

BNC+ Framework

Blue Natural Capital Positive
Impacts Framework



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Abbreviations

BNC	Blue Natural Capital
BNCFF	Blue Natural Capital Finance Facility
CBD	Convention on Biological Diversity
E&S	Environmental and social
EbA	Ecosystem based Adaptation
ESG	Environmental, Social and Governance
ESIA	Environmental and Social Impact Assessment
ESS	Environmental and Social Standard
GHG	Greenhouse Gas
IUCN	International Union for Conservation of Nature
KPI	Key Performance Indicator(s)
MDB	Multilateral Development Bank
PES	Payment for ecosystem service
RE	Renewable Energy
SDG	Sustainable Development Goals
SEA	Strategic Environmental Assessment
UNFCCC	United Nations Framework Convention on Climate Change
UNPRI	United Nations for Principles of Responsible Investment
VCA	Verified Conservation Areas

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We welcome feedback on the content of this document so that it can be updated and improved in the future as the field develops and experience is gained.

Please email any feedback to dorothee.herr@iucn.org.



1. Introduction

1.1 Background

In 2015 the Sustainable Development Goals (SDGs) were launched as part of the 2030 Agenda for Sustainable Development, the so called 'UN 2030 Agenda' or simply 2030 Agenda. The 2030 Agenda builds on the Millennium Development Goals and incorporates objectives, targets and indicators from a diversity of international conventions including the Convention on Biological Diversity (CBD) and the United Nations Framework Convention on Climate Change (UNFCCC) amongst others.

While public finance plays a key role in maintaining the provision of essential services and public goods¹, it is widely recognized that governments alone are not capable of financing the delivery of the 2030 Agenda², including its conservation goals³. Public money must therefore be deployed to catalyse additional private finance, ensuring the environmental, social and governance safeguards necessary to facilitate investment. Drawing on private sector finance to achieve sustainable development around blue natural capital (BNC) (see also chapter 2) is essential if the goals of the 2030 Agenda are going to be met and in 2019 the University of Cambridge⁴ published a general framework for measuring investment impact on the SDGs that also provides useful background information.

Annex A illustrates the degree to which BNC projects can contribute to achieving the SDGs and other relevant international goals.

Making an investment to produce a financial return **plus** social and environmental benefits has been labelled 'impact investing'. Impact investing is a now a rapidly growing niche within the financial sector and holds potential as a mechanism for financing sustainable development⁵. **What sets an impact investment apart is its "intentionality and additionality", i.e. it is made with a specific non-financial outcome in mind in addition to the financial return; the social and environmental impacts are not a side effect but are a core part of the investment objective together with the financial return.**

Sustainable development through conserving and restoring coastal and marine ecosystems (i.e. blue natural capital), provides significant societal, biodiversity, climate change adaptation and mitigation benefits, alongside maintaining other essential services (e.g. sustainably harvested commodities). Yet the basis of such potential, the

1 <https://sustainabledevelopment.un.org/post2015/transformingourworld>

2 For more detail about the linkages between blue natural capital and the goals set out in 2030 Agenda please refer to Annex A.

3 Credit Suisse Group AG and McKinsey Center for Business and Environment (2016) Conservation Finance From Niche to Mainstream: The Building of an Institutional Asset Class

4 University of Cambridge Institute for Sustainability Leadership (CISL). 2019. In search of impact: Measuring the full value of capital. Update: The Cambridge Impact Framework, Cambridge, UK.

5 Global Impact Investment Network (GIIN). 2018. Financing the Sustainable Development Goals: Impact Investing in Action. Pp28 <https://thegiin.org/research/publication/financing-sdgs>

natural capital of coastal and marine ecosystems, is increasingly being degraded and lost thereby diminishing this potential.

Early experience of the Blue Natural Capital Finance Facility (BNCFF, see Box 1) indicates that eligible projects may benefit from targeted support in preparation and structuring of bankable projects that aim to reverse the loss of natural capital contained in coastal and marine ecosystems while simultaneously creating sustainable and alternative livelihoods in coastal communities and beyond. In this framework document such projects are referred to as blue natural capital (BNC) projects (see Section 2).

1.2 Purpose of the Positive Framework Document

The purpose of this framework document is to set out the approach that the development of, as well as the monitoring of, BNC projects should take to determine and measure positive impacts, while also managing risks. To achieve this the document will:

- ✓ Describe BNC projects as an essential aspect of the development of a Blue Economy;
- ✓ Outline how BNC projects can ensure that project activities actively contribute to positive environmental and social impacts and good governance across sectors, and that these impacts can be measured, reported and verified (MRV);
- ✓ Reflect on the need for more innovative financing solutions to foster BNC projects; and
- ✓ Outline relevant impact investment principles as well as best practices for risk screening.

The framework document thus incorporates the necessary environmental, social and governance requirements which are set out in the Principles of Responsible Investment (PRI⁶). This framework has been used as the basis for the BNC Positive Impact Management System (IUCN, in prep) and can be used as an example of how to identify the most suitable available methods and indicators for assessing, monitoring, reporting and verifying positive impacts in alignment with best-practices from the conservation, the development as well as the finance community, and gender policies of international financing mechanisms (Green Climate Fund⁷ GEF⁸, among others). The indicators selected for the BNC positive impact management system is based on the Theory of Change⁹ and captures indicators for activity, output and outcomes (see www.bluenaturalcapital.org for more information).

1.3 Target Audience

The principle target audience for this document are: i) fund managers, ii) impact investors, iii) asset managers, iv) finance facility managers, and v) issuers of

6 <https://www.unpri.org>

7 https://www.greenclimate.fund/documents/20182/1087995/GCF_B.20_07_-_Updated_Gender_Policy_and_Action_Plan_2018_2020.pdf/9bd48527-6e35-a72a-2f52-fd401d16d358

8 <https://www.thegef.org/news/new-policy-gender-equality-gef> ; <https://www.thegef.org/sites/default/files/publications/GEF%20Guidance%20on%20Gender.pdf>

9 <https://www.theoryofchange.org/what-is-theory-of-change/>

sustainability, development, green and blue impact bonds. However, the document is also of value and interest to a much wider audience that includes project developers, managers of development banks and government departments that are, or aim to be, active in the emerging field of blue natural capital projects, and provide and/or support projects with robust positive impacts on society and the environment.



2. Blue Natural Capital

“Natural capital is another term for the stock of renewable and non-renewable resources (e.g. plants, animals, air, water, soils and minerals) that combine to yield a flow of benefits to people.

The benefits provided by natural capital include clean air, food, water, energy, shelter, medicine, and the raw materials we use in the creation of products. It also provides less obvious benefits such as flood defence, climate regulation, pollination and recreation.

Natural capital is one of several other commonly recognized forms of capital. Others include financial, manufactured, social and relationship, human, and intellectual capital. Natural capital supports all of the other capitals by providing essential resources, that support a healthy planet and underpins thriving societies and prosperous economies¹⁰.” (see also^{11, 12})

Blue Natural Capital is the natural capital found in coastal and marine environments and which provides ecosystem services that are essential for sustaining life on Earth. These services include 70% of the Earth’s oxygen production, absorption of carbon dioxide – the ocean is the largest carbon sink in the world - regulation of weather and climate, production of around 100 million tonnes of fish protein per year, nutrient cycling and heat re-distribution around the planet, and the basis of a multi-billion dollar tourism industry. The coasts and oceans represent the capital stock from which ecosystem services, the flux or interest, are derived.

Unfortunately, in many places around the globe, this capital is under threat, or undervalued - despite it being an absolute pre-requisite for the further development of the sustainable Blue Economy. For example, according to World Ocean Network¹³ coral reefs are among the most biologically diverse ecosystems on earth - about 4,000 species of fish and 800 species of reef-building corals have been described to date – and reefs and mangrove protect the shoreline from erosion by absorbing at least 70-90 % of the energy of wind-generated waves. Yet in Southeast Asia, more than 80 % of reefs are threatened by coastal development and fishing pressure, and over half are at high risk; furthermore, an estimated 35 % of mangrove forest has disappeared over the past 50 years, and some countries have lost 80 per cent of their original mangrove cover.

Since 2012, the concept of the Blue Economy has gained traction, and the World Bank and UN¹⁴ as well as other multilateral agencies are now developing strategic frameworks around the concept and assessing/considering its potential to contribute

¹⁰ <https://naturalcapitalcoalition.org/natural-capital/>

¹¹ Schumacher, E. F. 1973. *Small Is Beautiful: A Study of Economics as if People Mattered*. Blond & Briggs,

¹² Porritt, J. 2005. *Capitalism as if the World Mattered*. Earthscan, London and Sterling, VA.

¹³ <https://www.worldoceannetwork.org/won-part-6/carem-wod-2014-4/thematic-resources-coastal-management/facts-figures-coastal-management/>

¹⁴ World Bank and United Nations Department of Economic and Social Affairs. 2017. *The Potential of the Blue Economy: Increasing Long-term Benefits of the Sustainable Use of Marine Resources for Small Island Developing States and Coastal Least Developed Countries*. World Bank, Washington DC.

to sustainable development in coastal states¹⁵. Blue natural capital is the foundation on which sustainable blue economies will be developed. Maintaining and reviving the services and benefits that coastal and marine ecosystems provide can furthermore make economic sense, create direct jobs and enhance or sustain livelihoods. This alone provides a compelling motivation for enabling greater investment in maintaining and restoring blue natural capital. A substantial and urgent financial investment now needs to be made to restore and grow coastal and marine BNC and in order to accelerate investment capital into BNC, new entities, such as the Blue Natural Capital Financing Facility (BNCFF, see Box 1) have been and continue to be created.

2.1 Core BNC Project Components

The most relevant sectors which BNC projects can contribute to, as foundations for the development of a sustainable Blue Economy, are listed below (Table 1). They have been structured around definitions provided in a World Bank and UN report describing the contribution of the Blue Economy to the global economy.

Investment Principles and Standards for BNC Projects

A central element of a sustainable Blue Economy is the careful balance between activities which involve harvesting and extraction of natural resources and the protection and restoration of the ecological linkages within and between ecosystems which sustain the capital in a healthy and functional condition. Complementary to selecting projects that maintain this balance is the need to screen out, at the earliest opportunity, projects that do not respect (or even ignore) the balance of nature.

In investments in the BNC class, **the positive social and environmental outcomes and impacts of the BNC projects are, in fact, a key rationale for undertaking the project.** The investment strategy is therefore **for** impact, rather than **with** impact (see EVPA, 2018¹⁶ for further discussion on this point); that is, environmental and social impacts are an essential part of business plans and cash flow statements of such investments. For all BNC projects, it is necessary for positive outcomes and impacts to be measured and the value of such impacts should be estimated using standard methods, whether or not a market currently exists. If markets do exist, positive impacts can be monetized by selling the outputs/impacts on existing environmental markets or through payments for ecosystem service transactions or results-based finance transactions. However, finance for BNC does not need to be limited to scenarios that depend on markets.

15 See the Nairobi Statement of Intent on Advancing the Global Sustainable Blue Economy (2018) <http://www.blueeconomyconference.go.ke/wp-content/uploads/2018/11/Nairobi-Statement-of-Intent-Advancing-Global-Sustainable-Blue-Economy.pdf>

16 Gianoncelli, A. and Boiardi, P. (2018) Impact Strategies – How Investors Drive Social Impact. EVPA. Pp 84.

Table 1: Examples of BNC project components in different sectors of the Blue Economy

Examples of BNC Project Components Supporting Blue Economy Sectors
Sustainable fisheries (e.g. fisheries improvement projects) Sustainable aquaculture (e.g. finfish, marine plants, sea cucumber, invertebrates) Gender equality in the seafood sector and marine conservation Sustainable and equitable bioprospecting and pharmaceutical development from marine species Improvement of post-harvest fisheries (e.g. seafood supply chain, manufacture and penetration of more sustainable fishing gear, establishment of fair-trade and direct-trade cooperatives etc.) Use/re-use of by-products/waste from seafood industry Sustainable mangrove forest management	Harvesting and trade of marine living resources (seafood, aquarium trade and use of marine species as sources of pharmaceuticals and chemicals)
Beach and dune nourishment and restoration	Extraction and use of marine non-living resources (non-renewable)
Development of solar, wind, wave, tidal and ocean thermal energy conversion (OTEC) projects Biofuels derived from marine algae Adaptation of renewable energy for marine transport (e.g. sustainable biofuels, wind, solar, etc.)	Development and use of renewable non-exhaustive natural forces
Reduction in over-capitalization of industrial fishing sector Nature-based solutions as part of coastal infrastructure development Nature-based solutions as part of tourism and recreation (e.g. nature-based community managed eco-tourism) Collection and processing of recyclable materials (e.g. marine plastics)	Commerce and trade in and around the coastal zone and oceans
Reuse and recycling of land-based sources of pollution (heat and brine from industrial outfalls, nutrients, plastics, etc.) Establishment of integrated protected areas which contribute to more sustainable fisheries, tourism, etc. Cleaner approaches to coastal industries and maritime transport (e.g. substitution of cleaner fuels, reduction of ballast water risks, reduction in emissions and discharges, improved anti-fouling technologies)	Indirect contribution to economic activities and environments

Such transactions may use the same key performance indicators (KPIs) as used in simple impact statements; however, the methods to calculate and measure the indicators differ and are often more rigorous and therefore will require greater effort. The purpose of positive impact indicators is to measure the social and environmental outcomes of the investment and its impacts (Please see Annex A for more information about how BNC projects can contribute to SGDs, and please refer to BNC Positive

Impacts Management System¹⁷ for possible indicators that can be used to measure positive environmental and social impact).

Table 2: Available responsible investing principles and standards for BNC projects

Relevant Principles and Guidelines	Application to BNC Projects
Generalised Responsible Investment Principles and Standards	Blue Print for Responsible Investment UN Global Compact Principles Women’s Empowerment Principles Adaptation Fund’s Gender Policy World Bank E&S Standards IFC Environmental and Social Performance Standards EIB E&S Principles and Standards
Impact Investment and Green Bond Principles	IFC Impact Investing Principles Green Bond Principles Social Bond Principles Sustainability Bond Guidelines
Blue Economy Finance Principles	Sustainable Blue Economy Financing Principles

Further detail on these investment principles is provided in Section 4.

17 www.bluenaturalcapital.org

Box 1. Blue Natural Capital Financing Facility

In order to accelerate the flow of capital into Blue Natural Capital (BNC) projects, a new Blue Natural Capital Financing Facility (BNCFF) has been launched by IUCN. The primary purpose of BNCFF is to support the development of sound, investable BNC projects with clear ecosystem service benefits based on multiple income streams and appropriate risk-return profiles. The BNCFF provides project developers and owners of small companies with technical assistance to prepare and structure projects from an early stage into bankable investments with the objective of reducing risk and accessing appropriate sources of finance. The BNCFF model is innovative because it seeks to blend different types of finance and assistance (grants, guarantees, loans, impact investment and technical assistance) from different sources for different project elements, each with a corresponding rate of return and risk profile.

The approach BNCFF has adopted initially is to identify promising pilot projects and small and medium sized enterprises (SMEs) and help them to develop and grow. These pilot projects can subsequently be scaled-up to offer larger scale business opportunities.

With regards to the specific challenges of marine and coastal projects, the BNCFF facilitates the integration of complementary project components that are necessary for sustainable development, particularly with regards to development that moves towards more climate-adapted coasts and coastal communities. Eligible projects combine or include key project elements, such as:

Nature-based solutions and ecosystem-centered sustainable business operations linking coastal ecosystem restoration and conservation to climate change adaptation and mitigation as well as sustainable resource management and use;

Modern data systems and appropriate ICT technology that support and enable nature-based solutions (communication, planning and monitoring) and sustainable livelihoods (e.g. access to the internet via wireless local area networks); and

Small-scale renewable energy (RE) and clean water solutions in coastal zones developed as new business and livelihood opportunities to reduce pressure on coastal ecosystems and improve access for basic services to remote, marginalized and vulnerable groups.

Gender equality to ensure that women and men have equal rights, freedoms, conditions and opportunities to access and control coastal and marine natural resources and enjoy the same status within a society. This approach is intended to ensure that women and men receive equal benefits from BNC projects.

For more information, please visit www.bluenaturalcapital.org



3. The Need for Innovative BNC Finance

3.1 The Value of Coastal and Marine Ecosystems

Coastal and marine ecosystems provide services, so called 'ecosystem services', which are of enormous value to human economies and well-being. Coastal and marine ecosystem services include production of food, fiber and energy from ecosystems that are self-sustaining and self-restoring under the correct conditions. They provide breeding, nursery and foraging grounds for many fishes, crustaceans and other fauna, as well as habitats and areas that provide essential food and food security and support income-generating activities such as eco-tourism. They regulate and maintain seawater quality, control coastal erosion and flooding, provide wind barriers and fire protection, and disperse larvae and seeds. Some ecosystems store significant amounts of carbon in their biomass and in the sediments beneath them, and overall the oceans absorb around 25% of anthropogenic carbon dioxide emissions, buffering and slowing climate change. The oceans are also an essential part of moderating and controlling global weather and climate by moving energy and nutrients around the globe.

For many centuries, human culture developed in harmony with these ecosystems and these cultural links remain vital today, including aesthetic and spiritual benefits on which eco-tourism partly depends. The fact that these systems have become severely degraded around the world and are increasingly threatened is an urgent and high priority issue on the global environmental and sustainable development agenda. The importance of these ecosystems and the need for a step change in how they are managed and protected is reflected by the adoption of SDG Goal 14.

*"We recognise that **social and economic development depends on the sustainable management of our planet's natural resources**. We are therefore determined to conserve and sustainably use oceans and seas, freshwater resources, as well as forests, mountains and drylands and to protect biodiversity, ecosystems and wildlife."¹⁸*

Since the landmark study by Costanza et al. in the late 1990s¹⁹, economic evaluations of the ecosystem services derived from natural coastal and marine assets have been an important tool in raising awareness about the value of these systems. In 1997 the global marine biome generated services estimated at around US\$ 21 trillion dollars per year, of which coastal ecosystems contributed around US\$ 12.5 trillion per year. At that time global national product was around US\$ 18 trillion per year. In their study, coral reefs, for example, were valued at an average of US\$ 6,075 per ha per year and seagrass and algal beds at around US\$19,000 per ha per year. More recently, a review of studies evaluating

¹⁸ <https://sustainabledevelopment.un.org/post2015/transformingourworld>

¹⁹ Costanza, R. with 12 other authors (1997) The value of the world's ecosystem services and natural capital. Nature 387: 253 - 260

ecosystem services provided by coral reefs in the Pacific region indicated their value at US\$79,000 per ha per year (MacBio, 2015²⁰), and OECD have reported on the contribution of the blue economy as a whole to the global economy, including that arising from activities based on blue natural capital assets²¹.

3.2 The Cost of Degrading Coastal and Marine Natural Capital

According to the UN²², around 600 million people, or around 10% of the world population, live in coastal areas that are less than 10 m above sea level. About 97% of the world's fishermen live in developing countries, and women account for most of the workers in secondary marine-related industries such as fish processing and marketing, and tourism. Eighty percent of the world's fish stocks are reported to be fully exploited or over-exploited, and 20% of global fisheries are illegal, unreported and unregulated. These facts illustrate the degree to which the world population depends on healthy, productive marine and coastal ecosystems and that these ecosystems are at risk of partial or total collapse.

3.3 New Investment Models Need to be Created

New, more enduring, long-term financing models are required, that involve the private sector and combine different revenue streams from goods and services using emerging and established markets, such as those from sustainable fisheries and aquaculture, (blue) carbon credits, renewable energy (RE), and ecotourism. Improvements in the efficiency of the supply chain for commodities grown or harvested in remote settings and monetizing the intangible value of sustainable products and services, particularly those that enhance the brand value of the retailer, both offer significant potential for impact investments. Opportunities for producers to gain direct access to markets and obtain a fair price for sustainable products along the same principles used by the Fair Trade movement, or through 'direct trade', also hold potential value.

Revenue can be generated from payment for ecosystem services (PES)²³. Coastal wetlands are strong candidates for PES as a new market-based approach for conservation. Carbon sequestration in mangroves, an ecosystem service, has successfully been used to generate some revenue from the carbon markets for conservation initiatives, but examples of PES are still limited.

The supply of useful information to paying users in the coastal and marine environment (such as weather information, early warning systems, marine monitoring and survey data) is a rapidly developing sector in the Blue Economy which can enable the commercialization of blue natural carbon activities. Development of mobile

20 Macbio. 2015. Economic values of Pacific islands' marine ecosystems: a compilation of literature. http://macbio-pacific.info/wp-content/uploads/2017/07/MACBIO_MESV_Lit-Review-Web.pdf

21 OECD 2016. The Ocean Economy in 2030. OECD Publishing. doi: 10.1787/9789264251724-en

22 <https://www.un.org/sustainabledevelopment/wp-content/uploads/2017/05/Ocean-fact-sheet-package.pdf>

23 Locatelli T., Binet T., et al (2014) Turning the Tide: How Blue Carbon and Payments for Ecosystem Services (PES) Might Help Save Mangrove Forests, *AMBIO* 2014, 43:981-995 Royal Swedish Academy of Sciences

information and communications technology (ICT) that serves communities in remote coastal and island settings will also enable development based on natural capital, for example enabling marketing of services such as ecotourism, or products such as sustainably caught seafood. Together these are referred to in this document as ‘marine technologies’ and represent new business opportunities for men and women which require financing.

3.4 The Need to Improve Access to Finance

Fifty-two billion US dollars per year flow to conservation projects, mostly from public and philanthropic funds²⁴. According to Inger Andersen, the Director General IUCN, “We are at a critical turning point in history, where all stakeholders are increasingly aware of the urgency of sustaining nature for the benefit of all. Public sector finance and philanthropic capital alone is not sufficient to meet these challenges”²⁵. Funding is often of short duration (1-5 years), which does not match the time required to achieve conservation objectives, so conservation activities rarely reach their full potential. The role of public finance to induce the flow of private capital in order to achieve Goal 14 is alluded to by the UN:

“We recognize that each country has primary responsibility for its own economic and social development. The new Agenda deals with the means required for implementation of the Goals and targets. We recognize that these will include the mobilization of financial resources as well as capacity-building and the transfer of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed. Public finance, both domestic and international, will play a vital role in providing essential services and public goods and in catalyzing other sources of finance. We acknowledge the role of the diverse private sector, ranging from micro-enterprises to cooperatives to multinationals, and that of civil society organizations and philanthropic organizations in the implementation of the new Agenda”

The need to improve the flow of finance into the blue natural capital asset base is well illustrated by a case study from the Pacific region by Walsh (2018)²⁶. As Walsh points out the single largest source of national government budgets for ocean governance comes from fishing license fees, which in her sample of Pacific Governments have increased from US \$100 million to US \$430 million over the past five years, with projections of an additional US \$345 million per year by 2040²⁷. In some countries, fishing license revenues contribute more than half of the total country GDP; yet underfunding of ocean governance remains pervasive. This clearly shows how rents from ecosystem services

24 <https://www.cbd.int/financial/privatesector/g-private-wwf.pdf>

25 <https://www.iucn.org/news/secretariat/201609/new-coalition-launches-scale-private-conservation-investment-iucn-world-conservation-congress>

26 Walsh, M. 2018. Finance for Pacific Ocean Governance. Part 1: Background. Published by the Pacific Ocean Finance Program, Office of the Pacific Ocean Commissioner and Pacific Islands Forum Fisheries Agency. www.pacificoceanfinance.org

27 UNDP. 2017. Financing the SDGs in the Pacific islands: Opportunities, Challenges and Ways Forward. http://www.pg.undp.org/content/dam/papua_new_guinea/img/img/Publications/

in the form of fishing licenses are being extracted but investment in the governance and management of the asset which provides the rent is often inadequate for the resource to be sustainably managed.

3.5 Post-Paris Agreement and Natural Systems

The successful implementation of the UNFCCC's Paris Agreement requires swift action of all Parties, including a willingness to address mitigation and adaptation opportunities across all sectors – including through appropriate management of natural systems. In the preamble to the Paris Agreement, the Parties note the “importance of ensuring the integrity of all ecosystems, including oceans, and the protection of biodiversity”, and a full article is reserved for the Parties’ commitment to “conserve and enhance, as appropriate, sinks and reservoirs of greenhouse gases”, with a specific reference to Article 4.1 (d) UNFCCC, which lists “biomass, forests and oceans as well as other terrestrial, coastal and marine ecosystems”. Many Parties to the Paris Agreement have stated their intention to protect the natural capital, especially their coastal ecosystems (mangroves and other coastal wetlands), and to account for these efforts in the context of their Nationally Determined Contributions. Coastal and marine ecosystems, and their services, which provide a dual role in terms of climate adaptation and mitigation, are set to become key components of national and international climate change strategies²⁸. Article 6 of the Paris Agreement describes the need for private investment and calls for new approaches to allow this to happen.

The Paris Agreement also pledges to have net zero emissions by 2050, which requires investments in both RE and in the protection and expansion of natural carbon sinks. The Climate Vulnerable Forum, a group of countries most vulnerable to climate change, brought forward pledges from 47+ countries to have 100% renewable economies by 2050 as a driver for coastal RE investments. New investment products are now needed that offer both RE and ecosystem service conservation/restoration.

28 Blue future. (2016). *Nature* 529: 255–256.



4. Global Impact Investment Principles

The BNC+ framework document builds on and refers to applicable best practice, guidelines and standards developed in other sectors of the responsible investing domain. This section highlights the most pertinent of these for the investment community to consider when designing their own investing framework documents that are suited specific objectives.

In addition to the finance principles set out below, one objective of this section is to highlight the need for integrated planning when investors specify project requirements and when project developers design projects. Along one dimension is the need to integrate environmental and social considerations from the outset and not consider these separately and later attempt to integrate them, and along another dimension is the concept of intersectionality i.e. how related factors that determine access to power impact those who are most marginalised in society. Looking through the lens of intersectionality is essential for understanding the complexity and particularity of gender and other social dimensions in the marine and coastal zone. It helps to get a thorough picture of the social, political, economic and legal context. It also helps to design, implement and evaluate socio-environmental programs and projects in a more just, inclusive and effective way.

4.1 Sustainable Blue Economy Finance Principles

The '**Sustainable Blue Economy Finance Principles**', developed by the EU, WWF, ISU and EIB since 2015 and officially adopted in March 2017, provide the platform on which criteria for the selection of BNC projects areas (see section 5) has been based. The 14 principles define a sustainable Blue Economy as one that²⁹:

Provides social and economic benefits for current and future generations by contributing to food security, poverty eradication, livelihoods, income, employment, health, safety, equity, and political stability;

Restores, protects and maintains the diversity, productivity, resilience, core functions, and intrinsic value of marine ecosystems – the natural capital upon which its prosperity depends; and

Is based on clean technologies, RE, and circular material flows to secure economic and social stability over time, while keeping within the limits of one planet.

While each screening process and funding/finance effort needs to set its own requirements, as a pre-requisite, all BNC projects should meet the principles of responsible investing as set out by UNPRI in their **Blue Print for Responsible**

29 <http://wwf.panda.org/?247477/Principles-for-a-Sustainable-Blue-Economy>

Investment (which addresses investors)³⁰, as well as reflecting the **UN Global Compact Principles** (which address all corporations not only investors)³¹.

Other principles relevant to BNC projects address the overall philosophy of equitable, sustainable development and conservation, which are:

Human rights, as expressed in IUCN Resolution on Conservation and Human Rights for Sustainable Development (WCC-2012-Res-099-EN) with regards to fairness, impartiality and respect for rights in the practice of conservation;

Gender equality and responsiveness, as contained in IUCN Resolution establishing gender equity as a mandate in the strategic activities and themes of IUCN (WCC-2004-Res 3.009) and its gender policy (WCC-2000-Res-28-EN);

Indigenous people and other vulnerable groups, as contained in IUCN recommendation (GA 1990 REC 016) recognizing the role of indigenous people;

Intergenerational equity, a concept first described in the 1987 Brundtland Report, also called 'Our Common Future';

Stakeholder engagement, as required within Performance Standards on Environmental and Social Sustainability;

Biodiversity conservation and the sustainable use of the components of biodiversity as required by the Convention on Biological Diversity;

Labour and working conditions according to International Finance Corporation (IFC) Performance Standard 2, which in turn is guided by a number of international conventions and instruments, including those of the International Labour Organization (ILO) and the United Nations (UN); and

Creation of knowledge networks, as described in the Principles for Responsible Investing (PRI).

4.2 Green Bond Principles

Green Bonds are also considered to be a mechanism for accessing finance for impact investments, requiring their own specific process to develop. Several categories of bond have been defined by the International Capital Markets Authority (ICMA): Green Bonds are used to fund investments with an environmental purpose, including climate change mitigation and adaptation purposes; Social Bonds are used to fund social investments; and Sustainability Bonds

30 <https://www.unpri.org/download?ac=1916>

31 <https://www.unglobalcompact.org/what-is-gc/mission/principles>

provide finance for a combination of both green and social activities. ICMA provide the following definitions³²:

- ✓ Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance projects with clear environmental benefits and which are aligned with the four core components of the GBP. Eligible green projects include renewable energy, energy efficiency, pollution prevention and control, eco-efficient and/or circular economy adapted products, production technologies and processes, green buildings, terrestrial and aquatic biodiversity conservation, clean transportation, etc.
- ✓ Social Bonds finance projects that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes, especially but not exclusively for a target population(s). For the avoidance of doubt, it is acknowledged that the definition of target population can vary depending on local contexts and that, in some cases, such target population(s) may also be served by addressing the general public. Social Project categories include providing and/or promoting: affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security, or socioeconomic advancement and empowerment.
- ✓ Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance a combination of green and social projects and which are aligned with the four core components of the Green Bond Principles and/or Social Bond Principles.

Blue bonds³³ are still a very novel concept, but generally refer to bonds whose proceeds are used to finance sustainable activities of the Blue Economy. To date there are two example of a blue bond. The Seychelles Blue Bond was launched in October 2018 by the Republic of Seychelles for US\$15 million over 10 years at a rate of 6.5%, although a guarantee from the World Bank and a grant from GEF has effectively lowered the rate to 2.8%. In January 2019, the Nordic Investment Bank (NIB), issued a SEK 2 billion (US\$ 200 million) blue bond to protect and rehabilitate the Baltic Sea. Through this bond the NIB will support lending to waste water treatment and water pollution prevention projects, storm water systems and flood protection (e.g. for Stockholm water locks), protection of water resources, protection and restoration of water and marine ecosystems and related biodiversity (wetlands, rivers, lakes, coastal areas and open sea zones). The bond has a maturity of five years and a coupon of 0,375% and was twice oversubscribed.³⁴

Climate bonds are a sub-set of green bonds that focus specifically on climate mitigation and/or adaptation investments. No separate climate bond principles exist; however, the Climate Bonds Initiative has developed standards for climate bonds, against which bonds can be certified and labeled. The Climate Bonds Initiative has released Criteria for Marine Renewable Energy bonds, while criteria for fisheries bonds are under development; both are relevant to BNC projects.

32 Taken from ICMA (2018). Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals retrieved Jan 2019 from <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

33 For more information, see a working paper by IUCN et al. (2018) Development of an Action Plan for Blue Bonds: Financing Resilience and Sustainable Growth in Coastal Ecosystems (forthcoming).

34 <https://www.stockholmsustainablefinance.com/blue-bond-for-protection-of-baltic-sea/>

When preparing BNC projects for the green (and blue) bond market, they should follow the International Capital Markets Association (ICMA) Green Bond Principles³⁵, Social Bond Principles and Guidelines for Sustainable Bonds.

The High Level Working Group on sustainable finance, advising the EU Commission on the EU Green Bond Standard, defines an EU Green Bond as any type of listed bond instrument meeting the following requirements:

1. The proceeds will be exclusively used to finance or refinance, in part or in full, new and/or existing eligible green projects, in line with the future EU Sustainability Taxonomy; and
2. The issuance documentation of the bond shall confirm the intended alignment of the EU Green Bond with the EU Green Bond Standard; and,
3. The alignment of the bond with the EU Green Bond Standard has been verified by an independent and accredited external reviewer.

An issuer may only use the term 'EU Green Bond' if the above criteria are met.

It is recommended that any BNC Project that wants to access bond financing includes these requirements in its design phase.

Some market players already go further, for example, the Luxembourg Green Exchange, which requires impact reporting for the green bonds listed on the exchange and large institutional green bond investors, making ex-ante potential for positive impact a criterion in selecting green bonds (e.g. Zurich Insurance). Exchanges are in favour of green bond issuers listing Key Performance Indicators (KPIs).

There is currently inconsistency around the reporting of impacts for green bonds, and harmonization is required and is underway, albeit slowly. A first step in this direction is the effort led by a large group of multilateral development banks (MDBs) and international development financing institutions, who are working towards a **Green Bonds Harmonized Framework for Impact Reporting**³⁶. Harmonized KPIs are so far only available for RE and EE projects. BNC projects in the RE and EE sectors included in a green bond finance structure are recommended to use these harmonized indicators.

4.3 Multilateral Development Banks

MDBs and IFIs are also moving strongly in the direction of allocating funding guided by expected and realized positive impacts (beyond their risk screening procedures – see Section 6). This can be especially observed in the area of climate change. On climate change mitigation, an overarching framework has already been agreed by IFIs for harmonized greenhouse gas (GHG) accounting.³⁷

35 The four components of the Green Bond Standard are: (1) Use of proceeds; (2) Process for project evaluation and selection; (3) Management of proceeds; and (4) Reporting.

36 http://treasury.worldbank.org/cmd/pdf/InformationonImpactReporting_V1.pdf

37 International Financial Institutions Framework for a harmonized approach to GHG accounting, November 2015).

On climate change adaptation, a harmonized approach is still under development but progressing quickly, with first results on key metrics expected in early 2019. Relevant work on this subject is led by the European Financing Institutions Working Group on Adaptation to Climate Change. The results of this work will be included into the BNC+ framework document to ensure it adapts over time.

An important trend is underway to align the impact measurement frameworks of institutional impact investors and development finance institutions as part of a determined effort to blend public and private finance to de-risk investments, and so to achieve the SDGs and Paris Agreement goals.



5. BNC Positive Impact Areas

5.1 Tracking Positive Impact

A key objective of this document is to establish a robust framework for measuring and independently reporting outcomes and impacts for BNC projects. Where indicators have been developed, these have been identified and can be found in the BNC Positive Impact Management System. However, it is possible that for some projects or activities the indicators given in the BNC Positive Impacts Management System may not be appropriate or do not adequately capture the possible outcome or impact that the project seeks to attain, in which case appropriate indicators will need to be devised to the satisfaction of the investor.

The below section provides a brief introduction to impact reporting practices.

5.2 Measuring Impacts

Impact investors commonly use standards related to impact measurement such as Impact Reporting and Investment Standards (IRIS), developed by the Global Impact Investing Network (GIIN), as well as the Investment Leaders Group (ILG) impact framework. IRIS is a catalogue of generally accepted performance metrics that leading impact investors use to measure social, environmental, and financial success, to evaluate deals and to grow the sector's credibility.

Where possible, BNC projects are recommended to use IRIS as their main framework for measuring the performance of projects they facilitate. If indicators are not available within the IRIS framework, existing alternatives need to be proposed, and if these are not applicable then positive outputs and outcomes should be measured using metrics to be developed.

To measure and track BNC projects' positive impacts on climate change, ecosystems, and sustainable livelihoods, accepted impact metrics are to be used following best practice as customary in the sustainable finance sector. In the sectors below, these are described in general terms, while the BNC Positive Impact Management System document provides a worked example of how this generic framework can be applied more specifically.

Table 3: How BNC Positive Impact Areas support activities in the Blue Economy

Blue Economy Activity	Harvesting and Trade of Marine Living Resources	Use of Non-Renewable Resources	Development of Renewable Energy	Commerce and Trade in Coastal Zones and Oceans	Indirect Contribution to Economic Activities
Conservation and Sustainable Use of Coastal and Marine Ecosystems	✓	Potentially	✓	✓	✓
Climate Mitigation and Adaptation	Potentially		✓	Potentially	✓
Enhancement of Wellbeing and Socio-ecological Resilience	✓		✓	✓	✓
Gender Equality and Women Empowerment	✓		✓	✓	✓
Indigenous Peoples	✓		✓	✓	✓

5.3 Conservation and Sustainable Use of Coastal and Marine Ecosystems

This BNC priority impact area of conservation, including sustainable use of coastal and marine ecosystems covers a wide range of nature-based activities³⁸, including restoration of ecosystems, sustainable fisheries (in both capture and post-harvest) and aquaculture, equitable bioprospecting and ecosystem-based tourism. For clarity, conservation is defined here as being:

“The management of human use of the biosphere so it may yield the greatest sustainable benefit to the present generation while maintaining its potential to meet the needs and aspirations of future generations. Thus conservation is positive, embracing preservation, maintenance, sustainable utilization, restoration, and enhancement of the natural environment.

IUCN World Conservation Strategy 1980

The BNC Positive Impact Management System³⁹ includes Key Performance Indicators (KPIs) relating to the positive impacts on ecosystems and species directly, whilst Impact Category - Enhancement of Wellbeing and Socio-ecological Resilience - covers

38 Nature-based Solutions are defined by IUCN as “actions to protect, sustainably manage, and restore natural or modified ecosystems which address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits”. (see <https://www.iucn.org/commissions/commission-ecosystem-management/our-work/nature-based-solutions>)

39 See www.bluenaturalcapital.org

the economic aspects of BNC projects across various activities, including conservation activities and sustainable use of coastal and marine resources.

5.4 Climate Change Mitigation and Adaptation

The criteria adopted by the BNC+ framework document for defining eligible climate change mitigation and adaptation activity are those used by OECD to track finance targeting these objectives, as given in Table 4 below.

Table 4: Climate Change definitions and suitable activities contributing to climate change mitigation and adaptation, as part of BNC projects

Climate Change Mitigation	
Definition	An activity that contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.
Suitable activities	<ul style="list-style-type: none"> mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol; or protection and/or enhancement of GHG sinks and reservoirs; or integration of climate change concerns with the recipient countries' development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; or developing countries' efforts to meet their obligations under the UNFCCC Convention.
Climate Change Adaptation	
Definition of an activity	An activity that intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them. This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions
Suitable activities	<ul style="list-style-type: none"> climate change adaptation objectives are explicitly indicated in the activity documentation; and the activity contains specific measures targeting the definition above.

BNC activities can have measurable impacts on climate mitigation and/or climate adaptation. BNC has significant potential in mitigating climate change because of the very high carbon density of coastal habitats (which means that destruction and degradation of these habitats is leading to exceptionally severe losses of stored carbon) as well as the ability of healthy blue carbon habitats to continue sequestering carbon in perpetuity. Degradation of mangroves, tidal marshes and seagrasses therefore: i) reduces this sequestration potential significantly; and ii) exposes already sequestered carbon to the risk of being released back into the atmosphere.

Adaptation measures relating to coastal areas are necessary to respond to the increased risk of disruption to the environment, society and the economy arising from climate change. Such risks will arise from changes in the frequency and intensity of storms, changes in patterns of rainfall and its distribution leading to flooding and droughts, increased variance in air and seawater temperatures and increasing oceanic acidification. Such primary changes will drive changes in the system that may increase food insecurity, increase the impact of natural disasters and disrupt trade and industry. Ecosystem based adaptation (EbA) measures to reduce the impact of climate change in a gender responsible manner⁴⁰ are a key characteristic of BNC projects.

5.5 Enhancement of Well-being and Socio-Ecological Resilience

The underlying premise of this BNC+ framework document is that activities that restore, improve or otherwise enhance the coastal and marine natural capital asset base, will enhance wellbeing through increased income and improve socio-ecological resilience of coastal communities. The objective of BNC projects, therefore, is to sustainably use ecosystem services to enhance livelihoods in a way that benefits local communities whilst reducing pressure on natural resources. The goal is to **improve economic resilience** in coastal communities and **improve the potential for the coastal and marine environments to resist shocks** which are expected in the future because of climate change and other pressures. Appropriate employment (remunerated with wages paid by an employer) and revenue from appropriate small enterprises (i.e. income in exchange for products or services) both have the same outcome, i.e. improvement in wellbeing and injection of money into the local economy, reduction of risk and better access to markets which drives more sustainable economic growth.

The BNC+ framework requires careful consideration of gender issues in actions relating to enhancement of wellbeing, according to SDG 5 target 5.A: “Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.” Often, women’s economic participation alone is not sufficient to guarantee their empowerment. Their economic empowerment demands an integrated approach to eliminate structural and cultural barriers, which prevent them from achieving all dimensions of empowerment (economic, social, political and personal)⁴¹.

5.6 Gender Equality and Women’s Empowerment

Gender is a major cross cutting theme for BNC projects, forming part of an intersectionality principle to ensure projects are fair across not just gender, but age and ethnicity lines as well. Gender refers to the varying socially-constructed attributes and opportunities associated with

40 See the Adaptation Fund Gender Policy for guidance at <https://www.adaptation-fund.org/document/guidance-document-implementing-entities-compliance-adaptation-fund-gender-policy-2/>

41 <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/620269/gt-framework-womens-economic-empowerment-180118-en.pdf?sequence=7>

being male and female and directly relates to one's power and control in any society or culture. Gender equity has become increasingly important and of interest to those working in coastal development, instigated by a growing awareness of women's considerable but under-recognized contributions, as well as national and international visions for equality.

IUCN defines a gender-responsive approach as "a proactive identification of gender gaps, discriminations and biases" so BNC project developers are expected to develop a coordinated plan to implement in the planning and execution state to overcome them. This approach is to ensure all IUCN programming does not exacerbate or reinforce inequalities and instead "takes meaningful steps to reduce disparities and to empower women, girls and members of traditionally disadvantaged groups." FAO has developed relevant gender policies⁴² and a handbook⁴³ towards achieving gender equality in small scale fisheries that are applicable to BNC projects.

For more information, please visit see IUCN's Gender Equality and Women's Empowerment Policy⁴⁴, the Canadian Government policy on gender issues in international development⁴⁵, and for a project example of gender equality please see the gender theme of Community and Biodiversity (COBI⁴⁶) in Mexico. Useful references are also provided in USAID's training handbook on gender research in fisheries and aquaculture⁴⁷.

5.7 Marginalised Groups

Following the principles of equity, fairness and inclusion the role of marginalised groups, including indigenous peoples, is respected and celebrated in BNC projects. Marginalised groups are vulnerable because they have limited access to equal opportunities or even basic government services, and can be stigmatised by society. Yet many indigenous and traditional peoples manage and live in some of the Earth's most biodiverse regions, including the coastal zone and, in some cases, open water. They tend to cultivate strong economic, cultural and spiritual relations with their natural environment on which their livelihood systems depend, and have developed, and in many areas have maintained, traditional ecosystem management practices that contribute to biodiversity conservation. They are holders of unique and traditional knowledge that holds value for biodiversity conservation. Benefits of an approach focused on the inclusion of diverse ethnic groups include increased long-term social stability, leveraging traditional knowledge of ecosystem services, such as harvesting and culturing, and enriching visitor experience for eco-tourists.

42 FAO. 2007. Gender policies for responsible fisheries – Policies to support gender equity and livelihoods in small-scale fisheries. New Directions in Fisheries – A Series of Policy Briefs on Development Issues, No. 06. Rome. 8 pp.

43 FAO. 2017. Towards gender-equitable small-scale fisheries governance and development – A handbook. In support of the implementation of the Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication, by Nilanjana Biswas. Rome, Italy.

44 https://www.iucn.org/sites/dev/files/annex_9_to_c_95_8_iucn_gender_equality_and_womens_empowerment_policy.pdf

45 https://international.gc.ca/world-monde/issues_development-enjeux_developpement/priorities-priorites/policy-politique.aspx?lang=eng#5.4

46 <https://cobi.org.mx/en/project/gender-equality-at-sea/>

47 USAID et al. 2018. Gender Research in Fisheries and Aquaculture: A Training Handbook. Available from https://www.seafdec-oceanspartnership.org/wp-content/uploads/USAID-Oceans_Gender-In-Fisheries_Training-Guide_October-18.pdf



6. Good Practice in Risk Management

As discussed in Section 1, the goal of this BNC+ framework document is to guide efforts towards more robust measuring and monitoring of positive impacts. Yet it remains crucial that BNC projects, beyond the application of positive impact indicators, must be subject to a broader approach for impact investing to screen for potential negative impacts and risks based on applicable standards and principles, such as those indicated in Table 2 above. An impacting investing framework should incorporate a series of simple and pragmatic procedures to minimize environmental and social (E&S) risks including:

- ✓ Screening, for the exclusion of harmful activities and sectors;
- ✓ Evaluation, to enable in-depth analysis of key E&S issues;
- ✓ Development of E&S action plan if E&S issues are significant; and
- ✓ Monitoring of the E&S performance over the course of the project or activity.

Integration of environmental, social and governance (ESG) management measures is the primary approach used to manage the economic risk and opportunities associated with ESG factors, protecting the value of BNC projects by enhancing long-term risk-adjusted returns. BNC projects should be screened for relevant risks, as well as adhere to broadly accepted sustainable investment principles (see Section 4 and Table 2 above).

6.1 Environmental and Social Safeguards

Even the most positively oriented BNC projects may have some negative environmental and/or social impacts. Environmental and Social (E&S) safeguards provide a system for managing and mitigating negative, and enhancing positive, environmental and social risks and impacts. Tools include community engagement to achieve free and prior informed consent from affected communities, grievance mechanisms, strategic environmental assessments (SEA), and environmental and social impact assessments (ESIA).

Environmental and social safeguards are particularly important for large-scale infrastructure projects where negative impacts and risks are potentially significant. Consequently, development banks that routinely finance such projects have well developed E&S Safeguards and, of these, the World Bank, IFC and European Investment Bank (EIB) have well-developed systems, which are used by many international financial institutions (IFIs) to control environmental and social risks arising from their investments.

Depending on the scale and investments, the IFC safeguards are recommended to be applied as part of a mandatory E&S risk screening of BNC projects. Other safeguards that might be relevant to BNC projects are:

- ✓ Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (FAO 1995);
- ✓ UN Guiding Principles on Business and Human Rights;
- ✓ ILO Core Labour Standards (which are factored into IFC Performance Standard 2);
- ✓ CBD Voluntary Guidelines on Safeguards in Biodiversity Financing Mechanisms (adopted 2014);
- ✓ Code of Conduct for Responsible Fisheries (FAO 2015);
- ✓ Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries (FAO 2015); and
- ✓ Natural Capital Protocol⁴⁸ (NCC 2016).
- ✓ IUCN Gender Equality Seal

In addition to screening BNC projects and investments to ensure that E&S risks are minimized, it is recommended that entities engaging in BNC projects have, or commit to establish, good corporate governance. This will ensure that the UNPRI principles are put into practice. Key governance and business integrity topics include, for example, anti-money laundering, anti-corruption, whistleblowing, etc.

Robust BNC E&S safeguards and related E&S management systems, together with strong corporate governance and business integrity practices, result in a strong ESG profile. Such a strong ESG profile of companies operating in the Blue Economy helps to mitigate compliance, reputational and operational risks, and to protect companies from potential costs.

Box 2: Can the BNC+ framework be applied to activities proposed by companies with “not-so-good” environmental and social impacts?

The BNC+ framework document could be applied in this scenario so long as the activities of the project can be ring-fenced from the core business activities of such a company and so long as the entity’s corporate sustainability strategy is ambitious and the trajectory of its actions is promising. This would potentially contribute to the transition to a more sustainable Blue Economy while limiting the potential for greenwashing. However, any entity managing a BNC fund or finance facility must make such decisions relating to such collaboration based on their own principles.

6.2 Multilateral Development Banks

Multilateral Development Banks and IFIs for Development focus their screening and monitoring procedures on risk mitigation and negative impacts, and tend to be applicable (and implementable) primarily for large investment projects (see Table 5).

48 https://naturalcapitalcoalition.org/wp-content/uploads/2016/07/NCC_Primer_WEB_2016-07-08.pdf

Table 5. IFC and World Bank standards

IFC Performance Standards on Environmental and Social Sustainability¹	World Bank Environmental and Social Framework (ESF)²
Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts	ESS1: Assessment and Management of Environmental and Social Risks and Impacts
Performance Standard 2: Labor and Working Conditions	ESS2: Labour and Working Conditions
Performance Standard 3: Resource Efficiency and Pollution Prevention	ESS3: Resource Efficiency and Pollution Prevention and Management
Performance Standard 4: Community Health, Safety, and Security	ESS4: Community Health and Safety
Performance Standard 5: Land Acquisition and Involuntary Resettlement	ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
Performance Standard 7: Indigenous Peoples	ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
Performance Standard 8: Cultural Heritage	ESS8: Cultural Heritage
	ESS9: Financial Intermediaries
	ESS10: Stakeholder Engagement and Information Disclosure

Annex A: BNC Projects in the Context of International Commitments



A1 Contribution to the Sustainable Development Goals

The focus of the BNCFF is to accelerate investment into projects with positive social and environmental impacts that contribute to achieving the Sustainable Development Goals (SDGs), with particular emphasis on “Goal 13: Take urgent action to combat climate change and its impacts” and “Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development”, but also potentially contributing to a wide range of other SDGs. A complete list of relevant SDGs, and their associated detail, is provided below:

Goal 1: End poverty in all its forms everywhere, particularly:

- ✓ Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance; and
- ✓ Target 1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.

Goal 5: Achieve gender equality and empower all women and girls

- ✓ Target 5.4: Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.
- ✓ Target 5.5: Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.
- ✓ Target 5.A: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.
- ✓ Target 5.B: Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.

Goal 6: Ensure availability and sustainable management of water and sanitation for all, particularly:

- ✓ Target 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all; and
- ✓ Target 6a: By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programs, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies.

Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all, in particular:

- ✓ Target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services; and
- ✓ Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, in particular:

By 2030, devise and implement policies to promote sustainable tourism that create jobs and promote local culture and products.

- ✔ Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Goal 12: Ensure sustainable consumption and production patterns, in particular:

- ✔ Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources; and
- ✔ Target 12.b: Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products.

Goal 13: Take urgent action to combat climate change and its impacts:

- ✔ Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries;
- ✔ Target 13.2: Integrate climate change measures into national policies, strategies and planning;
- ✔ Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning;
- ✔ Target 13.A: Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly \$100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation, and fully operationalize the Green Climate Fund through its capitalization as soon as possible; and
- ✔ Target 13.B: Promote mechanisms for raising capacity for effective climate change-related planning and management in least-developed countries and small-island developing States, including focusing on women, youth and local and marginalized communities.

Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development:

- ✔ Target 14.1: By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution;
- ✔ Target 14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans;
- ✔ Target 14.3: Minimize and address the impacts of ocean acidification, including through enhanced scientific cooperation at all levels;
- ✔ Target 14.4: By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices, and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristic;

- ✓ Target 14.5: By 2020, conserve at least 10 per cent of coastal and marine areas, consistent with national and international law and based on the best available scientific information;
- ✓ Target 14.6: By 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing, and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the World Trade Organization fisheries subsidies negotiation;
- ✓ Target 14.7: By 2030, increase the economic benefits to Small Island developing States and least developed countries from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism;
- ✓ Target 14.A: Increase scientific knowledge, develop research capacity and transfer marine technology, taking into account the Intergovernmental Oceanographic Commission Criteria and Guidelines on the Transfer of Marine Technology, in order to improve ocean health and to enhance the contribution of marine biodiversity to the development of developing countries, in particular small island developing States and least developed countries;
- ✓ Target 14.B: Provide access for small-scale artisanal fishers to marine resources and markets; and
- ✓ Target 14.C: Enhance the conservation and sustainable use of oceans and their resources by implementing international law as reflected in UNCLOS, which provides the legal framework for the conservation and sustainable use of oceans and their resources, as recalled in paragraph 158 of The Future We Want.

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems [in so far as they relate to blue natural capital], sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss, particularly:

- ✓ Target 15.9: By 2020, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts.

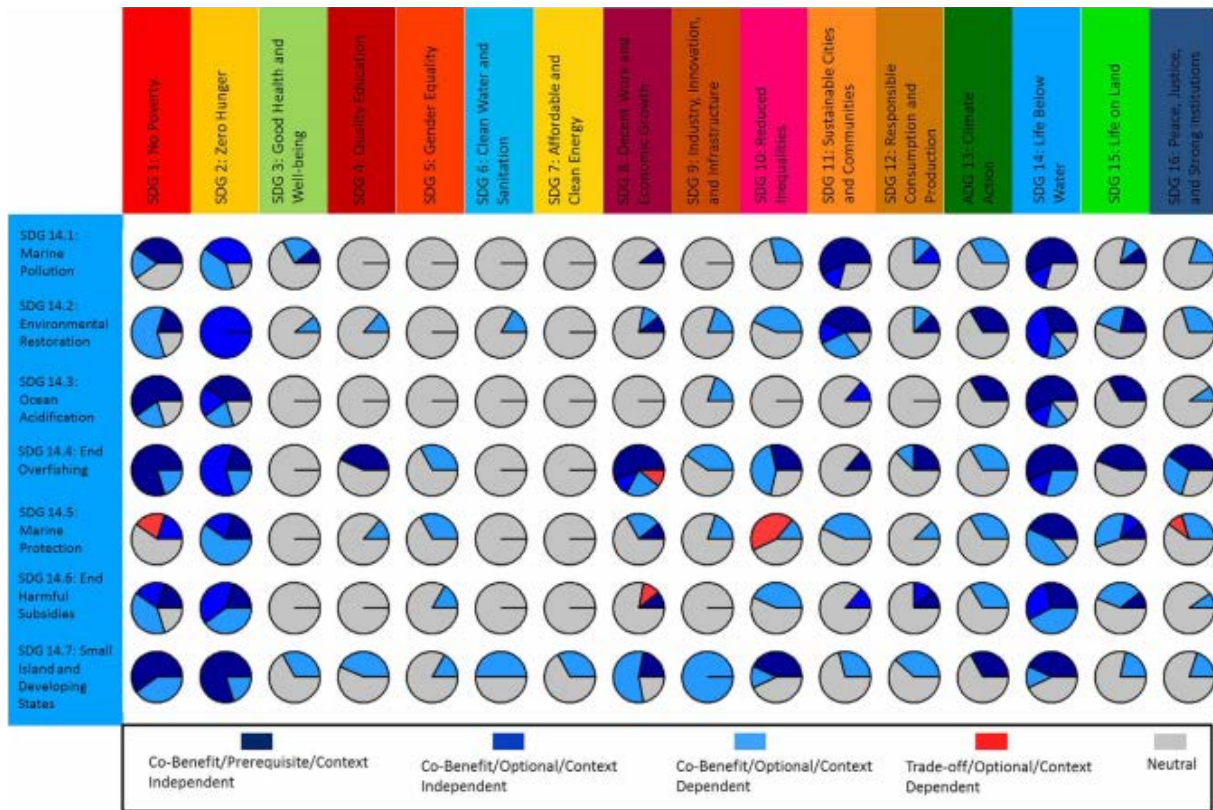
Other SDG Targets of relevance to the BNC projects:

- ✓ Target 2.3: By 2030, double the agricultural [and for BNC projects also aquacultural] productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment;
- ✓ Target 9c: Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020;
- ✓ Target 10b: Encourage official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programs;

- ✓ Target 15.7: Take urgent action to end poaching and trafficking of protected species of flora and fauna, and address both demand and supply of illegal wildlife products;
- ✓ Target 15.a: Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems;
- ✓ Target 15.b: Mobilize significant resources from all sources and at all levels to finance sustainable forest management [including mangrove forests for BNC purposes] and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation;
- ✓ Target 15.c: Enhance global support for efforts to combat poaching and trafficking of protected species, including by increasing the capacity of local communities to pursue sustainable livelihood opportunities; and
- ✓ Target 17: Mobilize additional financial resources for developing countries from multiple sources; Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms, including on concessional and preferential terms, as mutually agreed.

The relationships between SDG 14 and other SDGs are illustrated in Figure A1 below. Each pie chart represents the proportion of targets within SDGs to which a given ocean's target contributes, according to the framework presented in this study.

Figure A1: The Relationship between SGD 14 on Oceans targets and other SDGs1



A2 Achieving Climate Change Goals

The main aim of the Paris Agreement is to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty, including by:

- ✓ Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
- ✓ Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
- ✓ Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

A3 Achieving Biodiversity Goals

By adopting the SDGs as its guiding framework, BNC projects will also contribute to achieving the Aichi Targets of the Convention on Biological Diversity (CBD) including Strategic Goals A to E:

.Source: Singh, G.G et al. (2018): A rapid assessment of co-benefits and trade-offs among Sustainable Development Goals. *Marine Policy*, 93, 223–231

Strategic Goal A: Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society

- ✔ Target 1: By 2020, at the latest, people are aware of the values of biodiversity and the steps they can take to conserve and use it sustainably.
- ✔ Target 2: By 2020, at the latest, biodiversity values have been integrated into national and local development and poverty reduction strategies and planning processes and are being incorporated into national accounting, as appropriate, and reporting systems.
- ✔ Target 3: By 2020, at the latest, incentives, including subsidies, harmful to biodiversity are eliminated, phased out or reformed in order to minimize or avoid negative impacts, and positive incentives for the conservation and sustainable use of biodiversity are developed and applied, consistent and in harmony with the Convention and other relevant international obligations, taking into account national socio-economic conditions.
- ✔ Target 4: By 2020, at the latest, Governments, business and stakeholders at all levels have taken steps to achieve or have implemented plans for sustainable production and consumption and have kept the impacts of use of natural resources well within safe ecological limits.

Strategic Goal B: Reduce the direct pressures on biodiversity and promote sustainable use

- ✔ Target 5: By 2020, the rate of loss of all natural habitats, including forests, is at least halved and where feasible brought close to zero, and degradation and fragmentation is significantly reduced.
- ✔ Target 6: By 2020 all fish and invertebrate stocks and aquatic plants are managed and harvested sustainably, legally and applying ecosystem-based approaches, so that overfishing is avoided, recovery plans and measures are in place for all depleted species, fisheries have no significant adverse impacts on threatened species and vulnerable ecosystems and the impacts of fisheries on stocks, species and ecosystems are within safe ecological limits.
- ✔ Target 7: By 2020 areas under agriculture, aquaculture and forestry are managed sustainably, ensuring conservation of biodiversity.
- ✔ Target 8: By 2020, pollution, including from excess nutrients, has been brought to levels that are not detrimental to ecosystem function and biodiversity.
- ✔ Target 9: By 2020, invasive alien species and pathways are identified and prioritized, priority species are controlled or eradicated, and measures are in place to manage pathways to prevent their introduction and establishment.
- ✔ Target 10: By 2015, the multiple anthropogenic pressures on coral reefs, and other vulnerable ecosystems impacted by climate change or ocean acidification are minimized, so as to maintain their integrity and functioning.

Strategic Goal C: To improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity

- ✔ Target 11: By 2020, at least 17 per cent of terrestrial and inland water, and 10 per cent of coastal and marine areas, especially areas of particular importance for biodiversity and ecosystem services, are conserved through effectively and equitably managed, ecologically representative and well connected systems of protected areas and other effective area-based conservation measures, and integrated into the wider landscapes and seascapes.

- ✔ Target 12: By 2020 the extinction of known threatened species has been prevented and their conservation status, particularly of those most in decline, has been improved and sustained.
- ✔ Target 13: By 2020, the genetic diversity of cultivated plants and farmed and domesticated animals and of wild relatives, including other socio-economically as well as culturally valuable species, is maintained, and strategies have been developed and implemented for minimizing genetic erosion and safeguarding their genetic diversity.

Strategic Goal D: Enhance the benefits to all from biodiversity and ecosystem services

- ✔ Target 14: By 2020, ecosystems that provide essential services, including services related to water, and contribute to health, livelihoods and well-being, are restored and safeguarded, taking into account the needs of women, indigenous and local communities, and the poor and vulnerable.
- ✔ Target 15: By 2020, ecosystem resilience and the contribution of biodiversity to carbon stocks has been enhanced, through conservation and restoration, including restoration of at least 15 per cent of degraded ecosystems, thereby contributing to climate change mitigation and adaptation and to combating desertification.
- ✔ Target 16: By 2015, the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization is in force and operational, consistent with national legislation.

Strategic Goal E: Enhance implementation through participatory planning, knowledge management and capacity building

- ✔ Target 17: By 2015 each Party has developed, adopted as a policy instrument, and has commenced implementing an effective, participatory and updated national biodiversity strategy and action plan.
- ✔ Target 18: By 2020, the traditional knowledge, innovations and practices of indigenous and local communities relevant for the conservation and sustainable use of biodiversity, and their customary use of biological resources, are respected, subject to national legislation and relevant international obligations, and fully integrated and reflected in the implementation of the Convention with the full and effective participation of indigenous and local communities, at all relevant levels.
- ✔ Target 19: By 2020, knowledge, the science base and technologies relating to biodiversity, its values, functioning, status and trends, and the consequences of its loss, are improved, widely shared and transferred, and applied.
- ✔ Target 20: By 2020, at the latest, the mobilization of financial resources for effectively implementing the Strategic Plan for Biodiversity 2011-2020 from all sources, and in accordance with the consolidated and agreed process in the Strategy for Resource Mobilization, should increase substantially from the current levels. This target will be subject to changes contingent to resource needs assessments to be developed and reported by Parties.

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