Session 10:
Sustainable Financing Plan for the Coordination Mechanism and Regional Governance Framework

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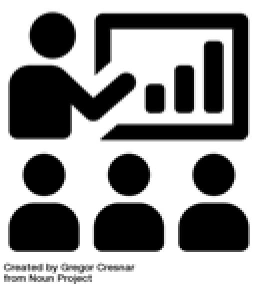
SESSION 10



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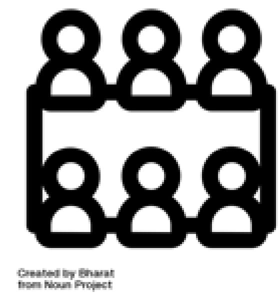

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Expected results:

Discuss and select the preferred financing options for the Coordination Mechanism and recommend the way forward (short term and long term).

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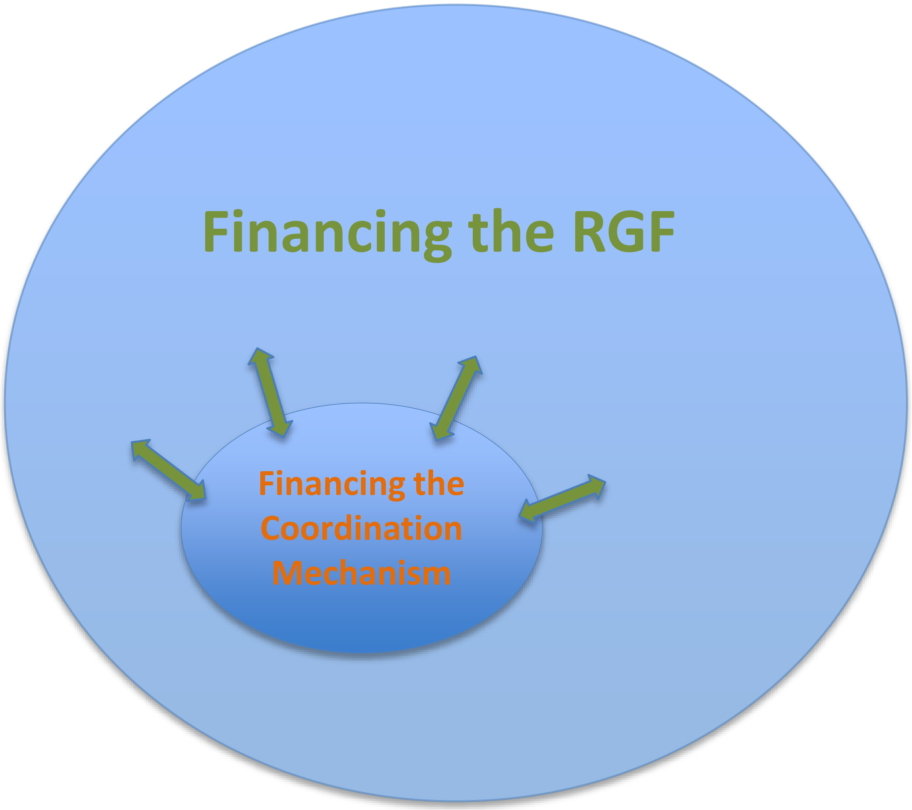
SUSTAINABLE FINANCING PLAN

- Financing of the Coordination Mechanism needs to be embedded in a financially sustainable regional ocean governance framework (RGF) in order to be viable and sustainable in the long term.
- The Coordination Mechanism plays a critical role to enhance financing of the RGF.



0. General Approach & Guiding Considerations

1. Financing the Coordination Mechanism

2. Sustainable Financing of the RGF

Approach

The sustainable financing plan combines a strategic approach to donor grant coordination and acquisition ("***donor centred approach***") and the "***beneficiary centred approach***" which aims to finance ocean governance to the largest extent possible by the beneficiaries of marine ecosystem services and/or ocean governance, both public and private.

Guiding Considerations

- at the very minimum core functions of the Coordination Mechanism implemented
- diverse combination of complementary sources of income necessary
- financing plan to accommodate evolving Coordination Mechanism & RGF

-> Emphasis and specific selection of financing sources depends on the choices of participating countries

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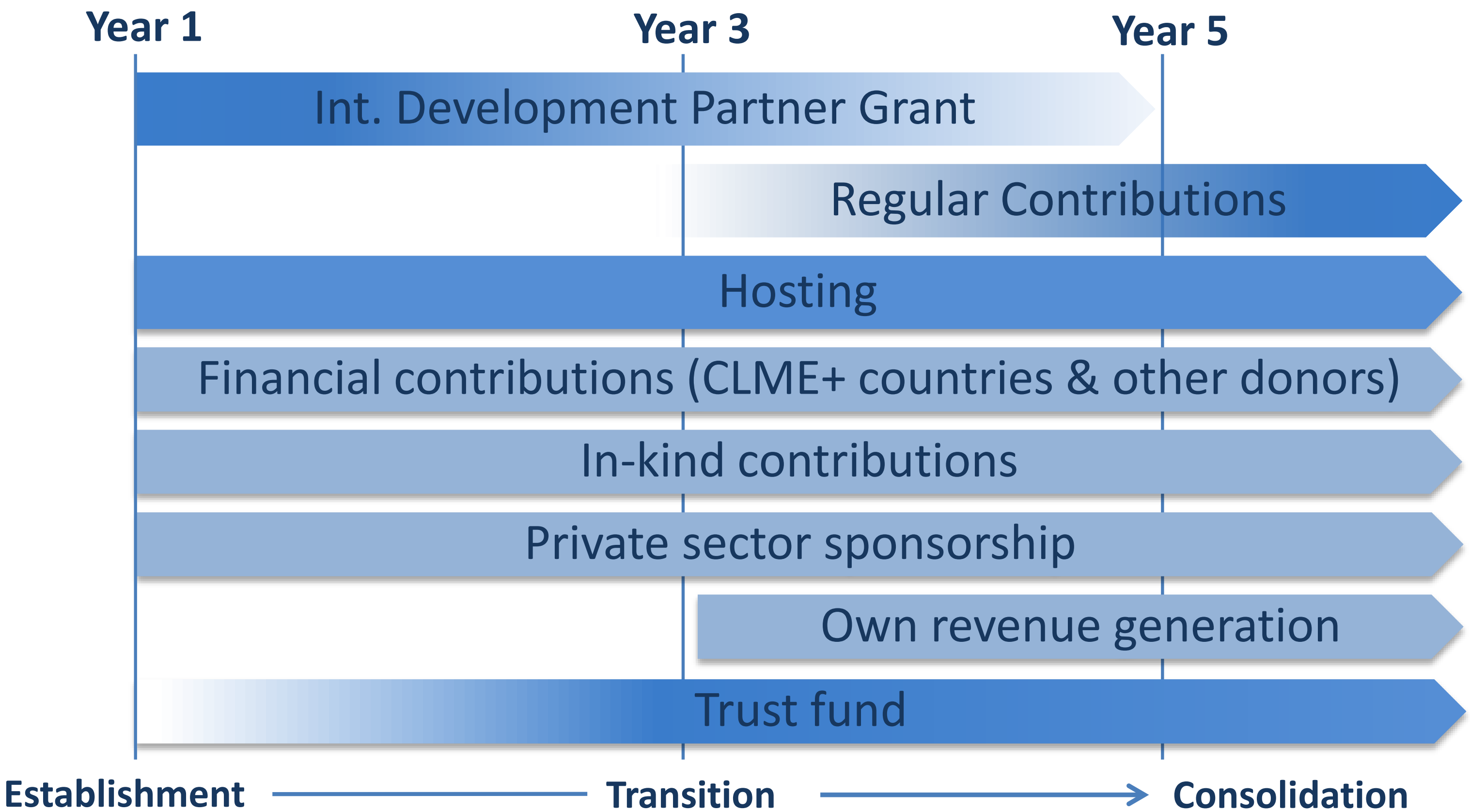
FINANCING THE COORDINATION MECHANISM



From Establishment to Transition

1-3 Years

-> Coalition of committed stakeholders to share effort & demonstrate ownership

-> Acquire in a shared effort a transitional project grant

-> Develop a balanced self-financing solution for after transition

From Establishment to Transition

1-3 Years

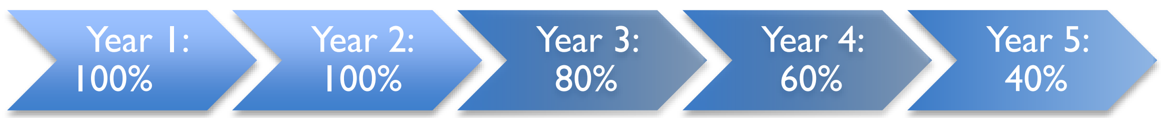
-> Sources of funding:

- International Development Partner (IDP) Grant
- Hosting agreement
- Complementary funding through:
  - in-kind contributions
  - support from capable CLME+ countries & additional donors
  - sponsorship

International Development Partner (IDP) Grant

Potential cost coverage:

- Current CLME+ Project grant value: USD 12,500,000 over 5 years
- Coordination Mechanism (3 core functions): approx. USD 600,000 to USD 1,400,000
- Share of grant financing decreases over 5 years
- share of the total grant value between 25% and 55%.



Preconditions:

- Agreement before end of current project period to gradually shift toward self-financing
- Cooperation on inter alia preparation of a PIF/project

To consider:

- ICM members work as a group, build joint donor relationships with & succeed on joint action will be an enabling condition for the whole process

Next steps: Agreement on procedure to prepare inter alia a PIF/project concept

Co-Financing through hosting of the Secretariat

Potential cost coverage:

- Depending on capacity: Can range from provision of office space & infrastructure (incl. basic services) to staff time
- Additional funding for remaining costs required

Preconditions: Hosting IGO or country needs to have the required resources

To consider:

- Supporting countries and IGOs could advance their international profile & realize synergies with existing ocean governance efforts & local economy benefits
- Question of location may further influence this decision
- physical set-up of the Secretariat could take place relatively fast
- host IGO's capacity determines capacity of the Secretariat (evolution of the Coordination Mechanism)
- Agreement by the IGOs member countries + agreement with respective host country required

Next steps:

- Identification of a host IGO or country
- Initiate decision-making process within hosting IGOs
- Initiate negotiation of a hosting agreement

Complementary Funding

In-kind contributions from countries and IGOs

Potential cost coverage:

- IGOs could decide to share certain tasks of the establishment and transition phase
- Countries could also second staff

Preconditions: respective capacity/available resources

To consider:

- Could reduce staff costs of the Coordination Mechanism
- A dedicated group of countries and IGOs demonstrates high ownership to donors
- Supporting countries and IGOs advance their international profile & realize synergies with existing ocean governance efforts

Next steps:

- Identify willingness & capacity of IGOs and countries to contribute
- specify type of support

Complementary Funding

Financial support CLME+ countries & additional donors

Potential cost coverage: meeting, translation, travel to operational and staff costs

Preconditions:

- Commitment of financially capable countries
- shared IGO effort to use existing bilateral donor relationships

To consider:

- Ensure reliable commitments for a defined period of time
- Early on, financial planning needs to take care of follow up financing
- Partners to be approached: Multi-lateral donors, philanthropic foundations, capable CLME+ participating countries, European Union (EU), Germany, Nordic countries, UK, Canada, Japan

Next steps:

- Identify "Contribution packages" and willingness of CLME+ & donor countries
- Approach donors in a coordinated effort, e.g. in the form of a donor round table

Complementary Funding

Private Sector Sponsorship

Potential cost coverage: meeting costs, travel, translation

Precondition:
- A coherent long-term strategy to engage the private sector needs to be developed FIRST
- Incentives to partner need to be identified and communicated in a coherent manner
- Demonstrated country ownership of the Coordination Mechanism

To consider:
- Feasibility of private sector sponsoring may be restricted by legal requirements of ICM members
- Different forms of commitment could be part of a future engagement strategy
- Need to determine acceptable degree of sponsorship to ensure independence

Next steps:
- Develop a shared idea of how to best engage the private sector institutionally and financially,
- Identify synergistic benefits, incentives and a communicative approach
- **Develop a long term commonly supported engagement strategy**

From Transition to Consolidation

3 to 5 years & beyond

-> introduce regular contributions to ensure stability of the Coordination Mechanism

-> succeed to shift from project grant financing to self-sufficiency

-> develop additional income streams through own revenue generation

From transition to consolidation

3 to 5 years & beyond

-> Sources of funding:

- International Development Partner (IDP) Grant gradually phases out
- Hosting agreement & Complementary funding continue as established
- **Country contributions phase in**
- **Own revenue generation (service provision) is introduced**

Regular direct Country Contributions

Potential cost coverage:

- Cover as a minimum recurring administrative and staff costs of the Coordination Mechanism
- Additional funding for certain functions and activities to complement this

Precondition: Agreement on a contributing formula

To consider:

- The formula could take into account:
    - GDP or GDP generated from (specified) ocean-based activity
    - Annual amount already being paid to the ICM members
    - Voluntary contributions or offsetting options (e.g. via in-kind contributions) for low income countries could be considered.
- Option to discount contributions against new taxes or payments for environmental services

- **Next steps:** Define criteria to establish the contribution formula

Alternative: Regular Contributions through IGOs

Potential cost coverage:

- Cover as a minimum recurring administrative and staff costs of the Coordination Mechanism
- Additional funding for certain functions and activities to complement this

Precondition: raise of pledged country contributions to the IGOs may be necessary

To consider:

- could be approved through the work plans of the respective ICM members/would forego negotiations among all participating countries.
- All members to the eight IGOs would have to agree to this in separate decision-making processes
- IGOs already face difficulties to negotiate needed raises of regular budgets.
- Inter-relation of this sourcing option with a possible IGO-hosting agreement
- Contributions of the IGOs could be equal or differentiated
- Additional members joining the Coordination Mechanism could pay an annual fee like all other IGOs

Next steps: Establish criteria for contributions formula

Own revenue generation

Potential cost coverage: Partially or fully cover staff costs enabling service

Precondition: Implement respective functions & provide staff capacity

To consider:
- Differentiate between services offered against fees & mandated functions
- Own revenue generation could cross-fund mandated functions
- Services and beneficiaries need to be defined
- Coordination must not be hindered by the payment of service fees
- own revenue generation may be restricted by the legal requirements of the current ICM members or a hosting IGO

Next steps:
- Decision on which role own revenue generation should play to finance the Coordination Mechanism
- Agreement on beneficiaries
- desired extent during transition and afterwards
- Evaluate demand for the mentioned services
- Develop operational criteria

Own revenue generation
Examples

- Technical assistance with proposal development could be offered as an optional service to IGOs (charge: percentage of the grant value)
- Co-develop regional proposal initiatives with ICM members (charge: percentage of the grant value)
- Other services realizing economies of scale to the benefit of ICM members' work could be identified
- Knowledge and advisory services could be offered to the private sector.
- At a later stage of the process, a standard certification scheme could be developed; the certification process could be conducted and charged for by the Coordination Mechanism

Trust Fund

Potential function:

- administer grants, donations and other contributions
- restricted to cater to the operational budget of the Coordination Mechanism and later be expanded if e.g. IGOs and participating countries decide to embark on joint programming

Precondition: A legal entity as trustee

To consider:

- could be a transparent measure to administer budget composed of multiple sources
- could enhance financial resilience
- could signal stability and commitment to donors
- If used to finance programmes or projects duplication with existing trust funds needs to be avoided
- Trust fund administration could be covered by the resource mobilization function of the Coordination Mechanism
- An existing organisation need not but could act as trustee

Next steps: Identify legal and procedural requirements.

Steps towards the Coordination Mechanism

- Development of a project concept/PIF (timely procedure)
- Define the choice of major and complementary funding sources for transition and post-transition to be further explored
- Discuss the set-up and possible legal entity of a trust fund to administer the resources of the Coordination Mechanism
- **Agreement by the CLME+ Project Steering Committee on the financing plan for the transition phase**

0. General Approach & Guiding Considerations

1. Financing the Coordination Mechanism

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Sustainable Financing of the RGF

Why?

The financing of the Coordination Mechanism needs to be embedded into a financially sustainable regional ocean governance framework (RGF) in order to be viable and sustainable in the long term.

How?

1) ***Recommended measures*** to strengthen the financial sustainability of the RGF:

- Coordinated grant leverage increases available resources
- Strategic regional approach to private sector partnership
- Catalysing investment for a thriving and sustainable ocean-based/blue economy
- Broadening countries' resource base for ocean governance

2) ***Specific opportunities for each IGO*** identified

Broaden Countries' Resource Base for Ocean Governance

- **removal of** harmful **subsidies** and the introduction of **earmarked taxes, user fees & permits** (beneficiary centred approach)
- **Contributions** to the Coordination Mechanism could be **discounted against commitment** to introduce such measures at country level
- Once introduced, a share of the new additional revenue stream can be used to consolidate reliable contributions to ocean gov. institutions
- Coordination Mechanism could build capacities to assist with introduction of these measures
- Coordination Mechanism provides opportunity to seek a regionally harmonized approach

Broaden Resource Base for Ocean Governance

Examples

- **Removal of fisheries subsidies** (until 2020, corresponds to target 6 of SDG 14)
- **Earmarked taxes**
  - *Tourism tax on the price of hotel rooms in Costa Rica*
  - *Tourism tax per arriving passenger in Belize*.
- **User fees or charges**
  - *entrance and recreation fees for diving in the Bonaire National Marine Park (BNMP)*
- **Permits**
  - *Marine Conservation Permits at the British Virgin Islands*

Regional Service Fee for Ocean Governance

The paramount importance of marine ecosystems to food security, livelihoods, disaster risk reduction & climate change mitigation and for the economies of the region calls for a courageous approach.

- All ocean based economic activity depends on effective ocean governance
- A regional service fee would reflect the effort
- A regionally harmonized approach would avoid unfair competition
- Fee per user could be extremely low and generate sizeable revenue stream
- Small share of revenue to enhance financing for ocean governance
- Some of the revenue could be allocated to ocean investment fund

Discussion questions

- Which selection of financing sources are preferred in short term (1-3)? (Grant financing (incl. GEF and others), Hosting, In-kind & Financial contributions by other donors & CLME+ countries, Private sector sponsorship)
- [After specification of mandate, functions, structure] Do you see a “coalition of committed stakeholders” for short term financing? Could only some member countries contribute financially at the beginning (alongside other partners)?

- Which of the sources of financing should be further explored for long-term financing of the PCM? (in addition to short term: own revenue generation, regular contributions) Could this as well be supported by a “coalition of committed stakeholders”?

- Your opinion regarding a trust fund establishment?

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