



Department  
for Environment  
Food & Rural Affairs

# Global Fund for Coral Reefs (GFCR)

An addendum to a Blue Planet Fund ODA Business Case

January 2023

## SUMMARY

<b>Programme Code</b>	GB-GOV-7-BPFGFCR
<b>Programme Name</b>	Global Fund for Coral Reefs (GFCR)
<b>Country or Region Targeted</b>	All ODA eligible countries with critical coral reef habitats. Focus includes SIDS, Fiji, Indonesia, Philippines, Maldives, Kenya, and Tanzania.
<b>Programme Objectives</b>	<p>The GFCR is the first Multi-partner Trust Fund designed specifically to deliver on Sustainable Development Goal 14 “Life Below Water”. It provides finance for coral reefs with particular attention on Small Island Developing States. The GFCR will promote a ‘protect-transform-restore-recover’ approach through the creation and management of Marine Protected Areas (MPAs) to save and protect coral reefs in the face of serious decline and extinction.</p> <p>The GFCR has four main outcomes:</p> <ol style="list-style-type: none"> <li>1. Protect priority coral reef sites and climate change-affected refugia</li> <li>2. Transforming the livelihoods of coral reef-dependent communities</li> <li>3. Restoration and adaptation technologies</li> <li>4. Recovery of coral reef-dependent communities to major shocks</li> </ol>
<b>Original Programme Budget</b>	<p>Original Business Case: £5,000,000</p> <p>Autumn 2021 COP26 Uplift: £1,000,000</p> <p>2022 extension: £3,000,000</p> <p><b>Total: £9,000,000</b></p>
<b>Original Programme Start and End Dates</b>	July 2021 – March 2022
<b>Cost Extension Value (If applicable)</b>	<p>Total value over 3 years: up to £24,000,000<sup>1</sup></p> <p>Spending Profile: £9m in 22/23, £8m in 23/24 and £7m in 24/25<sup>2</sup></p> <p>All spend will be RDEL; Defra’s contribution is classed as a current grant and will score to RDEL because the end recipient (GFCR) can use funding at their discretion.</p>
<b>New programme end date (if applicable)</b>	March 2025
<b>DevTracker link to original business case</b>	<p><a href="#">Full Business Case</a></p> <p><a href="#">2021 Business Case addendum</a></p>
<b>Links to IAAP, RPA and Accounting Officer Assessment</b>	<p><a href="#">GFCR IAAP 26.10.22 V3.docx (sharepoint.com)</a></p> <p><a href="#">GFCR RPA 2022 V3.docx (sharepoint.com)</a></p>

<sup>1</sup> ODA Hub guidance is to use the addendum template for ODA business case extensions.

<sup>2</sup> Year on year disbursements will be dependent on the ongoing strong performance of the GFCR and evidence of need. Expanded on in body of addendum.

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## GLOSSARY

BCR	Benefit to Cost Ratio
BPF	Blue Planet Fund
CBD COP15	15th Conference of Parties to the UN Convention on Biological Diversity.
COAST	Climate and Ocean Adaptation and Sustainable Transition
CORDAP	Coral Research & Development Accelerator Platform
EB	Executive Board
EIA	Environmental Impact Assessment
ESMS	Environmental and Social Management System
FCDO	Foreign, Commonwealth and Development Office
GBF	Kunming-Montreal Global Biodiversity Framework
GCF	Green Climate Fund
GFCR	Global Fund for Coral Reefs
Ha	Hectares
ICRI	International Coral Reef Initiative
KPI	Key Performance Indicator
LMMA	Locally Managed Marine Area
M&E	Monitoring and Evaluation
MDB	Multilateral Development Bank
MEL	Monitoring, Evaluation and Learning
MPA	Marine Protected Area
MPTF	Multi Partner Trust Fund
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Other Effective Conservation Measures
OECD	The Organization for Economic Cooperation and Development
ORRAA	Ocean Risk and Resilience Action Alliance
PGAFF	Paul G. Allen Family Foundation
PrOF	Programme Operating Framework
RPA	Risk Potential Assessment
SAA	Standard Administrative Agreement
STAG	Scientific and Technical Advisory Group
SES	Social and Environmental Standards
SIDS	Small Island Developing States
ToC	Theory of Change
TOR	Terms of Reference
UNDP	United Nations Development Programme

## EXECUTIVE SUMMARY

The Global Fund for Coral Reefs (GFCR) is a blended finance instrument first established in September 2020. It integrates public and private grants and investments to mobilise action and resources to protect and restore coral reef ecosystems, in addition to supporting the communities who depend on them.

Defra's £310m Blue Planet Fund (BPF) allocation for the 5-year lifetime of the Fund is now in pipeline or pre-pipeline stage. Under our BPF portfolio and following HMT approval at SR21 “up to £24m” has been allocated to scaling our contribution to the GFCR as part of strategic make-up of the BPF; there is no question regarding the affordability of the intervention.

To date, Defra have contributed £9m to the GFCR Grant Fund via the BPF which was all committed and disbursed in FY 2021/22. Initially in, 2021 we sought and received Investment Committee and ODA Board approval for an £5m investment; following that we invested a further £1m in the Autumn of 2021, announced by Lord Goldsmith at COP26, and £3m in March 2022 based on needs identified by the Fund and to support a reallocation of Defra ODA spend. Other donors to the Grant fund include Prince Albert II of Monaco Foundation, the Paul G. Allen Family Foundation and the governments of Germany, Canada and France.

The Fund continues to grow and there is new demand for grant funding. The purpose of this addendum to the original full business case is to seek approval for an additional £24 million over three years (£9m/£8m/£7m) to support that growth and achieve the desired impact in partner countries. Each annual payment dependent on ongoing good performance demonstrated through Annual Reviews. This will take our total planned investment in GFCR to £33m.

In terms of the performance of the scheme and our investment in the past 18 months; we are confident that this represents good value for money. The Annual Review score for the FY 2021/2022 is *A – met expectations*. To summarise, all but one of the output indicators either met or exceeded targets; The Fiji Project had a target of leveraging \$13.4m, and while GFCR are aware that this target was perhaps over ambitious for year 1, they have also expressed that Covid-19 caused challenges with the progression of the project<sup>3</sup>.

Year 1 predominantly focused on enabling actions for future delivery, such as project scoping, building stakeholder relationships and approving new projects, all of which are in line with Defra's expectations. Within this review period, Defra financing supported projects in Kenya & Tanzania, Fiji, Papua New Guinea, the Philippines and the Meso-American Reef. By 2030, these programmes intend to increase the resilience of nearly 450,000 hectares of coral reefs by addressing local drivers of coral reef degradation, provide enhanced ecosystem services to over 380,000 local beneficiaries, create

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<sup>3</sup> Performance will be monitored for each project in line with the GFCR results framework throughout the year, in addition to progress being reviewed at quarterly Executive Board meetings; this will allow us to identify performance issues promptly. If comes to light that multiple projects are not meeting specific outputs, we will reevaluate output indicators and investigate reasons why.

3,800 new jobs and incubate more than 50 reef-positive interventions. For further details please see Annex D.

As of July 2022, six donors have committed to £23.2m in grant contributions. This represents significant progress from the original business case in May 2021, at which point only £5m had been secured. The GFCR are in discussion with several existing and new donors with a view to securing additional multi-year commitments. We understand UK funding to be significantly catalytic in terms of leveraging new finance for the Fund via pledging and deposits to the GFCR Grant Fund.

In terms of the risks facing this investment, we had previously flagged key risks associated with 1.) provision of advance payments, which is mitigated against through the UK's permanent voting or vetoing seat on the Executive Board (EB), which provides confidence Defra's interests can be protected, in addition to downstream due diligence checks on partners prior to disbursement of funds, 2.) reputational risks associated with the UK being the largest donor in a relatively new fund, which is mitigated against via a claw-back clause if the Fund cannot fulfil its commitments and the fact that GFCR has demonstrated its clear ability to mobilise funding, and 3.) risks concerning fluctuations in exchange rates, impacting available funds. Mitigation includes the GFCR team monitoring exchange rates and raising concerns if there is potential for a large loss of funds.

In December 2022, Defra completed an enhanced internal due diligence self-assessment, based on the FCDO's 5 pillars of due diligence, that focussed on the UNDP GFCR team. The self-assessment complements the Multilateral Organisation Performance Assessment Network (MOPAN) review on UNDP completed in 2021 and the Central Assurance Assessment carried out on UNDP in 2020. The FCDO Institutional lead for UNDP has confirmed that the current due diligence package on UNDP is appropriate and that there are no risks which would require the us to cease or not go ahead with further funding.



## SECTION 1: PROGRAMME AND FUNDING PURPOSE

### Section 1.1: What is the programme's purpose?

The Global Fund for Coral Reefs (GFCR) is the first Multi-Partner Trust Fund (MPTF) specifically targeting Sustainable Development Goal (SDG) 14; Life Below Water. It combines public grants with and private investments for coral reefs with particular attention on those in Small Island Developing States. The GFCR operates in coral reef countries around the world, with a focus on interventions that support communities dependent on coral reefs that have been identified as the most resilient to climate change.

The GFCR promotes a 'protect-transform-restore-recover' approach in these priority locations to preserve coral reefs in the face of serious decline and extinction. Coral reefs are amongst the most valuable ecosystems on earth, harbouring the highest biodiversity of any ecosystem<sup>4</sup>, supporting 25% of marine life<sup>5</sup> and providing a myriad of benefits to thousands of species<sup>6</sup>. The GFCR has four main outcomes:

- Protect priority coral reef sites and climate change-affected refugia (areas capable of retaining suitable habitats despite climate change)
- Transform the livelihoods of coral reef-dependent communities
- Promotion of, and funding to, restoration and adaptation technologies
- Enhance the recovery and resilience of coral reef-dependent communities to major shocks

There is a widely recognised finance gap for biodiversity conservation. Global conservation finance is estimated to need to increase by 5-7 times from 2019 levels by 2030 to reverse global biodiversity decline<sup>7</sup>. The GFCR model is expected to contribute to meeting this finance gap and lead to sustainable change through:

- Catalytic use of blended finance to build confidence and buy-in of the private sector to invest in sustainable solutions.
- Integration of sustainable revenue streams in the design and management of protected areas.
- Supporting the development and financial sustainability of blue economy incubators that can provide in-country operational elements to allow the continuation of their development of SME pipeline.
- Sharing of lessons learned in terms of successes and challenges with the community of coral reef and blue economy practitioners to accelerate the replication of successful business-oriented solutions for conservation.

The GFCR will look to build and complement existing initiatives in countries for maximum impact. Furthermore, the GFCR will work to develop enabling environments by addressing policy, capacity, and financial barriers in countries that previous initiatives may have overlooked. The GFCR Global

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<sup>4</sup> [Coral reefs and climate change - resource | IUCN](#)

<sup>5</sup> [2018 ISRS Consensus Statement on Coral Bleaching Climate Change final\\_0.pdf \(icriforum.org\)](#)

<sup>6</sup> Burke, L., K. Reytar, M. Spalding, and A. Perry. 2011 Reefs at Risk Revisited. Washington, D.C., World Resources Institute (WRI), The Nature Conservancy, WorldFish Centre, International Coral Reef Action Network, UNEP World Conservation Monitoring Centre, and Global Coral Reef Monitoring Network, 114p. (pdf, 6.4M) (via Reef Resilience Network)

<sup>7</sup> [Financing Nature: Closing the Global Biodiversity Financing Gap - Paulson Institute](#)

Team is already closely connected to these programmes and will engage with relevant organisations in each geography as it identifies the pipeline in order to collaborate, co-invest and share knowledge.

While the GFCR is an innovative financial mechanism, its legal architecture is based on a standard set of agreements developed by the UN and partners to provide a solid fiduciary framework, high transparency, joint decision-making processes, standard operating modalities, and a credible programming/allocation cycle. The GFCR is designed as a blended finance vehicle with two “funds” under the same Theory of Change (Annex A) and investment plan. To date Defra have input a financial contribution totalling £9m into the Grant Fund.

The Grant Fund serves to incubate a pipeline of investible projects that generate positive environmental, social, and economic impact. Grant capital is effectively sequenced to build local capacity and de-risk the private sector role in the blue economy sector. Grants help to lay the foundation of an enabling environment for sustainable finance for coral reef conservation by funding technical assistance, capacity development, emergency grants, and monitoring and evaluation.

The Investment Fund provides investment capital to scale initiatives and maximise the impact of projects incubated by the Grant Fund. Guarantees and concessional loans from the Green Climate Fund (GCF), multilateral development banks and other sources are being mobilised to further de-risk investments in the unfamiliar markets of the blue economy and attract private investor capital.

The blended approach of the Fund creates efficiencies of scale, reduces dependence on limited and short-term grant funding, accelerates the investment readiness of projects, reduces commercial and environmental-social-governance risk through a diversified portfolio and works to establish local entities for improved representation and participation of local stakeholders. Through the UK’s Blue Planet Fund (BPF) Defra has already contributed £9m to the fund. Defra are confident following evaluation, via the year 1 Annual Review and strategic discussions in Executive Board meetings, that the GFCR continues to best the best option to meet the needs and objectives set out in the original Business Case. Furthermore, following analysis of the financial needs of the Fund through discussion with the GFCR team Defra seeks to make the case for additional contribution to the Grant Fund where our public finance supports a focus on reducing poverty through sustainable livelihood diversification in ODA eligible countries, including Small Island Developing States (SIDS).

Programmes like the GFCR that focus primarily on SIDS must ensure a greater emphasis on enabling conditions to create reef positive solutions (both businesses and financial mechanisms) given the challenges faced by SIDS, relative to larger countries. As the GFCR advances its work on blue finance instruments (including for example, debt instruments and others), SIDS are an important target for their deployment, particularly given their high debt and jurisdiction over large areas of the ocean, in addition to the low capacity of governments and Non-State Actors. In addition, GFCR solutions focused on waste management are also particularly relevant for SIDS and can offer a high replication potential.

The UK has prioritised action to support Marine Protected Areas (MPAs) and Other Effective Conservation Measures (OECMs) and has committed to utilise £100m throughout the lifetime of the

£500m BPF (2024/25)<sup>8</sup>. The current portfolio of BPF interventions to support this outcome strategically combines a mixture of small-scale grant finance projects with support to larger scale transboundary efforts, and utilises a combination of delivery partners, e.g., Non-Governmental Organisations (NGO) and Multilateral Development Banks (MDB). The GFCR, as a UN led MPTF, delivers project scale grant finance that also leverages additional investment, and it continues to be a strong fit with this varied MPA and OECM portfolio as it develops as well as delivering on the embedded and cross cutting enabler of ocean finance under the wider BPF.

## **Section 1.2: What is the objective of the cost extension or other changes?**

### *Objective 1 - Contribution to HMT objectives*

The GFCR continues to be the only coral-reef focused blended finance model, differing from, but complementing other initiatives within the BPF portfolio such as PROBLUE and the Ocean Risk and Resilience Action Alliance (ORRAA) and outside such as the Blue Action Fund (Annex B). The GFCR targets sites where reefs are the most resilient and interventions can reverse their degradation. The science concludes that this will give a coral biome the best chance of adaptation and survival, as well as offering the best VfM.

The GFCR has strong alignment with the Blue Planet Fund (BPF) objectives at multiple levels of the BPF structure:

- It contributes towards the Defra priority outcomes of Marine Protected Areas and Other effective Conservation Measures, and Pollution (Annex C)
- Supports the cross-cutting enablers of finance mobilisation and support to SIDs
- Delivers on the shared themes of marine biodiversity, climate change, and marine pollution.
- Meets our commitment to supporting ODA eligible projects with clear management actions to address reefs under threat and alleviate poverty.

Providing further UK support will directly contribute to Defra’s organisational objective *“to pass on to the next generation a natural environment protected and enhanced for the future”*, guided by the overarching BPF impact statement *“to protect and enhance marine ecosystems through the sustainable management of ocean resources, to reduce poverty in developing countries”*. The GFCR also contributes to Defra’s Priority outcome 1 *“Improve the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife”*

Furthermore, supporting the GFCR shows clear alignment with wider UK Government (HMG) objectives:

- Within the 2020 Integrated Review (IR), HMG committed to continue to act as a world-leading international development donor and contribute to achieving the UN Sustainable Development Goals (SDGs) by 2030.
- Building on the IR, the 2022 International Development Strategy (IDS) details HMG’s priorities to ensure UK official development assistance (ODA) integrates climate and biodiversity goals.

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<sup>8</sup> Following successful approval of this Business Case Addendum, Defra plan to announce further support to the GFCR at the Our Ocean conference in March 2023.

*Objective 2 – Provision of support to GFCR projects*

The primary objective of the GFCR remains the same since coral reefs and the communities that depend on them remain under significant threat. The Fund continues to develop a strong pipeline of projects and investment opportunities to deliver on that and now seeks more funding to support that expanding pipeline. Given that by the end of 2021 the GFCR had utilised 73% of its funding, either disbursing to delivery partners or through the funds administration and 99% of funding that was allocated to programming had been assigned to approved projects, we consider the need for additional funding at this stage to be strong and this is further demonstrated below (Table 1). The GFCR also continues to show strong alignment with BPF priority geographies with a portfolio and pipeline covering central and South America, East Africa, Southeast Asia, and the Pacific Islands.

<b>GFCR Income and Expenditure 2020-2024</b>	<b>(£m)</b>
Total Estimated Income 2020-2022	23.2
Total Estimated Expenditure 2020-2022	-28.7
<b>Estimated Balance end of Calendar Year 2022<sup>9</sup></b>	<b>-5.5</b>
<b>Forecast expenditure</b>	
2023	32.5
2024	32.5

*Table 1 - GFCR modelled funding*

During 2021, the first full year of GFCR operation, there was a strong focus on building and strengthening the operational and governance structures of the GFCR and bringing initial projects into fruition; key interventions and early markers of progress for Defra funded projects can be seen in Table 2 below (Further information can be found in Annex D and section 2.1 Year 1 Annual Review). Substantial progress has meant a strong growth forecast and the Executive Board (EB), with input from Defra through our permanent Executive Board membership, has now mandated an additional ten countries and three regional programmes to be pursued, totalling 22 programmes in the GFCR pipeline. Of these 22 programmes 12 are in BPF priority countries/regions, and all but two are ODA eligible<sup>10</sup>. Development and approval of projects in these geographies is ongoing (see Figure 1) and Table 1 sets out GFCR's short term projected expenditure which demonstrates their need for further funding. The objective of this cost extension, therefore, is to continue to provide support and funding for both established programmes as they expand, and new projects as they are developed and submitted to the Executive Board (EB) for approval

<sup>9</sup> Assuming no further income beyond what has been committed as of July 31<sup>st</sup>, 2022

<sup>10</sup> Defra's BPF funding is earmarked for investments in ODA eligible countries only; The GFCR disburses resources through the UN Multi-Partner Trust Fund Office's (UN MPTF Office) pooled-funding mechanism. The UN MPTF Office, as Trustee of the GFCR, earmarks UK contributions to ODA regions / countries as specified in the signed Standard Administrative Agreement (specifically Annex B), between the UN MPTF Office and the Government of the UK. The UN MPTF Office executes fund transfers based on financial decisions approved by the GFCR Executive Board, and the trustee and Secretariat track and ensure that UK contributions are allocated to ODA regions / countries.

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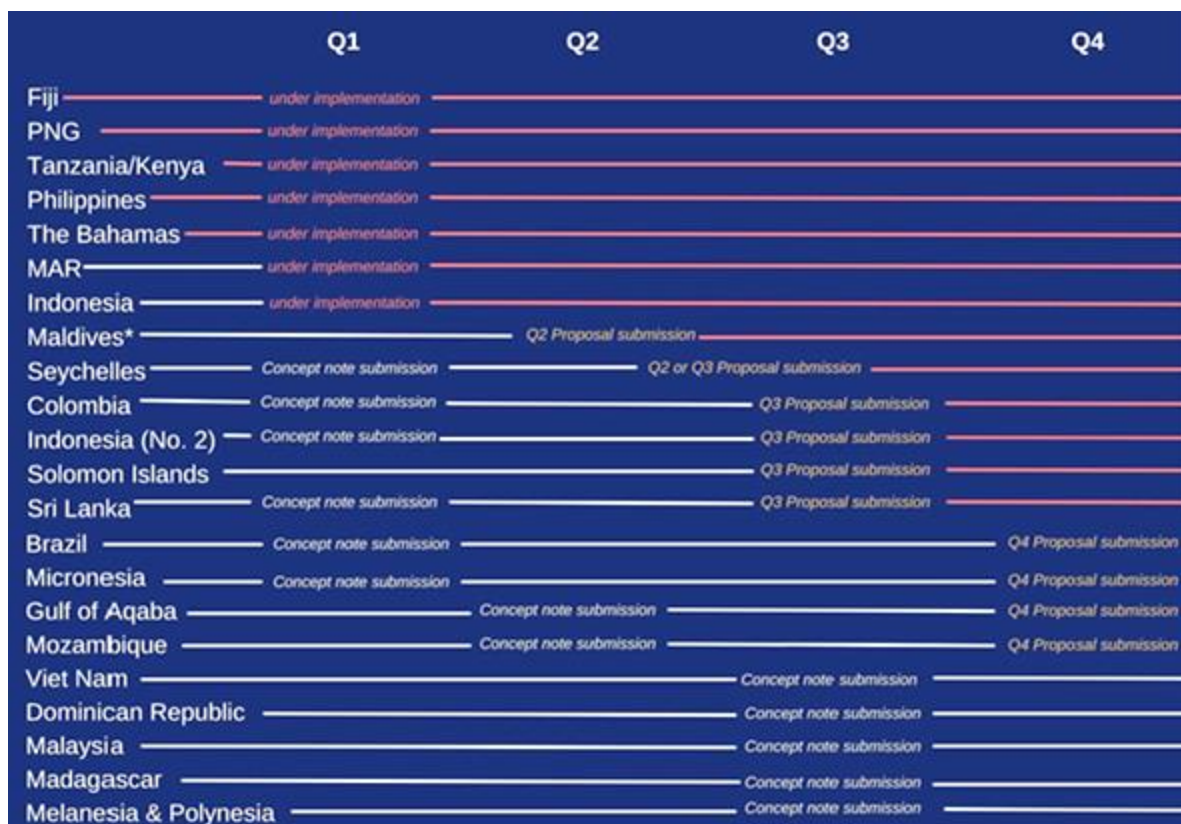
Project	Implementation date	Key Interventions	Early Markers of Progress
<u>Fiji</u>	<u>Jan-21</u>	<ul style="list-style-type: none"> <li>• Blended finance facility to mobilise commercial impact finance into Locally Managed Marine Areas (LMMAs).</li> <li>• Gender-responsive Technical Assistance Facility (TAF)</li> <li>• A non-synthetic fertilizer company</li> <li>• A waste management facility</li> </ul>	<ul style="list-style-type: none"> <li>• The initial activities for The Fertile Factory Company (TFFC) and the Western Sanitary Landfill mean the intervention is ready for further investment in 2023</li> <li>• Sites identified for LMMA financing; creation of Sea Sensorium Strategy; budget and workplans have begun incubation</li> <li>• Trials have started to test and demonstrate the yield of the product, with the intervention expected to be ready for substantive investment in the second half of 2023.</li> </ul>
<u>Kenya/Tanzania</u>	<u>Sep-21</u>	<ul style="list-style-type: none"> <li>• SME Facility to invest in or alongside the Okavango Fund</li> <li>• Venture Studio for smaller scale community initiatives with a longer time horizon to maturity and investment readiness.</li> <li>• Nature Stewardship Bonds</li> <li>• Corporate Biodiversity Bonds</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in valuable stakeholder engagements/forums</li> <li>• Grant agreement milestones - funding from Blue Bridge agreed</li> <li>• Provision of scientific and surveillance equipment to aid baseline data gathering</li> <li>• Implementation of a plastic waste management study</li> </ul>
<u>Papua New Guinea</u>	<u>Sep-21</u>	<ul style="list-style-type: none"> <li>• A Blue Economy Enterprise Incubation Facility (BE-EIF), housed within the new PNG National Biodiversity and Climate Fund (NBCF)</li> <li>• National Blue Investment Strategy and kick-starting the establishment of the BE-EIF and a local hub in Kimbe Bay.</li> <li>• Technical assistance to support blue enterprises</li> <li>• Development of a blue economy investment prospectus to raise awareness of the opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• New partnerships have been established with the PNG Biodiversity and Climate Fund</li> <li>• Agreement secured for a Technical Advisory Facility</li> <li>• Participation in valuable stakeholder engagements/forums</li> </ul>
<u>Philippines</u>	<u>Nov-21</u>	<ul style="list-style-type: none"> <li>• MPA Development Facility (DF) led by a consortium of three project developers (Blue Finance, Blue You, Ubá Sustainability Institute)</li> <li>• MPA blended finance investment facilities (BF-IFs) set-up for each MPA</li> </ul>	<ul style="list-style-type: none"> <li>• LMMA management agreements secured with local authorities</li> <li>• Various workplans established with a focus on capacity building, biodiversity/science, and sustainable revenues</li> </ul>

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<p><u>Indonesia</u></p>	<p><u>Feb-22</u></p>	<ul style="list-style-type: none"> <li>• Replication of MPA Financing Models</li> <li>• Strengthening enabling conditions for responsible and inclusive ecotourism recovery and growth</li> <li>• Strengthening enabling conditions for reef-positive, equitable and inclusive seaweed sector development and growth</li> <li>• Catalytic investments in reef-positive enterprise incubation</li> </ul>	<ul style="list-style-type: none"> <li>• Funding released in Q2 of 2022</li> <li>• Raja Ampat mooring system accelerated</li> </ul>
<p><u>Mesoamerican Reef</u></p>	<p><u>Feb-22</u></p>	<ul style="list-style-type: none"> <li>• Establish the technical assistance facility (MARTAF), managed by MAR Fund, and the Financing Facility, managed by New Ventures.</li> <li>• MAR+Invest impact to be monitored and evaluated by Healthy Reefs Initiative, the partner organisations dedicated to measuring and reporting on the health of the MAR.</li> <li>• A capacity building program (Build &amp; Connect) to generate enabling conditions for coral investment in the MAR with local governments, investors, incubators and CMPAs will be developed by the Mexican Fund for the Conservation of Nature and its MAR-Leadership program.</li> <li>• Identification of growth paths and blended financing</li> <li>• MAR+Invest will test in Guanaja – one of the three main islands of The Bay Islands Marine National Park of Honduras – a blue economy development approach</li> <li>• Equity and debt solutions will be explored with Pegasus Capital Advisors (PCA) to modernize the shrimp industry in Belize and achieve zero effluents from shrimp production into the MAR.</li> <li>• Identify, develop, and finance solutions that offer a scale of impact capable of reducing local threats to the reef, generating alternative livelihoods, increasing financial sustainability for CMPAs in the MAR, grow an Emergency Fund managed by MAR Fund, and ultimately attract capital to develop a coral positive investment portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding released in Q2 of 2022</li> </ul>
<p><u>Maldives</u></p>	<ul style="list-style-type: none"> <li>• <u>Jun-22</u></li> </ul>	<ul style="list-style-type: none"> <li>• The effective management mechanism for existing networks of seven protected areas in Lhaviyani atoll</li> <li>• Reduction/cessation of the uncontrolled dumping and disposal of domestic and commercial solid waste</li> <li>• Establishment of a business incubation/technical assistance facility.</li> </ul>	<ul style="list-style-type: none"> <li>• Project showcased and discussed in the most recent GFCR EB</li> </ul>

*Table 2 - GFCR Projects in implementation and key interventions*

Figure 1 - GFCR Project Pipeline 2022/23



**Section 1.3: What is the additional and total support the UK will provide?**

To date Defra have contributed £9m to the GFCR via the Blue Planet Fund (BPF) which was all committed and disbursed in FY 2021/22 as follows:

- The original Business Case for £5 million, was approved by Investment Committee in May 2021. This investment was intended to test the GFCR concept and capability, with scope to increase funding if successful.
- At COP26 this was extended by £1m and announced by Minister Goldsmith.
- Following this, a further £3m was approved in March 2022, based on needs identified by the Fund and to support a reallocation of Defra ODA spend.

**This addendum is now seeking approval for additional funding for 3 years; £9m in 22/23, £8m in 23/24 and £7m in 24/25; up to a total of £24m.** We have conducted economic analysis which provides the rationale behind this uplift in funding, details can be found in Annex E.

Year on year disbursements will be dependent on the ongoing strong performance of the GFCR and evidence of need from ongoing pipeline development. We have opted for this front loaded spend profile as we have greater certainty over need for funding in near-term years as the GFCR pipeline is more developed and more defined. However, based on the modelling done by the GFCR team we do expect the Fund to continue to grow and will consider additional top-ups if need, Defra ODA budgets, and BPF and political alignment are maintained. If needs shift the year-on-year profile could be adapted to allow for this and if the rest of the BPF portfolio permits. If approval is granted this will bring the total programme value to £33m. All funding will be budgeted from Defra’s BPF allocation in

the relevant financial year and this uplift is all within the current Spending Review (SR21) (See Financial Case)

As set out in Table 1, the GFCR has a clear demand for further funding and a pipeline of projects within BPF priority geographies approaching implementation readiness which will utilise UK funding. All projects will have a focus on activities which contribute to revenue generation, including but not limited to those focussed on reef conservation, ecosystem conservation to target the drivers of degradation, the implementation of conservation finance instruments to enable economic, market-based, or institutional means to generate, manage, and deploy capital and incentives towards achieving conservation outcomes.

Other donors are also considering scaling up their level of investment. Discussions with the GFCR team and with donors themselves strongly suggest that further funding from the UK at this stage will not only support the pipeline of projects but will also send a strong signal to the donor community and catalyse or directly secure these additional contributions.

## SECTION 2: EXPECTED IMPACT

### Section 2.1: What are the expected results?

The GFCR states it aims to:

1. protect, restore and/or strengthen the conservation of 1 million Hectares of coral reefs
2. support the development of 350 reef-positive businesses
3. support livelihoods, food security and resilience for 2-4 million coastal community beneficiaries
4. unlock grant and private finance for reef-positive solutions

The GFCR have now approved and begun implementing projects in Fiji, The Bahamas, Papua New Guinea, Philippines, the Mesoamerican Reef, and regionally in Kenya and Tanzania. By 2030, these programmes alone intend to increase the resilience of nearly 450,000 hectares of coral reefs by addressing local drivers of coral reef degradation, provide enhanced ecosystem services to over 380,000 local beneficiaries, create 3,800 new jobs and incubate more than 50 reef-positive interventions (Table 3). Reef positive interventions vary, with some examples being MPAs, plastic recycling projects and blue finance mechanisms such as carbon credits.

Country/Region	Hectares of coral reefs with greater resilience	New jobs	Beneficiaries	Reef positive interventions incubated
Fiji	49,000	350	40,000	15+
Philippines	56,000	1,700	250,000	10+
Bahamas <sup>11</sup>	53,000	200	83,000	15+
Papua New Guinea	23,000	250	10,000	10* <sup>12</sup>

<sup>11</sup> The Bahamas is not ODA eligible and would not receive UK funding. Impacts are presented in this table only to provide complete information on the overall projected impact of the GFCR projects implemented so far.

<sup>12</sup> Asterisk (\*) indicates the estimate is for the initial phase only



Kenya Tanzania	34,000	TBD	100	6*
Indonesia #1	154,000	300	TBD	TBD
MAR+	77,000	1,000	TBD	TBD
<b>Total</b>	<b>447,000</b>	<b>3,800</b>	<b>383,000</b>	<b>56</b>
<b>UK Attribution<sup>13</sup></b>	<b>191,000</b>	<b>1600</b>	<b>164,000</b>	<b>24</b>

*Table 3 - Projected Impacts for approved GFCR projects by 2030*

Reef positive interventions vary, with some examples being in MPAs, plastic recycling projects and blue finance mechanisms such as carbon credits. Mangrove and seagrass habitats will likely benefit through many projects, while wider benefits will be incurred through tourism, sustainable finance, and local businesses. Sustainable financing will be supported by investable business models which include revenue generating MPAs, sustainable fisheries, plastic and waste management, mariculture, ecotourism, and blue carbon.

Projects go through a two-stage qualitative assessment, firstly involving a self-assessment against the GFCR approaches and criteria, followed by a collaborative review to assess their technical merit, ensure proposals align with the GFCR, and are likely to deliver on their strategic outcomes. With a wide range of additional projects already in the pipeline, the total benefits are likely to significantly exceed those set out in Table 3 as the GFCR continues to scale up globally (see Benefits section of Economic Appraisal and Economic Annex E). The UK's additional funding will be invested into the continued implementation of this scaling pipeline and in addition it is expected catalyse other donor contributions.

It will, for example, directly and fully unlock the last \$2m committed by the Paul G Allen family foundation as well as send strong signals to other donors as mentioned. This high potential to leverage additional finance in the short to medium term mitigates the risk of the UK carrying a large burden share (see [Annex E](#)).

#### *Performance against BPF Key Performance Indicators*

Due to the infancy and ongoing development of the GFCR programme, it is too soon to formally evaluate progress against many of the fund level KPIs. However, there has been significant progress at the project level, most notably through the investment in Fiji, which is the most established of the GFCR projects (see section below on *Annual Review*.) The BPF KPIs are also continuing to be refined, so assessment against them until they are finalised is not possible.

The GFCRs expected impact in Table 4 considers impact based on the delivery of programmes initiated in 2021/22, which can be indicatively attributed to the UK. This has been indicatively determined by the proportion of grant funding made up by UK contributions. It does not include projects which have not yet been approved so is considered conservative.

Going forwards, learnings from the early projects will be incorporated into future proposals and into future Defra Annual Reviews of the GFCR (for more information on YR1 lessons and recommendations please see Annex D, the year 1 Annual Review). Table 4 below shows alignment

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<sup>13</sup> Based off proportion of grant funding supplied by the UK as of August 2022 (43%). As a pooled, multi-partner trust fund (MPTF), it is not possible to formally account for UK spend in any single project or region

between GFCR target outcomes and BPF KPIs and that the Fund will likely contribute towards the BPF’s KPIs once they are fully developed.

BPF KPI Measure	GFCR impact
<b>KPI 1:</b> Volume of finance mobilised for purposes which match BPF objectives.	So far £23m raised in grant funding <sup>14</sup> and ~£102m (\$150m) in equity through the Green Climate Fund between 2020-2022 ( <a href="#">see Table 10</a> )
<b>KPI 2:</b> Development Outcome: Number of people, as a result of BPF finance, with improved outcomes: i) income; ii) ability to cope with the effects of climate change; iii) climate resilience; iv) food security and nutrition; v) waste management.	GFCR targeting 160,000 people to benefit through the 7 programmes initiated so far once completed (attributable to the UK)
<b>KPI 7:</b> Net change in greenhouse gas emissions as a result of BPF finance	No comprehensive estimate to date for the overall programme. Economic appraisal indicates the GFCR will deliver significant contribution towards this KPI.
<b>KPI 8:</b> Area of marine ecosystems protected, enhanced or under sustainable management practices as a result of BPF projects.	191,000ha of coral reef targeted by GFCR for the 7 programmes initiated so far once completed (attributable to the UK)
<b>KPI 9:</b> Changes in marine natural capital asset extent and condition as a result of BPF funding.	No comprehensive estimate to date for the overall programme. Economic appraisal indicates the GFCR will deliver improvements against this KPI.

Table 4 - Alignment between delivery on GFCR targets and contribution towards BPF's KPIs

### Performance – Year 1 Annual Review

The annual review (Annex D) and evidence presented within shows that the GFCR has successfully scaled up its operations and pipeline, utilised funding effectively and minimised the risks of failed project delivery. For these reasons the programme has been scored as an A; having *met expectations* with all but one output indicator having either met or exceeded targets.

Year 1 predominantly focused on enabling actions for future delivery, both at the project level and at the fund level. These actions included project scoping, building stakeholder relationships, and approving new projects, all of which are in line with Defra’s expectations and BPF objectives.

In 2021 and into 2022, financing from DEFRA also supported the following programmes<sup>15,16</sup>:

- Fiji - Investing in Coral Reefs and the Blue Economy (Fiji)
- Kenya-Tanzania - Miamba Yetu: Sustainable Reef Investments (Kenya-Tanzania)

<sup>14</sup> Although none of this is directly attributable to UK funding, as mentioned several times through this business case document, our understanding is that existing UK funding and the strong signal this has sent has been catalytic and in securing some of this finance.

<sup>15</sup> [Global Fund for Coral Reefs \(undp.org\)](https://undp.org)

<sup>16</sup> To note, the GFCR is a Multi-Partner Trust Fund, whereby donor funds are pooled, making direct attribution to specific projects impossible.

- Papua New Guinea - Gutpla solwara, gutpla bisnis ('Good oceans, good business')
- Philippines – Mamuhunan sa mga MPAs ('Responsible investment in MPAs')
- Indonesia – Terumbu Karang Sehat Indonesia
- Mesoamerican Reef - MAR+Invest

Specific interventions supported within these programmes include more than eight to develop or strengthen capacity and sustainable financing for entities managing marine protected areas; more than eight interventions in aquaculture and waste management; several blue carbon and reef insurance initiatives; and seven incubators to develop reef-positive businesses throughout the programme lifetimes and beyond.

The only project that has completed a full year of implementation in the reporting period is in Fiji. The early phase has progressed well with key developments on track against targets so far including:

- A **Locally Managed Marine Area (LMMA) Blended Finance Facility** which will serve as the foundation for generating revenue for effective management of Fiji's LMMA network. Three new LMMA sites have also undergone feasibility studies.
- Site selection for the **new Western Sanitary Landfill** has been identified and an environmental impact assessment (EIA) conducted. Concepts for the collection and transport of waste, recycling and power generation have all been developed, with the intervention expected to be ready for investment by Q2 2023.
- A business plan and EIA has been completed for the **Fertile Factory intervention**, conducting local and government engagement to assess the demand for the fertiliser products. Planting trials have started to test and demonstrate the yield of the product, with the intervention expected to be ready for investment in the second half of 2023.

In 2021 the GFCR allocated or disbursed all £9m of BPF finance to its delivery partners. As described previously, progress has been in the form of ten preparatory grants approved and seven proposals entering early implementation stages. For these seven proposals GFCR estimate their grant investment will leverage significant investment capital with a ratio of 1:4.

As is standard for Blue Planet Fund appraisals where we have limited evidence on mobilised private finance, leveraged finance was not included in the cost benefit analysis (CBA) calculations, so changes to these ratios will not impact the central benefit cost ratios (BCR) or net present values (NPV) values.

Further, at the fund level, in year 1 Defra finance and governance has supported:

- Approval of the GFCR Investment Plan which is now informing the site selection and prioritisation process and identifying key business models and partners.
- Refining of impact targets through baseline and feasibility assessments conducted in the initial stage of programme implementation to define aggregate Fund level targets.
- Approval of new institutional partnerships including with the International Union for Conservation of Nature (IUCN) and Ocean Risk and Resilience Action Alliance (ORRAA) to strengthen collaboration between complementary organisations with initiatives in marine conservation.
- Development and approval of a new Advisory Board Terms of Reference (TOR) to provide strategic guidance to the GFCR Grant and Investment Fund.

- Approval of the “GFCR Blue Bridge” service managed by UNCDF and with the aim of providing businesses and projects identified by GFCR Convening Agents with concessional loans, guarantees, and grants in various forms to help reef-positive businesses grow and attract private investment and scale impact for coral reefs and communities.
- The expansion and strengthening of the GFCR Global Team and ongoing refinement of the GFCR Impact Framework.

Overall, following conclusions drawn from the Annual Review, we can reasonably conclude that the fund has successfully scaled up from its concept and continues to offer strong VfM. There is little economic, financial, or strategic argument for the UK to cease funding or switch to an alternative option. Funding provided by the UK so far is unlikely to have fully achieved its initial objectives, due to the significant amount of time needed for impacts of conservation projects to be realised. However, we are confident in GFCR’s ambition and approach and believe this further investment will maximise global benefits.

## **Section 2.2: Economic Appraisal**

For the full updated value for money appraisal and options review, please see [Annex E](#) (attached separately). A comprehensive appraisal of the full GFCR programme has not been possible due to the uncertainty around future project and programme designs, and limited habitat data. To provide an indication of value for money, projects currently being implemented have been appraised as case studies due to greater certainty of their targeted impacts.

The mean and median BCRs of the six appraised projects should be considered as indicative to demonstrate what UK funding and future GFCR projects are likely to deliver.

The core benefits appraised vary by project but include the value of avoided losses for coral, mangrove and seagrass ecosystems, job creation, carbon emission reductions and growth in fish stocks. . Potential job creation benefits, where relevant, were included as sensitivity analysis. Other non-monetised benefits include benefits to local tourism and incomes.

For this proposed funding uplift the appraisal has been updated and expanded to consider 6 of the 7 projects under implementation, to create an illustrative portfolio of projects that are likely to receive investment. The Bahamas project has not been appraised as they are not ODA eligible and would not receive UK funding. This appraisal is summarised in Table 5.

All case studies in the indicative portfolio are estimated to realise a positive net present value (NPV) with the exception of the Kenya Tanzania project, where owing to limited evidence only an extremely partial NPV is available based on the coral benefits<sup>17</sup> which have been assessed for this project. As a result, this is likely to be an extremely conservative estimate of its benefits. The project was in early stages when the analysis was conducted, so limited quantified estimates of the area of habitats protected and jobs created were possible due to data limitations.

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<sup>17</sup> Resulting from the avoided losses compared to the expected average losses without intervention.

	Monetised benefits	Benefits <sup>18</sup>	Costs <sup>19</sup>	BCR	NPV
Fiji	Corals, mangroves, fish stocks, carbon emission reductions	£16.6m	£3.2m	5.2	£13.4m
Philippines	Corals, mangroves, carbon emission reductions (Extremely partial: missing seagrass and fishing benefits)	£19.0m	£11.8m	1.6	£7.2m
Papua New Guinea	Corals, mangroves, seagrass, carbon emission reductions	£4.1m	£3.0m	1.3	£1.0m
Kenya Tanzania <sup>20</sup>	Corals (Extremely partial / limited evidence)	£1.4m	£2.2m	0.7	-£0.8m
Indonesia #1	Corals, mangroves, seagrass, carbon emission reductions	£26.9m	£2.0m	13.2	£24.8m
MAR+	Corals, mangroves, seagrass, carbon emission reductions	£24.6m	£10.2m	2.4	£14.4m
<b>Mean BCR</b>	<b>4.1</b>				
<b>Median BCR</b>	<b>2.0</b>				
<b>Total NPV</b>	<b>£60m</b>				

Table 5 - Summary of Project GFCR Costs and Benefits

### Benefits

1. The largest proportion of quantified benefits assessed are through the avoided loss of ecosystems and their associated benefits. Positive coral, mangrove, and seagrass impacts account for 41% of the overall benefits across the 6 projects. Benefits to ecosystem services include increasing genetic diversity, preventing species extinction and protecting migration pathways.
2. There are also associated carbon emission reductions through the reduced loss of sequestering ecosystems such as mangroves and seagrass. This accounts for 38% of the benefits identified across the projects.
3. The benefit of new jobs has also been included, which account for 20% of benefits.

These estimates are considered partial as they do not include the potentially significant non-monetised benefits to local tourism and incomes, and full impacts have not yet been estimated across

<sup>18</sup> Benefits presented are only those attributable to GFCR, based off the proportion of project cost they are funding.

<sup>19</sup> These costs have been converted to economic costs and are only those attributable to GFCR grants, which are not always covering 100% of the project costs (other grant donors, private funding etc). They therefore will differ to financial cost estimates presented elsewhere.

<sup>20</sup> Only coral impacts have been estimated for the Kenya Tanzania project, with others to be determined as the project is scoped out. This makes it a significant underestimate of potential benefits.

all projects. Optimism bias and additionality assumptions have been applied to control for the estimates being based off GFCR targets.

The full appraisal approach, and assessment of benefits is set out within the business case which went through the full governance and clearance processes in May 2021, and updates to this detailed in [Annex E](#) (attached separately)

### *Value for Money*

While these projects are not necessarily representative of the whole GFCR programme and the impact of the UK’s funding, they do provide an indication that the approach and type of projects the GFCR is targeting are likely to represent good VfM across the portfolio of investments (where costs and benefits and VfM varies by country/projects).

The indicative portfolio based on case studies assessed are estimated to deliver a **mean BCR of 4.1**, incurring benefits to society significantly above the costs. This estimate falls within the mid-range of expected BCRs for other BPF programmes (Annex F).

Sensitivity tests have been conducted in [Annex E](#) (attached separately) to assess the robustness of these value for money estimates. They indicate that even if the projects fail to deliver fully on some outcomes, they will still likely deliver value for money. The sensitivity analysis demonstrates that across the portfolio, if only ecosystem service benefits are included, an optimism bias of 65% would be needed to reduce the mean BCR to 1. This would represent a scenario where the only realised benefits of the portfolio were 35% of the monetised ecosystem services. We assess that this is unlikely, given the design of projects to achieve employment and carbon benefits, plus the partial nature of the ecosystem service monetisation. The recent annual review also confirmed that the potential value for money of the fund was good and the programme was rated A.

Fluctuating exchange rates and increasing inflation both have the potential to affect the affordability of programme inputs and consequently overall VfM. The BCR in the most recent addendum was calculated using an exchange rate of £1=\$1.20, meaning the UK contribution of £9m has a dollar value of \$10.8m<sup>21</sup>. Using the lowest daily exchange rate from 2022 of £1=\$1.07, the dollar value of the contribution falls to £9.63m despite having no impact on costs in pound terms. This may affect the ability of the Fund to deliver project outcomes and should be monitored in future annual reviews, however there is no evidence to suggest that outcome delivery has been affected by exchange rate fluctuations during the Year 1 review period. The UK/US exchange rate has also now recovered above the £1=\$1.22 mark, increasing the USD equivalent contribution. Additionally, other funding sources provided in USD will not be affected by changes in exchange rates. The BCR and VfM conclusions also remain robust to changes in inflation. The BCR calculated in the original business case would require an annual compound inflation rate of 10% for 12 years for the median BCR to fall below 1, above recent inflation rates for all countries as shown in the Table 6.

Annual inflation (CPI)	Most recent	Previous
	<b>October 22</b>	<b>September 22</b>
<b>Fiji</b>	5.4	5.1

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<sup>21</sup> Noting this was down from £1:\$1.39 in the original BC.

<b>Philippines</b>	7.7	6.9
<b>Kenya</b>	9.6	9.2
<b>Tanzania</b>	4.9	4.8
<b>Indonesia</b>	5.7	6.0
	<b>Q2 2022</b>	<b>Q1 2022</b>
<b>Papua New Guinea</b>	5.5	6.9
	<b>September 2022</b>	<b>August 2022</b>
<b>Maldives</b>	3.1	2.6

*Table 6 - Inflation rates for project countries*

### *Risk Summary*

A Risk Potential Assessment (RPA) was conducted for the original GFCR business case, scoring a low, meaning very limited risks. An updated RPA assessment has concluded there continues to be limited risks and has again scored it as low. Attentive and robust delivery by the GFCR team in year one supports this. However, as the UK's contribution grows, it is worth acknowledging several risks which are set out in Annex G where mitigation actions and an assessment of each is laid out.

## **SECTION 3: IMPLEMENTATION**

### **Section 3.1: What is the approach to implementation?**

Grants will be delivered on the ground by implementing partners, partners will be selected either based on an initial expression of interest exercise, or an advertised open call for proposals over a specific period in accordance with standard UN practices and procedures. To ensure impartiality the GFCR team collaborates closely with various partners for feedback, with members of the GFCR Global team scoring independently before averages are collated. Summary presentations for each successful proposal are then presented to and can be approved by the EB, on which the UK through Defra has a seat. Discussions are currently ongoing as to how Defra formalise the internal assessment and voting process for new projects. At present the programme team critically review concept proposals, assessing against ODA eligibility and links with BPF themes/wider BPF programmes. The team then share with wider members of the BPF team and Defra's International Marine Species Conservation Policy team to gather feedback before confirming a decision.

GFCR governance arrangements are built on and informed by the UN's five principles which are innovation, transparency, accountability, public-private partnership, and integrated programming. The GFCR is delivered by the UNDP as a multi-partner trust fund (MPTF). The governance structure (see Annex H) has several key components and remains unchanged since the original investment:

- Alongside other public donors the UK has a permanent voting or vetoing seat on the overarching governance structure for the Fund, the Executive Board (EB). Through the EB the UK has final approval of project proposals, policy documents, and any new or amendments to existing Fund management documents. Philanthropic and private donors are also able to take a seat on the EB with a minimum contribution of \$5m but only the public donor seats are permanent and there are a limited number (6).
- This EB is supported by a technical Advisory Board which is a multi-stakeholder body composed of an independent group of experts designed to provide recommendations and

advice to the EB of the Grant Fund and the Investment Committee of the Investment Fund. The Advisory Board includes Global South representation and strong policy expertise including from International Coral Reef Initiative (ICRI) and the Ocean Risk and Resilience Action Alliance (ORRAA) to strengthen collaboration between complementary organisations; both of which the UK is involved in, including investing in ORRAA, strengthening our role in GFCR governance beyond the EB.

- The GFCR Secretariat was established in 2021 as the dedicated management structure to implement day-to-day activities of the GFCR Grant Fund and support the GFCR EB. The Secretariat is administratively hosted by the UN Multi-Partner Trust Fund Office; a dedicated global team of UN staff (predominantly UNDP).

Fiduciary management is supported by two specific trustees, the Grant Administrator, and Investment Manager. The Grant Administrator and the Investment Manager are responsible for coordination of the Convening Agents and as necessary other downstream implementing partners, such as the UN agencies, MDBs, NGOs and private companies. The GFCR Global Team, housed within the secretariat, are responsible for the coordination, programming and monitoring and evaluation.

The GFCR impact framework which tracks, monitors, and learns from progress is aligned with global standards and priorities. For example, in 2021 UNEP (on behalf of GFCR) engaged with Convention on Biological Diversity and the Global Coral Reef Monitoring Network. The GFCR is also expanding the on the ground governance role of UN Environment Programme (UNEP) to build in-country capacity to implement the GFCR framework and support GFCR Convening Agents and their partners.

This uplift, as with the initial investment, will be a contribution to the Grant Fund (See section 4.4 Commercial case). Year on year, annual disbursement of funds will not be approved until each Annual Review is finalised and strong performance and evaluation scores (at least an A) and value for money is evidenced.

As with the original UK contribution, a new UNDP MPFT Standard Administrative Agreement (SAA) will be used to govern the relationship between Defra and the GFCR. This template is used by all donors to the Fund to standardise the approach to reporting, monitoring, and auditing, while recognising the individual needs of investors which will be reflected in dates and unique clauses in the agreement. The UK has signed various UN MPFT SAAs previously.

### **Section 3.2: Defra and HMG governance**

The Director for Marine and Fisheries is the Senior Responsible Owner (SRO) for the BPF Portfolio and responsible and accountable, through the Director for International Biodiversity and Climate (IBC) and ODA, to the Principal Accounting Officer (PAO) for Defra's allocation of the BPF.

In line with HMG's Project Delivery Capability Framework, the Head(s) of International Sustainable Blue Finance are SROs for the BPF programmes, reporting to Deputy Director for International Marine.

Robust governance and control processes have been developed internally to manage Defra's investments and feed into broader ODA governance. This includes:

- Monthly BPF Portfolio Management Meeting is chaired by Head(s) of International Sustainable Blue Finance. Project Responsible Officers (PROs) who carry out day to day



management of BPF programmes, including the GFCR, attend this meeting to provide updates on programme delivery and risk. These meetings will help to build a clearer understanding of synergies between BPF geographies, programmes and activities.

- Quarterly BPF Programme Board is chaired by DD for International Marine. Membership of this board includes the ODA Hub, relevant policy teams, CSAs Office, finance and commercial.
- The SRO for the BPF portfolio attends Defra’s ODA Board chaired by the Director General for International, Borders and Trade. The ODA Board approves all BPF investments over £5m and ensures strategic fit and complementarity with the wider ODA portfolio. This uplift to the GFCR will follow the Red Team review and ODA Board and Investment Committee approvals.

Defra and FCDO have developed joint governance arrangements to ensure coherent delivery that maximises value for money and achieves the desired joint outcomes for both people and nature. The FCDO/Defra Joint Management Board (JMB) is chaired by BPF portfolio SRO and attended by key senior civil servants from both departments including FCDO Heads of Mission when appropriate. The JMB manages joint fund level risks, provides strategic advice, and takes decisions upon recommendations from the Defra and FCDO BPF SROs. The Board does not take decisions on departmental investments to maintain Accounting Officer responsibilities.

The UK has maintained its position as GFCR’s largest donor to the Grant Fund, for this reason from January 2023, the UK will take on the role as Co-Chair for the GFCR Secretariat. The role of Co-Chair is supported by UNDP (also Co-Chair) and is rotated every two years; next rotation being January 2025.

Briony Coulson, Head of International Sustainable Blue Finance, will act as Co-Chair on behalf of the UK, supporting with horizon scanning, risk mitigation, in addition to Co-Chairing EB meetings. This will involve steering strategy direction and engaging the board on this discussion (there are no legal obligations for the Co-Chair). The UK’s role as Co-Chair will provide many benefits<sup>22</sup> and will not impact Defra’s seat on the EB.

### *Options to enhance the approach*

There are several growing or additional synergies to explore that could strengthen or support the UK’s approach to managing the GFCR. With UK investments in the International Coral Reef Initiative (ICRI) and the Ocean Risk and Resilience Action Alliance (ORRAA) – which both advise the GFCR Executive Board – enhanced or formalised collaboration could be beneficial. Options for this could include establishing a working group (which could also bring in FCDO’s COAST programme) to ensure work areas complement each other and a “One HMG” approach in country. Adapting the approach in this way would ensure joined up delivery across the BPF programmes, improve coordination between partners and maximise effectiveness of delivery. The GFCR team have also proactively suggested this so it will be explored during year 2 of operations.

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<sup>22</sup> Benefits include having a significant and visible leadership role with the UN and in the coral reef, MPA and poverty alleviation space, allowing us to push ahead with UK priorities. The role will also increase opportunities to use UK leadership to leverage additional finance into GFCR, strengthen alignment and coordination with wider BPF funding and test new approaches, in addition influencing the MEL strategy, knowledge sharing and south-south collaboration.

### *Gender*

Gender considerations are mainstreamed across BPF programming, all programmes are required to deliver in line with the UK International Development Gender Equality Act 2014. Gender equality and women's empowerment are programmatic principles embodied in all UN programmes and initiatives.

The GFCR has adopted UNDP's Social and Environmental Standards (SES) for gender equality and have worked closely with UNDP to develop a Social and Environmental Safeguard and Risk Management system. This system is also heavily aligned with the GFCR Results Framework which will ensure data can be disaggregated by sex and demographics (youth and indigenous). Gender equality considerations, such as ensuring inclusion of women in key decision making, negotiations and management, are an overarching principle in GFCR project screening.

### *Safeguarding*

Defra have a zero tolerance to non-reporting or mishandling safeguarding cases. It is a mandatory responsibility of the delivery partner or organisation that is delivering an ODA funded project, to have appropriate and proportionate safeguarding policies and procedures. Safeguarding measures will be addressed in the SAA Agreement.

Safeguarding is an organisational risk and therefore measures are required to span all organisational activity where there is direct or indirect contact with people. This activity includes general operations, procurement, programmers, activities, fundraising, communication, recruitment, management, policies and procedures, culture, mission, and values, etc.

The GFCR Social and Environmental Safeguards Policy applies to the Grant Fund and the Equity Fund. It recognizes that social and environmental risks are an inherent part of programming and project development across both financial vehicles.

The Environmental and Social Management System (ESMS) acts as an Equivalence Assessment Tool that the UN Global Team uses to evaluate a Convening Agent's approach to dealing with the possible environmental and social risks of its programmes and projects. It focuses on a Convening Agent's formal environmental and social safeguards policies, procedures, and guidelines, along with an evaluation of the agency's experience with implementation of its safeguards approach.

The ESMS requires Convening Agents to adhere to performance standards. These standards align with the International Finance Corporation (IFC) and include three additional Standards that are of relevance to the GRCR, notably: gender equality and women's empowerment; stakeholder engagement; and climate change and disaster risks. Examples of key objectives include:

- Promotion of gender equality and women's empowerment
- Addressing risks of gender-based violence and sexual exploitation, abuse, and harassment
- Ensuring stakeholders may communicate proposal concerns
- Ensuring proposals take account of disaster risks
- Protecting, managing, and conserving cultural heritage
- Recognizing and fostering full respect for indigenous peoples' human rights
- Eliminating all forms of forced labour and prevention of child labour
- Avoiding/minimizing adverse impacts on human health and environment from pollution

- Promotion of greater indigenous peoples' control and management of developments affecting their lands and resource, aligning with their visions and priorities

In the Grant Fund, responsibility for dealing with environmental and social risks is evident at three levels.

- Co-implementers, including companies financed by the GFCR, are responsible at the first level, where risks and consequent impacts could present themselves during the development of “on-the-ground” interventions and company operations.
- Convening Agents are responsible for ensuring that co-implementers are properly identifying, assessing, and managing project risks.
- The UN Global Team is responsible for ensuring that Convening Agents have properly assessed the safeguards work of their co-implementers.

### *Paris alignment*

In line with the FCDO Programme Operating Framework (PrOF) which sets out mandatory rules and guiding principles for the implementation of policy programming, the GFCR aligns with the Paris Agreement and will deliver high positive impacts for the climate, nature, and biodiversity by providing financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts. The GFCR promotes a ‘protect-transform-restore-recover’ approach to preserve coral reefs, in addition to the utilising blended finance mechanism to leverage funding to enhance resilience of coral reef ecosystems and communities.

### *Communication*

The GFCR maintains a strong external communications presence, but given the size, this proposed uplift also necessitates increased internal HMG communications to ensure FCDO Posts are sighted on projects that have been approved by the Executive Board. As part of the BPF communication plan, high level updates for key British Embassy posts in project countries regarding GFCR activities will be produced. The BPF communications plan and strategy is currently in development and will ensure that all internal and external stakeholders are supplied with updates on BPF activities and that communications are disseminated according to ODA guidance, as well as, coordinated to support wider HMG strategic aims. The BPF website will be updated on a quarterly basis. Each stage of the communications plan will be approved by the Blue Planet Fund Joint Management Board.

In addition, the Defra GFCR programme team will issue one primary communication note to all FCDO Posts following the publication of each of Defra’s GFCR Annual Reviews. A high-level summary will be provided, in addition to a hard copy of the published review for further information. In addition, quarterly read outs from the executive board meetings will be provided to Posts where their country project is discussed. Ad hoc comms may be issued throughout the year following plans for announcements and further pledges of UK support. This communication strategy provides a streamlined cross-Fund outlook, providing information not only on specific projects but also the wider developments/projects of the GFCR; Post colleagues will be able to use this information for internal awareness and external engagements, and feedback on its effectiveness.

### Resourcing

Within Defra, managing the UK’s contribution, including influencing, and participating in key decisions through the EB, will require the below staff dedication (Full Time Equivalent (FTE)). Defra has sufficient Front-Line Delivery (FLD) resources under the current SR to fund staffing costs for this uplift. Recruitment is not required as these resources are already in place. We expect current levels of BPF staff to continue but will take steps to mitigate if staffing numbers are reduced. We will regularly review staffing pressures in International Blue Finance portfolio management meetings, maintain flexibility across the team to ensure priority work areas are managed effectively and in addition to ensuring familiarity with current HMT recruitment policies.

	Salary Ready Reckoner	2022/2023		2023/2024		2024/2025		Lifetime	
		FTE	Cost	FTE	Cost	FTE	Cost	FTE	Cost
HEO	£42,614	0.7	£29,830	0.5	£21,307	0.5	£21,307	1.7	£72,444
SEO	£51,772	0.1	£5,177	0.1	£5,177	0.1	£5,177	0.3	£15,532
G7	£68,882	0.2	£13,776	0.1	£6,888	0.1	£6,888	0.4	£27,553
SRO/G6	£86,849	0.05	£4,342	0.05	£4,342	0.05	£4,342	0.05	£4,342
Econ (HEO)	£42,614	0.1	£4,261	0.1	£4,261	0.1	£4,261	0.3	£12,784
MEL (G7)	£68,882	0.2	£13,776	0.1	£6,888	0.1	£6,888	0.4	£27,553
	<b>TOTALS</b>	<b>1.3</b>	<b>£71,163</b>	<b>0.9</b>	<b>£48,864</b>	<b>0.9</b>	<b>£48,864</b>	<b>3</b>	<b>£160, 207,</b>

Table 7 - Resourcing costs for uplift based on ready reckoner

Given the financial mechanism and that this is an uplift and addendum to an existing programme, we expect support beyond that listed in Table 7 (i.e., commercial, finance, corporate services, etc.) to be minimal so it has not been included here but see Annex I (attached separately) for FTE Resourcing Plan.

### Roles and responsibilities

Roles and responsibilities to ensure robust management of the GFCR programme are shown in Table 8 below.

Role	Grade	Responsibilities
BPF Portfolio SRO	Director of Marine and Fisheries	Overall responsibility for fund level risk and financial propriety.
BPF Programmes SRO	Grade 6	Overall responsibility for programme level risk, financial propriety, and strategy. The SRO is responsible for overall benefits management and realisation. The SRO will also act at the Executive Board Co-Chair, playing an impartial role in the decision-making processes.
GFCR Programme Responsible Officer (PRO)	Grade 7	Overall responsibility for day-to-day decisions of the programme
Programme Manager	SEO	Responsible advising the Programme SRO on programming decisions and risk and supporting HEO. They are also involved with the day – to – day monitoring of benefits realisation
MEL Advisor	Grade 7	Overall responsibility for MEL strategy and delivery, in coordination with the MEL Commercial Supplier.

Programme Support	HEO	Responsible for day-to-day management of the programme. Responsible for setting up and organising governance meetings, managing project level requests from delivery partners, and advising the programme manager. Also provides support regarding monitoring day-to-day benefits realisation.
Commercial	Grade 7	Responsible for ensuring commercial strategies are feasible and deployed responsibly.
Financial	Grade 7	Responsible for financial advice to support the financial propriety of the Seascapes programme.
Delivery partners	GFCR	GFCR will be responsible for on-the-ground programme delivery, reporting on GFCR level budget, risk, and progress, and producing a LogFrame for their deliverables to monitor benefits realisation and progress. This will feed into a programme level LogFrame amongst other day-to-day responsibilities.

*Table 8 - Roles and responsibilities*

## SECTION 4: KEY ADDITIONS AND CHANGES TO THE ORIGINAL BUSINESS CASE

### Section 4.1: Strategic Case

The strategic argument for providing grant finance to support increasing the resilience of both coral ecosystems and the communities that depend on them has been strengthened following global agreements made at the 15th Conference of Parties to the UN Convention on Biological Diversity, (CBD COP15). The GFCR aligns closely with three of the four goals of the “Kunming-Montreal Global Biodiversity Framework” (GBF), which involve:

- Maintaining and enhancing connectivity and resilience of ecosystems (Goal A)
- Preventing human induced extinction of threatened species (Goal A)
- Ensuring biodiversity and ecosystem services are utilised and managed sustainably (Goal B)
- Closing the biodiversity financing gap and providing (Goal D)
- Provision of financial resources, capacity-building, technical and scientific resource and technology, particularly for developing countries and SIDS (Goal D).

The GFCR Theory of Change ([Annex A](#)) still encompasses four outcomes, designed around a “protect, transform, restore and recover” framework. Although the pipeline of projects has expanded it remains closely aligned with the BPF priority regions and outcomes and therefore, there are limited updates to the original strategic case.

As discussed, during 2021 the GFCR focused on building its initial operational structures. Over the course of 2021 four GFCR Executive Board meetings took place, and several key strategic decisions were made including:

1. Approval of the GFCR Investment Plan which informed initial site selection and prioritisation processes and helped to identify key business models and partners.

2. Approval to allocate £0.8m for seven preparatory grants for programme proposal development and £19.3m for five programme proposals covering six coral reef countries.
3. Approval of Institutional Partnerships with the International Union for Conservation of Nature (IUCN) and Ocean Risk and Resilience Action Alliance (ORRAA) to strengthen collaboration between complementary organisations with initiatives in marine conservation.
4. Approval of Advisory Board Terms of Reference (TOR) to provide strategic guidance to the GFCR Grant and Investment Fund.
5. Approval of the “GFCR Blue Bridge” service managed by UNCDF and with the aim of providing businesses and projects identified by GFCR Convening Agents with concessional loans, guarantees, and grants in various forms to help reef-positive businesses grow and attract private investment and scale impact for coral reefs and communities.

### *Development of the GFCR Strategy*

Developments are also taking shape through a new GFCR strategy for monitoring and evaluation as the fund becomes more established. The form and function of this strategy and the toolkit that will support its implementation are being finalised and draft versions were presented to the EB at the September EB. Feedback has been provided, including by Defra, and final approval is expected in March 2023 for the new GFCR M&E Toolkit.

Further policies have been developed and approved this year:

- The GFCR Risk Management System, which was finalised in early 2022, helps to identify and mitigate programmatic, institutional, and contextual risks that might impact the Fund’s performance and reputation; it also ensures that we maximize gains and minimize harm or losses at all levels of operations from global to local.
- The GFCR Safeguards Policy is an overarching framework for identifying and managing risks across the GFCR; Social and environmental risks are an inherent part of programme and project development across GFCR’s Grant and Equity Funds, and that responsibility for identifying, assessing, and managing risks rests at different levels within the Fund architecture. This framework was approved by the EB in June 2022.
- Gender Equality Policy closely aligns with the numerous international commitments, resolutions and declarations addressing gender, climate change and sustainable development. The framework ensures gender equality and women’s empowerment is a strategic and operational imperative for the GFCR. This policy was also approved in June 2022.

### **Section 4.2: Economic Case**

**As stated in the expected results section, the economic appraisal has been updated to ensure the GFCR remains the best option and likely to deliver value for money.** Updates are set out in full within [Annex E](#) (attached separately). Table 9 summarises the updated appraisal, with 4 additional GFCR projects appraised.

Project	Assessed in original business case?	Assessed in update addendum?
Fiji	Y	Y

Philippines	Y	Y
The Bahamas	N	N <sup>23</sup>
Papua New Guinea	N	Y
Kenya Tanzania	N	Y
Indonesia #1	N	Y
Mesoamerican Reef (MAR+)	N	Y

*Table 9 - GFCR Approved Projects and Appraisal Status*

The core methodology and assumptions remain consistent with the original business case. However, the appraisal has been updated and refined to account for new data and impact information. Seagrass and employment impacts have been estimated and carbon savings updated to apply the government’s latest carbon values.

#### **Section 4.3: Financial Case**

**As a multi-year addendum, the only change to the financial case is to ensure year on year payments are made to match ongoing demand and reflect our annual assessment of performance through Annual Reviews.** All previous GFCR contribution payments have been single-year due to the nature of Spending Review processes.

Defra's £310m allocation for the 5-year lifetime of the BPF (1 + 3 + 1 years) is allocated and now in pipeline or pre-pipeline stage. Although this allows for some flex, it includes these three years of uplifted allocation to the GFCR. The decisions over allocations of BPF funding over this multi-year period are taken at the portfolio level based on seeking balanced delivery across all four Defra BPF outcomes<sup>24</sup>. Our contribution to the GFCR, including through this uplift is part of a suite of projects that work together to deliver under this outcome. There is no need to “bid” for funding from the BPF (either year on year or across multiple years, as this “up to £24m” has been allocated as part of these strategic discussions for the BPF and sits within this Spending Review (SR21) so there is no question regarding the affordability of the intervention.

As discussed, these payments will be synchronised with the Annual Review process and funds will not be approved until the Annual Review for the previous year has been concluded. The outcome of the Annual Review must provide evidence of strong overall project performance (at least an A) and ongoing VfM.

Financial payments, via a contribution (see Section 4.4 Commercial Case) will be paid each calendar year and in some cases in advance of the activities commencing; advance payment has HMT approval for this project<sup>25</sup>. Payments will be made directly into the UNDP MPTF Office account. Each payment under this uplift will be scheduled around December each year, and Annual Reviews covering activities

<sup>23</sup> Excluded from appraisal as not ODA eligible so would not receive UK funding

<sup>24</sup> The four Defra BPF outcomes are Illegal, Unreported and Unregulated (IUU) fishing, large scale fisheries, pollution, and marine protected areas (MPAs) and other effective conservation measures (OECMs). The GFCR sits under the MPA outcome.

<sup>25</sup> The GFCR is a relatively new fund and as such has limited funds upfront; UN funds require money in the bank before committing to partners and therefore Defra will make payment in advance. The UN has an agreement in place with HMT to allow for this, and the UN MPTF are included in this exemption. The Defra financial regulation team have also approved payment in advance.



July to June will be completed and approved ahead of that each Autumn. In the case of specific project approval needs, some payments could be moved forward depending on affordability.

All spend will be scored to RDEL in line with Consolidated Budgeting Guidance paragraph 3.7 which states that *“Departments may make unrequited transfer payments to businesses or individuals for a number of reasons. These payments must be classified for budgetary purposes as either capital grants, current grants, or subsidies. Current grants and subsidies score in the resource budget; capital grants score in the capital budget.”* and paragraph 3.15 which says that *“Where grants are paid that may be used at the recipient’s discretion either on capital or on current expenditure they should be treated as current grants.”* Defra’s contribution is classed as a current grant and score to RDEL because the end recipient (GFCR) can use it at their discretion.

A proportion of this project will continue to be accountable as International Climate Finance (ICF) for nature. International Climate Finance is a UK government commitment to support developing countries to respond to the challenges and opportunities of climate change. To meet government targets of spending £3bn ICF on solutions that protect and restore nature in the next five years, Defra must allocate, track and report ICF spend to FCDO. Climate change will be a cross cutting theme throughout the GFCR, particularly adaptation, and climate change benefits will be reported on within the Fund’s Key Performance Indicator (KPI) framework and under the BPF Key Performance Indicators.

The original business case estimated the percentage of ICF in the GFCR as 30%, however following a reassessment in line with the Organization for Economic Cooperation and Development (OECD) Rio Markers for climate change guidance, we deem GFCR to be accountable as 100% ICF. We will keep this open to be reassessed throughout the lifetime of the programme. The project will follow ICF regulations and reporting, which are already embedded into the BPF Monitoring, Evaluation and Learning (MEL) framework.

As mentioned previously, the Executive Board decides what projects the funds will be invested in, and Defra influences these decisions with our permanent seat on the Board. Each permanent board member, regardless the size of the contribution, represents one voting seat so there is no risk of Defra's proportionately larger contribution creating "significant influence" over the fund from an accounting perspective since the GFCR is a pooled fund. As mentioned previously, the UK will take on the role of Co-Chair from January 2023, the purpose of this role is to be an impartial mediator and to steer meaningful and constructive discussions; The UK will ensure not to abuse this position to influence other donors. Furthermore, successful intervention is assumed on the basis that: the UK remains committed to tackling ocean issues, governments and stakeholders are willing to engage with BPF, evidence supports decision making and HMG portfolios effectively coordinate.

#### *Accounting Officer Assessment*

As with the original Full Business Case, this addendum meets the criteria below:

**Affordability** (and financial sustainability): The programme will work within the agreed BPF budget of £179m allocated for the current SR21 period. Delivery will be subject to agreed budget availability and safeguards will be in place to curtail activities should future budgets not be secured in a later SR.

**Regularity:** The project will be managed in accordance with HMT’s Managing Public Money guidance and in line with the Defra ODA guidance. Legal powers are in place through the International



Development (Official Development Assistance Target) Act 2015. This project meets the ODA requirement that the activity must promote the economic development and welfare of developing countries as its main objective.

**Propriety:** ODA funding will be allocated under Section 1 of the International Development Act 2002 and expenditure will be in accordance with this legislation and all ODA requirements. The project will not breach any parliamentary control procedures or expectations, Defra Board governance structures will be followed which are guided by the Corporate Governance Code. Additionally, payment in advance has HMT approval for this project.

**Value for money:** The recommended option for funding has previously been appraised carefully against alternatives in the Full Business Case, which was approved in 2021. Overall, it has been determined that the right procedures, plans and approaches will be in place to ensure Economy, Efficiency, Effectiveness and Equity. The BPF investment criteria has also been determined at a cross-governmental level to ensure value for money in BPF investments and strategic alignment of investments with BPF objectives.

**Feasibility:** The investment continues to be realistic, with funds implemented accurately, sustainably and to the intended timescale. A monitoring framework has been developed with corresponding delivery milestones to ensure that the desired outcomes can be feasibly met. The delivery partner is an experienced UN body and has well established processes in place to provide assurance that the programme will be delivered as intended. With this UNDP has support of two UN agencies (UNEP and UNCDF). Each organisation brings its own distinct offering to the Fund, which are:

- UNDP provides expertise in policy reform and taps into its large network of country-based teams so they can play a convening role
- UNEP brings conservation and marine environment expertise
- UNCDF shares its proficiency in financial structuring with LDCs and other partners

### *Grant Commitments*

As of July 2022, six donors have committed to £23.2m in grant contributions (Table 10)<sup>26</sup>. This represents significant progress from the original business case in May 2021, at which point only £5m had been secured. £8m has already been secured for 2022, with further donations expected through the year. The GFCR are in discussion with several existing and new donors with a view to securing additional multi-year commitments.

We understand UK funding to be significantly catalytic in terms of leveraging new finance for the Fund via pledging and deposits to the GFCR Grant Fund:

- UK funding committed through SAA Addendum 1 (£1 million) was key to unlocking US\$2 million in 2021 from the Paul G. Allen Family Foundation (PGAFF) – A pledge reliant on GFCR raising an additional US\$10 million.
- UK funding committed through SAA Addendum 2 was also used to unlock a further US\$2 million in 2022 from PGAFF which had previously been pledged but again, contingent upon GFCR raising an additional US\$10 million.

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<sup>26</sup> [GFCR Annual Financial Report 2021.pdf](#)

- At COP26 in 2021, the UK contribution of £3m was particularly critical to unlocking the Canadian pledge of CAD\$ 6 million (USD \$4.4m).

Furthermore, the level of support being committed by other Member States, like the UK, has been a key discussion point for new and or returning donors:

- Securing Bloomberg Philanthropies and Builders Vision commitments of US\$8 million and US\$5 million respectively, required providing information on GFCR donors commitments for their assessment process.
- Canada, Germany, and Bloomberg have all quoted UK contributions when building their internal arguments for additional funding; Germany's contribution is anticipated to grow in pace with the UK scale.

The GFCR continues to demonstrate a need for funding in both the immediate and longer term, despite the level of funding already secured. When considering GFCRs estimated incomings and expenditure up to the end of 2022, an estimated £5.5m in additional funding is required to deliver on approved projects and commitments this year. This is set out in [Table 1](#).

#### **Section 4.4: Commercial Case**

**There is minimal change to the Commercial Case. As discussed in the Full Business Case, a contribution continues to be the most appropriate funding mechanism for this project.** GFCR remain in a strong position to deliver on our shared vision and UN agencies have a strong track record in this area including other projects funded by Defra. GFCR are also in a unique position to deliver on our expectations and requirements because no other fund has a coral reef focus coupled with a blended finance model. As such Defra will be required to sign the Donor Agreement, as opposed to our standard Grant Agreement. With this, a UNDP MPFT Standard Administrative Agreement (SAA) will continue to be used to govern the relationship between Defra and the GFCR. This template will be used by all contributors of the Fund to standardise the approaches to reporting, monitoring, auditing, however recognising the individual needs of investors which will be reflected in dates and unique clauses in the agreement. The UK has signed a UN MPFT SAA for GFCR up to this point.

To protect Defra interests, commercial risks will continue to be managed with exit clauses which allow for a discontinuation of funding following *“(i) failure to fulfil any obligations under this Arrangement, (ii) if there are substantial revisions of the TOR; or (iii) if there are credible allegations of improper use of the funds in accordance with Section VIII of this Arrangement.”*. In addition, Section XI of the original SAA details clauses relating to expiration, modification, termination, and unspent balances, for example *“Any balance remaining in the Fund Account upon completion of the Fund will be used for a purpose mutually agreed upon or returned to the Donor in proportion to its contribution to the Fund as decided upon by the Donor and the Executive Board”*.

As with all UN MPTFs, Defra funds will be pooled with other donor finance and as such we are unable to directly attribute UK funding to specific outlay on the ground. For this reason, the Agreement does not specify exact deliverables nor what the funding will be spent on, aside from ODA eligibility, as this will be determined by the Executive Board on a project-by-project basis. Therefore, the Fund will only provide detailed financial reporting at a Fund level perspective only, as opposed to tracking Defra funding in isolation.

Due diligence checks against UNDP as the delivery partner were undertaken in the original Full Business Case using the Defra Group Commercial due diligence checklist which found no issues and a scored a green recommendation meaning very limited risks. The GFCR team also provided a completed due diligence questionnaire, answering a variety of due diligence questions from governance and internal control, ability to deliver, financial stability to downstream delivery, none of which raised any issues.

In December 2022, Defra initiated a further enhanced internal due diligence self-assessment based on the FCDO’s 5 pillars of due diligence (governance and internal controls, ability to deliver, financial stability, downstream delivery, and safeguarding) that focusses on the UNDP GFCR team. The self-assessment will complement the Multilateral Organisation Performance Assessment Network (MOPAN) review on UNDP<sup>27</sup> completed in 2021 and the Central Assurance Assessment carried out on UNDP in 2020, see Table 10 below for a summary of findings.

Through this process Defra have built a strong working relationship with the FCDO UNDP Institutional lead. Their advice is that the current due diligence package on UNDP is in a good place - primarily through a combination of the CAA and MOPAN report. Although some questions are outstanding on their fraud and whistleblowing policies and the additional risks associated with them, audit investigations are well underway to establish a process to further mitigate against these risks and protect the UK. In addition, there are specific items on this at the next UNDP Executive Board (scheduled Jan 2023) on which the UK has a seat. Overall, the institutional lead confirmed that there are no risks which would require the UK to cease or not go ahead with further funding. A new CAA is also likely to be conducted in the next year.

Assessment	Date	Description	Assurance assessment findings
CAA	2020	The framework of governance, risk management and control presents a moderate level of net risk and provides moderate assurance over the achievement of DFID objectives and funding. Risks to objectives are moderate (combined impact and likelihood).	Moderate risk
MOPAN	2021	UNDP has handled the turbulent context of the recent years well. It fully aligned with the 2030 Development Agenda, played a constructive role in UN Reforms, and demonstrated great resilience and new dynamism in responding to the COVID-19 pandemic. UNDP’s strong management systems, independent evaluation and oversight	Satisfactory performance

<sup>27</sup>

<https://www.mopanonline.org/assessments/undp2020/MOPAN%20Assessment%20UNDP%20report%20web%20%5bfor%20download%5d.pdf>

		functions and its transparent information disclosure have made it a trusted partner.	
<b>Defra self-assessment at GFCR fund level</b>	<b>2022</b>	The Defra programme team have worked with the ODA better delivery team to develop a self-assessment questionnaire for GFCR to complete. This has been based on the FCDO’s 5 pillars of due diligence (governance and internal controls, ability to deliver, financial stability, downstream delivery, and safeguarding).	<b>TBC</b> - No issues are expected to be identified.

*Table 100 - Summary of Due Diligence Reviews for UNDP and the GFCR*

Downstream, the GFCR has its own due diligence structures in place which deal with delivery by implementing partners for the Grant Fund. This process considers operational and financial integrity and does so before proposals are submitted to the EB for approval. This minimises risk and maximises the chances of proposals being submitted by organisations and consortia that have strong systems and processes in place.

Funding will continue to comply with the following 3 regimes with regards to UK domestic subsidy:

- World Trade Organisation (Agreement on Agriculture)
- New subsidy controls under the EU-UK Trade and Cooperation Agreement (Chapter 3)
- Northern Ireland Protocol Art 10

#### **Section 4.5: Management Case**

**Since the original Business Case, the GFCR have developed a draft M&E strategy and toolkit, LogFrame and performance indicators.** Each of these products is currently being revised and finalised, integrating feedback from Defra.

Stakeholder engagement and communication on Defra’s part will be implemented as described above in section 3.2. Internal stakeholder engagement will also continue to be monitored as part of the investment’s overall approach to programme and portfolio fit management (see Annex C). This occurs through informal lines of communication with FCDO as well as through the formal governance arrangements.

#### *Risk management*

In terms of risk management, a Defra BPF Portfolio RAID Log has been developed for all programmes within the BPF, including GFCR. The purpose of this RAID log is to capture all relevant RAID (Risks, Assumptions, Issues & Dependencies) in a single, centralised location. This log will be managed by the Project Management Office (PMO) within Defra’s International Sustainable Blue Finance team and monitored regularly with check points during quarterly update meetings with the GFCR global team. Risks will also be re-assessed during completion of the annual review process to ensure all risks are known and mitigated against; Defra and GFCR will be jointly responsible for this.

Furthermore, the GFCR Risk Management System was finalised in early 2022 and helps to identify and mitigate programmatic, institutional, and contextual risks that might impact the Fund’s performance

and reputation. An overview of Fund-level and programme-level risks, mitigations and managers are provided in Table 11 below.

EVENT	IMPACT	RISK LEVEL	MITIGATION	RISK OWNER
<b>Disconnected vision / programming efforts between GFCR Grant and Equity Funds</b>	Sub-optimal programmatic impact and minimised economies of scale	Likelihood (1-5 scale): 2  Impact (1-5 scale): 3  <b>Risk level: Moderate</b>	<ul style="list-style-type: none"> <li>Setting up of a unified GFCR Knowledge Management platform (Reef+) to facilitate continued knowledge sharing across Grant and Investment Fund-supported initiatives</li> <li>Continued consultation and strategic discussions between both GFCR Funds through the formal establishment of the Investment Fund team</li> </ul>	GFCR Grant & Investment Funds
<b>Exclusion of specialised local and technical knowledge in Grant Fund and Investment Fund strategic-setting and decision-making</b>	Ineffective implementation of programmes and allocation of funding	Likelihood: 1  Impact: 3  <b>Risk Level: Low</b>	<ul style="list-style-type: none"> <li>Selection of diverse group of experts to constitute the GFCR Advisory Board</li> <li>Formal appointment of GCF and ICRI as co-chairs of the GFCR Advisory Board</li> </ul>	GFCR Grant Fund
<b>Unintended negative socio-economic outcomes resulting from coral-positive interventions</b>	Reduced credibility and overall trust in GFCR from beneficiary communities, governments, etc.	Likelihood: 2  Impact: 5  <b>Risk level: Substantial</b>	<ul style="list-style-type: none"> <li>Fund-level Environmental &amp; Social Safeguards, Risk Management System, and Gender Policy to govern GFCR interventions</li> <li>Decentralising efforts and empowering Convening Agents to manage and mitigate programmatic risks more holistically</li> </ul>	GFCR Grant & Investment Funds; Convening Agents and Co-implementers
<b>Challenge of attracting private sector investment into businesses incubated by the Convening Agents and their implementing partners</b>	Incubated SMEs are not able to grow due to lack of investment capital	Likelihood: 2  Impact: 4  <b>Risk Level: Substantial</b>	GFCR builds investor network through partnerships. Expansion of Blue Bridge Technical Assistance Services. Convening Agents strengthen in-country partnerships with commercial institutions. This risk is expanded upon below.	GFCR Grant Fund; Global Team, UNCDF, Convening Agents
<b>Information and local capacity gaps constraining monitoring &amp; evaluation efforts</b>	Reduced ability for M&E leading to lower quality findings that inform and improve programmatic efforts	Likelihood: 3  Impact: 3  <b>Risk Level: Moderate</b>	Development of a unified M&E taskforce to be implemented across GFCR programmes under UNEP as lead agency	GFCR Grant Fund; UNEP

Table 11 - An overview of Fund-level and programme-level risks and managers

### GFCR M&E Strategy, LogFrame and Performance indicators

The fund level Results framework within the GFCR Terms of Reference has been refined by UNEP with the support of a Scientific and Technical Advisory Group (STAG)<sup>28</sup>. The STAG, assembled through an open Expression of Interest, comprises independent experts in diverse fields related to coral reef

<sup>28</sup> The Results Framework will be a core component of the Benefits Realisation Strategy, detailing evidence-led targets, owners and monitoring techniques.

conservation, including marine resource management; coral reef restoration; resilience, and socioeconomics of coral reef adjacent communities; and conservation finance and sustainable business experts. The group will provide recommendations and advice to the GFCR Secretariat and key partners with a focus on MEL.

The GFCR indicators are being refined as part of revisions to GFCR’s draft M&E Toolkit, from which guidance on sub-indicators, evidenced-led targets and data collection will be developed. At a programme-level, Defra have fed back on the need to include more qualitative indicators to reflect community/stakeholder satisfaction, i.e., the perception of positive change. UNEP will work with M&E contacts in Convening Agent organisations to ensure project specific M&E Strategies reflect the GFCR-level indicators. The GFCR log frame is being revised following comments from the STAG and Defra, with work underway to validate baselines and begin tracking progress as projects and investments start to deliver results. In addition to this GFCR are in the process of employing a permanent statistician who will act as a MEL consultant.

The GFCR results framework will measure results and performance against the indicators listed below. The metrics for several of these indicators are still under development and the BPF MEL advisor is in discussion with the GFCRs STAG to support that development.

- reef fish abundance and biomass
- ratio of co-financing leveraged
- adaptive capacity of coastal communities
- Selected parameters for water quality and coral reef health
- proportion of coral reefs under effective protection and management
- benthic cover and composition
- integrated Local Threat Index
- Proportion of financing that is “sustainable Financing<sup>29</sup>”
- Ratio of private and market finance to grant fund allocation
- Impact and occurrence of climate induced events

We continue to feed into all aspects of MEL development, for example commenting on the GFCR Monitoring and Evaluation (M&E) Strategy and seeking their engagement in writing the Annual Review (see Expected Impact section above). We will continue be involved in GFCR’s plans for the knowledge management platform,; The REEF+ Accelerator.

The REEF+ Accelerator was announced at CBD COP15, and will be a bespoke global coral reef finance platform that will scale the knowledge, collaboration, and finance required to support revenue-generating reef-positive enterprises and financial instruments.

- REEF+ is structured through delivery of five action-oriented components:
  - REEF+ Discover enables coral reef practitioners to find and utilize scalable and replicable reef-positive enterprises and financial solutions.
  - REEF+ Collaborate enhances communication, connection and capacities among coral reef finance practitioners and experts.

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<sup>29</sup> Sustainable Finance is the process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects

- REEF+ Learn will build targeted capacity to accelerate pipeline development of reef-positive enterprises and finance mechanisms.
- REEF+ Invest seeks to facilitate access to finance for coral positive businesses and finance solutions from a diversity of donors and investors.
- REEF+ Impact will provide an impact reporting application and database that facilitates rapid understanding of company, programme, and projects impacts on coral reefs.

Defra and the GFCR team have worked at pace to also establish a Defra GFCR LogFrame<sup>30</sup> (Annex J) that draws on the existing GFCR LogFrame to provide robust evidence and assurance that the Fund is performing well on the particular metrics that Defra is most focussed on and to also better reflect the fund level and operational progress that is being made. This LogFrame will be a useful tool for Defra to monitor benefits realisation and was designed to ensure that it doesn't overly increase the burden of the GFCR team with regards to M&E. The indicators are designed to draw from information that will be gathered as a part of programme delivery (e.g., via meeting notes, reflections in Annual Reviews, etc.) and which will require minimal additional work for either Defra or GFCR.

Three main pillars underpin the Defra GFCR LogFrame: (1) Financial Systems, (2) Ecological and (3) Livelihoods. Each pillar is supported by impact, outcome and output indicators (benefit profiles) which contribute to preventing the extinction of coral reefs by eliminating the financing gap and supporting interventions to secure coral reef survival, while also tackling biodiversity loss, and enhancing the climate resilience of the lives and livelihoods of the communities and businesses that depend on them.

We will review indicators as the programme develops and will continue to work with GFCR to reassess it against the fund level results framework, ToC, and programme indicators to ensure that they are measurable, achievable, realistic, and timely. Performance will be monitored by convening agents for each project in line with the GFCR results framework throughout the year. Progress will be reviewed and discussed at quarterly Executive Board meetings allowing us to identify performance issues promptly. If it comes to light that multiple projects are not meeting specific outputs, we will reevaluate our output indicators and investigate reasons why.

#### *Monitoring Defra's contribution to the GFCR*

Throughout the development of the LogFrame we identified pathways of Defra influence and created indicators to capture the outputs/ outcomes that we intend to track (see Table 12 below). As the GFCR Grant Fund is a pooled fund it is challenging to explicitly show how Defra funding is driving change and positively impacting coral reef environments and communities. These indicators, therefore, are designed to highlight Defra's influence/ impact on the programme while adding minimum reporting burden on GFCR.

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<sup>30</sup> The Logframe is also known as a Benefits Register, detailing information about desired outputs, outcomes and impacts (benefits profiles) such as the measure, baseline, target, frequency of measurement and associated risks and assumptions. The Logframe has been developed based on the Theory of Change (ToC), also termed Benefits Map.



Description	Example(s)	Defra Actions
<b>Strategic influence on programme design</b> in line with HMG priorities	Defra use their seat on the GFCR board to rigorously assess project proposals, with a focus on inclusion - particularly gender empowerment	Ongoing sense check of plans regarding GFCR Gender Strategy, baselining, targets, etc. and consistent challenge of proposals to ensure gender considerations are mainstreamed
<b>Influence on programme delivery</b>	BPF-backed specialists influence technical approaches adopted by projects  Defra achieve greater ambition (and specificity) in baseline development and milestones	Formalise relationship and role in governance of ORRAA and COAST to ensure coherence and enhanced coordination of “one-HMG” programming in countries of overlap
<b>Technical support (direct)</b> and / or knowledge exchange (i.e., from the BPF)	Draw on Coral and MPA policy specialists from across Defra and FCDO to help test approach to MPA workplans and guidance	Ongoing integration of policy team advice on project proposals ahead of each Executive Board.
<b>Technical support (indirect)</b> and/ or knowledge exchange (i.e., using networks)	Sourcing and directing GFCR towards financial advice/ expertise available via other routes in BPF network	TBD but could include creating links with regional or national networks such as the International Partnership for Blue Carbon (IPBC), Coral Research & Development Accelerator Platform (CORDAP), and seeking advice from ICRI.

*Table 122 - Pathways of Defra Impact*

### *Funding Window Systems*

The key shift in the GFCR management structure is no longer using a Grant Window and Investment Window structure but rather a GFCR Grant Fund and Investment Fund (Figure 2). These two core financial vehicles work under a shared Theory of Change: Grant Fund – offering grants, concessional loans, guarantees and technical assistance; and the Investment Fund – making equity investments, including traditional private equity, hybrid investments and venture capital. Both aim to have complementary interventions between GFCR Grant Fund programmes and Investment Fund investments in priority coral reef areas.

This Investment Fund is the Toolbox of different sources of investment for GFCR Grant Fund pipeline, which is composed of the GFCR Equity Fund, Microfinance Institutions, Impact Investment firms, Commercial Banks, and Development Banks. The GFCR Secretariat and Equity Fund team are working to map out initiatives and organizations that can source these different types of capital and build



formal and informal partnerships to connect GFCR Grant Fund pipeline to sources of investment capital. They include for example, ADB’s new Blue Impact initiative, Commonwealth Blue Charter, and regional and country microfinance institutions.

Due to the securing of \$125m for the Green Climate Fund (GCF) within the Investment Fund, GFCR have requested the UK invest into the Grant Fund only; showing the GFCR have a strong awareness of where funding is required and where the UK can add value, rather than fundraising with no direction. The blended approach of the Fund creates efficiencies of scale, reduces dependence on limited and short-term grant funding, accelerates the investment readiness of projects, reduces commercial and environmental-social-governance risk through a diversified portfolio and works to establish local entities for improved representation and participation of local stakeholders.

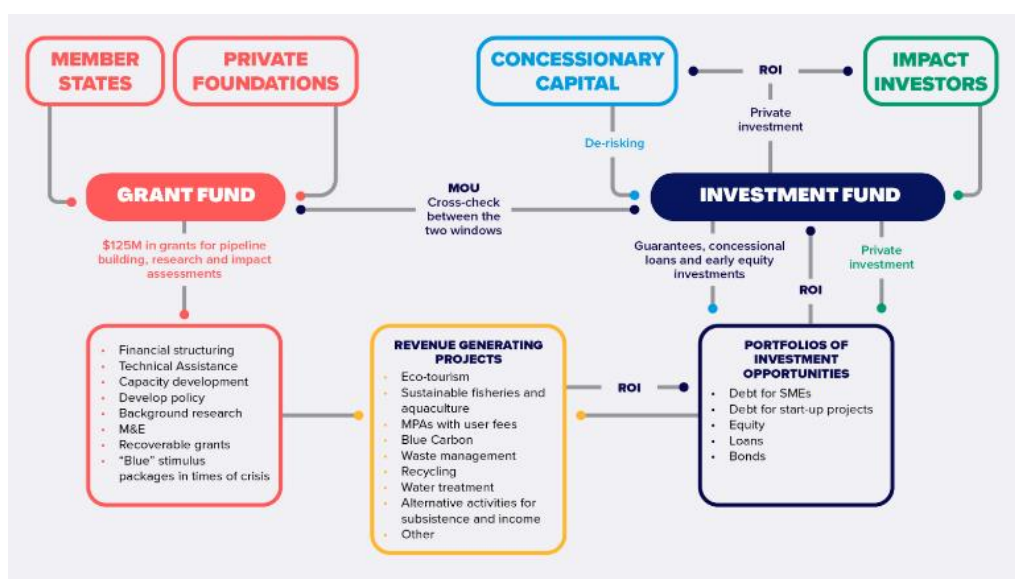


Figure 2 – Fund model interactions

### Critical Pathway

The table below provides an indicative timeline of activities relating to the uplift in Defra funding for the GFCR. The critical path below displays activities for the next ten months, with some dates to be confirmed as the programme develops. Annual reviews will be scheduled every autumn, Executive Board meetings every quarter and further evaluation meetings will be scheduled when needed.

Defra have a good working relationship with the GFCR team, therefore regular meetings to discuss updates or developments will likely occur on an Ad Hoc basis.

Milestones / Reason	Type of Activity	Date Planned	Comments/Next Steps
BC Addendum Clearance	Red Team	05.09.22	Red Team reviewer's main concerns were around the large increase in funding and lack of Annual Review/SMART objectives. There were also concerns that the economic case should pull out more detail regarding the options appraisal.

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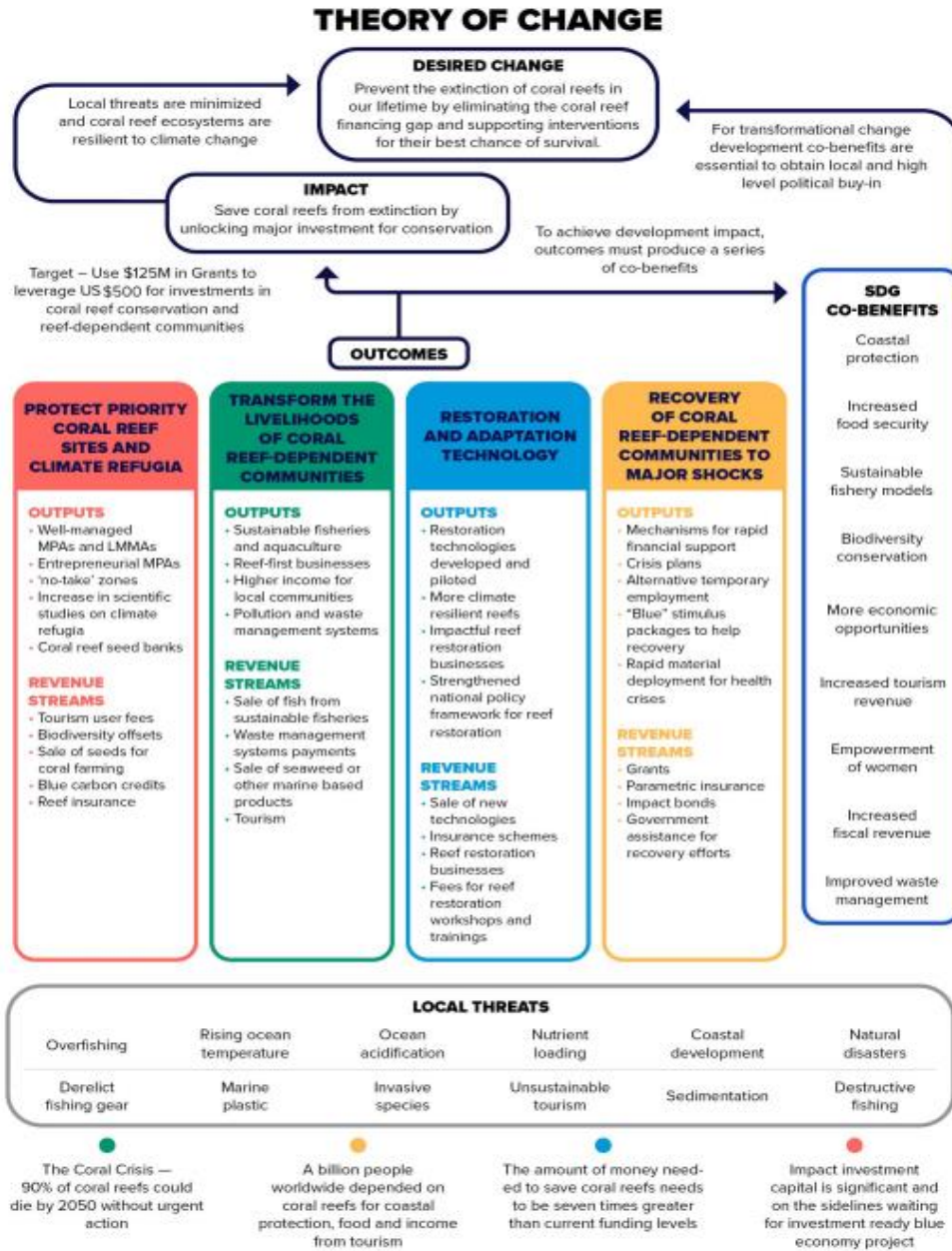
BC Addendum Clearance	ODA Board	26.09.22	Request for the completion of AR prior to moving forward with approvals
Year 1 Annual Review	Performance assessment	30.11.22	Positive assessment of year one progress with outputs scoring A overall.
GFCR Executive Board meeting	Quarterly Fund governance	05.10.22	Concept notes assessed, decision on new approved projects, updates on Secretariat, M&E framework and indicator updates, knowledge sharing
BC Addendum Clearance - Resubmission	ODA Board	18.01.23	
BC Addendum Clearance	IC	15.02.23	
BC Addendum Clearance	Minister	20.02.23	
GFCR Executive Board meeting	Quarterly Fund governance	February 23	Concept notes assessed, decision on new approved projects, updates on Secretariat, M&E framework and indicator updates, knowledge sharing
Comms with FCDO Posts	Stakeholder engagement	February 23	Communication regarding planned COP announcement, AR scoring, details of active projects issued to Posts in existing project countries. Additional, forward-looking comms to be issued providing a summary to Posts in proposed project countries of concepts seeking approval following EB meeting
Announcement at Our Ocean	Comms	March 2023	Announce uplift of funding at Our Ocean; showing UK' positive political stance on ocean conservation, in addition to harnessing potential to leverage additional funding.
First disbursement of funds released	Finance	March 23	Dependent on new SSA being signed and agreed
Year 2 Annual Review	Programme management	July 2023	Assessment of fund to date

*Table 133 Critical pathway for the GFCR programme*

**ANNEXES**

**Annex A– GFCR Theory of Change model**

Figure 3 - GFCR Theory of Change



**Annex B – Comparison between GFCR and similar funds**

<b>Programme</b>	<b>Purpose &amp; objectives</b>	<b>How it differs from GFCR</b>
Blue Action Fund (BAF)	Provides grants to conservation projects that hope to establish, enlarge, or better manage MPAs and promote sustainable livelihoods in coastal communities.	Grants that are distributed mainly for marine and coastal conservation projects. Does not have a coral reef focus.
Global Environment Facility (GEF)	Set up to tackle our planet’s most pressing environmental problems. Provides grants and mobilises finance through co-finances projects around the world.	Development of national and sub-national ocean economic activities. Focus on global environmental benefits.
Ocean Risk and Resilience Action Alliance (ORRAA)*	Multi-sector model which aims to pioneers finance and insurance models that incentivise investment into nature-based solutions, with a focus on protecting the regions and communities that need it most.	Financial mechanisms to increase ocean resilience, notably insurance models which GFCR cannot commit investment to yet. Will provide crucial foundation for the activities of the GFCR grant window. No coral focus.
ProBlue*	The World Bank’s umbrella multi-donor trust fund, that supports the sustainable and integrated development of marine and coastal resources.	Development of national and sub-national ocean economic activities. Fund investments focus on all seascapes, no coral focus. Contributions are primarily by government agencies and public financial institutions.
Global Ocean Accounts Partnership (GOAP)*	Objective is to support countries to develop and subsequently embed ocean accounts so that they can be used to inform inclusive and sustainable decisions relating to marine resources	Takes stock of the state of a habitat on a regular basis and uses this information to make decisions. No coral reef focus, pilot sites are country focused and led by need.
Ocean Country Partnership Programme (OCP)*	Under the OCPP, the UK is partnering with ODA eligible countries to exchange science, research, and development expertise to address marine environmental challenges across three key themes: marine pollution, marine biodiversity, and sustainable seafood.	The long-term impact of the programme is to provide partner countries skills and expertise to effectively access, develop and harness scientific knowledge and practise; and develop and implement evidence-informed, locally relevant policy. Does not have a specific coral reef focus.

*Table 144 - Comparison between GFCR and similar funds*

**\*BPF fund contributes to/invests in these programmes**

While overlap in some key areas is likely, the BPF team will ensure activities and programming is complimentary rather than duplicative. Strengthening links between the programmes will therefore be valuable in terms of preventing duplication and enhancing impact. Opportunities to do this across the BPF, include:

- Holding country learning sessions with BPF partners to share best practice, lessons learnt and programme development opportunities.
- Actively joining up BPF technical visits to ensure time, money and resource is utilised effectively, in addition to enhancing delivery of technical assistance and results of scoping activities. In cases where visits have already taken place, scoping results from one programme can be used to inform the other. We are already doing this with across both Defra’s Marine and Fisheries Division Teams and Defra’s International Nature and Climate Division.
- Reporting on common indicators and KPIs where relevant to aggregate UK impact in country.
- Utilise the BPF comms strategy, which is currently being developed, to aid knowledge sharing with all key stakeholders, ensuring distinction and links between programmes are clear to recipient countries and delivery partners.

Annex C– BPF Programming under the MPA and OECM outcome

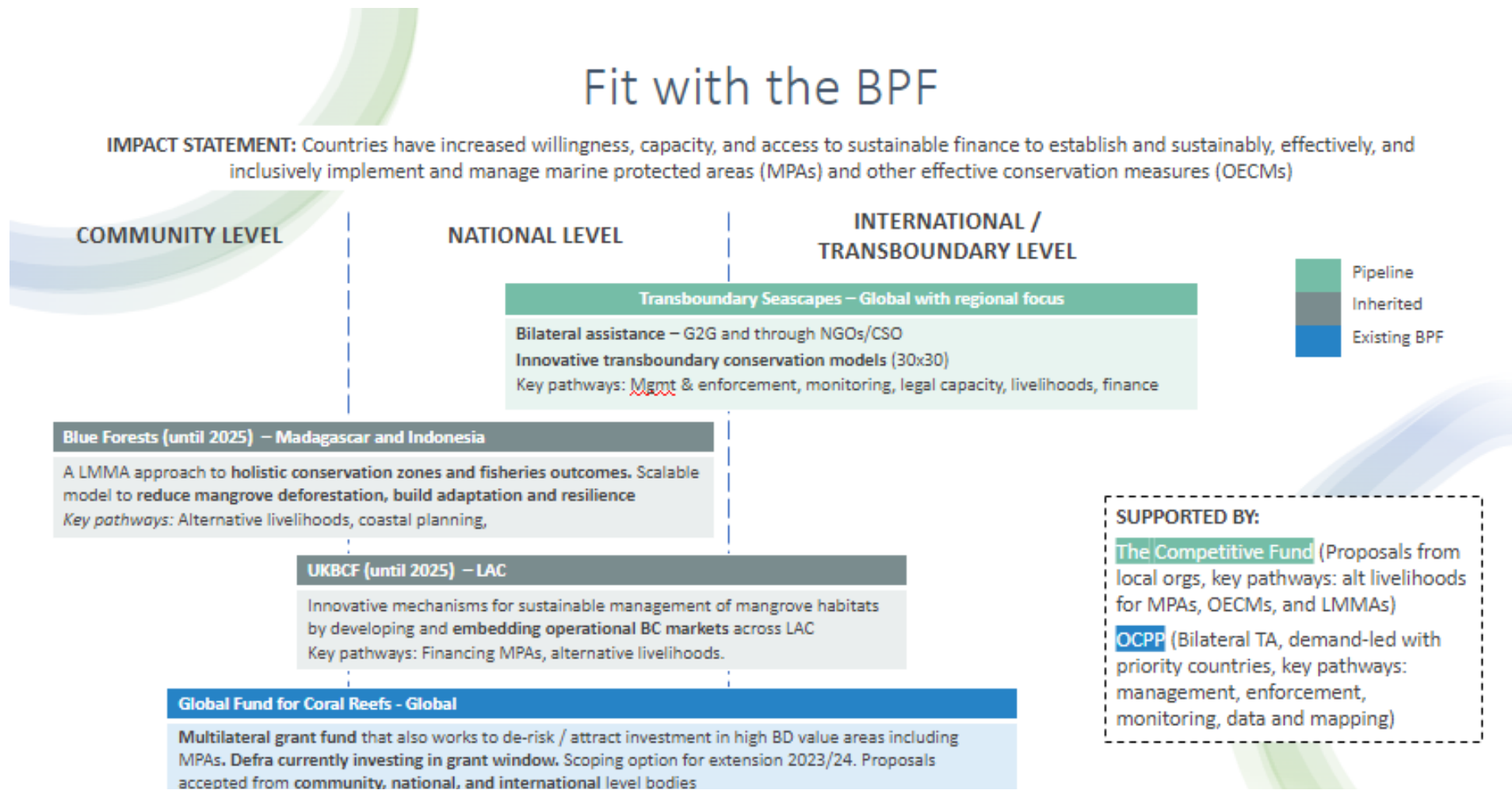


Figure 4– BPF Programming under the MPA and OECM outcome

**Annex D – GFCR Year 1 Annual Review**

The Annual Review provides a performance assessment for Year 1 one the GFCR. The review provides a comprehensive review of output indicators and targets, in addition to discussing key lessons learnt and recommendations for future projects and development moving forward.

Link: [FINAL GFCR Y1 Annual Review.docx \(sharepoint.com\)](#)

Annex E – **Economic case:** [GFCR Jul 22 Economic Case Annex.docx \(sharepoint.com\) Internal link](#)

**Annex F - An Overview of BCRs across the Blue Planet Fund.**

The table below sets out the overview of the BCRs and ranges across the Blue Planet Fund. The mean BCR estimate of 4.1 for the GFCR represents around the mid-range of some of the BCRs we are anticipating from other programmes in the BPF.

However, it should be clear that ensuring value for money from the Blue Planet Fund rests upon more than the BCRs. The BPF is an ODA-funded portfolio of programmes for the conservation and protection of the ocean and alleviation of poverty. It acts on these twin aims through selecting projects which strategically fit across the thematic areas and evidenced priorities.

For appraising the short-listed options, an economic appraisal including assessment on BCR and NPV is provided to test VfM. This is based on the best available evidence, however this is often limited, in particular given BPF programmes often invest in programmes where the exact portfolio is unclear at the fund level investment decision stage.–As such the appraisal is often based on an illustrative portfolio, and with transparency of the evidence gaps (particularly monetisable benefits).The quantitative analysis will often have significant uncertainties due to a long causal chain of benefits to be realised (for example in the case of capacity building programmes), weak context-specific evidence, uncertainty in the exact composition of investments/ future pipeline, which country or region will be invested in. As such the quantitative analysis is provided only as a guide to what might be achieved by the project and to test VfM, rather than a refined analysis to forecast and choose between options. This approach is what we have used for previous BPF business cases approved by the Red team and Investment committee.

Programme / Project	Total funding and number of years	BC BCR (central and range)	Comments

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GOAP year 1	£1m for 1 year	<b>4.48</b>	No range given
GOAP year 2 - 4	£6m over 4 years	<b>2.4</b>	No range given
PROBLUE	£25m over 5 years	<b>2.4 - 7.5</b>	
ORRAA year 1	£2m for 1 year	Blue Carbon Resilience Credits Pre-Feasibility: <b>1.3 – 9.6</b>  Climate Smart Shrimp Initiative: <b>1.07 - 1.37</b>  Weather index-based parametric insurance: <b>10</b>	No BCR for the whole project was produced, BCR ranges are for individual projects funded by ORRAA
ORRAA year 2	£12m over 4 years	<b>2.2 (low) / 4.2 (central) / 6.4 (high)</b>	A proxy BCR based on a partial analysis of ORRAA supported projects
OCPP	£55m over 5 years	<b>2.9-9.0</b>	The range represents the sensitivities in the assumed value of ecosystem service benefits associated with marine plastic, the range of assumed programme effectiveness and the range of potential baseline habitat loss, in addition to adjustments for optimism bias.
GPAP	£12.5m over 5 years  In year additional BC: £1.5m for 1 year	<b>7</b>	
GPAP addendum for informal sector work	£6.5m over 3 years	<b>13.1 (low), 15 (central), 16.9 (high)</b>	Range values represent a sensitivity analysis from the original business case of the baseline change which could be expected to happen, as well as an optimism bias of the potential



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			success of GPAP – i.e. that the future commitments may not be realised or as high as past commitments.
OCEAN (competitive fund)	£65m over 7 years	<b>0.7</b> (low) / <b>2</b> (central) / <b>40.2</b> (high)	
GFCR year 1	£5m over 1 year	<b>4.73</b>	
GFCR addendum	Up to £24m over 3 years	<b>Mean 4.8</b> (range of 2.1 to 6.8), 4.1 without employment benefits <b>Median 2.7</b> (range of 1.1 to 4.7) 2.4 without employment benefits	Based on a sample of projects which GFCR will be taking forwards

Table 15 - An Overview of BCRs across the Blue Planet Fund.

Annex G– Risks

Risk		Mitigation	Status
<b>Operational:</b> Opportunity cost risk	With this uplift the UK would be providing a significant proportional uplift of funding at what is a relatively early phase in the Fund’s development. There is a risk that the GFCR will be unable to utilise funding secured if it takes more time than expected to scale up. This would bring associated opportunity costs as the funding could have been used elsewhere. However, as of the end of 2021, 99% of GFCR funding has been allocated to projects.	The BPF Team are in close coordination with the GFCR, with ongoing evidence and assurance provided of a strong pipeline of projects, both new and existing that are scaling up rapidly following successful scoping and planning stages. Although this business case is for up to £24m, the contributions will be broken down annually and only approved based on performance, ongoing trend of growth, and need and evidence of pipeline continuing. If not, funding will be held back or delayed as needed. Although Defra have yet to conduct an independent due diligence assessment on UNDP (as the lead agency behind the GFCR), the Multilateral Organisation Performance Assessment Network (MOPAN) published a new review on UNDP <sup>31</sup> in 2021 which found that:	Impact: Significant  Likelihood: Very unlikely

<sup>31</sup> <https://www.mopanonline.org/assessments/undp2020/MOPAN%20Assessment%20UNDP%20report%20web%20%5bfor%20download%5d.pdf>

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		<ul style="list-style-type: none"> <li>• UNDP has handled the turbulent context of the recent years well. It fully aligned with the 2030 Development Agenda, played a constructive role in UN Reforms, and demonstrated great resilience and new dynamism in responding to the COVID-19 pandemic. UNDP – a partner agency at heart - is strongly committed to, and aligned with, Member States’ priorities.</li> <li>• Its effective decentralised decision-making and resource allocation mechanisms support this.</li> <li>• UNDP’s strong management systems, independent evaluation and oversight functions and its transparent information disclosure have made it a trusted partner.</li> </ul>	
<p><b>Financial:</b> Advance payment risk</p>	<p>The GFCR provides fund to partners for an initial period of 12-18 months which if not evidenced appropriately could be perceived as payment in advance of need.</p>	<ul style="list-style-type: none"> <li>• GFCR conduct due diligence on all convening agents for each project to assess operational and financial integrity before putting proposals to the EB for approval. This minimises risk and maximises the chances of proposals being approved that are convened by organisations and consortia that have strong systems and processes in place.</li> <li>• Defra’s seat on the EB also provides influence over the disbursement profile of funding to each project so we (and other donors) can challenge whether sufficient evidence is provided to justify advance payment and avoid straying into making payment in advance of need.</li> <li>• Further funding is approved once the partner demonstrates it has spent at least 80% of the previous disbursement and has sufficiently progressed activities and this 12–18-month period is minimised as much as possible.</li> </ul>	<p>Impact: Moderate</p> <p>Likelihood: Unlikely</p>
<p><b>Operational</b> and <b>Reputational:</b> Ongoing</p>	<p>With reliance on donors and investors there is a risk the GFCR will not be able to continue to mobilise sufficient resources to complete its</p>	<p>Over the last year the GFCR has demonstrated its ability to mobilise funding, including significant capital from the GCF but the agreement between UK and the GFCR has a claw-back clause if the Fund cannot fulfil its commitments. We also understand from conversations with GFCR that additional UK funding will</p>	<p>Impact: Moderate</p>

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mobilisation and delivery risk	initiated and planned projects, resulting in it failing to deliver on our desired outcomes.	be catalytic, leveraging other donor finance through our strong signal of support for the Fund; this helps mitigate this risk.	Likelihood: Very unlikely
<b>Reputational:</b> UK exposure and burden share risk	As the GFCR forms a larger part of the BPF portfolio and the Fund itself continues to grow, it carries more reputational risk for the BPF and HMG, particularly as the UK is the largest donor.	<ul style="list-style-type: none"> <li>• The UNDP team that manages the GFCR have already proved themselves to be proficient and as the Fund continues to scale are taking additional steps to mitigate any reputational risk to donors through poor performance. E.g., to improve their monitoring evaluation and learning (MEL) (with a proposed new MEL strategy) and a new safeguarding strategy</li> <li>• The UK are seeking greater roles for the other organisations that advise and complement the work of the Fund that we are involved in such as the Ocean Risk and Resilience Action Alliance (ORRAA) which the UK invests in independently. Through ORRAA we are able to maximise the levers we have at our disposal to ensure strong and robust fund performance and therefore mitigate this risk<sup>32</sup>.</li> <li>• As with Risk 1, although this business case will increase the proportion by which the UK is the largest public donor, each year's contribution will be based on growth, need and evidence of pipeline and if these are not demonstrated funding will be held back or delayed as needed.</li> <li>• As with Risk 2, we also expect that that this additional UK funding to be catalytic, leveraging other donor finance through our strong signal of support, bringing parity to the scale of donor contributions and mitigating this risk.</li> </ul>	Impact: Moderate  Likelihood: Unlikely

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<sup>32</sup> The GFCR has formalised an Institutional Partnership with ORRAA to seek synergies through knowledge sharing, co-implementation and co-financing in common geographies and blue economy sectors. Key areas of collaboration include undertaking of research and development strategies to better analyse, predict and manage ocean risk, sharing lessons learned and best practices on coral reef science, conservation, restoration, reef-positive livelihood opportunities and innovative finance, and joint exploration of co-implementation and co-financing opportunities.

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		<ul style="list-style-type: none"> <li>Finally, as a pooled fund with no specific accountability of any one donors funding to any particular project, the reputational risk to all donors, is in effect shared equally.</li> </ul>	
<b>Financial:</b> Exchange rate risk	<p>Fluctuations in exchange rates could cause a reduced sum of money to be available to projects. In the event of adverse currency movement, there will be reduced potential for project delivery. While fluctuations and cycles regularly occur, it is worth noting that the pound is close to its lowest value against the dollar over the last 10 years. The pound has declined by 12% against the dollar since the original business case in 2021 (\$1.39 in May 2021 compared to \$1.23 as of 1<sup>st</sup> August 2022).</p>	<p>GFCR team will monitor exchange rates and raise concerns if there is potential for a large loss of funds. There is possibility to adjust the timing of payments to avoid liquidity risk if necessary, however it should be noted that perfect matching may not be possible. GFCR will absorb some currency fluctuations and accept that the total amount the received may slightly differ.</p>	<p>Impact: Moderate Likelihood: Very unlikely</p>
<b>Operational:</b> Institutional knowledge loss risk	<p>This risk reflects the employment status of the core members of the GFCR global team who until this point have been on rolling annual consultancy contracts with the UN. With the Fund growing, the GFCR is moving to a model of appointing permanent staff, which the UK supports, but this recruitment process risks some instability and loss of institutional knowledge.</p>	<p>The UK, through our role in the EB and supported by the other donors have pushed to ensure this recruitment is phased over a longer period than originally intended so that any loss of staff to the process is gradual and new team members have an appropriate opportunity to be onboarded. GFCR team hope that all currently contracted staff are able to retain their positions through this process.</p>	<p>Impact: Minor Likelihood: Unlikely</p>
<b>Operational:</b> limited local delivery capacity	<p>Scaling GFCR support coupled with the complex landscape of other funders working in these countries, presents a risk of funders competing for local delivery capacity. This could result in programme delays or even de-prioritisation</p>	<p>The UK will ensure a “One HMG” approach in project countries which will mitigate the risk from UK funders. Current work is ongoing to refresh the Blue Planet Fund Theory of Change, this exercise will strengthen strategic links between the programmes and will therefore be valuable in terms of preventing duplication, enhancing impact and ensuring local delivery capacity.</p>	<p>Impact: Moderate</p>

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		Where appropriate Defra will raise concerns and encourage discussion regarding this risk at EB meetings.	Likelihood: Unlikely
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*Table 15 - Detail of risks and mitigating action*

Annex H – GFCR Governance Structures and Actors

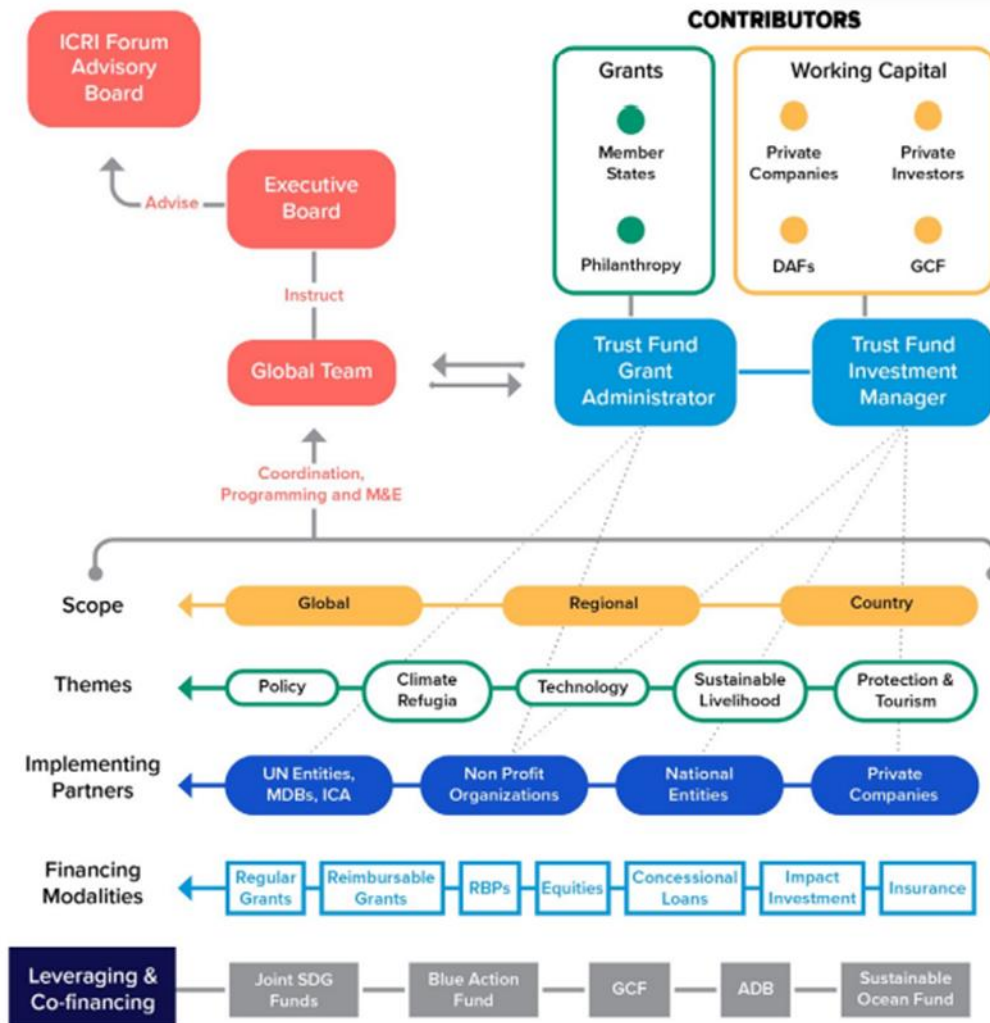


Figure 5 - Governance structure for GFCR

Two Philanthropies:



Three UN Agencies:



Three Member States:

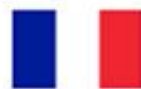


Figure 6 - Makeup of the Executive Board

**Annex I – Resourcing Plan:** [FTE Resourcing Plan - Annex I.xlsx \(sharepoint.com\)](#)

**Annex J – LogFrame (Benefits register):** [Defra GFCR LogFrame .xlsx \(sharepoint.com\)](#)

For RED and Investment Committee Approvals

Documents must include (updated versions where applicable):

- Red Team & Investment Committee Coversheet (final version)
- Final version of the original Business case
- Risk Potential Assessment (RPA) – this must be reviewed & validated by the Defra Portfolio Assurance Team prior to submission
- Integrated Assurance and Approval Plan (IAAP) – this must be reviewed & validated by the Defra Portfolio Assurance Team prior to submission
- Accounting Officer (AO) test document – this must be reviewed and signed off by your FBP prior to submission.
- Benefits Plan (if not included in the Business case)
- Resource Plan (include in Addendum; to include as annex on new Defra template once published awaited)
- Any relevant appendices or supporting information.

*The Defra Group Integrated Assurance and Approval Strategy sets out guidance around Defra IC assurance and approvals. Please contact [ODAhub@defra.gov.uk](mailto:ODAhub@defra.gov.uk) for specific ODA questions.*