

GEF-8 WORLD BANK PCN STAGE/GEF DATA SHEET

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General Project Information

Project Title

Indonesia Coral Bond

Region

Indonesia

GEF Project ID

11323

Country(ies)

Indonesia

Type of Project

FSP

GEF Agency(ies):

World Bank

GEF Agency ID

P181486

Executing Partner

Ministry of Marine Affairs and Fisheries
Indonesian Environment Fund (IEF)

Executing Partner Type

Government
Government

GEF Focal Area (s)

Biodiversity

Submission Date

9/18/2023

Project Sector (CCM Only)

Taxonomy

Focal Areas, Biodiversity, Coastal and Marine Protected Areas, Protected Areas and Landscapes, Stakeholders, Local Communities, Gender Equality, Gender results areas, Capacity, Knowledge and Research, Capacity Development

Type of Trust Fund

GET

Project Duration (Months)

60

GEF Project Grant: (a)

0.00

GEF Project Non-Grant: (b)

13,761,468.00

Agency Fee(s) Grant: (c)

0.00

Agency Fee(s) Non-Grant (d)

1,238,532.00

Total GEF Financing: (a+b+c+d)

15,000,000.00

Total Co-financing

156,100,000.00

PPG Amount: (e)

0.00

PPG Agency Fee(s): (f)

0.00

PPG total amount: (e+f)

0.00

Total GEF Resources: (a+b+c+d+e+f)

15,000,000.00

Project Tags

CBIT: No NGI: Yes SGP: No Innovation: No

Project Summary

Provide a brief summary description of the project, including: (i) what is the problem and issues to be addressed? (ii) what are the project objectives, and if the project is intended to be transformative, how will this be achieved? (iii), how will this be achieved (approach to deliver on objectives), and (iv) what are the GEBs and/or adaptation benefits, and other key expected results. The purpose of the summary is to provide a short, coherent summary for readers. The explanation and justification of the project should be in section B “project description”. (max. 250 words, approximately 1/2 page)

The proposed Indonesia Coral Bond is the world’s first outcome-based financing instrument delivering independently verified global environmental benefits in 5.3 million hectares of some of the most biodiverse coral reefs and associated ecosystems on the planet. The proposed instrument will be issued by the World Bank in collaboration with the Global Environment Fund (GEF) and the Government of Indonesia. The project will be implemented by the Indonesia Environment Fund, in collaboration with the Ministry of National Development Planning and the Ministry for Marine Affairs and Fisheries.

Building on the World Bank’s experience with innovative financing instruments such as Rhino Wildlife Conservation Bond, this instrument will generate needed resources to improve the management and biodiversity outcomes in four priority Marine Protected Areas (MPAs) in Indonesia. The Coral Bond builds on extensive global investments in marine conservation, including an existing \$200 million World Bank operation with the Government of Indonesia (GoI) under the commitment made to the Kunming-Montreal Global Biodiversity Framework 30x30 target. Indonesia hosts 16 percent of the world’s coral reefs, which in turn are home to 25 percent of all marine life. Coral ecosystems are increasingly vulnerable, with one-third of reef building corals facing extinction. MPAs are the main tool used by GoI to reverse the decline of coral reefs. Yet most MPAs globally are falling short of their conservation goals, including in Indonesia. The main constraints are the current underfunding of MPAs, the focus on MPA management process rather than outcome measures of success, suboptimal stakeholder engagement and benefits, including in the governance and decision-making of MPAs, and the current absence of any independent validation of MPA effectiveness assessments.

The proposed project will address the above constraints by issuing a Coral Bond that seeks to build on the experience of the Rhino Bond. As with the previous model, investors in the bond will agree to forego all bond coupon payments, which will instead be used to finance conservation initiatives in four MPAs in eastern Indonesia. The bond investors hence become direct co-financiers of conservation efforts in the MPAs, and in return, they can be compensated with a “conservation success payment” if management performance and metrics reflecting coral reef health and management effectiveness meet specified targets at the four MPAs, according to independently assured and verified results. Under this financial structure, approximately US\$10 million worth of coupon payments will be diverted to the Coral Bond project to cover the costs of marine conservation activities, together with additional financing of US\$5 million provided by an IBRD loan (Oceans for Prosperity project). US\$13.76 million from GEF Non-Grant Instrument (NGI) and US\$1.1 million from BNP Paribas will be held in reserve and later released, in part or in full, to bond investors, subject to the level of success achieved in the MPAs. The proposed Key Performance Indicators (KPIs)– and payment triggers - for this project are being defined as the combination of the achievement of verified positive impact on coral reef biodiversity (as evidenced by changes in live coral cover and reef fish biomass) and verified progress against the IUCN Green List Standard for Protected and Conserved Areas. Third party assurance and verification that these targets have been met will be provided by the IUCN Green List audit process. The project will address key threats to coral reefs in the target MPAs including overfishing, destructive fishing, illegal incursions by fishing vessels into protected zones, physical damages to reefs by divers, anchor damage, coastal development and pollution.

All activities will be gender sensitive, and where relevant, will respond to gender gaps identified at the site level, such as disproportionately low representation of women in MPA management bodies, and barriers to accessing the economic development opportunities improved MPA management can provide in adjacent communities.

Indicative Project Overview

Project Objective

To protect coral reefs through improved marine protected areas management

Project Components

Component 1. Improve Management Effectiveness of Target MPAs to Deliver Measurable Outcomes

Component Type	Trust Fund
Technical Assistance	GET
GEF Project Financing (\$)	Co-financing (\$)
	154,000,000.00

Outcome:

Target MPAs achieve independently verified conservation outcomes in line with IUCN Green List of Protected and Conserved Areas

Live coral cover and reef fish biomass in select MPAs is maintained or increased

Target MPAs with increasing management effectiveness, as measured by EVIKA (IBRD co-financing)

Output:

- IUCN Green List diagnostic, action plan, and independent progress reports and audits
- Digital platform to manage target MPAs performance evidence and documentation established and operational
- Independent scientific advisory group established and operational
- Biodiversity/ socio-economic monitoring reports
- Management plans with clearly defined conservation features, identification of threats, and targets
- Detailed stakeholder mapping and identification documents
- Co-management feasibility study
- Stakeholder engagement and consultation reports
- MPA surveillance strategies and reports
- Threat assessment matrix
- Reporting system that collates type and location of threat or violation

- Baseline conditions and limits of acceptable change for visitor sites established
- MPA business plans
- Applications for target MPA Management Units to be designated as Public Service Agencies (BLU) submitted to the relevant ministry (IBRD co-financing)
- Target MPAs collaborative management partnerships established with stakeholders and operational (IBRD co-financing)
- Target MPA Management unit personnel trained and accredited in line with national competency standards (IBRD co-financing)

Conservation Success Payment

Component Type	Trust Fund
Investment	GET
GEF Project Financing (\$)	Co-financing (\$)
13,761,468.00	1,100,000.00

Outcome:

- The GEF funds will allow for a contingent success payment to be provided to the bond investors at bond maturity, in lieu of the foregone investor coupons, proportionate to the verified achievements in coral reef health. GEF resources will be held by the World Bank until year 5 of the project and will only be paid out (single Conservation Success Payment) if there is verified achievement in the select MPAs of live coral cover and reef fish biomass targets. Tentatively GEF Conservation Success Payment will be split equally between the 4 MPAs and between the two biophysical metrics. A decline in value will mean no payment. Stabilization of the value will lead to 50% of the Conservation Success Payment (\$0.85million for each MPA and each biophysical metric). Positive change in value will lead 100% of the Conservation Success Payment (\$1.71 million for each MPA and for each biophysical metric)

BNP Paribas recently committed to provide a EUR 1 million grant as Conservation Success payment for the project. The BNP Paribas funds will allow for a contingent success payment to be provided to the bond investors at bond maturity, in lieu of the foregone investor coupons, proportionate to the verified achievements in target MPAs management effectiveness in line with IUCN Green List of Protected and Conserved Areas. This additional contribution to the Conservation Success Payment will be better reflected in the project design during the next stage of project preparation. Tentatively, BNP Paribas Conservation Success Payment will be triggered as follows: each target MPA that attain Green List will trigger a payment of \$275,000 (up to \$1,100,000 if all 4 target MPAs are Green Listed), while failure to attain Green List will not trigger this payment.

Output:

Independent verification of the results of coral reef health monitoring.

Independent verification of the alignment of target MPAs with IUCN Green List Standard.

Component 2: Project Management and Monitoring

Component Type	Trust Fund
Technical Assistance	GET
GEF Project Financing (\$)	Co-financing (\$) 400,000.00

Outcome:

Subcomponent 2.1. Project Management. Outcome: In the World Bank Implementation Status & Results Reports, the Project Management, Financial Management and Procurement are rated at minimum as Satisfactory. (This subcomponent is budgeted under the dedicated PMC section below.)

Subcomponent 2.2. Monitoring and Evaluation. (Please see the dedicated M&E section below for Outcomes. This subcomponent is budgeted under the dedicated M&E section below.)

Subcomponent 2.3. Capacity Building, Coordination, and Knowledge Management. Outcome: Government of Indonesia's capacity to design and implement outcome-based financing instruments for marine conservation is increased. (This subcomponent is budgeted in this line.)

Output:

Subcomponent 2.1. Project Management. Outputs: Project Management Unit established and operational. Grievance redress mechanism established and operational.

Subcomponent 2.2. Monitoring and Evaluation. (Please see the dedicated M&E section below for Outputs.)

Subcomponent 2.3. Capacity Building, Coordination, and Knowledge Management. Outputs: Strengthened IEF's capacity in channeling, monitoring, and reporting requirements consistent with international standards and best practices. Project coordination mechanisms established and operational. Lessons learned and best practices from the project are disseminated to relevant audience.

M&E

Component Type	Trust Fund
Technical Assistance	GET
GEF Project Financing (\$)	Co-financing (\$) 300,000.00

Outcome:

- In the World Bank Implementation Status & Results Reports the project Monitoring and Evaluation is rated at minimum as Satisfactory

Output:

- Project Management Unit established and operational
- Grievance redress mechanism established and operational
- Project coordination mechanisms established and operational
- Strengthened IEF's capacity in channeling, monitoring, and reporting requirements consistent with international standards and best practices
- Lessons learned and best practices from the project are disseminated to relevant audience

- Implementation support mission from the World Bank are conducted twice a year

Component Balances

Project Components	GEF Project Financing (\$)	Co-financing (\$)
Component 1. Improve Management Effectiveness of Target MPAs to Deliver Measurable Outcomes		154,000,000.00
Conservation Success Payment	13,761,468.00	1,100,000.00
Component 2: Project Management and Monitoring		400,000.00
M&E		300,000.00
Subtotal	13,761,468.00	155,800,000.00
Project Management Cost		300,000.00
Total Project Cost (\$)	13,761,468.00	156,100,000.00

Please provide justification

The project is not requesting PMC from GEF NGLI. IBRD co-financing will support Component 1 (US\$4 million) and Component 2 (US\$1 million). Component 2 has three sub-components which will be financed by IBRD as follows: 2.1) Project Management (US\$300,000) - this is reflected under PMC 2.2) Monitoring and Evaluation (US\$300,000) - this is reflected under M&E, and 2.3) Capacity Building, coordination, and knowledge management (US\$400,000) - this is reflected under Component 2. The Indonesian Environment Fund (IEF) is an agency mandated to channel and distribute environmental and climate funds to support Indonesia's sustainability targets. IEF was established in 2019 is registered as a national Public Service Agency, with its own legal status and supporting structures including staffing and policy. The agency is institutionally accountable to and structurally operationalized under the Ministry of Finance mainly to mobilize funds from several sources (including multilateral and bilateral donors, development finance institutions and Indonesia's own budget) to finance interventions (programs or projects) that address Indonesia's climate change crisis, address environmental degradation and to meet Indonesia's SDGs targets. The IEF will serve as the Fiduciary agency to distribute investor coupon payments for the financing of activities to improve conservation outcome of the MPAs. As the lead executing agency of the project, IEF will be responsible for overall project coordination, day-to-day management, budgeting, financial management, safeguards monitoring, project progress monitoring, evaluation and reporting, and coordination with other government agencies. The Ministry of Marine Affairs and Fisheries (MMAF) will chair the Project Technical Committee who will be responsible to endorse the annual work plan, budget, updated monitoring and evaluation indicators, procurement plan, and required reporting. Funds will be channeled from IEF to the Indonesia Climate Change Trust Fund (ICCTF) to implement activities related to ensuring the financial sustainability of target MPAs, such as the development of MPAs business plans. IEF is experienced in implementing World Bank-financed operations and is familiar with the World Bank's fiduciary requirements.

The projects include Mangrove for Coastal Resilience project (P178009; USD 400 million IBRD loan + USD 19 Multi-donor grant), Indonesia Disaster Risk Finance & Insurance (P173249), and East Kalimantan Project for ER result/FCPF (P166244). As a growing institution, the IEF currently receives a technical assistance (TA) from the World Bank (2020 – 2024) supported by a USD 2.1 million recipient executed grant to strengthen its operational capacity, institutional structure, fiduciary arrangements, communications, M&E and management information systems. The TA also facilitates south-south knowledge exchange with similar Funds and provides hands-on support towards receiving the Green Climate Fund certification which will overall strengthen its institutional governance and fund-raising capacity to deliver on Indonesia’s ambitious climate objectives. IEF will update the project Results Framework indicators (to be defined in the PAD), and report to the World Bank. In addition, the World Bank will conduct implementation support missions, including site visits, at least twice a year. In addition, Component 1 will contribute to project M&E efforts by supporting the establishment of comprehensive biodiversity and socioeconomic monitoring systems and independent evaluation of the management effectiveness and coral reef biodiversity outcomes of the four target MPAs. Finally, the World Bank will provide resources for project implementation support. The World Bank will maintain a core team based in Jakarta and Washington D.C., comprised of specialists in marine protected areas, blue finance, financial management, procurement, social and environmental safeguards, and monitoring and evaluation. The team based in Jakarta will maintain frequent and intensive coordination and collaboration with the government of Indonesia. The World Bank will conduct implementation support missions, including site visits, at least twice a year.

Coordination and Cooperation with Ongoing Initiatives and Project

Does the GEF Agency expect to play an execution role on this project?

If so, please describe that role here. Also, please add a short explanation to describe cooperation with ongoing initiatives and projects, including potential for co-location and/or sharing of expertise/staffing

The Coral Bond project builds upon and complements GEF investments, to deliver independently verified global environmental benefits in 5.3 million hectares of some of the most biodiverse marine ecosystems on the planet. Specific examples include:

- CTI: Coral Reef Rehabilitation and Management Program-Coral Triangle Initiative, Phase III (COREMAP-CTI III) (GEF ID 5171) established institutional capacity for participative coral reef ecosystem management, including through the establishment of a national standard and accreditation scheme for coral reef ecosystem monitoring in Indonesia and the legal endorsement of POKMASWAS community surveillance groups. The Coral Bond will build on these foundational blocks, integrating them into a management system to deliver biodiversity outcomes. Specific examples may include using the national monitoring standard and accreditation scheme to track the impact metrics (live coral cover and reef fish biomass) that will trigger the project’s outcome payments, and deploying technologies to aid the collection, grading and use of intelligence gathered by POKMASWAS groups.
- Partnerships for Coral Reef Finance and Insurance in Asia and the Pacific (GEF ID 10431) will implement biophysical, socio-economic, risk modeling and policy assessments to establish a solid understanding of the financial value of ecosystem services provided by coral reefs in candidate sites located in Derawan, Wakatobi, Rote, Gili Terawangan (in Lombok West Nusa Tenggara), Nusa Lembongan in Bali, 1000 islands in Jakarta (coastal and islands), Mandalika in West Nusa Tenggara (coastal), and Tanjung Putting in Banten (coastal). The Coral Bond project will implement biophysical and socio-economic monitoring, which could assist in extending these ecosystem service valuations to new sites in West Papua and Nusa Tenggara Timor. Furthermore, the Coral Bond project specifically targets improvement in reef health and hence ecosystem service provision, providing a demonstration of how insurance models could accommodate risk mitigation strategies.

- Eco-system Approach to Fisheries Management (EAFM) in Eastern Indonesia (Fisheries Management Area (FMA)- 715, 717 & 718) (GEF ID 9129) Component B aims to improve the management of MPAs through a series of well defined activities that include (i) the identification of potential locations and monitoring of Fish Apartments to create artificial habitats that foster marine life and support ecosystem restoration, (ii) training initiatives to enable effective Endangered Threatened Protected (ETP) Species Data Collection, focusing on species such as whale sharks and leatherback turtles; and (iii) knowledge sharing to disseminate effective conservation area management experiences and improve conservation practices and strategies across regions. These objectives have contributed to the EVIKA Gold rating of MPAs in the West Papua region, and hence their selection for the Coral Bond project. The Coral Bond project will accelerate and scale up these initiatives where appropriate to deliver the targeted biodiversity outcomes.
- Arafura and Timor Seas Ecosystem Action Phase II (Atsea-2) (GEF ID 6920) aims to improve governance of the Arafura and Timor Seas (ATS) region, including via an ecosystem approach to fisheries management and the design of a regional MPA network. The Coral Bond project will support these objectives by accelerating the effective management and delivery of biodiversity outcomes within two MPAs adjacent to the ATS region: KKN Savu Sea and KKPD Alor.

Coordination with ongoing GEF-financed programs will use three existing platforms:

1. Semesterly coordination meeting/monitoring for all GEF-programs jointly led by the Ministry of Environment and Forestry (GEF Focal Point) and MMAF. The coordination meetings are normally held every six months and attended by executing agencies (relevant technical units in MMAF) and implementing agencies (NGOs), with the objective to review the progress, issues and required actions of their ongoing GEF projects.
2. National Blue Action Agenda Partnership (NBAAP) led by the Coordinating Ministry of Maritime Affairs and Investment (CMMAI). Established in November 2022 by CMMAI and United Nations Resident Coordinator (UNRC), the NBAAP serves as a government-donor collaboration platform which aims to monitor progress and contribution of bilateral/multilateral programs against Indonesia's national development targets in marine and fisheries sector.
3. A priority vehicle for strengthening coordination between blue finance initiatives (such as the Coral Bond and the Partnerships for Coral Reef Finance and Insurance in Asia and the Pacific) is the recently established Blue Finance Advisory Committee (BFAC). The BFAC is a cross-ministerial body, established with the support of LAUTRA, and is responsible for the coordination of blue finance activities.

The IBRD financed Oceans for Prosperity (LAUTRA) project will provide financing of US\$ 200 million to improve management effectiveness rating of 20 MPAs in eastern Indonesia. LAUTRA aims to improve MPA management effectiveness in line with the Government of Indonesia's existing EVIKA scorecard. The project places a priority focus on strengthening institutional capacity and governance frameworks. In comparison, the Coral Bond project aims to accelerate MPA management effectiveness beyond EVIKA, and in line with global best practice. In reaching EVIKA Gold (the highest standard), there is no requirement to achieve (a) a reduction in threat intensity or frequency; or (b) an increase in biophysical outcomes. The Coral Bond project addresses both of these. This is reflected in two central elements of the Coral Bond project's design: (i) the setting of measurable, MPA-level biophysical targets (something that is not currently mandated in Indonesia's MPA governance frameworks); and (ii) the identification and mitigation of specific threats (again, something that is not currently tracked in the Government of Indonesia's MPA management reporting, and consequently is not addressed by the LAUTRA project). The Coral Bond project is designed to maximize the impact of the US\$10 M investment. It does this via two strategies. First, by leveraging LAUTRA investments into the enabling

environment (e.g., human resource capacity, physical infrastructure and assets, regulatory strengthening, etc.), ensuring that Coral Bond investments are targeted towards works “on the ground”. And second, by prioritizing investments and actions (and, as a consequence, outcomes) into defined zones within the MPAs (i.e., core zones). The additional NGI financing requested from GEF will enable: (i) the identification and mitigation of specific threats inhibiting management objectives; and (ii) the achievement and independent verification of biodiversity outcomes. These additional outcomes are necessary to secure private sector investments that are aligned with GEF strategic priorities, and to demonstrate replicable approaches for sustainable marine conservation financing. The outcomes are additional to LAUTRA. While LAUTRA measures an increase in MPA management effectiveness, it does not explicitly measure any reduction in threat intensity or frequency, or any increase in biodiversity outcomes. LAUTRA will: (i) update MPA management governance frameworks (including updating management plans); (ii) enhance human resource capacity for MPA management; (iii) equip MPAs with the infrastructure and assets required for effective management; (iv) strengthen partnerships and collaboration for MPA management; and (v) enhance the livelihoods and benefits that MPAs provide to local communities. The Coral Bond project will: (i) enhance engagement with minority and marginalized stakeholder groups; (ii) mitigate specific priority threats; (iii) establish measurable, MPA-level biodiversity outcome targets. Together, the combined investments of LAUTRA and Coral Bond will deliver measurable biodiversity outcomes and Global Environment Benefits. The DG of Marine Spatial Management (DGMSM) of the Ministry of Marine Affairs and Fisheries (MMAF) is the lead implementing agency for LAUTRA. MMAF DGMSM is also the technical lead agency for the Coral Bond and will provide technical oversight during project implementation. This will facilitate the coordination and maximize synergies between LAUTRA and Coral Bond activities. For example, MMAF DGSM will ensure that Annual Work Plans for both projects are efficiently coordinated and harmonized. To the extent possible the World Bank will also conduct LAUTRA and Coral Bond implementation support mission jointly.

Core Indicators

Indicator 2 Marine protected areas created or under improved management

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
5305591	0	0	0

Indicator 2.1 Marine Protected Areas Newly created

Total Ha (Expected at PIF)	Total Ha (Expected at CEO Endorsement)	Total Ha (Achieved at MTR)	Total Ha (Achieved at TE)
0	0	0	0

Name of the Protected Area	WDPA ID	IUCN Category	Total Ha (Expected at PIF)	Total Ha (Expected at CEO Endorsement)	Total Ha (Achieved at MTR)	Total Ha (Achieved at TE)
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Indicator 2.2 Marine Protected Areas Under improved management effectiveness

Total Ha (Expected at PIF)	Total Ha (Expected at CEO Endorsement)	Total Ha (Achieved at MTR)	Total Ha (Achieved at TE)
5305591	0	0	0

Name of the Protect	WDPA ID	IUCN Category	Total Ha (Expected at PIF)	Total Ha (Expected at CEO)	Total Ha (Achiev)	Total Ha (Achiev)	METT score (Baseline)	METT score (Achiev)	METT score (Achiev)
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ed Area				Endorsement)	ed at MTR)	ed at TE)	at CEO Endorsement)	ed at MTR)	ed at TE)
KKPD Selat Pantar (alor)	555511968	Protected Landscape/Seascape	276,693.00						
Raja Ampat National MPA	555511956	Protected Landscape/Seascape	325,085.00						
Raja Ampat provincial MPA	555635921	Protected Landscape/Seascape	1,348,460.00						
Savu Sea National MPA	555511970	Protected Landscape/Seascape	3,355,353.00						

Indicator 6 Greenhouse Gas Emissions Mitigated

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO₂e (direct)	86460	0	0	0
Expected metric tons of CO₂e (indirect)	0	0	0	0

Indicator 6.1 Carbon Sequestered or Emissions Avoided in the AFOLU (Agriculture, Forestry and Other Land Use) sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO₂e (direct)				
Expected metric tons of CO₂e (indirect)				
Anticipated start year of accounting				
Duration of accounting				

Indicator 6.2 Emissions Avoided Outside AFOLU (Agriculture, Forestry and Other Land Use) Sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO₂e (direct)	86,460			
Expected metric tons of CO₂e (indirect)				
Anticipated start year of accounting	2025			
Duration of accounting	5			

Indicator 6.3 Energy Saved (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Total Target Benefit	Energy (MJ) (At PIF)	Energy (MJ) (At CEO Endorsement)	Energy (MJ) (Achieved at MTR)	Energy (MJ) (Achieved at TE)

Target Energy Saved (MJ)				
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Indicator 6.4 Increase in Installed Renewable Energy Capacity per Technology (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Technology	Capacity (MW) (Expected at PIF)	Capacity (MW) (Expected at CEO Endorsement)	Capacity (MW) (Achieved at MTR)	Capacity (MW) (Achieved at TE)
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Indicator 8 Globally over-exploited fisheries moved to more sustainable levels

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)
371,188.00			

Fishery Details

The Coral Bond project overlaps Fishery Management Areas WPP 573, 714, 715, 717.

Indonesia's most recent stock assessment (19/KEPMEN-KP/2022) revealed that:

WPP573 reef fish are overexploited, with utilization 2.5 times a total allowable catch of 247,950 mt;

WPP714 reef fish are overexploited, with utilization 1.1 times a total allowable catch of 60,663 mt;

WPP715 reef fish are overexploited, with utilization 1.3 times a total allowable catch of 52,668 mt; and

WPP717 reef fish are overexploited, with utilization 1.2 times a total allowable catch of 9,907 mt.

The Coral Bond project will contribute to the sustainable management of 371,188 mt of reef fish production.

Indicator 11 People benefiting from GEF-financed investments

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female	236,117			
Male	236,117			
Total	472,234	0	0	0

Explain the methodological approach and underlying logic to justify target levels for Core and Sub-Indicators (max. 250 words, approximately 1/2 page)

The project will invest in activities leading to the improved management of MPAs, MPA management effectiveness assessment, demonstration of conservation outcomes, and the inclusion of four MPAs in the IUCN Green List of Protected Areas. These four MPAs cover an area of 5,305,591 hectares of exceptionally rich marine ecosystems within the Coral Triangle, the global epicenter of marine biodiversity.

The population living in the 395 villages directly adjacent to the four target MPAs (472,234 people, include about half women) will benefit from improvements in MPA management. By investing in the conservation, enhancement and provisioning of marine and coastal ecosystem goods and services, the project will generate climate mitigation and adaptation co-benefits that include carbon sequestration and improved resilience of local communities and coastal areas. By enhancing the sustainable management of coral

reef ecosystems, the Project will increase the value of natural resources for local, national, and global beneficiaries. For example, the protection of critical spawning and nursery grounds within MPAs will contribute to maintaining the healthy fish stocks that underpin local livelihoods and food security.

The average reductions from avoided deforestation were calculated with a conservative estimate as 17,292 CO₂e year⁻¹ (during 5 years) from both Biomass Loss and Soil Loss in 26,653 ha of total mangroves classified as very good/good/fair in the target MPAs. The estimated rate of loss across all four MPAs was approximately 0.51 percent per year. The project is assumed to be effective at slowing the loss of 25 percent of mangrove extent in year one, which increases in 6.25 percent increments per year as the project is implemented, so that by year five, the project is successful in halting 50 percent of ongoing deforestation. Seagrass meadows also play a critical carbon sequestration role. Improved MPA management effectiveness will conserve and avoid further deterioration of seagrass habitats within MPA boundaries. Currently, information on the extent and status of Indonesia's seagrass habitats is limited. The current lack of data on seagrass extent means that these habitats have not been factored into the project's GHG calculations, hence these likely underestimate the project's actual emissions reduction impact from sustainable management of carbon sequestering ecosystems in target MPAs.

The Coral Bond project overlaps Fishery Management Areas WPP 573, 714, 715, 717.

Indonesia's most recent stock assessment (19/KEPMEN-KP/2022) revealed that:

- WPP573 reef fish are overexploited, with utilization 2.5 times a total allowable catch of 247,950 mt;
- WPP714 reef fish are overexploited, with utilization 1.1 times a total allowable catch of 60,663 mt;
- WPP715 reef fish are overexploited, with utilization 1.3 times a total allowable catch of 52,668 mt; and
- WPP717 reef fish are overexploited, with utilization 1.2 times a total allowable catch of 9,907 mt.

The Coral Bond project will contribute to the sustainable management of 371,188 mt of reef fish production.

NGI (only): Justification of Financial Structure

Please describe the financial structure and include a graphic representation. This description will include the financial instrument requested from the GEF and terms and conditions of the financing passed onto the Beneficiaries.

The project utilizes an innovative financing model to secure private finance for outcome-focused management of MPAs. It will raise the ambition on marine conservation performance and strengthen marine ecosystem health monitoring as the basis for securing innovative sources of sustainable finance for ecosystem protection. The World Bank will issue a AAA-rated [120 – 150 million] five-year (possibly seven-year; this will be further discussed with the government of Indonesia during project preparation) US dollar denominated principal protected World Bank Sustainable Development Bond, or Coral Bond, replicating aspects featured in the Wildlife Conservation Bond. As with the previous model, investors in the bond will agree to forego all bond coupon payments, which will instead be used to finance conservation initiatives in four MPAs that host some of the most biodiverse coral reefs in the world. The bond investors hence become direct co-financiers of conservation efforts in the MPAs, and in return, they can be compensated with a 'conservation success payment' if management performance and metrics reflecting coral reef health and management effectiveness meet specified targets at the four MPAs, according to independently assured and verified results. To mobilize a bond of this size, the team would anticipate need to attract between 10-15 institutional investors with a mandate to support conservation and other Environmental, Social and Corporate Governance objectives, as well as possible participation of private investors. Assessments suggest there is sufficient depth in the market to mobilize the amount targeted from the growing pool of investors in this space.

Under the Coral Bond financial structure, approximately US\$10 million worth of coupon payments will be diverted to the Coral Bond project to cover the costs of marine conservation activities, together with additional financing of US\$5 million provided by an IBRD loan (Oceans for Prosperity project). US\$13.76 million from GEF Non-Grant Instrument (NGI) and US\$1.1 million from BNP Paribas will be held in reserve and later released, in part or in full, to bond investors, subject to the level of success achieved in the MPAs.

The Bond proceeds will be used to finance site-based conservation activities to improve the management effectiveness of target MPAs to deliver measurable outcomes in line with global standard of best practices: (i) assess and benchmark each target MPA performance against the Green List Standard and undertake annual independent progress audits to verify outcomes, against which outcome-based payments can be made; (ii) enhance stakeholder outreach and engagement in MPA management; (iii) develop business plans and build site managers capacity in financial planning and management; (iv) prioritization of threats and response strategies; (v) train rangers and local surveillance in SMART patrol technology; (vi) strengthening provisions to mitigate visitor impacts including via the implement of codes of conducts, anchoring restrictions and wastewater management provisions; (vii) development and implementation of monitoring of MPAs conservation and socio-economic outcomes (including live coral cover and reef fish biomass); and (viii) strengthening the centralized digital information systems and decision support systems needed to track progress across multiple sites. All activities will be gender sensitive, and where relevant, will respond to gender gaps identified at the site level, such as disproportionately low representation of women in MPA management bodies, and barriers to accessing the economic development opportunities improved MPA management can provide in adjacent communities.

Compared to the first Wildlife Conservation Bond (the Rhino Bond), the proposed Coral Bond introduces several innovations: (i) additional outcome payer from Private Sector (BNP Paribas); (ii) ecosystem-based bond vs species based bond; (iii) focus on marine protected areas vs terrestrial protected areas; (iv) measurement of not only biodiversity outcomes but also of three enabling areas to achieve sustainable and equitable conservation outcomes (good governance, sound design and planning, and effective management); and (v) the participation of IEF that ensures country ownership and 'technology/knowledge' transfer.

The Indonesian Environment Fund (IEF) is an agency mandated to channel and distribute environmental and climate funds to support Indonesia's sustainability targets. IEF was established in 2019 is registered as a national Public Service Agency, with its own legal status and supporting structures including staffing and policy. The agency is institutionally accountable to and structurally operationalized under the Ministry of Finance mainly to mobilize funds from several sources (including multilateral and bilateral donors, development finance institutions and Indonesia's own budget) to finance interventions (programs or projects) that address Indonesia's climate change crisis, address environmental degradation and to meet Indonesia's SDGs targets. As the lead executing agency of the project, IEF will distribute investor coupon payments for the financing of activities to improve conservation outcome of the MPAs and will be responsible for overall project coordination, day-to-day management, budgeting, financial management, safeguards monitoring, project progress monitoring, evaluation and reporting, and coordination with other government agencies. The Ministry of Marine Affairs and Fisheries (MMAF) will chair the Project Technical Committee who will be responsible to endorse the annual work plan, budget, updated monitoring and evaluation indicators, procurement plan, and required reporting. Funds will be channeled from IEF to the Indonesia Climate Change Trust Fund (ICCTF) to implement activities related to ensuring the financial sustainability of target MPAs, such as the development of MPAs business plans.

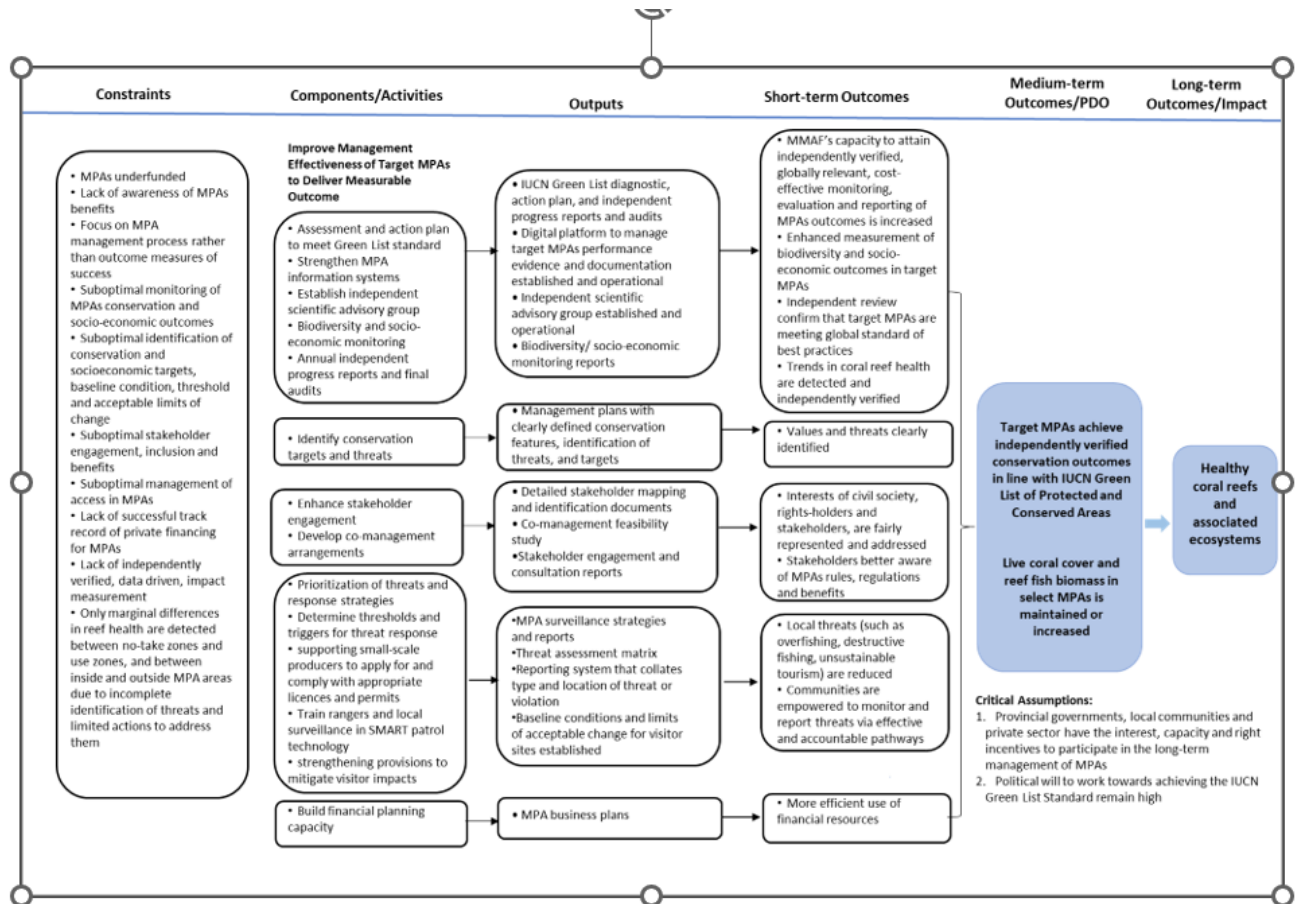
IEF is experienced in implementing World Bank-financed operations and is familiar with the World Bank's fiduciary requirements. The projects include Mangrove for Coastal Resilience project (P178009; USD 400 million IBRD loan + USD 19 Multi-donor grant), Indonesia Disaster Risk Finance & Insurance (P173249), and East Kalimantan Project for ER result/FCPF (P166244). As a growing institution, the IEF currently receives a technical assistance (TA) from the World Bank (2020 – 2024) supported by a USD 2.1 million recipient executed grant to strengthen its operational capacity, institutional structure, fiduciary arrangements, communications, M&E and management information systems. The TA also facilitates south-south knowledge exchange with similar Funds and provides hands-on support towards receiving the Green Climate Fund certification which will overall strengthen its institutional governance and fund-raising capacity to deliver on Indonesia's ambitious climate objectives.

IEF will update the project Results Framework indicators (to be defined in the PAD), and report to the World Bank. In addition, the World Bank will conduct implementation support missions, including site visits, at least twice a year.

The GEF Non-Grant Instrument (NGI) will fund the Conservation Success Payment to bond holders, contingent on the achievement of pre-agreed impact metrics. The World Bank will retain the proceeds of the bond to use for the Bank's general sustainable development purposes. Irrespective of the project performance and project implementation risk, investors will receive their principal back at maturity from the World Bank. Investors take risk in the project achieving success. For taking this risk, they are offered a potential reward that is some amount greater than the value of the coupon returns which they gave up. Under this financial structure, approximately US\$10 million worth of coupon payments will be diverted to the Coral Bond project to cover the costs of marine conservation activities, and US\$13.76 million from GEF-NGI will be held in reserve and later released, in part or in full, to bond investors, subject to the level of success achieved in the MPAs. In addition, BNP Paribas committed to provide a EUR 1 million grant as Conservation Success payment for the project. With this approach the GEF financing can be optimized as it will only be released upon successful achievement of agreed targets, and project implementation risk is passed to capital market investors. This innovative structure enables institutional bond investors to support an area in need of financing, which is generally funded by bilateral, multilateral, and philanthropic donors. This type of transaction also generates awareness amongst investors and fills a knowledge gap on a structured debt instrument linked to marine conservation outcomes. This instrument and the lessons that will be learned from project implementation will help promote increased institutional investments for marine biodiversity conservation.

As noted above, investors will receive a guaranteed coupon plus an additional payment that is based on the level of success achieved in the project. As we anticipate 2 or more donors will be supporting the project, we expect to apply the larger donor's contingent commitment to achievement of success related to Live Coral Cover and Reef Fish Biomass metrics across the 4 MPA's and tie the other smaller commitment to attainment of IUCN Green List in the 4 MPAs. The precise distribution of the donor commitments (thus the expected payments for each outcome) is still being refined, as is the determination of how much change in the metrics for each shall constitute success.

The following Theory of Change informs the Project Components:



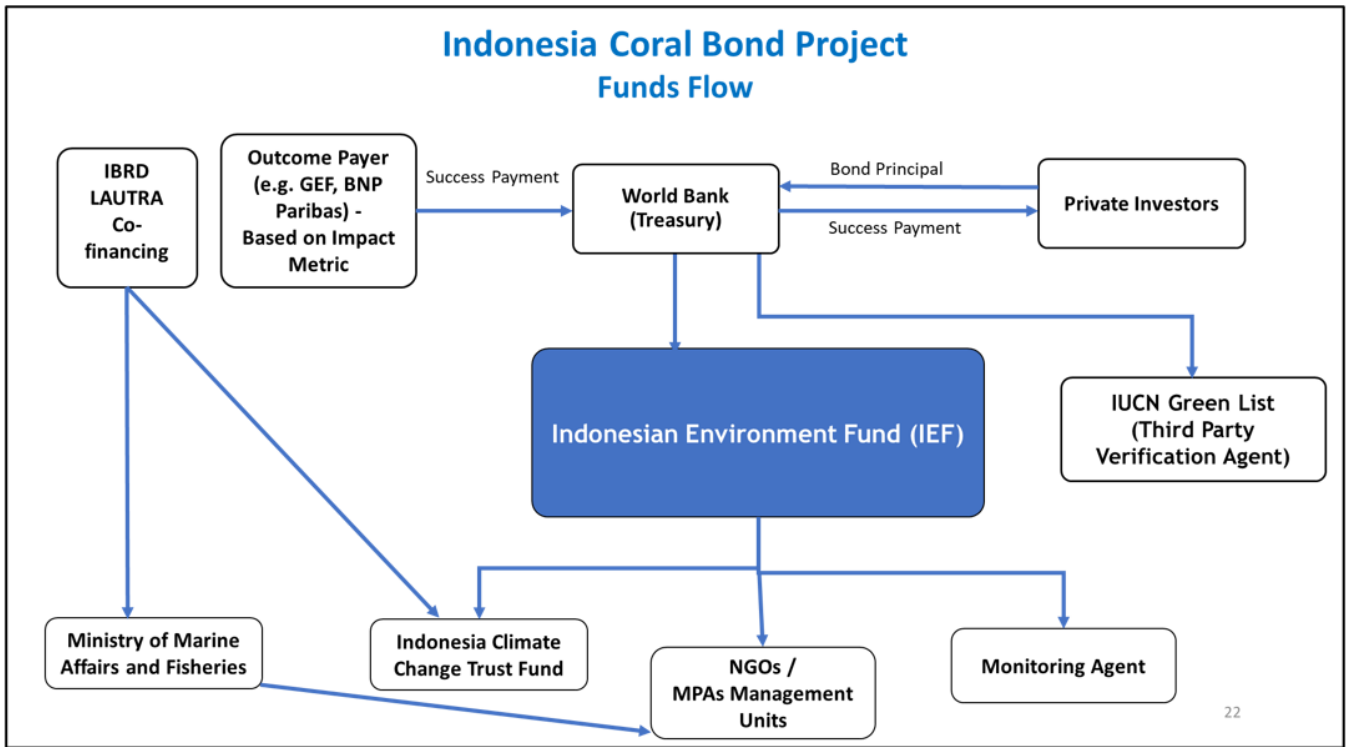
IBRD co-financing will support Component 1 (US\$4 million) and Component 2 (US\$1 million). Component 2 has three sub-components which will be financed by IBRD as follows: 2.1) Project Management (US\$300,000) - this is budgeted under PMC section 2.2) Monitoring and Evaluation (US\$300,000) - this is budgeted under the M&E section and 2.3) Capacity Building, coordination, and knowledge management (US\$400,000) - this is budgeted in the Component 2 line.

A key component of the project design and implementation is the identification of robust outcome metrics or Key Performance Indicators (KPIs) by which success will be defined and conservation success payment triggered. Should the project succeed in meeting its KPIs the investors will receive a partial or full success payment. In a full success scenario, these payments would amount to a slightly higher return than the value of the coupons foregone for this purpose (see Annex 3). To provide assurance of conservation outcomes, and facilitate the mobilization of private sector capital, the proposed KPIs – and payment triggers - for this project are being defined as the combination of the achievement of verified progress against the IUCN Green List Standard for Protected and Conserved Areas and selected biodiversity indicators related to coral reef health (live coral cover and reef fish biomass). Possibly achieving full alignment with the IUCN Green List Standard for the target MPAs will trigger the Conservation Success Payment from BNP Paribas while the achievement of the live coral cover and reef fish biomass targets will trigger the Conservation Success Payment from GEF. This will be further defined during project preparation. Third party assurance and verification that these targets have been met will be provided by the IUCN Green List audit process. The third party verification is independent from IUCN. The IUCN Green List process provides an assured assessment of performance and expert validation of progress to participating protected and conserved areas, implemented according to the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) codes and principles.

The added value of the proposed project lies in testing new approaches to close the MPA funding gap and to improve MPA performance in delivering global environmental benefits. These innovations include: (i) the mobilization of private capital to finance MPA management; (ii) moving from output-focused to outcome-focused management of MPAs; (iii) developing a scientifically rigorous and statistically robust monitoring system to demonstrate MPAs' impact on coral reef health; (iv) ensuring that the management of MPAs is consistent with global standard of best practices; (v) providing third party verification that these global standard (for equitable governance, sound planning, effective management and successful conservation outcomes) have been met.

Sustainability is a core design feature of both LAUTRA and Coral Bond. LAUTRA will strengthen institutional capacity for MPA management, ensuring that approaches can be sustained beyond the lifespan of the project. The Coral Bond tests an innovative financing mechanism that depends on biodiversity outcomes being achieved. Activities under the Coral Bond project specifically aim to examine how the lessons learned from this project could be adopted and replicated. Furthermore, the project aims to build investor interest in and knowledge of investments of this nature. The proposed instrument will incentivize increased investment into coral reef conservation by demonstrating the utility of robust metrics (live coral cover and reef fish biomass) in acting as payment triggers and informing outcomes. It will also ensure efficient use of limited resources by identifying most strategic activities required to improve MPA performance and coral reef health. It will demonstrate and raise awareness on MPAs benefits which should lead to increased compliance with MPAs rules and regulations and increased budget allocation for their management. The success of this project should help Indonesia attract additional financial resources from development partners and private sector by enhancing the credibility and international visibility of the government's efforts to protect its unique marine biodiversity. Finally, the project will also strengthen stakeholders' participation in MPA management, a key requirement to ensure the sustainability of project outcomes.

Figure 1. Indonesia Coral Bond project Funds Flow



Key Risks

	Rating	Explanation of risk and mitigation measures
CONTEXT		
Climate	Moderate	<p>The project will support overall conservation efforts of marine biodiversity and habitats through the improvement of MPA management and are not likely to be at material risk of having a negative impact on Indonesia’s low-GHG-emissions development (mitigation) pathway. On the adaptation side, key climate and disaster risks have been identified and assessed; the inherent level of risk to be low given the nature of activities proposed. Yet, marine ecosystems and coral reefs in particular are highly susceptible to climate change impacts. Adverse environmental changes could hinder the achievement of the bond’s conservation goals. To address this risk the project focuses on coral reefs areas in Indonesia that have high resistance to thermal stress (McClanahan et al., 2020) and have displayed strong resilience capacity. The project will also monitor coral reef health inside and outside MPAs, with a robust sampling strategy, and be able to identify positive impact of management</p>

		intervention even in the event of large-scale disturbances (such as bleaching events).
Environmental and Social	Moderate	The project is expected to bring positive environmental benefits through the effective management of MPAs. The project's primary activities fall under the category of Technical Assistance (TA), which aims to enhance the management of the selected marine protected areas in Indonesia, including the assessment, monitoring, and overall management of the four target MPAs. The project will not involve any civil works. It will not procure any substances that could pose serious risks to human health or the environment. The project does not finance feasibility or design of any future investments in specific footprints with potential downstream adverse impacts. Social risk may involve moderate to low health and safety risks of project workers, as the project will hire a small number of project workers to perform combination of office-based works and field travels to do assessment to assess and apply the Green List standards. The project is not anticipated to generate any significant direct environmental impacts or risks, and potential of downstream impact on artisanal/ small-scale fishers will be monitored and clarified at Appraisal stage. At the Concept Stage, the environmental and social risk is rated as Moderate.
Political and Governance	Substantial	Although the bond does not add to sovereign debt, it is still subject to the political and economic stability of Indonesia. National elections in Indonesia have been held in February 2024 with a transition period until October 2024. While the government has endorsed the proposed project concept, successful delivery of this innovative instrument will require securing the newly elected government's prioritization of MPA management financing. To mitigate this risk, the team has developed and will continue to maintain robust engagement at technical and senior leadership levels within BAPPENAS, IEF and MMAF. Addressing MPA financing gaps is prioritized in the government medium and long-term development plans. In addition, the strong ownership of the Coral Bond project at different levels of BAPPENAS, IEF and MMAF will help in ensuring that the current government commitment is translated to the new administration.
INNOVATION		
Institutional and Policy	Moderate	Indonesia has huge ambitions to secure financing for its blue sectors. This has motivated several initiatives recently with both state and non-state actors. For example, the Ministry of Finance recently launched a Blue Samurai Bond for financing infrastructure projects that promote eligible SDGs expenditures with blue focus. Therefore, there is a risk of overlapping, or uncoordinated policies and investments with impacts on oceans across multiple sectoral ministries (MMAF, CMMAI, BAPPENAS, MOF) and with provincial governments hosting the relevant MPA project locations. To mitigate this risk, cross sectoral collaboration has been strengthened during design phase by organizing

		initial Coral Bond Workshops bringing representatives of MMAF, CMMAI, BAPPENAS, IEF, Provincial Marine and Fisheries Department in September and December 2023 and February 2024. This approach will be further enhanced as project moves to preparation phase to ensure both national and subnational support is secured, and overlapping is avoided for the Coral Bond which is directed solely for improving MPA management effectiveness
Technological	Moderate	The project will introduce new technology for standardizing and streamlining MPA patrol and coral reef health data collection, analysis, and reporting. Technological risk may arise from lack of capacity and reluctance to adopt new technology, which will be mitigated by stakeholder consultation and capacity building/training.
Financial and Business Model	Moderate	<p>Dependence on Successful Conservation Outcomes: The bond's payoff to investors is contingent on achieving certain conservation outcomes, such as changes in live coral cover and reef fish biomass. This reliance on successful ecological outcomes introduces a performance risk. This will be mitigated by establishing a solid baseline and identifying a credible and achievable target for the two coral reef health indicators. Risks associated with the project not meeting its objectives due to poor design at entry are being mitigated by undertaking rigorous stakeholder engagement at concept stage. The World Bank has engaged multiple entities including the IUCN whose green list standard will be used. Field visits which include IUCN staff as participants have been conducted to identify the exact missing activities required to improve MPA management effectiveness in the project locations to IUCN green list level, and to clearly delineate the Coral Bond activities from LAUTRA activities in a bid to avoid double counting. Market and Investor Appetite: The bond is an innovative financial instrument that may not have a broad investor base. Its success depends heavily on attracting investors who are willing to accept the unique risks associated with outcome-based returns. The bond requires a long-term commitment from investors, with returns dependent on long-term ecological outcomes. This long-time horizon can be a deterrent for some investors. Investors have signaled desire to support this sector, and a well-designed, credible, and compelling project would sufficiently manage this risk.</p>

EXECUTION

Capacity	Moderate	There is adequate policy and governance framework which allows for project implementation and coordination among IEF, MMAF and their MPA management units, as well as with provincial governments. Moderate risk is noted due to limited number of staff and technical capacity, which will be mitigated by using NGOs which have sound technical capabilities and modalities on the ground. Another key constraint is the limited institutional capacity of IEF to implement outcome-focused projects funded with non-sovereign instruments and for the blue economy. IEF is experienced with serving as fund managers for
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		<p>environmental projects, but the Coral Bond will be the first intervention related to the marine sector. This implies managing funds for a new sector and line ministry (MMAF), adding to IEFs coordination challenge. The team has identified this risk at concept stage and has commenced deepened dialogue to identify and close capacity gaps during the project preparation and will continue to offer opportunities to strengthen IEF's technical capacity for blue economy project management during implementation through World Bank financing and oversight.</p>
Fiduciary	Moderate	<p>Fiduciary risk for the Project is rated Moderate based on the present understanding of the implementation arrangements and capacity of the IEF that would be carrying out the procurement and financial management responsibilities. While IEF is experienced in implementing the World Bank financed operations, and the existing financial management arrangement within IEF is generally adequate to support the project, Risk is noted related to complex payment triggers which can introduce administrative challenges and potential delays in fund disbursement; dispersed project locations and staff capacity which will stretch in the IEF due to the increase in the number of projects implemented by IEF. The risk will be mitigated by the appointment of Project Management Office (PMO) staff that includes staff from GoI, as well as support from consultants including fiduciary consultants During appraisal, a fiduciary assessment of the implementing agencies will be conducted, and the fiduciary risk will be updated. The risk mitigation activities and fiduciary arrangements will also be agreed during appraisal.</p>
Stakeholder	Moderate	<p>The Stakeholder risk is Moderate due to potential inadequate stakeholder engagement and unequal access, especially for vulnerable groups. However, it will be mitigated by the project activities itself, as the project explicitly aims to strengthen participatory decision-making in MPA management. To reach IUCN Green List status the MPAs will have to demonstrate equitable and effective governance. This includes having clearly defined, legitimate, equitable, and functional governance arrangements, in which the interests of civil society, rights-holders and stakeholders, are fairly represented and addressed.</p>
Other	Moderate	<p>Technical Design Risk: Risks associated with the project not meeting its objectives due to poor design at entry are being mitigated by undertaking rigorous stakeholder engagement at concept stage. The World Bank has engaged multiple entities including the IUCN whose Green List the project aims to meet. Field visits which include IUCN staff as participants have been conducted and will continue to be conducted to diagnose the exact missing activities required to improve MPA management effectiveness in the project locations to an expected level against the IUCN Green List Standard, and to clearly delineate the Coral</p>

		Bond activities from LAUTRA activities in a bid to avoid double counting.
Overall Risk Rating	Moderate	The overall risk rating of the project is Moderate

A. ALIGNMENT WITH GEF-8 PROGRAMMING STRATEGIES AND COUNTRY/REGIONAL PRIORITIES

Describe how the proposed interventions are aligned with GEF- 8 programming strategies and country and regional priorities, including how these country strategies and plans relate to the multilateral environmental agreements.

Confirm if any country policies that might contradict with intended outcomes of the project have been identified, and how the project will address this.

For projects aiming to generate biodiversity benefits (regardless of what the source of the resources is - i.e., BD, CC or LD), please identify which of the 23 targets of the Kunming-Montreal Global Biodiversity Framework the project contributes to and explain how. (max. 500 words, approximately 1 page)

Alignment of GEF-8 Programming Strategies.

This proposed project aligns with GEF-8 Biodiversity Focal Area goal to improve the conservation, sustainably use, and restoration of globally significant biodiversity and natural ecosystems. In particular, the project will focus on strengthening government of Indonesia's capacity to manage MPAs, such that they achieve their conservation objectives, while increasing financial resources available, including external funding from private sector, to support MPAs management costs. The project should contribute to increase mobilization of domestic resources for marine biodiversity by increasing the visibility of MPAs and their benefits (through the issuance of the first Coral Bond, the demonstration of MPAs positive impacts on coral reef health, and the declaration of the first Green-List MPAs in Indonesia).

The project also aligns with the GEF-8 Programming Direction of increasing and enhancing the impact of GEF Blended Finance Global Program, by adapting the successful experience of the Rhino bond to the marine environment. This is critical since MPAs are falling behind terrestrial protected areas in terms of extent and effectiveness. Better information through disclosure, metrics, and measurement is needed to scale up private investment in the environment. The project will address this by promoting the IUCN Green List of Protected Areas, which includes measuring biodiversity outcomes as a voluntary standard to improve MPAs management effectiveness. Coral reef biodiversity outcomes will be tracked by monitoring live coral cover and reef fish biomass inside and outside the target MPAs. The IUCN Green List of Protected Areas provides an assurance service for funders and a robust metric for demonstrating status and improvements in performance over time. This project addresses this need. It will leverage private sector resources for public goods and ensuring that financial returns are tied to tangible, positive outcomes, while passing project implementation risk to capital market investors. Compared to traditional marine conservation funding that are output-focused, this outcome-focused instrument allows donors scarce resources to be optimized because capital is only released for successful activities. By applying the IUCN Green List global standard and tracking MPAs' impact on coral reef health this project will generate the knowledge to inform the effective and efficient allocation of government and development partner resources for MPA, including LAUTRA. The proposed instrument will incentivize increased investment into coral reef conservation by demonstrating the utility of robust metrics (live coral cover and reef fish biomass) in acting as payment triggers and informing outcomes. It will also facilitate mobilization of financial resources for the country's growing MPA network by demonstrating MPAs impacts and enhancing the credibility and international visibility of the government's efforts to protect its unique marine biodiversity.

Alignment with country priorities.

By ensuring the effective management of MPAs, the project will contribute to the government of Indonesia's national biodiversity and climate change targets defined in the National Medium Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional, RPJMN) 2020–2024, National Ocean Policy, MPA Vision 2030, Indonesia Blue Economy Roadmap, and international commitments (for example, SDG14, Coral Triangle Initiative, Convention on Biological Diversity, International Coral Reef Initiative). Specifically, the project will support the government of Indonesia's goal to expand the MPA network. The project will also support MPA Vision 2030 target to identify financing opportunities and mechanisms to enhance the availability of innovative sources of non-tax financing for effective MPA management. The project will also contribute to the implementation of the Enhanced Nationally Determined Contribution actions, such as protection of MPAs and improving the livelihoods of communities living in coastal areas. This project directly contributes to the progress toward Target 3 of the Convention on Biological Diversity's Global Biodiversity Framework to effectively protect 30 percent of land and ocean areas by 2030.

In addition to Target 3 (Conserve 30% of Land, Waters and Seas) the project will also contribute to the following Convention on Biological Diversity's Global Biodiversity Framework targets:

- Target 8: Minimize the Impacts of Climate Change on Biodiversity and Build Resilience. By investing in the conservation, enhancement and provisioning of marine and coastal ecosystem goods and services, the project will generate climate mitigation and adaptation Co-Benefits that include carbon sequestration and improved resilience of local communities and coastal areas. The project will improve the effective management of MPAs, which are a proven useful tool for climate change mitigation and adaptation of social-ecological systems (see for example: Jacquemont et al. (2022). “Ocean conservation boosts climate change mitigation and adaptation.”)
- Target 9: Manage Wild Species Sustainably To Benefit People. By enhancing the sustainable management of coral reef ecosystems, the project will increase the value of natural resources for local, national, and global beneficiaries. For example, the protection of critical spawning and nursery grounds within MPAs will contribute to maintaining the healthy fish stocks that underpin local livelihoods and national food security.
- Target 21: Ensure That Knowledge Is Available and Accessible To Guide Biodiversity Action. This is a key focus of the project. The proposed Coral Bond uses the world's only independently assessed and audited MPA evaluation tools (the IUCN Green List certification) to assess whether biodiversity outcomes have been achieved and guide improvements in MPA management.
- Target 22: Ensure Participation in Decision-Making and Access to Justice and Information Related to Biodiversity for all. The project explicitly aims to strengthen participatory decision-making in MPA management. Improving performance against the IUCN Green List Standard will require MPAs to strengthen and demonstrate equitable and effective governance. This includes having clearly defined, legitimate, equitable, and functional governance. Proposed project activities include (i) technical assistance to undertake comprehensive stakeholder mapping and to develop inclusive stakeholder outreach, engagement and participation strategies in each target MPA, and (ii) incremental operating costs associated with implementing these strategies, including routine operation of MPA Collaborative Forums and other participative management vehicles.
- Target 23: Ensure Gender Equality and a Gender-Responsive Approach for Biodiversity Action. Demonstrating that MPA governance arrangements help advance gender equity in relation to management of the site is one of the elements of the IUCN Green List Standard. Activities financed under the project will facilitate the identification of gender gaps and the development and implementation of an action

plan outlining the steps needed to meet the IUCN Green List benchmark for gender equity in MPA management.

B. POLICY REQUIREMENTS

Gender Equality and Women's Empowerment:

We confirm that gender dimensions relevant to the project have been addressed as per GEF Policy and are clearly articulated in the Project Description (Section B).

Yes

Stakeholder Engagement

We confirm that key stakeholders were consulted during PIF development as required per GEF policy, their relevant roles to project outcomes and plan to develop a Stakeholder Engagement Plan before CEO endorsement has been clearly articulated in the Project Description (Section B).

Yes

Were the following stakeholders consulted during project identification phase:

Indigenous Peoples and Local Communities: Yes

Civil Society Organizations: Yes

Private Sector: Yes

Provide a brief summary and list of names and dates of consultations

On November 9th 2022, the World Bank together with national and local government counterparts visited villages in Kupang districts within the East Nusa Tenggara province, home to the largest MPA targeted by the project. The mission held focused group discussions with ecotourism, fisheries and aquaculture community groups, small scale ocean related businesses, village leadership and sub-national MPA management unit to understand specific challenges related to ecotourism, fisheries, and MPA management.

On February 22-24 2023 and on September 7-9 2023, the World Bank visited Raja Ampat MPAs. The team discussed MPA management challenges and innovative financing opportunities with local government, civil society organizations and community groups in Southwest Papua province.

The concept of the Coral Bond was presented and discussed on April 12 2023 at the Preliminary Meeting for the Blue Finance Advisory Committee with representatives from the government of Indonesia. Ministry of Marine Affairs and Ministry of National Development Planning requested the World Bank to proceed with Coral Bond project preparation. Ministry of Finance requested the same on September 13, 2023.

From September 6-22 2023 multiple meetings have been held and scheduled to discuss the proposed Coral Bond with government of Indonesia (Ministry of Marine Affairs and Fisheries, Ministry of Environment and Forestry, Ministry of Finance, Financial Services Authority, Indonesia Environment Fund, Ministry of National Development Planning, Coordinating Ministry for Maritime Affairs and Investment), Bank Indonesia, Philanthropy, IUCN and Civil Society Organizations.

Cross sectoral collaboration has been strengthened during design phase by organizing initial Coral Bond Workshops bringing representatives of MMAF, CMMAI, BAPPENAS, IEF, Provincial Marine and Fisheries Department (DKP) on September 20th and December 18th 2023 and February 14th and 15th 2024.

In addition, field surveys in each target MPA were conducted by World Bank and IUCN experts between February 19 and 26, 2024. The objective of the study was to conduct an initial benchmarking assessment of four MPAs against the IUCN Green List to understand their existing level of alignment. This study used qualitative data collected through presentations, interviews, group discussions and town halls and a survey was used to understand the relationship between existing management activities and the requirements of the 17 IUCN Green List Standard criteria. List of all stakeholders consulted during the field mission is presented below.

MPAs	Consultation Date	Stakeholders
KKD Raja Ampat	Feb 19-20 th , 2024	UPTD-BLUD KKD Raja Ampat; DKP Kab. Raja Ampat; Satker of Marine and Fisheries Resources Surveillance (PSDKP) Sorong; Provincial Tourism Department; Coast Guard; Marine Police; Conservation International; YKAN; Papua University; Papua Sea Turtle Foundation; Molobin Raja Ampat (Women Divers Community); Homestay & Resort Association in Raja Ampat; Community of Guardians of the Sea; Village and Indigenous Peoples Leaders; Maya customary council; and MSMEs groups (Arborek & Piaynemo).
KKN Raja Ampat	Feb 21-22 th , 2024	LPSPL Sorong; DKP Sorong; Conservation International; YKAN; and Indonesia Sea Turtle Foundation
KKN Savu Sea	Feb 24-25 th , 2024	BKKPN Kupang; DKP NTT; DKP Kab. Kupang; NTT Marine Conservation Council; Provincial Tourism Department; Satwas of Marine and Fisheries Resources Surveillance (PSDKP) Kupang; BPSPL Denpasar; YKAN; WWF; YAPEKA Foundation; Nusa Cendana University; Muhammadiyah Kupang University; Krisnadwipayana Kupang University; Marine and Fisheries Polytechnic; Community of Guardians and Love of the Sea; Torusim Awareness Groups; MSMEs groups led by women; PT TOM (pearl aquaculture); PT. PLN (power plant).
KKD Alor	Feb 26-27 th , 2024	UPTD Alor; Bappelitbang Alor; DKP Kab. Alor; Provincial Tourism Department; Tribuana University; Coast Guard; Marine Police; Village and Indigenous Peoples Leaders; MPA collaboration forum; WWF; Thresher Shark Indonesia; Taka Foundation; Teman Laut Indonesia Foundation; POKMASWAS groups; CV. Tidayona (fisheries processing business); PT. TOM and PT CIB (pearl aquaculture); Alor Tourism Alliance (ABA); and MSMEs Groups led by women (fisheries; aquaculture and tourism business).

(Please upload to the portal documents tab any stakeholder engagement plan or assessments that have been done during the PIF development phase.)

Private Sector

Will there be private sector engagement in the project?

Yes

And if so, has its role been described and justified in the section B project description?

Yes

Environmental and Social Safeguard (ESS) Risks

We confirm that we have provided indicative information regarding Environmental and Social risks associated with the proposed project or program and any measures to address such risks and impacts (this information should be presented in Annex D).

Yes

Overall Project/Program Risk Classification

PIF	CEO Endorsement/Approval	MTR	TE
Medium/Moderate			

C. OTHER REQUIREMENTS

Knowledge management

We confirm that an approach to Knowledge Management and Learning has been clearly described in the Project Description (Section B)

Yes

ANNEX A: FINANCING TABLES

GEF Financing Table

Indicative Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Programming of Funds	Grant / Non-Grant	GEF Project Grant(\$)	Agency Fee(\$)	Total GEF Financing (\$)
World Bank	GET	Indonesia	Biodiversity	NGI	Non-Grant	13,761,468.00	1,238,532.00	15,000,000.00
Total GEF Resources (\$)						13,761,468.00	1,238,532.00	15,000,000.00

Project Preparation Grant (PPG)

Is Project Preparation Grant requested?

false

PPG Amount (\$)

PPG Agency Fee (\$)

GEF Agency	Trust Fund	Country/ Regional / Global	Focal Area	Programming of Funds	PPG(\$)	Agency Fee(\$)	Total PPG Funding(\$)
Total PPG Amount (\$)					0.00	0.00	0.00

Please provide justification

Sources of Funds for Country Star Allocation

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Sources of Funds	Total(\$)
Total GEF Resources					0.00

Indicative Focal Area Elements

Programming Directions	Trust Fund	GEF Project Financing(\$)	Co-financing(\$)
BD-1-1	GET	13,761,468.00	156,100,000.00
Total Project Cost		13,761,468.00	156,100,000.00

Indicative Co-financing

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount(\$)
Private Sector	Capital Markets	Loans	Investment mobilized	150,000,000.00
GEF Agency	World Bank	Loans	Investment mobilized	5,000,000.00
Private Sector	BNP Paribas	Grant	Investment mobilized	1,100,000.00
Total Co-financing				156,100,000.00

Describe how any "Investment Mobilized" was identified

The World Bank will issue a AAA-rated [120 – 150 million] five-year US dollar denominated principal protected World Bank Sustainable Development Bond, or Coral Bond, replicating aspects featured in the Wildlife Conservation Bond. The project utilizes an innovative financing model to secure private finance for outcome-focused management of MPAs. It will raise the ambition on marine conservation performance and strengthen marine ecosystem health monitoring as the basis for securing innovative sources of sustainable finance for ecosystem protection. As with the Wildlife Conservation Bond previous model, investors in the bond will agree to forego all bond coupon payments, which will instead be used to finance conservation initiatives in four MPAs that host some of the most biodiverse coral reefs in the world. The bond investors hence become direct co-financiers of conservation efforts in the MPAs, and in return, they can be compensated with a "conservation success payment" if management performance and metrics reflecting coral reef health and management effectiveness meet specified targets at the four MPAs, according to independently assured and verified results. To mobilize a bond of this size, the team would anticipate need to attract between 10-15 institutional investors with a mandate to support conservation and other Environmental, Social and Corporate Governance objectives, as well as possible participation of private investors. Assessments suggest there is sufficient depth in the market to mobilize the amount targeted from the growing pool of investors in this space.

GEF NGI will provide US\$13.76 million to fund the Conservation Success Payment to bond holders, contingent on the achievement of pre-agreed impact metrics. The World Bank will retain the proceeds of the bond to use for the Bank's general sustainable development purposes. Irrespective of the project performance and project implementation risk, investors will receive their principal back at maturity from the World Bank. Investors take risk in the project achieving success. For taking this risk, they are offered a potential reward that is some amount greater than the value of the coupon returns which they gave up. Under this financial structure, approximately US\$10 million worth of coupon payments will be diverted to the Coral Bond project to cover the costs of marine conservation activities, and US\$13.76 million from GEF-NGI will be held in reserve and later released, in part or in full, to bond investors, subject to the level of success achieved in the MPAs. With this approach the GEF financing can be optimized as it will only be released upon successful achievement of agreed targets, and project implementation risk is passed to capital market investors.

In addition, BNP Paribas recently committed to provide a EUR 1 million grant as Conservation Success payment for the project, due to their interest in this innovative outcome-based financing instrument for marine conservation.

Finally, US\$5 million co-financing will be provided by the US\$210 million World Bank-financed Oceans for Prosperity Project (or LAUTRA), implemented by the Ministry of Marine Affairs and Fisheries. One of the objectives of the LAUTRA project is to improve the management effectiveness of twenty marine protected areas to a level consistent with the highest EVIKA ranking. This includes the 4 MPAs supported by the Coral Bond project. In these 4 MPAs LAUTRA will complement Coral Bond activities by investing in MPA management infrastructure (e.g. field offices, jetties) and equipment (e.g. boats, mooring boys), and institutional capacity (e.g. building MPA units staff capacity in MPA management, establishing Public Service Agency or BLU/D).

PMC and M&E amount is also coming from here (the IBRD loan is inclusive of PMC and M&E).

ANNEX B: ENDORSEMENTS

GEF Agency(ies) Certification

GEF Agency Type	Name	Date	Project Contact Person	Phone	Email
GEF Agency Coordinator	Angela Armstrong	9/18/2023			aarmstrong@worldbank.org
Project Coordinator	Ambroise Brenier	9/18/2023			abrenier@worldbank.org

Record of Endorsement of GEF Operational Focal Point (s) on Behalf of the Government(s):

Name	Position	Ministry	Date (MM/DD/YYYY)

Vivi Yulaswati	Deputy for Maritime Affairs and Natural Resources	Ministry of National Development Planning/National Development Planning Agency	9/18/2023
Laksmi Dhewanthi	GEF Operational Focal Point Indonesia, Director General of Climate Change	Ministry of Environment and Forestry	3/15/2024

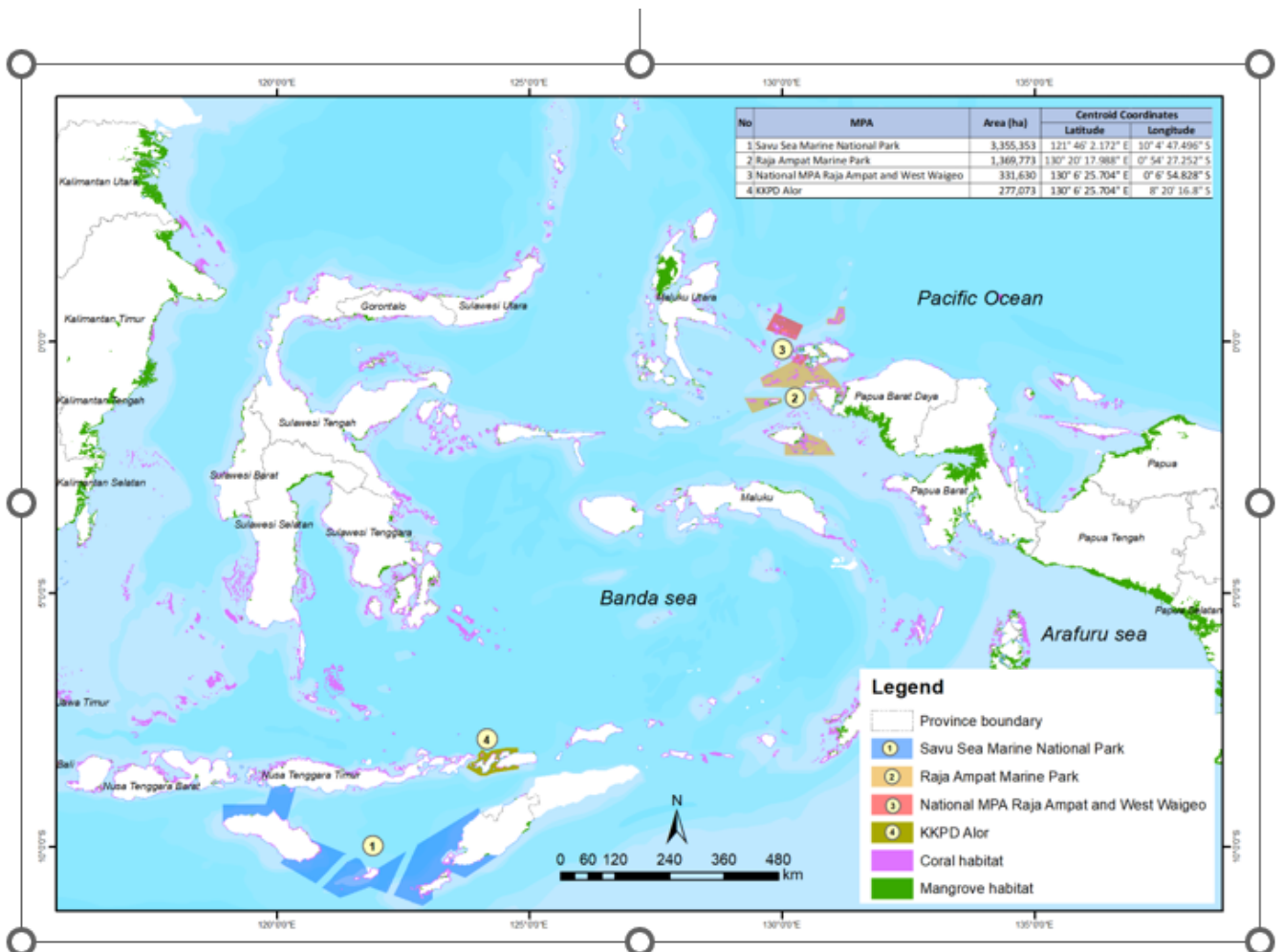
NGIs do not require a Letter of Endorsement if beneficiaries are: i) exclusively private sector actors, or ii) public sector entities in more than one country. However, for NGI projects please confirm that the agency has informed the OFP of the project to be submitted for Council Approval

Yes

ANNEX C: PROJECT LOCATION

Please provide geo-referenced information and map where the project interventions will take place

Location of the 4 target MPAs in Eastern Indonesia.



ANNEX D: ENVIRONMENTAL AND SOCIAL SAFEGUARDS SCREEN AND RATING

(PIF level) Attach agency safeguard screen form including rating of risk types and overall risk rating.

Title

C-ESRS_Coral Bond_V3_addressed RSA feedback

P181486 Coral Bond Draft ESRS

ANNEX E: RIO MARKERS

Climate Change Mitigation	Climate Change Adaptation	Biodiversity	Land Degradation
Significant Objective 1	Significant Objective 1	Principal Objective 2	No Contribution 0

ANNEX F: TAXONOMY WORKSHEET

ANNEX G: NGI RELEVANT ANNEXES

Please use the most up to date templates per the most recent call for proposals.

Annex G.1: Template for Indicative Financial Termsheet

Instructions. This termsheet to be submitted with the PIF/PFD should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. An equivalent termsheet used for internal Agency purposes is acceptable but must include sections on Currency Risk, Co-financing Ratio and Financial Additionality.

Note: The numbers provided here are indicative only and are dependent on market conditions and structuring adjustments made at the time of bond placement.

Project/Program Title	Indonesia Coral Bond
Project/Program Number	GEF ID 11323, WB P181486
Project/Program Objective	To design an outcome bond that channels private sector investment resources to ocean conservation to improve management effectiveness and achieve measurable coral reef conservation outcomes in four pilot marine protected areas (MPAs) in Indonesia
Country [ies]	Indonesia
GEF Agency presenting the Project	The World Bank
Project Financing	World Bank Outcome Bond issuance: USD [120-150] million NPV of foregone bond coupon payments: ~USD [10] million BNP Paribas: ~USD 1.1 million

	<p>IBRD: USD 5 million</p> <p>GEF NGI: USD 13.76 million</p> <p>Total Project Financing: USD [149.8-179.8] million</p>
Currency of the Financing	USD
Currency risk	N/A
Co-financing ratio	For the overall transaction, every GEF 1 USD mobilizes approx. USD [9.9-12] from the co-financing of the World Bank outcome bond.
Financial additionality and minimum concessionality of GEF resources	<p>The proposed Coral Bond transaction uses an innovative outcome bond model for conservation financing that was first tested in the GEF supported Wildlife Conservation Bond. This outcome bond will allow capital market investors to support a sector not historically considered for debt instruments.</p> <p>Under the indicative proposed structure bond investors will forego some of the bond coupon payments that they would otherwise receive on a regular World Bank bond (approx. [USD10m]) to fund ocean conservation activities. The GEF funds will allow for a contingent success payment to be provided to the bond investors at bond maturity, in lieu of the foregone investor coupons, proportionate to the verified achievements in coral reef health and possibly also MPAs management effectiveness. Payment by GEF would only be made if there are verified and assured achievements in coral reef health metrics (live coral cover, reef fish biomass) and possibly also the MPAs management effectiveness by maturity of the bond.</p> <p>In the proposed bond structure investors will forgo a portion of the normal World Bank coupon, which will be directed to finance the project. This is a variation from the Rhino Bond, where the PV of the entire bond coupon was directed to the project upfront. For this bond, investors will receive a guaranteed fixed coupon [e.g. 2%-3% p.a.] which will be lower than ordinary World Bank coupons for the targeted maturity (which are currently 4.5% to 5% p.a.), plus an outcome payment linked to project success. Under a maximum success scenario, investors would receive a return that is appreciably higher than the return put at risk, for taking exposure to the project. This approach will make the bond more marketable to potential investors, particularly in the higher interest rate environment today than prevailed for the Rhino bond, and it will support a larger bond size.</p>
Use of proceeds	Bond proceeds [USD 120 – 150 million]: World Bank Treasury will issue an outcome bond and retain the proceeds to use for the Bank’s general sustainable development (SDG) purposes, as with all other World Bank bonds.

Conservation Investment Payments [USD 10 million]: Bond investors will forego some of the bond coupon payments that they would otherwise receive on a regular World Bank bond (approx. [USD10m]) to fund ocean conservation activities. The conservation investment payments will be paid to the Project Implementing Partners to support the proposed conservation activities. These proposed conservation activities include assistance and investments to (i) assess and benchmark each target MPA performance against the Green List Standard; (ii) develop a detailed action plan outlining the steps needed to make expected improvements against the IUCN Green List Standard; (iii) implement this action plan; and (iv) establish an independent scientific advisory group and undertake annual independent progress audits to verify outcomes, against which outcome-based payments could be made. Specific activities to be financed in each target MPA will be confirmed during the performance assessment, and the project will pay for costs to reach incremental conservation outcomes. Preliminary assessments identified already several activities, complementary to LAUTRA activities, that are required to meet the objectives of the project to improve MPA performance and coral reef health: (i) enhanced stakeholder engagement (technical assistance to undertake comprehensive stakeholder mapping and to develop inclusive stakeholder outreach, engagement and participation strategies; incremental operating costs associated with implementing these strategies, including routine operation of MPA Collaborative Forums and other participative management vehicles); (ii) assess the feasibility and identify options for the development of private tourism concessions models and co-management arrangements in MPAs; (iii) develop business plans and build site managers capacity in financial planning and management; (iv) generate knowledge to inform the improvement of MPAs management plans (technical assistance to improve the understanding of the social and economic context; define conservation targets baseline values, limits of acceptable change, and threshold values; comprehensive threat mapping, risk assessment and prioritization; and design threat mitigation strategies); (v) deployment of technologies such as hydrophones to improve the detection and monitoring of bomb fishing; (vi) improving the detection and monitoring of zone violations using platforms such as SMART Conservation Tools to enhance the compilation, analysis and value of intelligence gathered from stakeholder groups such as POKMASWAS; (vii) implementation of strategic (intelligence-led and risk-based) rather than reactive MPA surveillance and monitoring patrols and cross-agency coordination to deter and prevent destructive fishing and deter and prevent zone noncompliance; (viii) supporting small-scale producers to apply for and comply with appropriate licenses and permits; (ix) establishing baseline conditions and limits of acceptable change for visitor sites; (x) defining threshold measures and management responses such as adjusting visitor flow and numbers; and (xi) strengthening provisions to mitigate visitor impacts including via the implement of codes of conducts, anchoring restrictions and wastewater management provisions; (xii) development and implementation of scientifically rigorous and statistically robust monitoring of MPAs conservation and socio-economic outcomes (including live coral cover and reef fish biomass); and (xiii) strengthening the centralized digital

	<p>information systems and decision support systems needed to track progress across multiple sites.</p> <p>The foregone coupon payment will also finance project management and monitoring activities such as (i) staffing, operations, financial management, procurement, environmental and social risk management, monitoring, reporting and evaluation of project activities; (ii) citizen and stakeholder engagement and coordination activities, including implementation of the grievance redress mechanism; (iii) inter-institutional collaboration and coordination; (iv) building IEF's capacity in channeling, monitoring, and reporting requirements consistent with international standards and best practices as defined by the Task Force on Nature related Financial Disclosures (TNFD); and (iv) events and knowledge sharing activities.</p>
<p>Financing instruments requested from the GEF TF (other than grants)</p>	<p>Contingent success payment made only upon the verified improvements in coral reef conservation outcomes and possibly in the MPAs management effectiveness by maturity of the bond.</p>
<p>Financing requested from the GEFTF in the form of Grant for Technical Assistance</p>	
<p>Bond Terms and Conditions</p>	<p>For the proposed Coral bond:</p> <ul style="list-style-type: none"> (a) <u>Issuer</u>: IBRD (b) <u>Amount of the debt instrument</u>: \$[120-150] million (c) <u>Maturity Date</u>: Trade Date + [5 years] (d) <u>Fixed Coupon</u>: [%] Fixed, paid semi-annually, fully guaranteed by IBRD (e) <u>Variable Coupon</u>: Contingent success payment paid at maturity = [Project Performance Rate] * Maximum Success Payment. (Note: Contingent success payment will be paid at the close of the project if there are certified improvements in coral reef health and possibly MPAs management effectiveness. The amount of success payment will depend on the percentage of improvement in coral reef health (live coral cover and reef fish biomass) and possibly MPAs verified as achieving KPIs against the IUCN Green List. The performance metrics will be finalized during project development and may be subject to adjustments. In the case of no verified achievements in coral reef health outcomes, and possibly management of MPAs, no payment will be made and all GEF resources will be returned in full. (f) <u>Maximum Success Payment</u>: USD 13.76 million from GEF and USD 1.1 million from BNP Paribas (g) <u>Conservation Investment Payments</u>: [USD 10 million] paid according to a schedule agreed with the Project Implementing Partners (h) <u>Project Performance Verifier</u>: [International Union for Conservation of Nature Green List], who will oversee and assure evaluation of the project and provide evaluation result (Project Performance Rate) by the Verification Date, including for coral reef health metrics, through the IUCN Green List audit process. The third party verification is independent from IUCN. The IUCN Green List process provides an

	<p>assured assessment of performance and expert validation of progress to participating protected and conserved areas, implemented according to the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) codes and principles.</p> <p>(i) <u>Verification Date</u>: [20 Business Days] before Maturity Date, While the outcome payment will only be triggered at maturity, the project plans to have interim observations of the outcome metrics. The project will apply a standardized methodology within all target sites to assess live coral cover and reef fish biomass. Underwater Visual Census surveys will be conducted by trained divers inside and outside the MPAs during year one, year three and year five of the project, with results independently assured and verified via the IUCN Green List audit process. The proposed dates for the interim observations will be refined during project development.</p> <p>As noted above, investors will receive a guaranteed coupon plus an additional payment that is based on the level of success achieved in the project. As we anticipate 2 or more donors will be supporting the project, we expect to apply the larger donor’s contingent commitment to achievement of success related to Live Coral Cover and Reef Fish Biomass metrics across the 4 MPA’s and tie the other smaller commitment to attainment of IUCN Green List in the 4 MPAs. The precise distribution of the donor commitments (thus the expected payments for each outcome) is still being refined, as is the determination of how much change in the metrics for each shall constitute success.</p>
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Annex G.2: Reflows table

Instructions. Any financial returns, gains, interest or other earnings and remaining principal will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. and the GEF Non-Grant Instrument Policy.

Item	Data
GEF Project Number	GEF ID 11323
Estimated Agency Board approval date	September 2024 (<i>Tentative</i>)
Investment type description (financial product: debt, equity, guarantee, other)	Contingent success payment
Expected date for start of investment	[October 1, 2024] (<i>Tentative</i>)
Amount of investment (USD GEF funds) (include technical assistance and non-grant portions)	USD 13.7 million
Maturity (indicate the grace period if needed)	N/A
First repayment year	[2029] (<i>Tentative</i>) (only if there are no certified improvements in live coral cover and reef fish

	biomass in the target MPAs, and possibly in target MPA management effectiveness)
Final repayment year	N/A
Repayment method description	GEF funds will be deployed as a Conservation Success Payment and will only be repaid if the success threshold of assured and verified positive coral reef biodiversity outcomes (and possibly MPA performance), are not achieved by the maturity date of the bond.
Frequency of reflow payments (if amortized)	One time at maturity of the bond
A. Total principal amount to be paid-reflowed to the GEF Trust Fund (Please provide actual amount with assumption of exchange rate if applicable) in whole USD.	Between 0 and USD 13.7 million based on measurement of coral reef health (live coral cover and reef fish biomass), and possibly management effectiveness of the pilot MPAs
B. Total interest/earnings/premiums amount to be paid-reflowed to the GEF Trust Fund (Please provide actual amount with assumption of exchange rate if applicable) in whole USD.	N/A
Total reflows to the GEF Trust Fund (Sum A + B) in whole USD	Same as A

Annex G.3: GEF Agency Eligibility to Administer Concessional Finance

The GEF Agency submitting the PIF or PFD will demonstrate its capacity and eligibility to administer NGI resources as noted in the NGI Policy, summarized below:

Annex C: Partner Agency Eligibility to administer Concessional Finance – World Bank

The GEF Agency submitting the PIF or PFD will demonstrate its capacity and eligibility to administer NGI resources as described below:

1. A GEF Agency is eligible to administer projects using non-grant instruments if it can demonstrate the following:

a) Ability to monitor compliance with non-grant instrument repayment terms;

The World Bank Group Financing and Accounting Trust Funds and Loan Operations department supports an appropriate fiduciary control framework for Bank lending and donor funds. It performs several key financial operation activities related to: loan origination, compliance, disbursements, accounting, and analytics for IBRD/IDA and Trust Funds. The department consists of WFA Client Services (WFACS) and WFA Corporate Services and Accounting Support (WFAAS). WFACS provides client services and related loan operation support to internal and external clients. WFACS provides services related to loan origination and disbursement, advisory and clearance support for project preparation and implementation, project-level

fiduciary and loan portfolio management, and regional and country level loan operations activities. WFAAS supports both WBG Trust Funds and Loans portfolios with a range of services that cover: (i) providing advice on the design and implementation of new trust funds and related policies and procedures, and (ii) conducting activities associated with establishment and closure of loans or trust funds, including account creation and maintenance, accounting and reporting, and help desk functions.

b) Capacity to track financial returns (semester billing and receiving) not only within its normal lending operations, but also for transactions across trust funds;

As noted above, the World Bank Group supports an appropriate fiduciary control framework for Bank lending and donor funds. The World Bank Group maintains separate records and ledger accounts in respect of the GEF Funds.

c) Experience and positive track record with the use of non-grant instruments.

The World Bank Group has been operating for more than 75 years and is one of the world's largest sources of funding and knowledge for developing countries. It consists of five institutions with a common commitment to reducing poverty, increasing shared prosperity, and promoting sustainable growth and development. The International Bank for Reconstruction and Development (IBRD) lends to governments of middle-income and creditworthy low-income countries. The International Development Association (IDA) provides financing on highly concessional terms to governments of the poorest countries. The International Finance Corporation (IFC) provides loans, equity, and advisory services to stimulate private sector investment in developing countries. The Multilateral Investment Guarantee Agency (MIGA) provides political risk insurance and credit enhancement for cross-border private sector investors and lenders.

In FY 2022, the World Bank Group committed \$104.37 billion in financing to partner countries. The World Bank (IBRD and IDA) has been extending loans and other non-grant financing to countries since 1946. IBRD's net commitments in FY 2022 totaled \$33.07 billion, all of which were non-grant. IBRD's net loans outstanding totaled \$227.1 billion at the end of FY 2022.

Annex G.4: Management Capacity of Executing Agency and Governance Structure

For projects requesting equity instrument, structured finance, or SPVs please provide following information