral reefs, which has had

a knock-on effect on the livelihoods of the fishermen in the Seychelles, who are small-scale, low-technology and have little capital. The government hopes that it can reverse this trend through economic diversification and the sustainable use of its oceans.

Finance for REDD+ and Forestry Investment Programs (FIPs), the case of Peru.

Forestry Investment Programs (FIPs) supports developing countries efforts to reduce deforestation and forest degradation while promoting sustainable forest management that leads to emissions reductions and enhances forest carbon stocks (REDD+).

The (forest) FIP has four objectives:

1. Initiate and facilitate transformational change in developing countries' forest related policies and practices;
2. Facilitate the leveraging of additional and sustained financial resources for REDD, leading to an effective and sustained reduction of deforestation and forest degradation, and enhancing the sustainable management of forests;
3. Pilot replicable models to generate understanding and learning of the links between the implementation of forest-related investments, policies and measures and long-term emission reductions and conservation, sustainable management of forests and the enhancement of forest carbon stocks in developing countries.; and
4. Provide valuable experience and feedback in the context of the UNFCCC deliberations on REDD.

FIPs are one of the three targeted programs that make up the Strategic Climate Fund (SCF) of the Climate Investment Funds (CIFs). These public resources are held in trust by the World Bank, and are disbursed as grants, concessional loans, and risk mitigation instruments to recipient countries via multilateral development banks (MDBs) as implementing agencies. This ensures due diligence and high standards, and the CIF benefits from the banks' ability to leverage financing, mobilize other actors, and harmonize policy support.

FIP financing is complementary to large-scale investments and leverages additional resources, including the private sector investments to:

- Promote forest mitigation efforts, including protection of forest ecosystems services.
- Provide support outside the forest sector to reduce pressure on forests (e.g.: agriculture and cattle ranching)
- Help countries strengthen institutional capacity, forest governance and forest-related knowledge.
- Mainstream climate resilience considerations contribute to biodiversity conservation, protection of the rights of indigenous peoples and local communities, and poverty reduction through rural livelihoods enhancements.

REDD+ participating countries must deliver:

- A national REDD+ strategy.
- A national Reference Emission Level or Forest Reference Level.
- A robust and transparent national forest monitoring system.
- A system for providing information on how safeguards are addressed.

Every REDD+ follows a phasing structure:

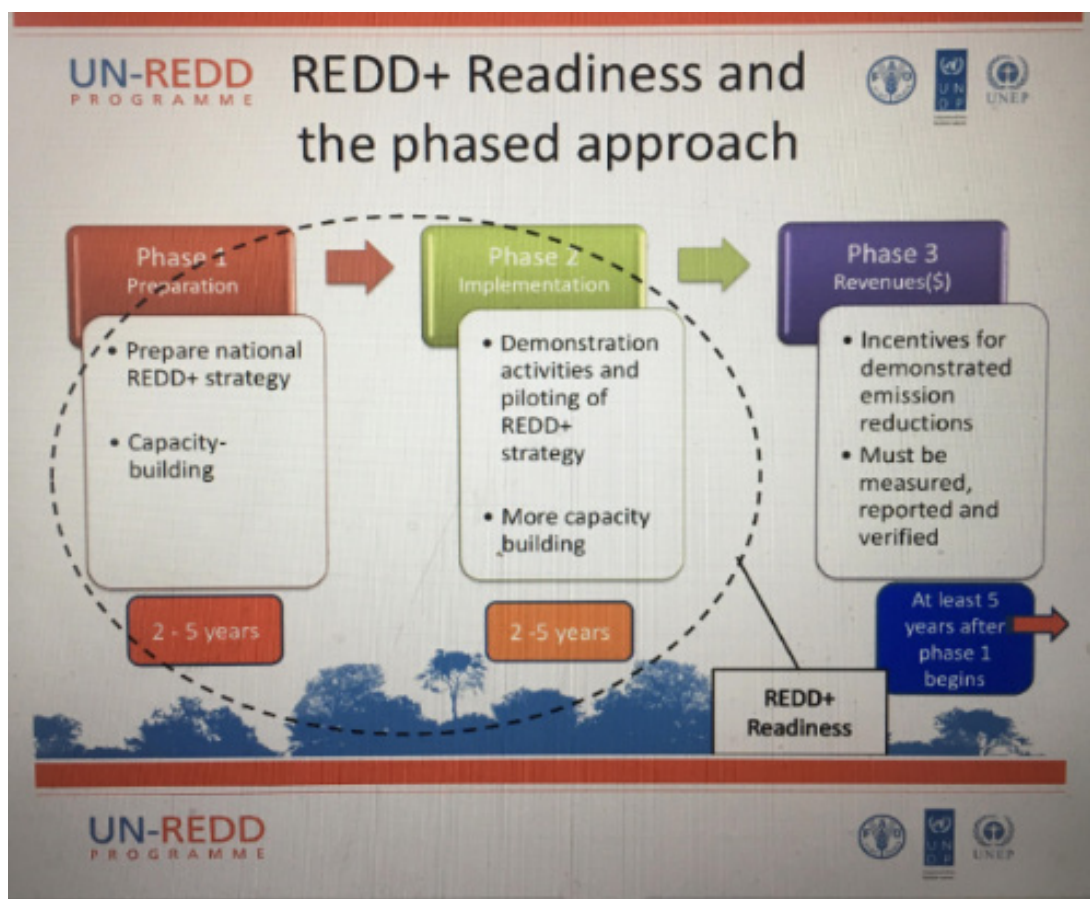


Figure A1. Readiness and phased approach of the REDD+ program. Source: UNDP REDD+ program

Phase 1 - preparation and 2 - implementation are also known as REDD+ Readiness phases and it is estimated that can take between 2 and 10 years to complete. The focus in readiness phases is in the enabling environment conditions that need to be in place before beginning the implementation phase. Strong emphasis is given to capacity building and strengthening of local human capital over the first two phases.

The case of Perú:

As part of Peru's Nationally Determined Contribution, the country developed a Nationally Determined Contribution REDD+ strategy to pledge to UN's Paris Agreement and commitments to reduce GHG by 2030. In line with its national REDD+ strategy, Peru has developed a (forestry) FIP investment plan that is focusing \$50 million on integrated forest landscape management in key deforestation "hotspots."

The investment plan aims to address the direct and underlying drivers of deforestation using a two-pronged approach. On one hand, prioritizing three geographic areas which constitute a representative sample of the major drivers of deforestation and forest degradation across the Peruvian Amazon. Three targeted projects will test integrated landscape management approaches so that successes can be easily replicated and enlarged in other areas of the Amazon with similar forest use contexts. On the other hand, the fourth project focuses on forest conservation policy, institutions, and instruments that will provide the enabling environment for transformative change.

Projects address critical issues like land titling and registration of rural properties and communal lands with the aim of ending open access to forest resources; improvement of forest and environmental

governance; enhancement of the value of environmental assets of forests and degraded areas; and activities for innovation and market development. The projects take place at national level and in San Martin, Loreto, Ucayali and Madre de Dios regions.

Investment opportunities have been identified accordingly, considering the direct and indirect or underlying causes of deforestation and degradation, together with national legal and institutional processes. It is important to bear in mind that FIP investments will mainly target activities that result in the heaviest deforestation and forest degradation. Other related projects and programs are executed in parallel in order to complement or support these initiatives, further leveraging public, private and public-private investments who now benefit from a more stable and less risky business environment.



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