Vermont Law School COP2020 student delegates have worked under the supervision of Professor Sarah Reiter and Ms. Angelique Pouponneau in support of the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT).

The purpose of our project is to research and compile different climate finance mechanisms that may aid the Seychelles as the country prepares to submit its second Nationally Determined Contribution. Through analyzing various case studies, our project seeks to determine which financial structures may most benefit Seychelles.

We'd like to thank Ms. Angelique Pouponneau for the opportunity to work with SeyCCAT, Professor Sarah Reiter for being our teacher and mentor, and Ms. Ashli Taylor for supporting our team and facilitating a virtual COP experience.

We have enjoyed this learning experience and hope to have effectively addressed innovative finance strategies in the climate space.
Review the Nationally Determined Contributions (NDCs) to determine the percentage of ocean-climate action in NDCs that are conditioned on support. Explore the various ways in which support has been provided to developing countries (e.g., public, private, and blended finance). Which source of finance works best and why?

Our NDC analysis is based on the most recently submitted NDCs of all parties to the Paris Agreement. As of November 2020, nearly three quarters of the NDCs are conditional. Further, over 97% of Small Island Developing States submitted conditional NDCs.

Article 9 of the Paris Agreement alludes to the need for innovative finance. As such, we present case studies illustrating innovative finance strategies, including public, public-private partnerships, and blended finance structures. Each case study highlights the advantages and disadvantages of each finance mechanism. We include both ocean and land-based case studies as a means of contrasting natural systems and the financial means that can protect them.

This section includes a chart that summarizes our findings and takeaways from the case studies. We include a brief discussion on recent developments in innovative finance. This section also examines a recently approved Green Finance Corporation in Mongolia.

The section briefly examines how the Covid-19 pandemic initiated global eradication efforts, namely through financial contributions from bilateral and multilateral donors, charitable organizations, private entities, and development banks. We discuss how the response to Covid-19 serves as a financial model to climate finance.
OBJECTIVE

We aimed to determine the percentage of ocean-climate action in NDCs that are conditioned on support. In doing so, we focused on whether other states are emphasizing ocean-climate action and what their innovative financial strategies are.

STRATEGY & TIMELINE

As a group, we analyzed every submitted NDC. As we analyzed each NDC, we took note of whether the NDC was conditioned or not, the general goals listed in the NDC, and whether the country had submitted a first round, updated first round, or second round NDC. We considered the most recent NDCs for our calculations.

- **Step 1:** Download every submitted NDC from the UNFCCC website
- **Step 2:** Analyzed each NDC and took note of whether the listed goals were conditioned on support
- **Step 3:** Calculated the percentage of conditional NDCs
- **Step 4:** Calculated the percentage of conditional NDCs of Small Island Developing States (SIDS)
TAKEAWAYS

- Objectives in the NDCs were too broadly categorized to calculate what percentage of NDCs were conditioned on support for ocean-climate action. For example, most parties based their NDC on objectives such as adaption, mitigation, sustainable development, and/or loss and damage.

- Because SIDS tend to prioritize ocean-climate action, we decided to calculate the percentage of conditional NDCs for SIDS since their conditionality is likely based on ocean-climate action.

RESULTS

- We calculated the percentages based on the most updated NDCs e.g., first round, updated first round, or second round. We did not consider the United States’ NDC in our data.

- We determined that there are 138 conditional NDCs out of the 191 submitted. In other words, about 72.25% of the most current submitted NDCs are conditional.*

- We determined that the 41 SIDS that are parties to the treaty are conditional with the exception of Singapore. In other words, 97.56% of the NDCs are conditional.*

*As of November 2020
We introduce the following global case studies to illustrate innovative finance strategies pertaining to climate action. Our studies include ocean-based, agriculture, tourism, and renewable energy examples. Each case study includes a "Takeaways" section that connects the financial strategy to Seychelles' climate objectives.

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WHAT IS PUBLIC FINANCE?

Public funds come from the government and government agencies at the federal, state, and local levels. Governments primarily earn revenue through taxes, which are mandatory fees that individuals and corporations pay to support government activities. Generally, lawmakers impose taxes on certain goods, products, or services through legally binding statutes and authorize a particular government agency to enforce the tax.

PUBLIC FINANCE ORGANIZATIONAL FRAMEWORK

Formulation of fiscal policy

Accountability

Generation of revenue from taxation and other sources

Public borrowings

Expenditure of funds through the national budget

WHAT ARE PUBLIC-PRIVATE PARTNERSHIPS?

In a public-private partnership (PPP), private investors agree to contribute financial support to government efforts. Governments provide laws, regulations, and legal guidance in addition to public funds. Private funds come from corporations or other private entities through grants, gifts, and donations. In the context of climate finance, combining public and private funding sources to diversify the risks of investing in climate mitigation and adaptation efforts has proven to be an innovative and effective approach. That said, public-private partnerships also present challenges that require extensive planning and cooperation.

PPP ORGANIZATIONAL FRAMEWORK

Palau's Green Fee
Public Finance Example

BACKGROUND

The Republic of Palau is an archipelago of 500 islands in the Pacific Ocean. As a small island nation with a tourism-based economy, Palau relies heavily on the islands’ marine ecosystems. In 2003, Palau's Protected Areas Network Act (PAN Act) created the first Green Fee, formally called the Environmental Protection Fee. By 2008, Public Law No. 7–42 established the PAN Fund to collect revenue from Green Fees and distribute funds to support state protected areas. While these fees helped offset the environmental impact of tourism in Palau, the number of visitors and tourist activity eventually declined.

Moving forward, the Palau National Marine Sanctuary Act of 2015 established the Environmental Impact Fee (EIF), which legislators renamed the Pristine Paradise Environmental Fee (PPEF) as a marketing tactic. According to the PAN Fund, these efforts align with the Micronesia Challenge “to place at least 30% of nearshore marine and 20% of the forest resources across Micronesia under effective conservation by 2020.” A group of government actors, including the Chief Executives of the Republic of Palau, the Republic of the Marshall Islands, the Federated States of Micronesia, the Territory of Guam, the Commonwealth of the Northern Mariana Islands, and the Republic of Palau’s National Congress have committed to or endorsed the Micronesia Challenge.

FINANCE

Palau’s PPEF is a Green Fee of US$100 embedded into visitors’ airline tickets. The government uses an electronic system, in accordance with public law and policy, to transparently collect the fee from tourists. Lawmakers created the PAN Fund to manage revenue generated by Green Fees. Because the PAN Fund is a private, non-profit entity, the relationship between the PAN Fund and the government of Palau is technically a public-private partnership. However, the government created the PAN Fund through public law, established which entities receive PPEF funds, and even selected the PAN Fund’s board of directors. Further, the government plays and extensive role in managing the electronic fee system in accordance with Palau’s public law and policies. For these reasons, Palau’s Green Fee program is categorized as a public funding case study in this report.

From every US$100 PPEF, the government allocates US$10 to the Fisheries Protection Fund, US$12.50 to Palau’s state governments, US$25 to International Airport operations, US$22.50 to the National Treasury, and US$30 to the PAN Fund. In turn, the PAN Fund disperses funds to state protected areas.

OUTCOME

According to the PAN Fund’s most recent annual report, Palau’s combined capital contributions to the Micronesia Challenge from 2008–2018 totaled US$6.9M. Green Fees accounted for 27% of this contribution. In total, Green Fees added US$1,866,702 to Palau’s Micronesia Challenge efforts from 2008–2018. In FY2018, the total amount of Green Fees the PAN Fund received totaled US$1,540,205. While this number is about US$415,000 less than the amount of Green Fees received in FY2017, the annual report acknowledges that Green Fees continue to make up the majority of the PAN Fund’s revenue. Despite the declining Green Fees the PAN Fund exceeded its contribution goal of US$10,000,000 in FY2018. Further, the PAN Fund reported that 16.8% of Palau’s reefs are in no-take zones.

TAKEAWAYS

Republic of Seychelles could establish a mandatory Green Fee in the price of tourists’ airline tickets through public law. Like Palau’s PAN Fund, the Law could establish a trust fund that specifically focuses on expanding the MPA network in the Seychelles. Seychelles’ tourism-based economy and conservation objectives closely match Palau’s.

As a SIDS, Seychelles can condition its second-round NDC on financial support to implement Green Fees. Additionally, Seychelles could include a condition on funding to develop new technology, such as an app or an electronic fee system, that allows the government to collect the fees lawfully and transparently. As Palau’s government acknowledges, marketing and transparency are important to the tourists who are paying the fees and boosting the island’s economy.
California Marine Protected Area Network

Public-Private Partnership Example

BACKGROUND

In 1999, the California Marine Life Protection Act (MLPA) established a network of marine protected areas (MPAs) to protect marine life, habitats, and ecosystems statewide. By 2004, Resources Legacy Fund, a private, non-profit entity, agreed to partner with California’s Natural Resources Agency and Department of Fish & Game (CDFG) to implement the MLPA. This public-private partnership, also known as the MLPA Initiative, became the first of its kind in the marine conservation space. According to Resources Legacy Fund, the goals of the MLPA include protecting “the natural diversity and abundance of marine life, and the structure, function, and integrity of marine ecosystems.” The MLPA also focuses on ensuring that “the State’s MPAs are designed and managed, to the extent possible, as a network.” Today, roughly ten “core parties,” including both public and private entities, work together to implement and enforce the MLPA.

FINANCE

Financing the MLPA took about eight years of extensive, phased MPA planning. During that time, public entities contributed US$18.5M to marine protection while building vital partnerships with private, philanthropic organizations that agreed to a US$19.5M match. This public-private partnership secured the funds to pay for expert scientific and policy analysts, data and mapping support, education and outreach, public workshops, and travel grants and stipends for stakeholder meetings.

The MLPA initiative continues to rely on philanthropic contributions of approximately US$3–4M a year to cover its annual MPA management costs of over US$10M. The remaining US$6–7M comes from State Agencies in California, State general funds, bonds, and special funds (such as licensing fees).

OUTCOME

California added the last MPA to its coastal network in 2012, reaching a total of 124 MPAs. As a result of the MLPA Initiative, MPAs cover over 16% of the 5,285 sq. mi. of coastal waters in California. Of these waters, over 9% are no-take zones. Notably, the MLPA Initiative secured private funding to continue planning MPA support projects, including habitat-mapping in Southern California, even after California froze its public contributions due to Covid-19.

TAKEAWAYS

MPA network expansion lies at the forefront of Seychelles' most recent climate goals. The MLPA Initiative attributes much of its success to California’s statutory mandate, which establishes the MLPA’s clear goals along with legally binding management and science-based enforcement strategies. As a SIDS and Party to the Paris Agreement, Seychelles may condition its post-2020 NDC on support for the country’s marine reserves. For example, Seychelles could agree to establish a legally binding MPA mandate to protect marine biodiversity and endangered species—such as seagrass, dugongs, and sea turtles. In accordance with Article 9 of the Paris Agreement, Seychelles may condition its NDC on match funding from private investors to plan and manage a growing MPA network. California’s MLPA Initiative is one example of how public-private partnerships allow governments to implement and enforce environmental regulations while private entities fill in the financial gaps. Under this framework, both public and private entities can diversify the risks of investment, divide responsibilities, and work toward a common goal. While these long-term agreements may lead to long-term success, they require patience, political support, extensive planning, clear objectives, transparency, communication, and trust.
WHAT IS BLENDED FINANCE?

Blended finance is one approach used for financing sustainable development projects. It is a financial structure that aims to mobilize philanthropic donations to attract private investment. Finance sources include public entities, corporations, non-governmental organizations, non-profit organizations, and civil society. Notably, PPPs are a type of blended finance model, but not all blended finance projects are PPPs. For example, California’s MLPA Initiative is a PPP that is also a blended finance model. Conversely, Quintana Roo’s Coastal Zone Management Trust is part of a blended finance structure, but it is not a PPP.

BLENDED FINANCE ORGANIZATIONAL FRAMEWORK

Sources
- Public Entities
- Private Investors
- NGOs
- Non-profits
- Civil Society

Instruments
- Debt Restructuring
- Grants
- Guarantees
- Equity Investments
- Technology Assistance

Purpose
- Sustainable Development
- Information Technology
- Marine Protection
- Natural Resources Conservation
- Conservation Management
- Public Health
- Poverty Eradication

BACKGROUND

Costa Rica is home to some of the world’s largest and most vulnerable ecosystems. In 2007, Costa Rica’s president outlined an ambitious ecosystem conservation plan. Costa Rica has about 5% of the world’s biodiversity. The president’s goal was to be a leader among developing nations by meeting the protected area target and management standards listed in the UN Convention on Biological Diversity. The plan’s goal is “to expand and secure all of Costa Rica’s national parks, wildlife reserves, and protected seascapes.” While the plan illustrated Costa Rica’s conservation objectives, the nation lacked the financial resources to implement, manage, and enforce it.

FINANCE

In response, a unique group of experts, including conservationists, philanthropic foundations, bankers, and management consultants, partnered with Costa Rican government officials to create an innovative climate finance project called Forever Costa Rica. The project is a single, large-scale finance deal, using the Project Finance for Permanence (PFP) approach, that specifically focuses on strengthening Costa Rica’s vulnerable ecosystems. From 2007 to 2010, the group raised US$57M for the deal for the protection of 1.3 million hectares of terrestrial habitat and 1 million hectares of marine habitat. For funding, the philanthropic foundations (Linden Trust for Conservation and the Gordon Betty Moore Foundation) and a non-governmental organization (the Nature Conservancy) initiated the fundraising.

At the core of a PFP approach is the idea of permanence. For climate-action, a PFP’s goal is “the permanent conservation of the basic structure and biodiversity of an ecosystem.” PFP approaches involve project financing. Before the project begins, investors fund all of the required parts of a multifaceted project. The financing is made at one, single closing. However, the financing depends on whether all the necessary components of the project are in place. Consequently, all parts of the project have equal value since a project cannot move forward until every part has financing. A PFP is especially valuable because the mobilizing of funds for long-term, large-scale, ambitious projects only happens once.

There are multiple factors for why Forever Costa Rica could be implemented. For example, at signing, the ambitious biodiversity conservation targets were identified, there was a comprehensive financial plan that the Costa Rican president supported, and Costa Rica has a history of commitment to preserving biodiversity.

OUTCOME

This year marks the 10-year anniversary of the signing of Forever Costa Rica, and there have been positive outcomes. There have been over 400 projects implemented through the deal and over 1,900 field visits have been made to ensure the projects are successful. Additionally, 87 organizations have received funding through the deal, there are over 300 partners, and Costa Rica has worked with 37 other countries. Four marine protected areas have been created and the management of 75 protected areas has improved.

TAKEAWAYS

The PFP approach can be more effective than other finance models for large-scale objectives. Its binding character better guarantees future and ongoing conservation. Place-based conservation projects often face the problem of having limited funding and information at the start of the project about what is needed to protect a habitat. These typical issues often make it difficult to produce large-scale, place-based solutions. For example, protected area—such as MPAs—may be created instead. However, simply establishing protected areas may not promote biodiversity on a large-scale for a long time.

Seychelles can consider the PFP approach for large-scale conservation efforts because the funds are agreed upon when making the contract. In other words, the project does not pause because resources are exhausted. Additionally, developing and negotiating a PFP is very similar to negotiating climate action under the Paris Agreement. A PFP requires an individualized, binding monetary commitment. Because this is a permanent finance strategy, management, enforcement, and other recurring costs are accounted for. In its post-2020 NDC, Seychelles could condition its MPA expansion project on the support of a PFP.
The Caribbean Challenge Initiative

Blended Finance Example

BACKGROUND

The Caribbean Challenge Initiative (CCI) is a collaboration of countries and territories in the Caribbean committed to protect and manage their coastal and marine environments. There are eleven participating countries and territories: the Bahamas, British Virgin Islands, Dominican Republic, Grenada, Haiti, Jamaica, Puerto Rico, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, and the U.S. Virgin Islands. This is an important initiative since the Caribbean is home to “some of the world’s richest marine biodiversity.” Additionally, local economies are highly dependent on the maintenance of a healthy marine environment. Coral reef degradation, overfishing, and climate change are just a few examples of activities threatening the marine ecosystems.

The CCI’s first goal is that by 2020, each member country and territory will manage and conserve at least 20% of their marine and coastal environments. This is known as the 20-by-20 goal. The second goal is for the participating countries and territories to create financial mechanisms that will provide reliable, long-term funding for effective management of conservation programs.

FINANCE

The Caribbean Biodiversity Fund (CBF) exists to help fund and support CCI countries and territories. The Conservation Finance Program of the CBF is focused on funding conservation and management initiatives. This part of the CBF is funded by the Nature Conservancy, the Government of Germany, the World Bank Group, and the Global Environment Facility. The Conservation Finance Program of CBF has a US$75M endowment. This endowment funds National Conservation Trust Funds, which are established in each CCI country and territory. The “funds are matched by revenue raised by CCI governments via sustainable finance mechanism, such as tourism fees.” Private entities can also match the revenue.

OUTCOME

CCI highlights a nature-based approach to ecological preservation. Since the CCI was created, five of the member countries and territories (the Dominican Republic, Haiti, Puerto Rico, St. Kitts & Nevis, and the U.S. Virgin Islands) have met or surpassed the 20% target. Together, the participating countries and territories have about 47,232 square kilometers of their nearshore environment under protection or management. This is fulfilling about 61% of the CCI 20-by-20 goal.

TAKEAWAYS

This is a structure that can apply to Seychelles’ goal for preserving marine ecosystems. The CCI and CBF provide another example of how to establish long-term financing for marine conservation projects. Seychelles’ NDC focuses on ocean-climate action, and this innovative finance structure already exists and works in an ocean-focused scheme. One benefit of the CBF is that it has a core endowment, which provides financing stability. This factor could be key for long-term marine conservation in Seychelles.

In its post-2020 NDC, Seychelles could condition its MPA expansion and seagrass conservation projects on the establishment of a financing mechanism similar to the CBF. However, a PFP is likely a better option to maintain stable, long-term financing. Events such as Covid-19 may affect a nation’s ability to raise revenue to match the funds. For example, tourism revenue may decrease. In a PFP, all participating parties commit to funds at the outset of the deal. Thus, external circumstances affecting the ability to produce revenue is less of a concern.
Coastal Zone Management Trust, Quintana Roo, Mexico

Blended Finance Example

BACKGROUND

In 2005, two hurricanes devastated Mexico's coastline causing US$3.8B in damage. Hotels and beach businesses were hit the hardest, greatly impacting the tourist industry. Upon analyzing the damage, researchers found an important connection between the role of coral reefs and damage caused. Ecosystems such as coral reefs provide natural protection for coastal communities against storm damage. Impressively, a healthy coral reef can reduce a wave's energy by 97% before crashing onto shore, reducing potential ecological and economical damage.

In 2018, the Quintana Roo state government, The Nature Conservancy, The National Parks Commission, and hotel owners in Quintana Roo, Mexico established the Coastal Zone Management Trust to harness the potential of natural systems in mitigating storm damage. Established as a conservation trust fund, the trust works to manage beaches and maintain coral reefs along nearly 160km of Quintana Roo's coastline. The fund serves two purposes: (1) coral reef and beach maintenance; and (2) insurance policy from natural disasters. The insurance policy is a parametric policy. When a parameter is met, the insurance policy is triggered to cover the costs of coral reef destruction.

FINANCE

The Coastal Zone Management Trust follows an insurance-for-nature structure. Hotel owners and the tourism industry fund the trust through payment for the commercial use of the beaches or taxes levied on the businesses. These funds are in turn used for the insurance pay-outs or conservation work.

OUTCOME

Still considered a pilot conservation program, the trust is the first of its kind in the world: a coral reef insurance policy aimed at restoring the reefs after extreme weather events.

TAKEAWAYS

Located along the eastern coast of Mexico, Quintana Roo is susceptible to severe hurricanes that threaten both the marine ecosystems and the lucrative tourist industry. The trust, therefore, works to insure both infrastructure and natural resources from weather-related disasters. Seychelles may consider adopting a similar insurance mechanism. Because the trust functions as a parametric insurance policy, the pay-out is only given upon triggering the parameter. Seychelles might consider rising sea-level as a parameter, triggering an insurance pay-out to construct infrastructure in response to rising sea-levels. Further, the insurance policy might serve to fund conservation projects that work to mitigate or adapt to rising sea-level or varying weather patterns. In essence, the parametric pay-out might serve to reduce the severity of climate change by providing a financial means to address the very risks it poses. By setting the parameter, Seychelles has the opportunity to target specific mitigation or adaptation goals in accordance with their NDC.
The Meloy Fund for Sustainable Community Fisheries, Indonesia & Philippines

Blended Finance Example

BACKGROUND

Focused on fishing and seafood-related businesses in Indonesia and the Philippines, the Meloy Fund for Sustainable Community Fisheries is a US$22M impact investment fund. The fund supports the development and adoption of sustainable fisheries through debt and equity investments in fishing-related businesses that support the recovery of coastal fisheries. The fund additionally provides technical assistance to support business growth, operations, and sustainable seafood practices. The investments aim to support better management of community-based coastal fisheries while advancing the livelihoods of local small-scale fishermen.

FINANCE

Rare, a conservation NGO, executes the trust and receives funding from public and private sectors such as the Global Environment Facility and Bloomberg. In short, the Meloy Fund provides financial incentives for communities to adopt sustainable fishing practices and management. This investment fund disburses loans and takes equity positions in businesses that support fishery management in local communities.

OUTCOME

The Meloy Fund’s first investment was a five-year, US$1M deal with Mellomar, a Manila-based fishing, processing, and exporting company. Mellomar used the money to better capacity, logistics, and working capital. For example, Mellomar has pledged to source tuna from a "fishery improvement project and local Filipino communities." By 2021, the company expects to achieve two goals. First, add a minimum of US$2.5M increased annual income for 1,600 local fishermen. And second, to better manage roughly 12,000 hectares of vital marine ecosystems.

In March 2020, the Meloy Fund invested in PT SIG Asia, an Indonesian-based tuna processor. PT SIG Asia processes and exports yellowfin tuna, primarily sourcing from artisanal fisheries. The fund’s investment provides PT SIG Asia with the necessary capital to improve its business and improve sustainable management of tuna fisheries.

TAKEAWAYS

The Meloy Fund functions similarly to the Seychelles’ blue bonds: providing funding streams for ocean-friendly projects. An impact investment fund provides capital to address environmental concerns while also generating a financial return. The Seychelles may consider an impact investment fund in addition to their blue bond structure to further their work in promoting sustainable fishing practices and bolstering the local economy. In doing so, the investment fund can unlock the economic value of sustainable fishing enterprises. Similar to the blue bond, an impact investment fund might provide incentives for transitioning to sustainable fishing while providing the technical knowledge to support fishery management. Alternatively, the fund may invest in aquaculture projects that seek to limit the pressure on overfished stocks or invest in production or processing to increase revenue for fishermen. The investment fund may even serve the purpose of shortening the supply chain, ensuring that most profits stay local.
Renewable Energy, Uganda

Blended Finance Example

BACKGROUND

Water supply for clean drinking water and agriculture is a development challenge Uganda currently faces. For example, in 2015, over 60% of the population did not have access to well-managed drinking water. Additionally, the agriculture sector depends on water irrigation, but climate change has affected Uganda’s ability to have a consistent water supply for agriculture. In Uganda’s first submitted NDC, listed are long-terms adaptation goals for various priority sectors. One of the priority sectors is agriculture, and one of the goals for this sector is to “[e]xtend electricity to the rural areas or expand[] the use of off-grid solar system to support value addition and irrigation.” Another priority sector is water. One goal for this sector is “extending electricity or expanding use of off-grid solar system to support water supply.” As mentioned in the NDC, off-grid solar power projects are one solution to these development challenges. For example, for rural areas, “[s]olar powered water pumps can enhance agricultural productivity, employment and income generating activities.”

In 1966, the UN General Assembly established the UN Capital Development Fund (UNCDF). The UNCDF is in charge of the Least Developed Countries Investment Platform (LDCIP). The LDCIP “provides seed funding to investments in LDCs that are deemed too small or too risky by traditional investors.” Aptech is an African renewable energy company that “distribut[es], install[s], and maintain[s] solar powered solutions for water pumping and off-grid power generation for diverse applications (drinking water supply, irrigation, electric power, street lighting).”

FINANCE

In 2018, LDCIP provided a US$250,000 loan to Aptech. Prior to the loan, the company was not raising enough finance from traditional lenders. Additionally, Aptech had no collateral nor credit history. So, the money was necessary for “working capital facility for inventory financing.”

OUTCOME

The loan allowed Aptech to file timely payments to UNDCH and a Ugandan commercial bank became aware and interested in the project. Consequently, the bank “offered a US$800,000 facility, including invoice discounting (US$550,000), bid guarantees (US$100,000), and an import loan (US$150,000).”

TAKEAWAYS

The solar powered water pumps are an example of the interplay between land and water. The goal of this renewable energy project is land-based action, but the spirit of the project is to bring about clean and consistent water supply for drinking water and agriculture. The project at large is not directly ocean-based action, but increasing renewable energy will in turn have positive water effects. This blended finance mechanism serves as an example of how land-based action in the Seychelles can support ocean preservation and sustainability.

One downside of this blended finance model is the reliance on loans. One main problem with depending on loans is the issue of paying the funds back with interest. This can be a major hinderance to smaller economies already struggling with debt and lower GDPs. Because Seychelles has a high GDP, loans could take the form of debt restructuring, an example of which could be debt-for-nature swaps.

Notably, Seychelles’ economic status is distinguishable from Uganda’s, which may present challenges in terms of getting a loan from the UN. At the same time, other public entities, such as other countries looking to enhance their contributions, may be more willing to provide loans to Seychelles for projects promoting ocean conservation. Further, Seychelles may consider conditioning its NDC on a loan from another public entity. Upon receiving the loan, Seychelles could distribute these funds to local companies, like Aptech, who could then attract additional private investments in the form of partnerships.
CASE STUDY #8

Philo Ridge Farm, Charlotte, Vermont
Blended Finance Example

BACKGROUND
Consultants and project managers, Bio-Logical Capital, LLC works with landowners and investors to design, build, conserve, and maintain land-based projects in both rural and urban areas. Bio-Logical Capital invests in regenerative agriculture by fostering investor and partner relationships to create communities that thrive economically and ecologically. An example of their work is Philo Ridge Farm in Charlotte, Vermont. Philo Ridge is a 400-acre diversified farm integrating grass-fed livestock, orchards, gardens, and community events. Once a dairy operation, the farm has transformed into a regenerative agriculture business. The goal of Philo Ridge was to shorten the supply chain between the farmer and the consumer, eliminating the middleman wherever possible while creating a sustainable and environmentally friendly farming business. To achieve that goal, Philo Ridge’s livestock are processed and sold on site with products sold in their market and kitchen spaces. Their organic harvest is also sold in their market and kitchen. Essentially, the farm is self-sufficient in their entire operation.

FINANCE
Bio-Logical Capital manages the farm’s business while working with neighboring farm owners on diversifying farming models for small-scale farmers. They also partner with local universities to measure the benefits of regenerative agriculture. Each project relies on support from “diverse partners, business ventures, stakeholders, and investors.”

OUTCOME
Since 2015, the farm has increased not only their farming practices and products but has increased their community reach. The farm is an example of “stewardship development,” a term Bio-Logical Capital uses to reference sustainable environmental practices that provide social and economic benefits for local communities.

TAKEAWAYS
Philo Ridge Farm is an example of using blended finance to promote goals of regenerative agriculture through shortening the supply chain and bolstering a local economy. Seychelles may consider establishing a similar financial scheme that shortens the seafood supply chain, supporting local fishermen. However, the Philo Ridge financial scheme and farming operation is primarily controlled by Bio-Logical Capital (consultants and investors). Seychelles may be wary of this particular financial structure as this scheme may seem like modern-day financial colonialism rather than empowering the government and community with the resources and knowledge they need to be self-sufficient. Should Seychelles choose blended finance options, ensuring some level of control over the financial management or project itself may be important to include as a condition in their NDC.
## CONCLUSIONS
### OVERALL TAKEAWAYS

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<td>Seychelles could condition its NDC on support to implement Green Fees. Support may include funding to develop new technology, such as an app or an electronic fee system, that would allow the government to collect the fees. Revenue from Green Fees could contribute to MPA expansion and seagrass conservation efforts.</td>
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<td>The PFP approach’s binding character better guarantees future and ongoing conservation. Seychelles can consider the PFP approach for large-scale conservation efforts because the funds are agreed upon when making the contract. In its post-2020 NDC, Seychelles could condition its MPA expansion and seagrass conservation projects on the support of a PFP.</td>
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<td>Blended</td>
<td>Five of the member countries and territories have met or surpassed the 20% target. Together, the participating countries and territories have about 47,232 square kilometers of their nearshore environment under protection or management. This is fulfilling about 61% of the CCI 20-by-20 goal.</td>
<td>The CBF has a core endowment, which provides financing stability. In its post-2020 NDC, Seychelles could condition its MPA expansion and seagrass conservation projects on the establishment of a financing mechanism similar to the CBF. However, a PFP is likely a better option to maintain stable, long-term financing.</td>
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<td>PROJECT</td>
<td>FINANCE</td>
<td>OUTCOME</td>
<td>TAKEAWAYS</td>
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<td>Coastal Zone Management Trust, Mexico</td>
<td>Blended</td>
<td>The trust is the first of its kind in the world: a coral reef insurance policy aimed at restoring the reefs after extreme weather events.</td>
<td>Seychelles may consider establishing a parametric insurance policy based on sea-level rise, or another parameter, that would fund infrastructure and/or conservation projects.</td>
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<td>The Meloy Fund for Sustainable Community Fisheries</td>
<td>Blended</td>
<td>The fund’s first investment was a US$1M deal with a Manilla-based fishing, processing, and exporting company. The money supports better capacity, logistics, and working capital. Earlier this year, the fund invested in PT SIG Asia, an Indonesian-based tuna processor. The fund’s investment provides the processor with the necessary capital to improve its business and improve sustainable management of tuna fisheries.</td>
<td>Seychelles may consider an impact investment fund in addition to their blue bond structure to further their work in promoting sustainable fishing practices and bolstering the local economy. In doing so, the investment fund can unlock the economic value of sustainable fishing enterprises. Similar to the blue bond, an impact investment fund might provide incentives for transitioning to sustainable fishing while providing the technical knowledge to support fishery management.</td>
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<td>Renewable Energy, Uganda</td>
<td>Blended</td>
<td>The loan allowed Aptech to file timely payments to UNDCH and a Ugandan commercial bank became aware and interested in the project. The bank “offered a US$800,000 facility, including invoice discounting (US$550,000), bid guarantees (US$100,000), and an import loan (US$150,000).”</td>
<td>The solar powered water pumps are an example of the interplay between land and water. Because Seychelles has a high GDP, loans could take the form of debt restructuring. Seychelles may consider conditioning its NDC on a loan from another public entity. Upon receiving the loan, Seychelles could distribute these funds to local companies who could then attract additional private investments in the form of partnerships.</td>
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<tr>
<td>Philo Ridge Farm, Vermont</td>
<td>Blended</td>
<td>Since 2015, the farm has increased not only their farming practices and products but has increased their community reach. The farm is an example of “stewardship development,” a term Bio-Logical Capital uses to reference sustainable environmental practices that provide social and economic benefits for local communities.</td>
<td>Seychelles may be wary of this particular financial structure as this scheme may seem like modern-day financial colonialism rather than empowering the government and community with the resources and knowledge they need to be self-sufficient. Should Seychelles choose blended finance options, ensuring some level of control over the financial management or project itself may be important to include as a condition in their NDC.</td>
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Mongolia Green Finance Corporation

BACKGROUND
Mongolia is a landlocked country with an extreme climate and is particularly vulnerable to climate change. According to the Green Climate Fund (GCF), this vulnerability has led to devastating “degradation of pastoral land and biodiversity, increased risk of winter “dzud,” and death of livestock, among other adverse effects.” As a result, Mongolia has experienced a period of heavy migration to its capital city, Ulaanbaatar, which now has the highest level of air pollution globally. Human activity—such as coal and wood burning for cooking and heating households—contribute to the severity of Ulaanbaatar’s emissions. In fact, over 90% of energy in Mongolia comes from burning coal. As such, Mongolia’s critical climate change mitigation efforts focus on decreasing CO2 emissions in businesses and households to improve air quality.

FINANCE
The Government of Mongolia and the Mongolia Sustainable Finance Association (MSFA) will receive match funding from the Green Climate Fund (GCF) to create the Mongolia Green Finance Corporation (MGFC). Given Mongolia’s exceptional solar and wind potential, the MGFC is designed to quickly attract green energy investments to support Mongolia’s low-carbon transition at scale.

Once established, the MGFC will borrow from local partner financial institutions to fund thermal insulation of housing, energy efficiency for businesses, and mortgages for green affordable housing. At this point, the goal is to reduce carbon dioxide emissions by 3.8M tonnes. Following the initial implementation phase, MGFC will aim to attract new capital from other sectors with direct investment. Further, the GCF will offer technical assistance to initiate MGFC operations and build domestic green finance capacity in Mongolia’s financial services sector.

The estimated total project value is US$49.7M. GCF’s 53.7% contribution includes US$20M in loans, US$4.7M in equity, and a US$2M grant. Co-financing provides a 43.6% contribution consisting of US$10M in equity and a US$13M loan.

PROJECTED OUTCOMES
The GCF recently approved the MGFC project on November 13, 2020. While the project is just getting started, the GCF anticipates positive results in the following areas:
- Buildings, industries, appliances, and cities
- Ecosystems and ecosystem service
- Energy generation and access
- Forests and land use
- Health, food and water, and security
- Infrastructure and built environment
- Livelihoods of people and communities
- Transportation

TAKEAWAYS
Seychelles might consider expressing an intent to establish its own Green Finance Institution (GFI)—conditioned on support from the GCF—in its post-2020 NDC. Like Mongolia, Seychelles could capitalize its own GFI with public funds, specifically aiming to facilitate public and private partnerships for green investments.

As a climate finance and conservation trailblazer, Seychelles could use a similar structure to attract long-term funding to offset the environmental impacts of tourism, build sustainable airports and seaports, adapt to the economic and social impacts of the Covid-19 pandemic, transition to sustainable fishing practices, and expand the nation’s MPA network to protect the island’s vulnerable seagrass ecosystems.

Although GFIs are a relatively new idea, they have already made a mark in raising climate finance at scale. According to the Green Bank Network, GFIs have deployed about US$11B for various climate projects that amount to over US$41B in value within the last five years.
COVID-19 & FINANCIAL SUPPORT

When the Covid-19 pandemic started earlier this year, countries around the world mobilized to fund protective and hygienic equipment, pouring money into vaccine research and testing. Governments, multilateral donors, development banks, philanthropic organizations, and the private sector have each contributed funds and expertise to combatting the virus. As of November 1, 2020, US$178B worth of investments have been made. In essence, the immediate threat Covid-19 presented mobilized various financial resources as the pandemic quite literally encompasses life or death.

Climate change presents another life or death challenge as small island nations disproportionately experience the effects of climate change. The mobilization of Covid-19 related finance serves as a model for innovative climate finance. Specifically, Covid-19 highlights the benefits of the blended finance structure, and how mobilizing funds from philanthropic donations can attract private investment to achieve a common goal. Notably, Covid-19 has brought the potential of digital finance —meaning the "impact of new technologies on the financial services industry”—to surface.

Countries will be better equipped to handle Covid-19 outbreaks if they are adapting to climate change in accordance with sustainable development goals. That said, developing countries may consider conditioning their NDCs on funding for sustainable development goals (SDGs) with the caveat that achieving SDGs is a vital step in preventing and eradicating the virus.
• **What is Public Finance?**

• **What are Public-Private Partnerships?**

• **Palau’s Green Fee:**

• **California Marine Protected Area Network:**
  - Memorandum of Understanding for Implementation of the California Marine Life Protection Act
SOURCES

- **What is Blended Finance?**

- **Forever Costa Rica:**

- **The Caribbean Challenge Initiative:**

- **Coastal Zone Management Trust:**

- **The Meloy Fund for Sustainable Community Fisheries:**
• Renewable Energy, Uganda:

• Philo Ridge Farm:
  - About the Farm, Philo Ridge Farm https://www.philoridgefarm.com/about-the-farm (last visited Nov. 9, 2020).

• Mongolia’s Green Finance Corporation:
  - Image Source: https://freesvg.org/wind-turbine-sketch

• Covid-19: