

Global Fund for Coral Reefs

Best Practice Series

General Investment Principles¹

September 2022

Introduction

The Global Fund for Coral Reefs (GFCR or the “Fund”) is a blended finance facility seeking to save coral reef ecosystems for future generations and to support adaptation and resilience for communities dependent on these reefs. The GFCR’s four main outcomes are:

- 1) Protection: Protect priority coral reef sites and climate change ‘refugia’;
- 2) Transformation: Transforming the livelihoods of coral reef-dependent communities;
- 3) Restoration: Restoration and adaptation technologies are made scalable, cost-efficient, and applicable to a variety of regional contexts;
- 4) Resilience: Recovery of coral reef-dependent communities to major shocks.

The GFCR uses a blended finance approach to leverage donor and philanthropic resources to increase private finance for reefs. The Grant Fund – offering grants, concessional loans, guarantees and technical assistance – will raise and allocate USD 125 million. The Equity Fund managed by Pegasus Capital Advisors – will make equity investments, including traditional private equity, hybrid investments and venture capital and seeks to raise and invest a total of USD 500 million. The Green Climate Fund (GCF) has provided up to USD 125 million as junior equity for the Equity Fund. The GFCR will be guided by the Fund’s investment principles, safeguards, and M&E system with the goal of optimizing returns and positive impact on coral reef ecosystems and communities while minimizing potential environmental and social risks. Working collaboratively, the two funds facilitate the efficient use of capital and complementary interventions that systematically address local drivers of reef degradation and support coral reef conservation.

General Investment Principles

The following 10 general investment principles for the Global Fund for Coral Reefs seek to provide overall guidance to GFCR partners including convening agents, implementing partners and financial partners. Following this listing of the 10 principles, guidance is provided for each principle that further explains its objective and uses. Finally, definitions are provided for specific terms (*in italics*) included in the principles.

¹ These Principles and Best Practices were developed by the Global Fund for Coral Reefs with support of the Conservation Finance Alliance in collaboration with the United Nations Development Programme and all other GFCR partners. Please send comments or questions to David Meyers at david@cfalliance.org

1. Integrated Systems Approach

The GFCR takes a *systems approach* to develop its finance instruments, geographical and sectoral focus, partnerships, and programming, which fully recognizes and builds on the ecological, economic, political, and social connectivity of coral reefs, associated ecosystems, and dependent communities.

2. Positive Impact

The GFCR supports *interventions* that seek to achieve measurable positive impacts in resilient coral reef ecosystems towards one or more of the four GFCR outcomes, and which also contribute to measurable impacts on additional SDG targets.

The four Fund outcomes include:

1. Protect - a) Strategic coral reefs are protected, and ecosystem resilience is increased in the face of climate change; b) Drivers of coral reef ecosystem degradation are mitigated or eliminated.
2. Transform - Coastal societies transition away from dependency on coral reefs and activities that degrade coral reefs towards sustainable resilient livelihood and economic activities.
3. Restore - Coral reef restoration and adaptation technologies are made scalable, cost-efficient, and applicable to a variety of regional contexts, with proven outcomes for ecological and social resilience.
4. Recover - Reef-associated community livelihoods are more resilient to shocks, avoiding a resurgence of drivers of degradation for coral reef ecosystems. MPA management and enforcement operations are equipped to continue functioning during periods of crisis.

3. Blended Finance

The GFCR utilizes a blended finance approach that seeks to optimize the positive impact of coordinated public, philanthropic, and private finance by reducing risk and enhancing enabling conditions with the aim to build concrete examples of *reef-positive* investments and market-based finance solutions.

4. Sustainability and Replication

The GFCR supports interventions that implement or seek sustainable solutions for coral reefs and associated communities including long-term access to finance, technology transfer, building local management and governance capacity, enhancing ongoing support for sustainable resilient livelihoods, and replicating or scaling these solutions where feasible.

5. Effective Governance Systems

GFCR supports *interventions* that contribute to effective governance (political, regulatory, institutional, corporate, and customary) of coral reefs and the *zone of influence* including governance by and for *associated communities*.

6. Evidence-based Decision Making

The GFCR applies *evidence-based decision making* in combination with the *precautionary principle* to assess and mitigate risk, promote equitable and long-term solutions, and work to deliver measurable net benefits to coral reef ecosystems and *associated communities*.

7. Partnerships and Community Empowerment

The GFCR supports *interventions* that: build on diverse and effective partnerships among coral reef stakeholders; strengthen local capacity; link traditional knowledge and science; and promote long-term community stewardship of coral reef ecosystems, marine natural capital, and associated *sustainable resilient livelihoods*.

8. Equitable Outcomes

The GFCR supports interventions with positive and equitable outcomes and that protect the rights of *stakeholders* particularly *indigenous peoples and local communities* and regardless of gender, ethnicity, culture, political or socioeconomic status.

9. Transparency and Accountability

The GFCR takes a leadership role in exemplifying good governance and transparency and takes reasonable efforts to make available accurate information in a timely manner concerning payments to government, government and community contracts and agreements, investments, grants, activities, and impacts through periodic reports, publications, and other disclosures.

10. Monitoring, Evaluation, Knowledge, and Adaptive Management

The GFCR follows adaptive management approaches and works to openly share results, lessons learned, and other information through the GFCR M&E and knowledge management systems.

Selected Bibliography

[The Sustainable Blue Economy Finance Principles](#), UNEP-FI

[Principles for a Sustainable Blue Economy](#), WWF Baltic Ecoregion Programme

[Turning the Tide: How To Finance A Sustainable Ocean Recovery](#), UNEP-FI

[The Ocean Finance Handbook](#), Friends of Ocean Action

[Sharing the seas: a review and analysis of ocean sector interactions](#), Crona, B., et. al. (2021)

Key Performance Indicators

Key performance indicators for the Global Fund for Coral Reefs are included in the Fund's Monitoring & Evaluation system. All Fund level and Outcome level indicators are listed below. Most of those indicators contribute to assessing how well the principles are being followed.

Fund Level Indicators

F1. Reef fish abundance and biomass

F2. Benthic cover and composition

F3. Integrated Local Threat Index

F4. Proportion of Coral Reefs under Effective Protection and Management

- F5. Ratio of private and market finance to Grant Fund allocations
- F6. Ratio of Co-Financing leveraged
- F7. Proportion of Financing that is “Sustainable Financing”
- F8. Social Adaptive Capacity / Social Vulnerability of Coastal Communities
- F9. Impact and occurrence of climate-induced events
- F10. Selected parameters for water quality and coral reef health

Outcome Level Indicators

- O.1.1 Area (ha) of coral reef and associated ecosystems (mangroves and seagrasses) within effectively managed protected areas and other effective area-based conservation measures.
- O.1.2 Annual capital expenditures (US\$/yr) for strengthened management and enforcement capacities of protected areas and other effective area-based conservation measures networks (per km² or ha).
- O.1.3 Selected biophysical parameters for coral reef status in protected areas compared to unprotected areas and to previous levels.
- O.2.1 Proportion of coral reef sustainable businesses in the programme's zone of influence.
- O.2.2 Profitability of alternative livelihood businesses supported by GFCR.
- O.2.3 Proportion of subsistence and cash-based livelihoods of local people dependent on coral reefs that are sustainable / reef positive and have been improved / maintained by GFCR interventions.
- O.3.1 Effectiveness of coral reef restoration efforts.
- O.3.2 Amount of restored coral that survive acute disturbance events (% cover).
- O.3.3 Investor confidence into coral reef restoration efforts and coral reef restoration businesses.
- O.4.1 Amount (%) of reef-linked businesses and initiatives with regularly updated crisis plans to mitigate the impacts of large shocks such as intense storms, disease outbreaks, severe bleaching events, etc. vs baseline (t=0).
- O.4.2 Amount of sustainable reef-dependent livelihoods (%) established and also maintained after major shock events (define timeframe e.g. six months after event?).
- O.4.3 Proportion of the zone of influence (spatial area) under disaster relief and recovery mechanisms including parametric reef insurance / contingency funds and other financial resiliency mechanisms.

Best Practices for each Principle

1. Integrated Systems Approach

Principle: *The GFCR takes a systems approach to develop its finance instruments, geographical and sectoral focus, partnerships, and programming, which fully recognizes and builds on the ecological, economic, political, and social connectivity of coral reefs, associated ecosystems, and dependent communities.*

Coral reef regions are dynamic places where complex interactions occur not only [between land and sea](#), but also between forms of reef biodiversity, other marine ecosystems, and among all spheres of human activities. Considering that coral reefs harbor [25% of marine biodiversity](#),

[provide essential coastal protection](#), [generate billions annually in tourism revenue](#), and provide livelihoods for millions of people, these complex interactions are at the heart of the Global Fund for Coral Reefs. Just as the benefits of coral reefs and associated ecosystems spread across ecological, economic, social, and political boundaries, so do the drivers of degradation of these reefs including the impacts of greenhouse gasses, pollution, sedimentation, harmful tourism, fisheries, etc. Recognizing the complexity and interconnectedness of coral reef ecosystems and the drivers of their degradation, the GFCR takes a holistic “integrated systems approach” to enhance the likelihood of achieving its outcomes.

A **systems approach** can be defined as, “a set of processes, methods and practices that aim to effect systems change.”² The systems approach is built on **systems thinking** which is defined as “an interconnected set of elements that is coherently organized in a way that achieves something... A system must consist of three kinds of things: elements, interconnections and a function or purpose.”³ There are vast resources on systems thinking (including the references here) and details of this approach are not included here.

Recognizing the interconnectedness of nature and humanity is only the starting point. There are many ways to operationalize these interactions regardless of their inherent complexity. Many of the other principles and guidance provided here support the systems approach including engagement and consultation with stakeholders, effective governance, evidence-based decision making, and more. These approaches are meant to widen the perspective the GFCR partners bring to the challenges and opportunities ahead and to identify and respond to feedback loops when they occur. The following sections explore these issues in more detail.

Coral reef dependent and associated communities - one central theme in the GFCR is that there are certain communities that are either heavily dependent on the coral reef ecosystems for their livelihoods, cultural connections, and other values or are heavily impacting coral reefs’ health through their actions and activities. These are referred to as dependent or “associated communities” and are a key stakeholder group for the Fund. Associated communities interact with coral reefs in complex ways and individuals within the communities are likely to have complex and sometimes conflicting relationships with reefs - dependent on their ecosystem services yet harming the ecosystems with how they are exploiting these services. The holistic approach of the GFCR seeks to engage with this key stakeholder group with deep respect for the complexity of their relationship with the reefs and associated ecosystems and seeks to achieve measurable positive outcomes for these communities as well as the reefs.

Ecological systems - Coral reefs are closely interconnected with nearby ecosystems such as mangroves and seagrass beds, and environmental quality and degradation in these surrounding areas can affect coral reef health. The association of coral reefs, mangroves and seagrass is

² OECD, 2017, Systems Approaches to Public Sector Challenges: Working with Change, OECD Publishing, Paris, <https://doi.org/10.1787/9789264279865-en>

³ Meadows, Donella H., 2008, Thinking in Systems: A Primer. White River Junction: Chelsea Green Publishing. See <https://thesystemsthinker.com/systems-thinking-what-why-when-where-and-how/>

well documented and these three coastal ecosystems are essential for a wide range of ecosystem services such as fisheries nurseries, coastal protection, and carbon sequestration.⁴ Terrestrial ecosystems and land-use also play an important role for coral reefs health based on sedimentation, pollution, and other elements of water quality. Approaches such as integrated coastal zone planning and management, biosphere reserves, landscape and seascape management, and marine protected and conserved areas (MPCAs)⁵ are examples of integrated approaches the use spatial mapping, scenario analysis, and scientific data combined with a consultative process to plan for and manage complex ecosystem for diverse stakeholders.

Another way to think about the entire systems approach is to consider the concept of [socio-ecological systems](#). Key components of these socio-ecological systems can include markets and market drivers, watershed, landscape, and seascape use and management, infrastructure, and ecosystem services. Potential impacts may include impacts on water quality and flows, movements of organisms, and other human-nature interactions that strongly influence reef biodiversity (e.g. [DeFries et al. 2009](#)). Human activities can influence important ecological processes as well as the viability of populations of native organisms within the reef ([Hansen et al. 2011](#)).

Economic systems - The economic systems that interact with coral reef health, resilience and productivity [include](#) everything from global energy systems through agriculture, forestry, fisheries, and infrastructure. Solutions to one of the threats on coral reefs may increase harm from another. Similar to other complex systems, it is essential to approach economic systems with a holistic viewpoint and explore the potential feedback impacts of specific investments, policy changes, and finance instruments. Consider how individuals and other entities are incentivized by the existing system structures. Identify points of leverage where small changes in a regulatory procedure or financial incentive could improve outcomes efficiently.

Markets - Markets are especially powerful tools and market drivers such as demand for seafood can have profound [harmful impacts](#) on coral reef ecosystems and drive communities to overfishing. For a blended finance fund such as the GFCR, investments in enterprises may impact markets in unpredictable ways and monitoring key market and social indicators can provide essential feedback on changes to system function that results from a given investment.

Political systems - political systems interact with economic and social systems and are complex systems in themselves. One effective approach to understand political systems is the use of political economy tools such as those found through [this link](#). These tools are challenging but provide insight into the way power and relationships can influence policy outcomes and decision making. Political systems occur at all levels of governance.

⁴ Carlson, R.R., Evans, L.J., Foo, S.A., et al. 2021. Synergistic benefits of conserving land-sea ecosystems. *Global Ecology and Conservation*. Vol. 28. <https://www.sciencedirect.com/science/article/pii/S2351989421002341>

⁵ Phua, C., Andradi-Brown, D.A., Mangubhai, S., et al. 2021. Marine Protected and Conserved Areas in the Time of COVID. *Parks*, Vol. 27. pp. 85-102. https://parksjournal.com/wp-content/uploads/2021/03/Phua_et_al10.2305-IUCN.CH_2021.PARKS-27-SICP.en.pdf

Social connectivity - Intermeshed with the aforementioned systems, human social systems are often overlooked in conservation solutions but when effectively incorporated into decision making can be extremely helpful. The important impact of social engagement in microfinance is well known at this point and for coral reef communities, local governance is mostly about social relationships. There are numerous approaches to include social, gender, and traditional cultural concerns into conservation actions including various participatory approaches. Inclusion, consultation, and other approaches are covered in other GFCR Investment Principles as described below.

Finance Instruments – The GFCR seeks to achieve its Outcomes through a diverse combination of finance instruments including grants, technical assistance, concessional loans, financial guarantees, debt and equity that the Grant Fund and Equity Fund directly provide as well as a wide variety of business models and market-based instruments that are developed and supported directly and indirectly. The integrated systems approach refers to these instruments in two key ways. First, these approaches form a complex ecosystem of options that in combination – or portfolios – can address the underlying challenges and opportunities thus enabling coral reef conservation and community sustainability. Secondly, each finance instrument must be developed and implemented with adequate attention to the systems within which it is being implemented. Because of the interconnectedness of the systems described above, unintended consequences of many market-based or financial interventions can either reduce the intended effectiveness (i.e. a fine for pollution may be high but if enforcement is low, it will not have impact) or cause harmful impacts in seemingly unrelated areas (investment in a “sustainable” fish export company may increase demand for certain species, thus driving overfishing).

Geographical and sectoral focus – A systems approach has been central to the identification and prioritization of target coral ecosystems for the GFCR – seeking to integrate reef resilience information, geographic diversity, and a spatial approach to identifying and addressing local and regional drivers of reef degradation. The concept of a “Zone of Influence,” where human activities outside the focal reefs for conservation can still have impacts on the reef, is fundamental to a comprehensive, systems-based approach. Similarly, the sectoral focus of the GFCR is based on the relative importance of different sectors regarding their harm to coral reefs or their potential benefits. It is recognized that different sectors also interact with each other and that often a combination of interventions in various sectors will be necessary. For example, high nutrient loads (nitrogen and phosphorous) are often a result of both excessive use of fertilizers and runoff from agriculture and release of poorly treated waste streams. Addressing both sectors at certain sites may be required to improve reef conditions.

Partnerships – Partnerships are a perfect example of the importance of systems in that the mix of partners working on coral reefs creates the conditions for sustained impact. No one organization or community group in isolation will be capable of generating the change needed to achieve the GFCR outcomes.

Programming – The GFCR programming at ecosystem and global levels should take into consideration the systematic nature of all the elements described in this section.

2. Positive Impact

The GFCR supports interventions that seek to achieve measurable positive impacts in resilient coral reef ecosystems towards one or more of the four GFCR outcomes, and which also contribute to measurable impacts on additional SDG targets.

The four Fund outcomes include:

- 1. Protect - a) Strategic coral reefs are protected, and ecosystem resilience is increased in the face of climate change; b) Drivers of coral reef ecosystem degradation are mitigated or eliminated.*
- 2. Transform - Coastal societies transition away from dependency on coral reefs and activities that degrade coral reefs towards sustainable resilient livelihood and economic activities.*
- 3. Restore - Coral reef restoration and adaptation technologies are made scalable, cost-efficient, and applicable to a variety of regional contexts, with proven outcomes for ecological and social resilience.*
- 4. Recover - Reef-associated community livelihoods are more resilient to shocks, avoiding a resurgence of drivers of degradation for coral reef ecosystems. MPA management and enforcement operations are equipped to continue functioning during periods of crisis.*

These four outcomes are described in greater detail in the [GFCR Theory of Change](#) and [Terms of Reference](#). Each intervention should also consider how it impacts other SDG targets and should include measures to enhance and measure those impacts where possible.

The first outcome – protection of priority coral reef sites and climate change refugia – requires a combination of spatial protection or conservation measures combined with decreasing the local drivers of reef degradation – both within the target conservation areas and more remote drivers - in the protected or conserved areas’ “zone of influence”. The zone of influence is defined as the geographic area containing socio-economic systems and activities that generate most of the direct impact (positive and negative) on target GFCR coral reefs.

Marine Protected and Conserved Areas (MPCAs) including locally managed marine areas (LMMAs) and “other effective area-based conservation measures” (OECMs) have been shown to increase [fish biomass](#) and [coral reef health](#). However, most MPCAs are severely underfunded and have inadequate capacity to effectively implement their management plans - where those plans are even available. Innovative solutions for public private partnerships such as those being developed by [Blue finance](#) show great promise for combining MPCA management and sustainable finance with impact investing. [Other sources](#) of local revenue for MPCAs such as user fees, concessions, biodiversity offsets, and other charges can be enhanced by strategic blended investments in ecotourism, blue coastal infrastructure, and sustainable fisheries. Outside drivers of degradation that could be addressed by blended finance are numerous and described below.



There are a wide range of drivers of degradation that the GFCR seeks to address, and each site should assess specific priority drivers. A global assessment of drivers of degradation on coral reefs indicated that although a handful of drivers are extremely common, there are a wide range of drivers that should be considered. Building on a range of reports and studies exploring drivers of degradation, including the drivers listed in the GFCR's Terms of Reference, Vibrant Ocean's Reef Report Cards⁶, the results of the GFCR's Request for Information and other research, including the current taxonomy of the [Conservation Standards](#), the GFCR has established a comprehensive list of drivers of reef degradation.

1. [Coastal development](#)
2. [Aquaculture](#)
3. [Agriculture, silviculture, and livestock](#)
4. [Energy production](#) and [mining](#)
5. [Shipping](#)
6. [Logging and wood harvesting](#)
7. [Harmful fishing](#)
8. [Harmful tourism](#)
9. [War, civil unrest, and military exercises](#)
10. [Dams](#) and [water management use](#)
11. Other ecosystem modifications
12. [Invasive species](#)
13. [Wastewater](#)
14. [Industrial and military pollution](#)
15. [Garbage and solid waste](#)
16. [Noise](#) and [light](#) pollution
17. Habitat shifting and alteration
18. [Rising oceanic temperature](#)
19. [Storms and flooding](#)
20. [Disease](#)

In most cases, it will be much more cost effective to address the drivers of reef degradation directly in combination with site-based protection and conservation activities. The reduction of degradation drivers is also easier to link to return-based investments and thus forms a principle focus for the GFCR's initiatives.

The second outcome – transforming the livelihoods of coral reef-dependent communities – seeks to improve the sustainability, profitability, stability, and resilience of local livelihoods for these communities. In order to support resilient and sustainable livelihoods for communities reliant on coral reefs, it will be essential to facilitate access to capital as well as to build and retain institutional capacity and local knowledge on business opportunities compatible with

⁶ Bloomberg Philanthropy supported work from WCS that includes threat assessments for each of the 50 Reefs bioclimatic units (BCUs). For more information on each of these threats and related sources, please see this [Reference Guide](#).

coral reef conservation. Often communities are faced with 1) pricing power differentials between local reef users and the market chains to which they sell products, 2) lack of access to capital, savings, and insurance upstream in the value chains (often leading to abusive market or lending arrangements), 3) poor chain of custody information, 4) other information differentials (price, quality needs, etc.), and other challenges. Actions that could address some of these market conditions would decrease risk and price volatility and assure that investments down the supply chain do not have adverse impacts on coral reefs and their dependent communities.

The third outcome – developing and scaling effective coral reef restoration technology – will require a combination of support to technology companies working on increasing effectiveness and decreasing costs for coral restoration as well as business models that build demand. These business models may require increasing awareness and knowledge of the positive value of coral restoration for beach protection, coastal infrastructure protection, reducing damage from infrastructure development (i.e. ports, offshore wind, mitigation and offsets), and potential revenues associated with tourism.

The fourth outcome – recovery to major shocks – is quite specific and reflects opportunities such as parametric insurance (i.e. [Quintana Roo](#)), establishment of disaster funds, and can be strongly supported by making reefs and their dependent communities more resilient economically and ecologically.

3. Blended Finance

The GFCR utilizes a blended finance approach that seeks to optimize the positive impact of coordinated public, philanthropic, and private finance by reducing risk and enhancing enabling conditions with the aim to build concrete examples of reef-positive investments and market-based finance solutions.

Blended finance is defined by Convergence as “the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.”⁷ There are multiple ways in which blended finance can be used in the GFCR context. These include the main forms of blended finance as described by Convergence: technical assistance, grants, risk mitigation, and concessional finance. Convergence provides training programs on different aspects of blended finance (see [blended finance](#) primer).

According to Convergence, there are three elements to successful blended finance mechanisms:

1. Return: intended to yield (1) an overall financial return and (2) risk adjusted return for private investors in line with market expectations
2. Impact: underlying activities contribute towards the [SDGs](#) in a developing country (some participants may not have an impact objective)
3. Leverage: public/philanthropic parties [leverage](#) catalytic capital to make a deal happen that would otherwise attract little or no private capital.

⁷ <https://www.convergence.finance/>

To achieve the desired outcomes and, ultimately, the overall goal of the Fund with this blended finance concept, it will be essential to have a clear investment philosophy, strategy, and principles. It will also be necessary for the strategy to adapt over time as the science of coral reef conservation and resilience, as well as our knowledge of how different business models can be most effective improves over time.

The overall strategy of the Fund is to leverage public and philanthropic finance, including [climate adaptation funding](#), that can “crowd-in” private capital and increase the scale of impact of the Fund. This approach requires very effective coordination between the grant and concessional finance arm of the Fund – the Grant Fund – and the private investing arm of the Fund – the Investment Fund. There are four ways in which the two parts of the Fund will assure a unified approach to achieving stated objectives:

- 1) Governance and Decision-Making Structures - Governance structures for decision making are designed to assure strong coordination among the two main windows.
- 2) Investment Principles and Policies – investment principles and policies are being elaborated by the Fund partners and will include sector specific guidance to assure the strongest impacts towards the Fund’s outcomes.
- 3) Safeguards – a unified set of investment safeguards will be agreed among the partners based on the existing safeguards in place for most partners (UN, Green Climate Fund, BNP Paribas)
- 4) [Adaptive Management](#) – the Fund will adapt its strategies and practices to improve outcomes and impacts during the course of implementation.

4. Sustainability and Replication

The GFCR supports interventions that implement or seek sustainable solutions for coral reefs and associated communities including long-term access to finance, technology transfer, building local management and governance capacity, enhancing ongoing support for sustainable resilient livelihoods, and replicating or scaling these solutions where feasible.

The blended finance approach of the Global Fund for Coral Reefs is designed for the sustainability and replicability of successful initiatives. By seeking to support and invest in reef-positive enterprises and market-based solutions, different forms of revenue can be used for continuous financing of reef-positive actions. As well, where profitable enterprises can be identified, supported, and documented, replication and scaling of those enterprises could rapidly increase their geographic coverage and impact. Best practices around sustainability and replication are built around an understanding of these concepts as they relate to coral reef-positive initiatives.

Sustainability has been defined in many ways, but the core concept is the ability to implement an activity or livelihood indefinitely without ecological, financial, or social harms. To achieve sustainability for reef associated initiatives – there should be a combination of ecological, financial, and social benefits and a minimization of harm or risk. The ecological and social

elements are largely covered in other GFCR general and sector specific investment principles. The financial sustainability issues are addressed here.

To achieve financial sustainability within the context of the GFCR, there are several options that can be pursued. The most obvious is the for-profit enterprise model where a reef-positive enterprise generates enough revenue to cover their operating and administrative costs and can ultimately use profit to grow and maintain viability during changing economic conditions (resilience). There are enormous resources available for good business practices including books, online resources, continuous education offerings, and business school. Building good business practices in reef-positive enterprises is an essential role the GFCR is seeking to support through [Technical Assistance Facilities](#), partnerships with incubators and assistance providers, the Blue Bridge support efforts and other approaches.

Revenues from the sale of goods and services can also be used by non-profit organizations, associations, cooperatives and other diverse institutional forms to assure funding of ongoing initiatives that have positive impacts on reefs and associated communities. The main difference between for-profit enterprises and most of these other organization forms is that profits can be distributed easily to owners in for-profit companies whereas any net gains in these other structures often has other uses. Some of these other forms of organization may only use revenues to complement other forms of financing – i.e. from government, private and public donors etc. whereas for-profit companies tend to raise investment capital through debt and equity and count almost exclusively on sales of goods and services for ongoing financing.

A wide range of finance mechanisms can also be used for financial sustainability. These include diverse economic instruments such as fees, charges, fines, penalties, taxes, etc. – many of which accrue to the government but can also be retained at the local or agency level and directly spent on reef-positive outcomes such as protected areas, fisheries management, or sustainable livelihood support. Even the revenue that is retained by the government can be earmarked or funneled through national or subnational budgets to actors generating reef-positive outcomes. Some key design elements of these finance mechanisms should include alignment with social and environmental objectives, stability of financial flows (which can also be achieved through effective financial management such as Conservation Trust Funds), attention to risk of unintentional consequences, and user or polluter pays principles. Additional information on the diverse finance mechanisms that could support conservation and sustainable development can be found in [Conservation Finance: A Framework](#).

Replication and scalability are key to achieving the desired impact of the GFCR. Replication and scaling of business models can be achieved through the expansion of an enterprise directly – i.e. to cover a range of locations – or through the sharing of the business approach and the creation of multiple companies using a similar business model or finance mechanism. For example, the use of debt conversion for conservation (also called Blue Bonds when new bonds are created as part of the transaction) has been done for decades but recently revised through an initiative by the Nature Conservancy with other partners for the Seychelles and Belize. Additional programs are underway in a range of countries that combine debt conversion

approaches with enhanced marine spatial planning and conservation. Replicable business models are likely to be found in the ecotourism, mariculture, waste management, and other sectors important for the GFCR. To achieve the second form of scaling, it is essential to share the models and some details of the business or finance mechanism with a broad audience and this is one of the goals of the GFCR's knowledge management system and communications efforts.

One often underappreciated element of scaling and replication is the importance of government and governance systems. In most cases, for a model to scale in different environments, certain underlying conditions must be met and government regulations or governance systems are key. The general business environment must be conducive to successful business transactions including investment and access to capital – basic conditions that are not always met in developing countries and remote areas. Some examples where a combination of conditions are essential for replication include the Blue finance model where the government must be open to public private partnerships, adequate tourism infrastructure (airports, hotels) are in place, and general respect for contracts and regulations are key. In another example, regulatory and policy clarity are essential for blue carbon projects – including local governance systems must be functioning to assure fair and effective engagement with local communities.

One additional pre-condition to scaling and replication is access to capital. This is not only necessary at the individual and community level – where it is most often missing – but also for local businesses, including small- and medium-enterprises (SMEs). The inclusion of individual, micro, and small business into the formal sector can be challenging but essential for access to capital and other financial services that are key to successful scaling.

Based on the discussion above, some supporting approaches to scaling and replication include the following:

- 1) Supporting Technology Transfer – there are emerging technology companies and organizations developing effective technological solutions for sustainable fishing, aquaculture and mariculture, sustainable agriculture, and other areas that could have positive impacts on reef and associated communities. Technology transfer can build local capacity for replication and scaling including supporting local enterprise development through technical assistance facilities, capacity development, and knowledge sharing amongst stakeholders.
- 2) Building Local Management and Governance Institutions and Capacity – this is often the most essential underlying condition for sustainable enterprise and often creates conditions for success – especially for private companies working in natural resources. One of the greatest impacts is the ability for effective local management and good governance to align incentives of key players towards sustainability – such as in seafood marketing and sales – facilitating access to capital, assuring the rule of law is upheld, etc. Some of this effort is achieved through enacting and especially enforcing legislation and regulations that govern access to and use of resources.



- 3) Direct Support for Sustainable Resilient Livelihoods – Although not the target of scaling and replication, the support for local livelihoods feeds into most of the interesting supply chains for sustainable investments. The principal support needed is access to capital, financial services, and insurance – this is covered in another principle. Secondly, basic training on business approaches, standards, and accounting coupled with the formalization of many current informal businesses and solo entrepreneurs forms the bedrock of stability needed for achieving longer term sustainability, scale and replication. One approach that would link return-based investment and grant making is built upon key supply chains – working across the supply chain to assure sustainability coupled with economic and social justice. This approach can create fair wage long-term jobs – thus, enabling longer-term thinking than is possible without these key pieces in place.
- 4) Cultural and Community Engagement – the success of new enterprises is dependent on a wide range of conditions, knowledge, action, and commitment of the entrepreneurs. Assuring strong outreach and communication to key stakeholders can tip the balance towards success – this is especially the case when the initiative is seeking both a financial return and measurable social and environmental impact.

5. Effective Governance Systems

GFCR supports interventions that contribute to effective governance (political, regulatory, institutional, corporate, and customary) of coral reefs and the zone of influence including governance by and for associated communities.

The sustainable and efficient use of natural resources including ecosystem services depends on the existence of effective governance systems. This is largely due to the market failures associated with nature – public goods, externalities, etc. and the resulting poor integration of nature’s services into the market economy. Effective governance is an absolutely essential underlying condition of economic and ecological systems if the Global Fund for Coral Reefs’ goals are to be met. In a way, we can define effective governance systems for coral reefs to include elements of fairness and equity, ecological health and productivity, balancing short-term and long-term needs, and effective identification and censure of rule breakers.

There are different interacting forms of governance, and some valuable categories are described below:

- 1) Political – Political systems interact with regulatory and institutional systems but have certain unique characteristics. Political economy analyses (see above) can be very useful to understanding where political power lies in a community, government unit, or country and this information is essential to plan long-term effective interventions. One of the challenges of political systems other than their complexity, is the short-term nature of political cycles – this is not conducive to long-term thinking. Some approaches to managing political governance issues include finding a well-connected “champion” to support coral reef issues, using clear economic analyses to assess policy options (such as port placement, subsidies, etc.), and continuous communication via multiple channels including through the popular press.



- 2) Regulatory - Formal governance systems are established through laws and other regulatory structures. For a regulatory system to effectively support sustainability through governance, the entire chain of actors and actions must be effective. For example, many countries have regulations on sustainable use of natural resources such as fishing, forestry, waste management and others. However, most countries do not [effectively enforce](#) the existing regulations. Any break in the regulatory chain from identifying an illegal action, capturing or fining the perpetrator, enforcing the fine or penalty through judicial action, collection or other penalties, etc. – and the entire process will not have the desired impact of reducing or changing the behavior. Supporting the full implementation chain of the regulatory policies levels the playing field such that responsible enterprises, do not pay a cost penalty – relative to other enterprises – for simply following regulations or being coral reef-positive.
- 3) Institutional – institutions are the key to governance and essential to the management of coral reefs and associated ecosystems. Regulatory, political, and commercial structures are embedded in institutions at all levels – from local institutions such as community groups, governance committees, etc. through national agencies, ministries, and deliberating bodies. Institutions can be governed in a wide range of approaches and these approaches vary from highly efficient and transparent to totally corrupt or dysfunctional. One of the first steps in building the enabling environment for scaling and replicating reef-positive enterprises and market mechanisms is to understand the governance needs and opportunities of the existing institutions involved in the specific drivers of degradation or opportunities for positive impact.
- 4) Corporate – corporate governance issues deserve special attention due to the potential large impact of companies higher up in the supply chain. Good governance at the corporate level will have positive impacts on the interaction of the company with its supply chains – one of the main ways in which large companies can either harm coral reefs or contribute to their health. Strong corporate governance principles include independent boards, strong diversity, and transparent reporting.
- 5) Customary – most local communities and indigenous people have [customary governance structures](#) in place for the management of lands, coasts, and natural resources. Although these governance structures may have challenges as in any governance system, respecting, supporting and ultimately strengthening customary systems have a better chance of achieving lasting sustainability objectives than the creation of new institutions or regulations. It is more efficient to work with existing structures and customary governance can be extremely efficient and effective.

Governance systems are often scale-specific and each element of a governance system may only function at one or a few scales. For example, local customary governance systems may function well within communities at very local scales but must also interact with systems operating at a larger scale – such as landscape level or national level. It is important to

understand the scale at which the principal impacts and opportunities for GFCR objectives are working and target interventions to address the drivers of degradation at the scale where there is opportunity for significant change. This area-based analysis determines the “zone of influence” of the GFCR interventions and governance issues should be evaluated and addressed with this scale consideration.

Spatial planning tools can play a large role in understanding the zone of influence and in determining a participatory strategy for management of the area. Some spatial planning, scenario building, and related guidance is presented below.

The GFCR can use principles from or directly incorporate multi-objective [Marine Spatial Planning](#) (MSP) and Integrated Coastal Zone Management (ICZM) as two methods for spatial assessment that can be used for outlining comprehensive systems approaches. [MSP](#) is, “a public process of analyzing and allocating the spatial and temporal distribution of human activities in marine areas to achieve ecological, economic, and social objectives that are usually specified through a political process.” It can align with several of the GFCR’s outcomes and best practices and, “can include and address issues such as equity, social inclusion, local economies, biodiversity goals, and implementation financing.” [Guidance](#) for MSP developed by The Nature Conservancy highlights the following practices:

1. Facilitate local, bottom-up involvement of diverse stakeholders
2. Develop alternative future management scenarios
3. Explicitly analyze tradeoffs among objectives and highlight common ground
4. Conduct formal, rigorous cost-benefit analyses
5. Ensure that the burden of proof is distributed appropriately among groups with differing objectives

[Several tools](#) are also available for MSP and ICZM, including:

[InVEST](#): an open-source software for valuing and mapping ecosystem services that can help identify key resources and potential investment opportunities. Developed by the [Natural Capital Project](#) at Stanford University.

[Ocean Wealth](#): a mapping platform and information repository for ecosystem services including tourism, coastal protection, coral reef fisheries, and blue carbon.

[Marxan](#): a decision support software for designing new reserve systems.

Integrated Coastal Zone Management ([ICZM](#)) is defined as, “a dynamic, multidisciplinary and iterative process to promote sustainable management of coastal zones...ICZM seeks, over the long-term, to balance environmental, economic, social, cultural and recreational objectives all within the limits set by natural dynamics.” Whereas MSP is important for planning, ICZM also “[formalizes](#)” coastal cooperation and sustainable management for the long-term. [Principles](#) of ICZM are for it to be:

1. Transparent
2. Based on risk assessment
3. Inclusive of a social aspect
4. Appropriate to the scale of the issues being addressed
5. Underpinned by sound ecological understanding

6. Able to provide clear structures among agencies to streamline the entire process

Case Studies: The World Ocean Council has published several [case studies](#) that can help guide MSP including for the Coral Triangle, the Great Barrier Reef Marine Park, and other regions. Integrated coastal zone management in the [Mediterranean](#).

6. Evidence-based Decision Making

The GFCR applies evidence-based decision making in combination with the precautionary principle to assess and mitigate risk, promote equitable and long-term solutions, and work to deliver measurable net benefits to coral reef ecosystems and associated communities.

The concept of evidence-based decision making refers to, “a process for making decisions about a program, practice, or policy that is grounded in the best available research evidence and informed by experiential evidence from the field and relevant contextual evidence” (CDC). This science and information based approach is combined in this principal with the precautionary principle which was described in the [1992 Rio Declaration on Environment and Development](#) as “where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.” In other words, it not advisable to wait until all the data are available prior to taking action that could avoid irreversible damage. This combination of approaches seeks to achieve the GFCR outcomes in a cost-effective and timely manner while using data and measurement where possible to plan and monitor success.

The GFCR uses these approaches for risk assessment and mitigation, and they have been integrated into the GFCR Risk Assessment system, the Environmental and Social Safeguards policy and system, and the GFCR monitoring and evaluation (M&E) system. Each of these systems operates at the Fund level and at the program level overseen by the Convening Agents under each ecosystem program.

It is important to consider how data and other information is gathered to avoid bias – whether intentional or otherwise. The goal of equitable data driven decision making is enhanced through assuring data gathering is done equitably and inclusively (also see Principle 8 Equitable Outcomes). By [including key stakeholders in data collection and analysis](#), there is greater ownership of this information and increased likelihood that the information will be used for better management. As the goal of evidence-based decision making is supporting long-term sustainable solutions, not only should current stakeholders be involved but also analyses should be projected into the future – accounting for climate change expectations, long-term financing needs, and the needs of future generations.

Data is essential to assure that the impacts of the GFCR are being achieved – for coral reef ecosystems and for associated communities. As such, social, environmental, and economic impacts should be measurable and measured at all levels - individual projects, micro, small and medium sized enterprises (MSMEs), the priority ecosystem programs and for the GFCR. The

GFCR's Monitoring & Evaluation (M&E) system seeks to collect, analyze, and communicate relevant information that assesses the impact of the GFCR across its target objectives and stakeholders. Additional information collection will also be necessary at the local level to assure sound natural resource management decisions. Because both ecosystems and economies are complex, it is often difficult to understand the cause of certain outcomes and the M&E system will consider measures of attribution – to ascertain how much the GFCR has contributed to the outcomes – not only if the outcome was attained.

Finally, it is essential that various choices, strategies, and policy decisions are clearly documented, showing the extent to which information was gathered and used for decision-making. Where data are lacking, it is possible to use informed expert opinion through a structured, inclusive approach to make informed decisions – documenting the deliberative process and sources of information.

7. Partnerships and Community Empowerment

The GFCR supports interventions that: build on diverse and effective partnerships among coral reef stakeholders; strengthen local capacity; link traditional knowledge and science; and promote long-term community stewardship of coral reef ecosystems, marine natural capital, and associated sustainable resilient livelihoods.

Coral reefs are embedded in complex social, economic and ecological systems and require meaningful engagement by a diverse range of stakeholders to understand and develop long-term effective and equitable solutions for their survival. This principle emphasizes some ways partnerships are essential for solutions and especially those that empower individuals and groups in associated communities to actively participate in the identification, planning and implementation of key solutions.

The principle statement identifies four main approaches as a starting point for this issue:

- 1) Build on diverse and effective partnerships among coral reef stakeholders
- 2) Strengthen local capacity
- 3) Link traditional knowledge and science
- 4) Promote long-term community stewardship

These approaches are not meant to be complete or comprehensive and are provided as examples of the principle.

- 1) Build on diverse and effective partnerships among coral reef stakeholders

It is important to identify and engage with existing partnerships and underlying decision structures including traditional governance arrangements and collective structures. Although it is tempting to create new institutional structures to address challenges, existing structures are more likely to be resilient and incorporate the current political economy. The two main points here are to identify and support a diversity of partnerships and seek to identify and support those that are effective. Some criteria could include if those partnerships include key

stakeholders for reef conservation, main actors in potential driver reduction, and in some cases main actors causing reef degradation – to begin engagement on how to reduce those drivers. Using a systems or portfolio approach (see Principle 1) supporting a number of partnerships and collaborations will diversify risks and increase innovation – thus, leading to a greater chance of positive outcomes. For example, community-based organizations can have great impact, usually have small operating budgets, and often include key local stakeholders – making their support low cost and potentially high impact. Some organizations may prove more effective than others due to a range of variables, many of which are not possible to identify initially – thus, supporting a range of groups – is likely to increase chance of innovation and success.

Partnerships that involve a combination of public, private, and civil society sectors are especially interesting for coral reefs and associated communities. This is because coral reefs are almost always shared resources where their well-being is dependent on a coordinated effort among these diverse actors. There are a growing number of examples of public-private partnerships that can achieve results that would not have been possible without this collaboration. These include the collaborative agreements that Blue finance uses for the marine protected area work as well as the long-term contracts and arrangements that are required for waste management and wastewater management at municipal levels, among many other examples.

Some guidance on effective PPPs can be found here

<https://s3.us-east-1.amazonaws.com/nigp-prod-media/assets/resources/research-papers/A%20Guide%20to%20Public-Private%20Partnerships%20PPPs%20-%20What%20Public%20Procurement%20Specialists%20Need%20to%20Know.pdf>

<https://www.mckinsey.com/business-functions/risk-and-resilience/our-insights/a-smarter-way-to-think-about-public-private-partnerships>

In any partnership, especially collaborations across sectors, it is essential to consider the balance of power in design, decision-making, and implementation. In most cases, reef-associated communities that are dependent on reef resources for livelihoods – such as fisheries, tourism, coastal protection – are often on the “upstream” side of supply chains and have weak negotiating power. If this imbalance of power is not recognized nor tools established to assure a stronger position for the upstream participants, the resulting PPP could be exploitative and ultimately ineffective. One way to avoid such an outcome is to openly engage stakeholders in effective dialogue and assure key representation on management bodies.

2) Strengthen local capacity

In order for reef-associated communities to effectively participate in a range of potentially beneficial partnerships and other forms of engagement, local capacity must be strong. Specifically, communities will need the capacity for institutional, economic, and financial success to support their existing social capacities. One initial step is to determine the specific

key capacity needs for effective coral reef management and community development. Secondly, source capacity development partners and other resources to support the community. GFCR implementing partners can develop capacity support programs in collaboration with community organizations and other GFCR partners to build local capacity in the target areas. Finally, it will be essential to monitor progress and adapt the program to the changing circumstances.

3) Link traditional knowledge and science

[Traditional knowledge and understanding](#) are effective and valuable tools for conservation and management of nature resources including reefs and coastal ecosystems. Not only are [traditional management systems](#) often effective, but also they reflect a rights-based approach to resource access and management that is respectful of historical and traditional stewardship. Supporting traditional knowledge systems with modern scientific approaches has the potential for enhancing the effectiveness of traditional systems, benefitting from existing local knowledge and engagement, and supporting currently effective stewardship structures. For example, if traditional no-take areas or seasons are being used by communities, combining fish biomass measurements with existing knowledge can reinforce the desire of the community to continue or expand certain management practices.

4) Promote long-term community stewardship

Partnerships and community empowerment should be directed towards the establishment or reinforcement of long-term community stewardship of coral reef ecosystems, marine natural capital, and associated *sustainable resilient livelihoods*. Regardless of the status of coastal areas in terms of protection, ownership, access, etc. practically all coastal areas with reefs unless extremely remote, involve some associated communities. Often these communities are either highly dependent on the reef systems or a potential source of reef degradation and often both. Engagement and empowerment of effective stewardship structures are essential for long-term coral reef management. As noted above, traditional systems linked with scientific monitoring can be combined through strengthened institutions to achieve collaborative management goals. A good starting point is to understand and respect historical relations and governance systems – formalizing traditional governance structures where they are informal but effective. Identify opportunities for assuring community groups and individuals can build long-term equity in any enterprises being developed – which could require access to capital, financial services, as well as innovative approaches to shared ownership in commercial enterprises.

One key element to consider in planning is to assure that the community stewardship structures remain vibrant and financially supported following the closure of any GFCR supported projects. Developing sustainability plans for key stewardship structures and institutions will be helpful for achieving this goal. Similarly, consideration of the ultimate outcomes for reef stewardship following an “exit” event from the GFCR’s Equity Fund is key in case the change in company ownership results in strategic changes for the company. There may be ways of increasing the chance that sustainability and community empowerment accomplishment can be retained such as structuring the company as a “B” Corporation (a benefit corporation) or very long-term contracts.

8. Equitable Outcomes

Principle: The GFCR supports interventions with positive and equitable outcomes and that protect the rights of stakeholders particularly indigenous peoples and local communities and regardless of gender, ethnicity, culture, political or socioeconomic status.

The Equitable Outcomes principle highlights the connection between positive impact and equitable outcomes. It also emphasizes the importance of the rights of stakeholders, diversity, equity, and inclusion, not only as safeguards, but also as a strategy for lasting success. The desired reef-positive outcomes that are sought by the interventions of the GFCR must be positive for both reef-associated communities and other key stakeholders as well as for the coral reef ecosystems themselves. Stakeholders should be able to gain both economic and social advantages assuring that in the short term, there are no economic losses, and that the long-term measurable and significant benefits are lasting and equitably shared.

The principle includes the full range of stakeholders yet places special emphasis on indigenous peoples and local communities (IPLCs). The two types of stakeholders are defined as follows:

- a) Indigenous peoples: “Indigenous communities, peoples and nations are those which, having a historical continuity with pre-invasion and pre-colonial societies that developed on their territories, consider themselves distinct from other sectors of the societies now prevailing on those territories, or parts of them. They form at present non-dominant sectors of society and are determined to preserve, develop and transmit to future generations their ancestral territories, and their ethnic identity, as the basis of their continued existence as peoples, in accordance with their own cultural patterns, social institutions, and legal system. (Cobo 1981, as quoted by the [UN](#), ICCA Consortium ‘Territories of Life’ report, 2020).
- b) Local Communities: communities whose identities, cultures, knowledge systems, practices and livelihoods are closely linked to and embedded in their collective lands and areas. (CBD 2013, UNEP/CBD/WG&J/8/INF/10/Add.1 17 September 2013.)

Although attention to IPLCs dates back some time and has generated certain safeguards such as the requirement for free, prior, and informed consent ([See UN publication](#)) in many situations, this principle seeks to go far beyond safeguards towards engagement with IPLCs as key stakeholders, rights holders, and essential management partners. There may be many cases where IPLCs have been managing coral reef resources well in the past and those management systems may have been perturbed by market, regulatory, migratory, or other factors leading to a breakdown in effective systems. One solution that could be the most efficient and cost effective is to return management rights to IPLCs while supporting local management institutions to solidify rights, knowledge generation, and management systems. Having an effective local system of natural resource management, based on clear and equitable rights, and built on strong social values and support structures, can greatly increase the likelihood that sustainable market-based solutions and finance mechanisms can be implemented for long-term coral reef management. On the other hand, cases where systems are imposed from the

outside without adequate respect for IPLCs, are unlikely to result in cost efficient or effective long-term management.

The principle also supports the concept of gender equity in that program outcomes or activities should benefit women and men⁸ and special attention should be made to provide woman, youths, and disadvantaged groups with economically and socially valuable opportunities. In many cases in coastal communities, women and men play different livelihood roles and use natural resources in different ways. Attention should be paid on the impact of different management approaches (i.e. reducing gleaning due to reef impacts, may have a disproportionate negative impact on women) and the promotion of certain sustainable activities and investments should specifically target women as a means to assure financial and social support especially where women have historically not received equitable opportunities. The *GFCR Gender Policy* and toolkit support gender safeguards and efforts to improve equality and equity.

Similarly, attention should be made for assuring opportunities and positive outcomes recognizing the diversity of ethnicity, culture, political or socioeconomic status with special attention to historically disadvantaged groups. Although the environmental and social safeguards system of the program will seek to avoid any harmful impacts based on these categories, it is important to consider how opportunities for financing, project development, and other technical support could be targeted to historically disadvantaged groups to generate both improved inclusion and robust long-term outcomes.

Note on Diversity, Equity and Inclusion (DEI). The concept of “diversity, equity and inclusion” (DEI) as a key approach for enterprises and other organizations has increased in awareness and under this term, there are a growing number of resources available as guidance material – some of which are included below. It should be noted that in addition to the obvious elements of fairness and other benefits cited above, diversity has been shown to be extremely valuable from inclusion in stakeholder groups and discussions through formal structures such as corporate boards and government.

Various Resources:

[eXtension Foundation Impact Collaborative – DEI Resources](#)

[Wharton at University of Pennsylvania](#)

[Harvard Business Review Article - DEI Gets Real](#)

9. Transparency and Accountability

Principle: *The GFCR takes a leadership role in exemplifying good governance and transparency and takes reasonable efforts to make available accurate information in a timely manner*

⁸ women and men refer to individuals of all types regardless of gender identification or sexual orientation.

concerning payments to government, government and community contracts and agreements, investments, grants, activities, and impacts through periodic reports, publications, and other disclosures.

The Transparency and Accountability principle is focused on the GFCR taking a leadership role in exemplifying good governance and transparency. The goal of the principle is to go beyond required disclosures and reporting to assure that the GFCR and its partners promote transparency and accountability broadly in the community. To achieve this principle the GFCR will share its own information readily, making non-proprietary information public through its website and the REEF+ Accelerator in a timely manner. This should include GFCR Annual reports and any knowledge sharing materials produced. Additionally, if any payments are made to government agencies, development banks, or other public entities, full disclosure should be made so that civil society organizations can support the effective use of funds. Agreements or other contracts with implementing partners should also be disclosed upon request but should not necessarily be shared publicly by default to avoid inadvertently sharing private or proprietary information.

The GFCR will disclose its annual financial information as part of its desire to be a demonstration fund through well curated annual reporting. These annual reports will include information on government and community contracts and agreements, grants, activities, desired and achieved impacts and outcomes, and investments through the Grant Fund (including concessional loans and guarantees made through the UNCDF) unless that information is confidential for reasons of justified private company issues. Other funds and financial partners associated with the GFCR such as the Equity Fund, should establish their own disclosure procedures and transparency guidelines based on the GFCR investment principles.

10. Monitoring, Evaluation, Knowledge, and Adaptive Management

The GFCR follows adaptive management approaches and works to openly share results, lessons learned, and other information through the GFCR M&E and knowledge management systems.

Adaptive Management can be defined as “a systematic approach for improving resource management by learning from management outcomes.”⁹ It begins with an understanding that learning is necessary for achieving long-term success and that we are not starting with all the required information. It is based on a feedback system where information generated during implementation is rapidly fed back into the decision-making process and program design and implementation. The GFCR Monitoring & Evaluation (M&E) system plays a key role in adaptive management by identifying and assuring the collection, analysis and sharing of key performance indicators (KPIs) that provide decision-makers and planners with an understanding of progress towards desired outcomes including the link between activities, outputs, and ultimately outcomes. The M&E system also feeds into the GFCR annual reporting system and thus into the Knowledge Management system – REEF+.

⁹ [USA Department of the Interior](#)

Together, these three functions: M&E, Knowledge Management, and Reporting are an integrated information generating, processing, and sharing system that seeks to continuously refine the GFCR's initiatives and strategy to achieve both the desired four GFCR Outcomes from its theory of change and share lessons learned with the broader coral reef community so that gains can be replicated and scaled. Knowledge generated will be shared via the GFCR's websites, through presentations at conferences, written reports and articles, webinars, and other forms of media and communication.

Key Definitions

Associated communities - Communities that derive direct environmental, social, political, and economic benefits from coral reefs or have significant measurable direct or indirect positive or negative impacts on coral reefs.

Blended finance - Blended finance is “the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.” [Convergence](#)

Community stewardship - Community stewardship is a way of empowering local communities to take a more active role in sustaining the natural resources on which they depend. [IUCN - A Reef Manager's Guide to Fostering Community Stewardship](#)

Coral reef positive / Reef-positive - Interventions that contribute to coral reef health, [coverage](#), and resilience, support associated communities, or otherwise mitigate local or global drivers of reef degradation. These interventions can include finance, business activities, and finance instruments.

Reef-positive Solutions (or Reef-Positive Investments or Reef-Positive Business Models) - Private sector businesses (or financial instruments) that contribute to conservation of coral reefs, but especially those that result in the mitigation of local drivers of coral reef degradation (e.g., plastic waste management, sustainable fisheries, revenue generating MPAs etc.).

Coral reefs – Warm-water shallow (up to 100m) [biogenic](#) coral reefs and associated ecosystems which generally include [mangroves](#), [seagrass](#), and connected [pelagic ecosystems](#).

Evidence based decision making – “a process for making decisions about a program, practice, or policy that is grounded in the best available research evidence and informed by experiential evidence from the field and relevant contextual evidence.” (CDC https://vetoviolenace.cdc.gov/apps/evidence/docs/EBDM_82412.pdf)

GFCR - The full structure of the Global Fund for Coral Reefs, which refers to the administrative and legal entities of the Grant and Investment Windows, as well as the *interventions* financed by the GFCR.

GFCR interventions - The actions, financing, and impacts of the GFCR including interventions by all the organizations and individuals directly engaged in the GFCR’s initiatives through contracts, partnerships, financial arrangements, and other agreements.

Indigenous peoples and local communities (IPLCs)

- (i) Indigenous peoples: “Indigenous communities, peoples and nations are those which, having a historical continuity with pre-invasion and pre-colonial societies that developed on their territories, consider themselves distinct from other sectors of the societies now prevailing on those territories, or parts of them. They form at present non-dominant sectors of society and are determined to preserve, develop and transmit to future generations their ancestral territories, and their ethnic identity, as the basis of their continued existence as peoples, in accordance with their own cultural patterns, social institutions, and legal system. (Cobo 1981, as quoted by the [UN](#), ICCA Consortium ‘Territories of Life’ report, 2020).
- (ii) Local Communities: communities whose identities, cultures, knowledge systems, practices and livelihoods are closely linked to and embedded in their collective lands and areas. (CBD 2013, UNEP/CBD/WG8J/8/INF/10/Add.1 17 September 2013)

Precautionary principle - Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation. [1992 Rio Declaration on Environment and Development](#)

Sustainable Resilient Livelihoods - Livelihoods comprising, “the capabilities, assets (including both material and social resources) and activities required for a means of living - are sustainable and resilient when they can cope with, and recover from, stress and shocks and maintain or enhance their capabilities and assets both now and in the future, while not undermining the natural resource base” (Chambers & Conway, 1991). as cited in https://www.unisdr.org/files/16771_16771guidancenoteonrecoveryliveliho.pdf

Systems approach – can be defined as “a set of processes, methods and practices that aim to effect systems change.” (OECD, 2017, Systems Approaches to Public Sector Challenges: Working with Change, OECD Publishing, Paris, <https://doi.org/10.1787/9789264279865-en>.) The systems approach is built on systems thinking which is defined as “an interconnected set of elements that is coherently organized in a way that achieves something... A system must consist of three kinds of things: elements, interconnections and a function or purpose” (Meadows, Donella H., 2008, Thinking in Systems: A Primer. White River Junction: Chelsea Green Publishing. See <https://thesystemsthinker.com/systems-thinking-what-why-when-where-and-how/>).

Zone of Influence - The geographic area containing socio-economic systems and activities responsible for a majority of the direct impact (positive and negative) on target GFCR coral reefs.

Extra Definitions

Sustainable / Sustainability - The equitable use of natural resources, extractive and non-extractive, that can be continued/conducted/undergone in perpetuity by current and future generations without compromising the quality of the environment nor social wellbeing.

Activities that meet the needs of present stakeholders and permits them to maintain livelihoods without compromising the ability of future generations to meet their needs and without degrading natural resources. permits present stakeholders to meet their needs without that does not degrade the quality or natural resources over the long-term, and permits communities to meet current needs without compromising the ability “meeting the needs of the present without compromising the ability of future generations to meet their own needs” - [UN Report on the World Commission on Environment and Development \(1987\)](#)

Net benefits (to coral reef ecosystems and coral dependent communities) - measurable improvements in coral reef conditions and in the socio-economic conditions of dependent communities taking account of all costs such that the overall outcome is positive.

GFCR Partners - All entities in a formal relationship with the GFCR including those receiving financing such as Convening Agents, other implementing partners, and strategic partners and collaborating organisations including companies.

Resilience - The ability of an ecosystem or community to avoid major long-term changes in basic characteristics by being able to both resist change despite high levels of external pressure within certain limits and to return to an original state after being pushed out of that original state by a disturbance or catastrophic event. *definition derived from [“Ecosystem resilience to climate change”, UNEP-WCMC Technical Report.](#)*

Support - Any financial support provided by the Global Fund for Coral Reefs and implementing partners including but not limited to: Grants; Concessional loans; Working Capital Loans; Extended Grace Period / Long Tenor Loans; Subordinate Loans; *Pari Passu* Credit Risk Guarantees; Subordinated Credit Risk Guarantees; Direct Equity investments; Long-term commercial debt; Technical Assistance. [The Global Fund for Coral Reefs, Investment Plan \(May 2021\)](#)

Stakeholders -

including indigenous peoples and local communities, governments, companies, governments, civil society organizations, indigenous peoples and local communities, and other groups and individuals

Equitable - use - UNDP definition

GFCR Science and Technical Advisory Group (STAG) - The GFCR Science and Technical Advisory Group (STAG) is a team of coral reef experts and practitioners that will ensure investments and support provided by the GFCR are science and evidence based.

Traditional Knowledge - Traditional knowledge refers to the knowledge, innovations and practices of indigenous and local communities around the world. Developed from experience gained over the centuries and adapted to local culture and environment, traditional knowledge is transmitted orally from generation to generation. It tends to be collectively owned and takes the form of stories, songs, folklore, proverbs, cultural values, beliefs, rituals, community laws, local language, and agricultural practices, including the development of plant species and animal breeds.

[Convention on Biological Diversity, Traditional Knowledge](#)

Enabling conditions - Enabling conditions are those conditions, which are -- according to the simple conditional analysis (SCA) - necessary and sufficient for the occurrence of the manifestation.

https://link.springer.com/10.1007/978-1-4419-9863-7_801

Enabling conditions comprise criteria related to social equity (such as human rights, gender equality, group and economic equity, and corruption), environmental sustainability (such as habitat, water quality and biodiversity), and economic viability (such as infrastructure, investment risk, and national stability).

<https://www.nature.com/articles/s41586-021-03327-3.pdf>

Market-based - organized so that companies, prices and production are controlled naturally by the supply of and demand for goods and services, rather than by a government

[Cambridge dictionary](#)

Private Investments - Investments made by the private sector, generally into entrepreneurial activities, that are profit-seeking.

Good Governance - Governance refers to all processes of governing, the institutions, processes and practices through which issues of common concern are decided upon and regulated. While there is no internationally agreed definition of 'good governance', it may span the following topics: full respect of human rights, the rule of law, effective participation, multi-actor partnerships, political pluralism, transparent and accountable processes and institutions, an efficient and effective public sector, legitimacy, access to knowledge, information and education, political empowerment of people, equity, sustainability, and attitudes and values that foster responsibility, solidarity and tolerance.

[United Nations Human Rights Office of the High Commissions](#)

Transparency

Adaptive Management - Adaptive management is a systematic approach for improving resource management by learning from management outcomes.

These principles were derived in part from the [Sustainable Blue Economy Finance Principles](#). The CFA team distilled those principles into the following core elements and reproduced them to apply more directly to the GFCR: