



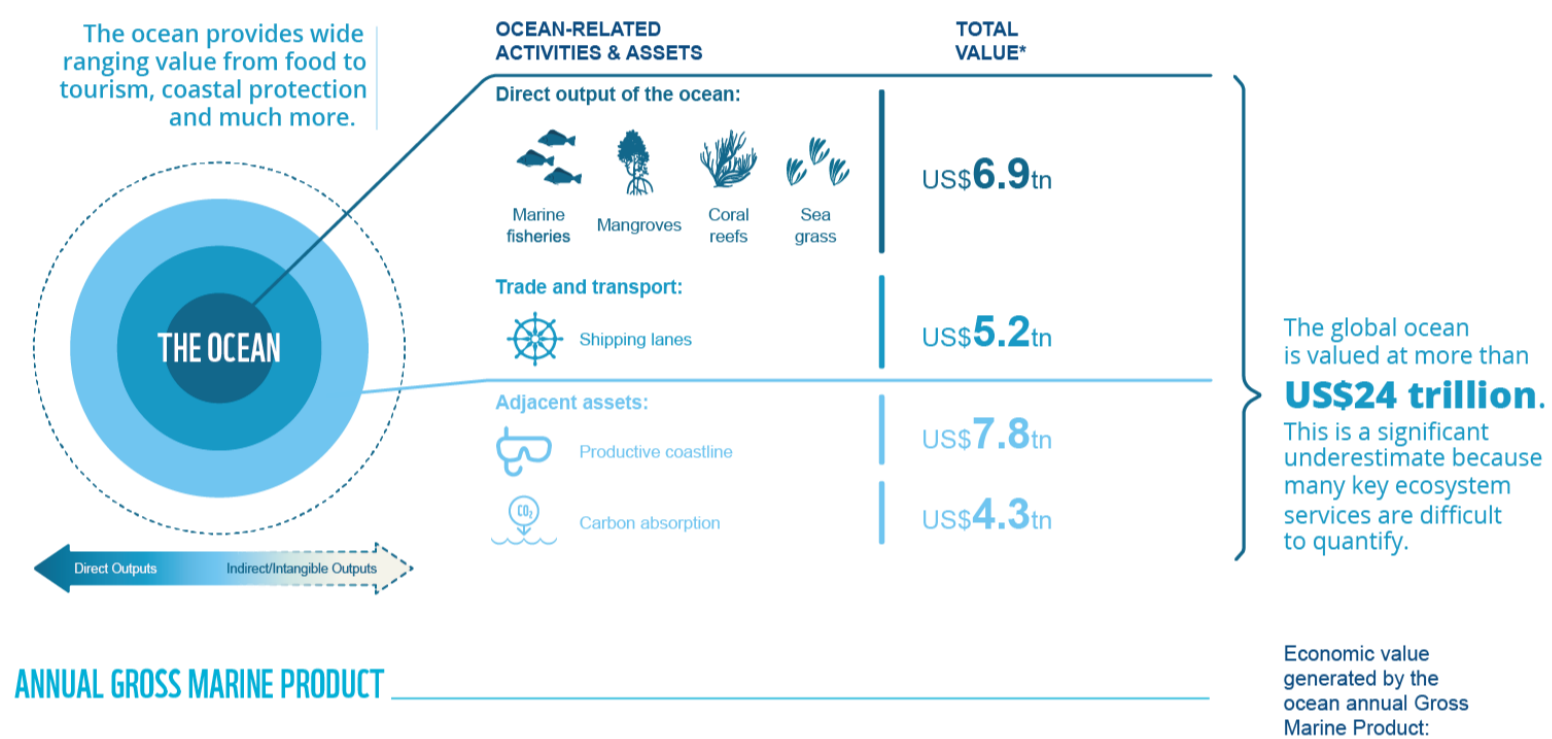
# INCLUSIVE SUSTAINABLE BLUE ECONOMY

Opportunities to build  
resilient coastal communities



# AN OCEAN INCUBATOR FOR COASTAL COMMUNITIES

Without a healthy ocean, our future prosperity – indeed, life on Earth as we know it – is in jeopardy. The need for a change in our relationship with the marine environment has started to break through. Leaders from outside the environment sector are calling for better protection and management of this vital shared asset. Failure to act means further squandering our assets, and running down the economic engine that supports countless people worldwide. If the response to conservationists’ pleas about the plight of our ocean assets has been, “So what?”, then here is the US\$24 trillion answer.



Putting this into an international context - If the ocean were a country, it would have the seventh largest economy in the world.

[VIEW REVIVING THE OCEAN ECONOMY REPORT](#)

\*WWF. 2015. Reviving the Ocean Economy: the case for action - 2015.

The sustainable blue economy is estimated to be worth \$24 trillion, and as investors and policymakers increasingly turn to the ocean for new opportunities, this economy has been forecasted to double in size by 2030 (OECD 2016). However, the loss of natural capital resulting from unsustainable activities continues to erode the resource base on which such development depends. We need to ensure that a healthy ocean is at the centre of our collective ambitions — including government, civil society and the private sector — to ensure that economic activities in our seas are sustainable and that society’s needs are met.

The concept of a blue economy is recognized as central for sustainable development. However, much of the emphasis to date has been placed on short-term economic gains. As a result, traditional livelihoods and small-scale local operations are frequently outcompeted by business-as-usual activities with little regard for social inclusion and environmental sustainability.

The most fundamental principle of a sustainable blue economy, often overlooked in the interest of these short-term economic gains, is that nature and people are at its centre. Bringing communities into the centre of global, regional and local efforts is key to the successful delivery of a sustainable blue economy. **Many coastal areas are under the stewardship of communities that are struggling with food security, viable livelihoods, health, education and safety.**

# THE PRINCIPLES FOR INCLUSIVE SUSTAINABLE BLUE ECONOMY

## EQUITY

Ocean equity is about ensuring that the benefits from ocean resources are available to all, respectful of traditional rights, particularly to those who are vulnerable, poor or marginalized, and that decent work is available to all. Ensuring equity, in terms of the potential benefits derived from ocean assets, requires us to embrace a broader range of values than simply economic growth.

## INCLUSIVITY

It prioritizes community-led solutions, including the use of local, indigenous and traditional knowledge, revitalizing indigenous stewardship, and ensuring participation of vulnerable populations in decision-making at all levels.

## GENDER

There should be a focus on building women's resilience to climate change and disaster impacts through greater access to technologies and finance, diversification of livelihoods, and increased participation in women-led solutions, among others.

**THIS PORTFOLIO AIMS TO SUPPORT AN INCLUSIVE SUSTAINABLE BLUE ECONOMY BY EMPOWERING COASTAL COMMUNITY ENTERPRISE DEVELOPMENT AND UNLOCKING FINANCE AT SCALE. THIS WILL BE ACHIEVED BY AGGREGATING PROJECTS AND BLENDING FINANCE.**

## SCALE IS BY FAR THE CHALLENGE

This is because the fixed costs of investment provide a minimum threshold before there is a cost benefit.

It is also important to bear in mind that investment itself is not the only barrier for the advancement of a sustainable blue economy at the local scale.

### THIS PORTFOLIO WILL ADDRESS THESE BARRIERS

Sources of investment are available for commercially viable sustainable blue economy activities, notably alternative or improved livelihoods. But coastal communities are often unable to access these sources of finance.

*Common barriers to investment include:*

- Underdeveloped business models – sustainable livelihoods activities are often at an early stage of business development, and their commercial viability is therefore less certain.
- Sub-scale investments – sustainable livelihoods activities are typically operated at a community level, and are sub-scale for commercial investment.
- Low/slow growth return profiles – sustainable livelihoods activities typically generate lower, longer-term return profiles than commercial investment activities.

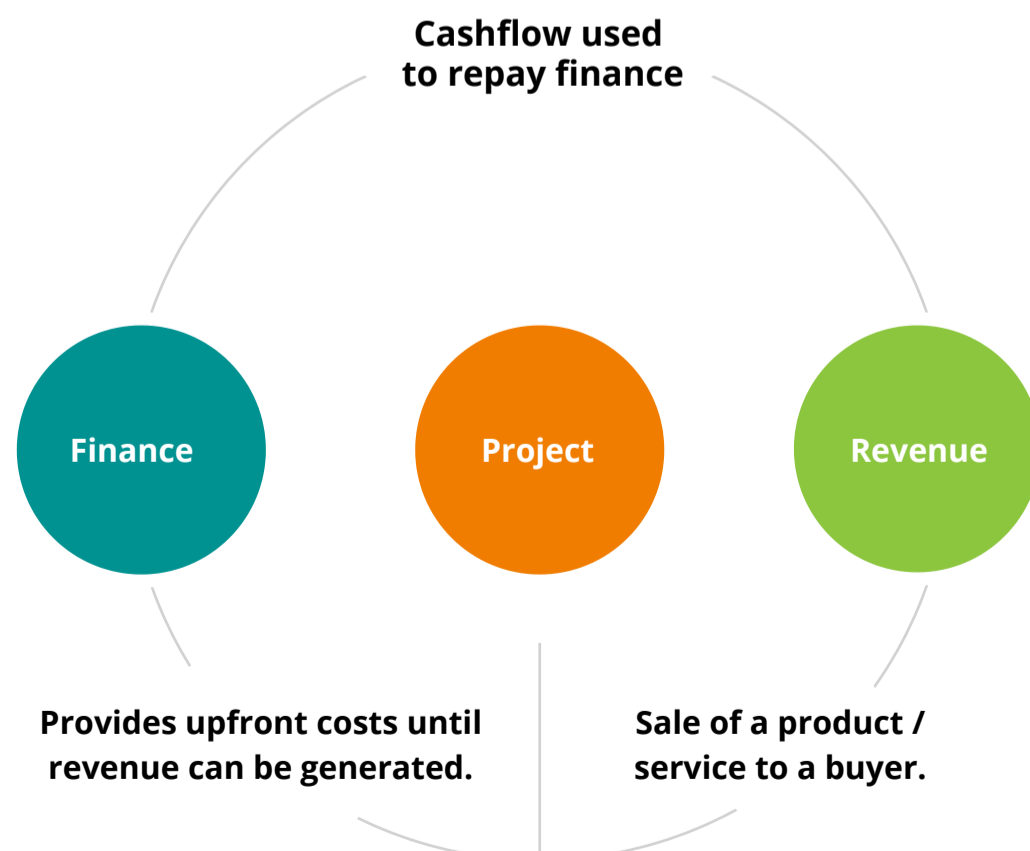
Addressing these and other barriers is critical to enabling investment in highly beneficial and impactful sustainable blue economy activities.

## REVENUE AND FINANCE

**FINANCE** is a tool that can be used to bridge the time gap in project funding needs.

**PROJECT CASHFLOWS** suitable for raising finance can be generated primarily through:

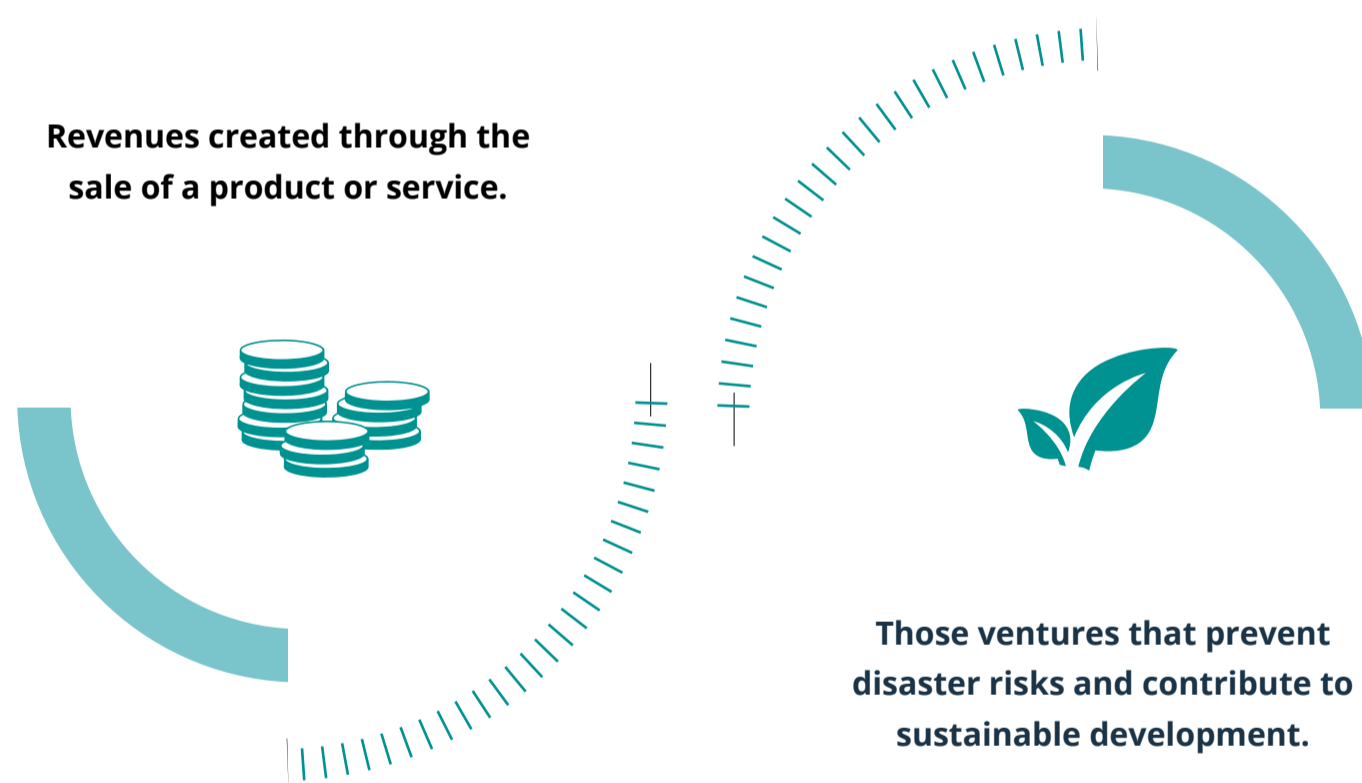
- Cost-saving shared from a financial beneficiary.
- Capital gain achieved on the appreciation of an asset.



Most policy discussions will highlight the importance of unlocking private and public sector finance for the sustainable development of coastal communities. The creation of large scale community-led initiatives and enterprises that offer viable financial returns must be prioritized.

While there is a mushrooming of blue accelerators and impact investment funds focused on delivering a sustainable oceans economy, the focus must now shift from high growth sectors to the challenge of building the resilience of coastal communities.

## THERE ARE TWO TYPES OF PROJECTS THAT THE SUSTAINABLE DEVELOPMENT COMMUNITY MIGHT PRESENT TO THE PRIVATE SECTOR AND/OR INSTITUTIONAL DONORS:



Coastal community focused nature-based solution-type projects typically fall into the latter group, which relies on other forms of finance to derisk the project and in reality will never be able to be funded in full by the private sector. These types of projects will require traditional capital to be blended with patient capital and/or grant funding.

## COASTAL COMMUNITIES WILL ALSO NEED SUPPORT TO:



Ensure their voices are heard and  
inform policy.



Build skills and expertise to lead project  
development.



Develop strong business plans.

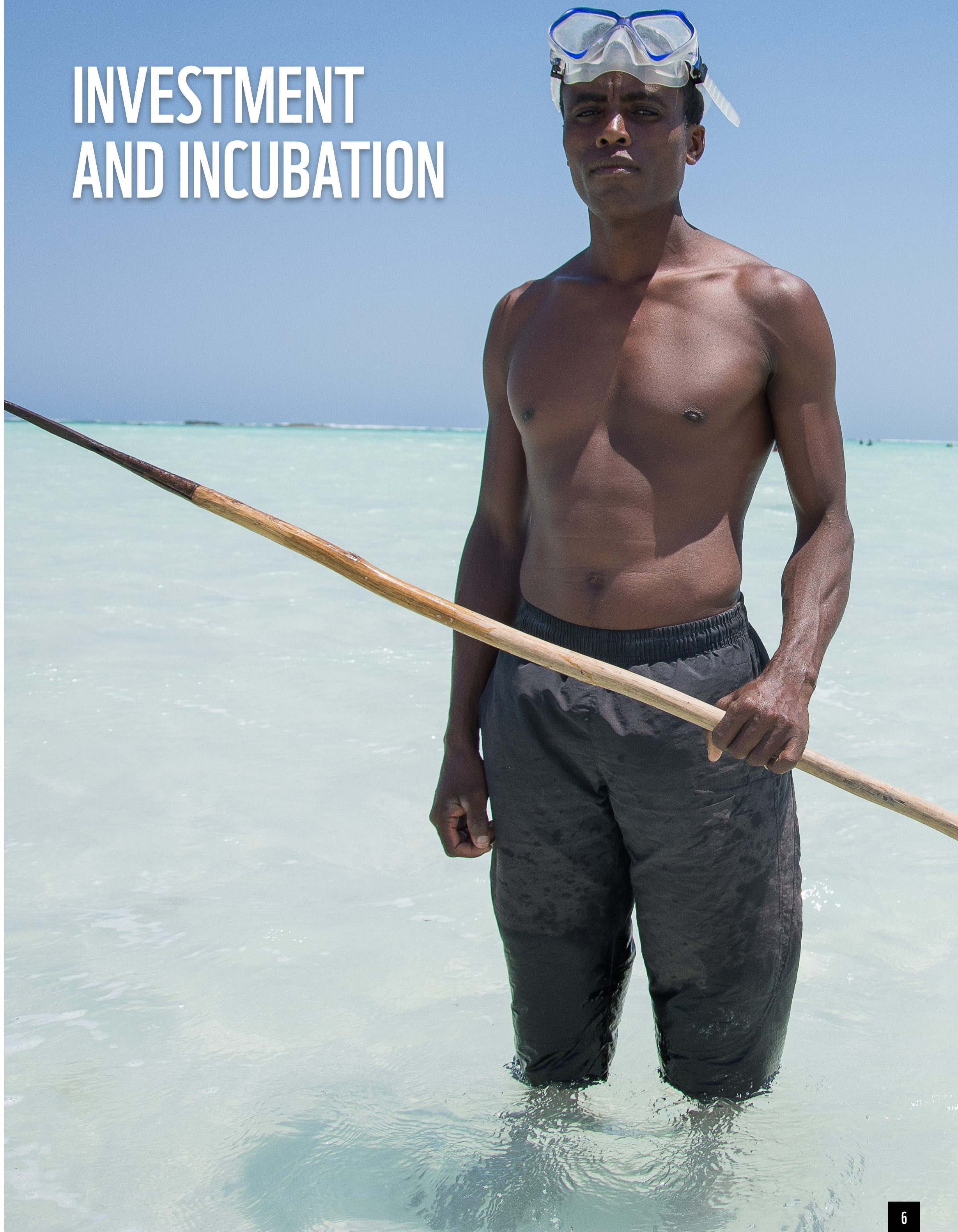


Establish appropriate governance and  
benefit sharing arrangements.

**THE INCUBATOR WILL PROVIDE SUPPORT TO COASTAL  
COMMUNITIES TO BUILD CAPACITY TO ADDRESS THESE BARRIERS.**



# INVESTMENT AND INCUBATION



## PROVIDING THE CRITICAL ENABLING CONDITIONS

Each of the identified projects require at least one type of support to enable them to achieve investment-readiness.

## HOW CAN WE DEVELOP INVESTMENT-READINESS?

### NON-FINANCIAL NEEDS

Projects typically have a series of common needs before they can become investment-ready.



#### Capacity building

Building business skills and delivering expertise within teams, enabling WWF and partner teams to better identify, develop and implement sustainable blue economy opportunities;



#### Technical support

Providing the technical skills specific to particular opportunity themes (for example, renewable energy technicians), which will enable design and delivery of operational models;



#### Business planning

Developing business cases, assess demand for products/services, and evidence outcomes that can be achieved, which will support the design and implementation of operational business models; and



#### Investment support

Help refine investment cases, co-develop financial forecasts/models, build compelling propositions to attract investment, and provide post-investment support (such as monitoring, evaluation and reporting), which will enable selected opportunities to access private finance.

### FINANCIAL SUPPORT

#### Development funding and seed investment

The ability to create investment-ready projects relies on proven revenue streams and a robust evidence base demonstrating targeted environmental outcomes. These are typically best evidenced through pilot projects before scaling up. Patient funding and seed investment is required to help projects prove outcomes and build evidence bases demonstrating their financial and technical performance alongside impact, supporting their attractiveness to potential investors.



#### Development funding



#### Seed investment

### 'BIGGER PICTURE' NEEDS

#### Portfolio strategy and governance

While individual projects are being developed, coordination of pre- and post-investment support will serve to align project needs and objectives at a regional level and ensure that resources can be effectively distributed and prioritised across a portfolio of projects.

Supporting project level and regional governance is critical to success, to ensure local stakeholders are fully on board, and to minimise risks of unintended consequences. Governance needs to be designed carefully, taking into account local, regional stakeholders and investor priorities to ensure projects perform as intended.

Effective strategy and governance will also enable the pooling (or "aggregation") of appropriate portfolios of projects to make them more attractive to investors, therefore improving investment case outcomes and helping to reduce transaction costs.



#### Portfolio-level strategy



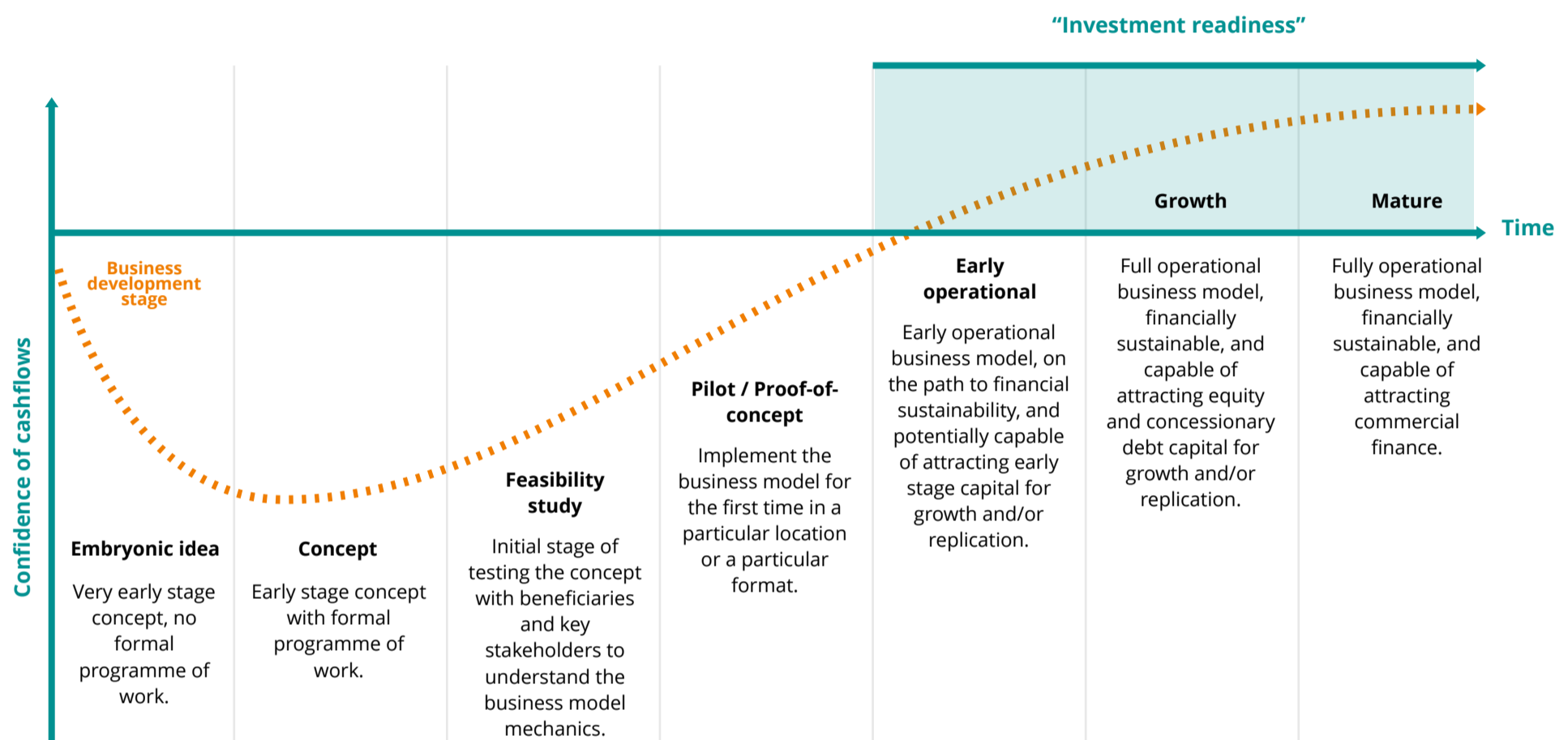
#### Strategic governance

# PROJECT BUSINESS DEVELOPMENT STAGE

## The “J-Curve”

Stage of development :

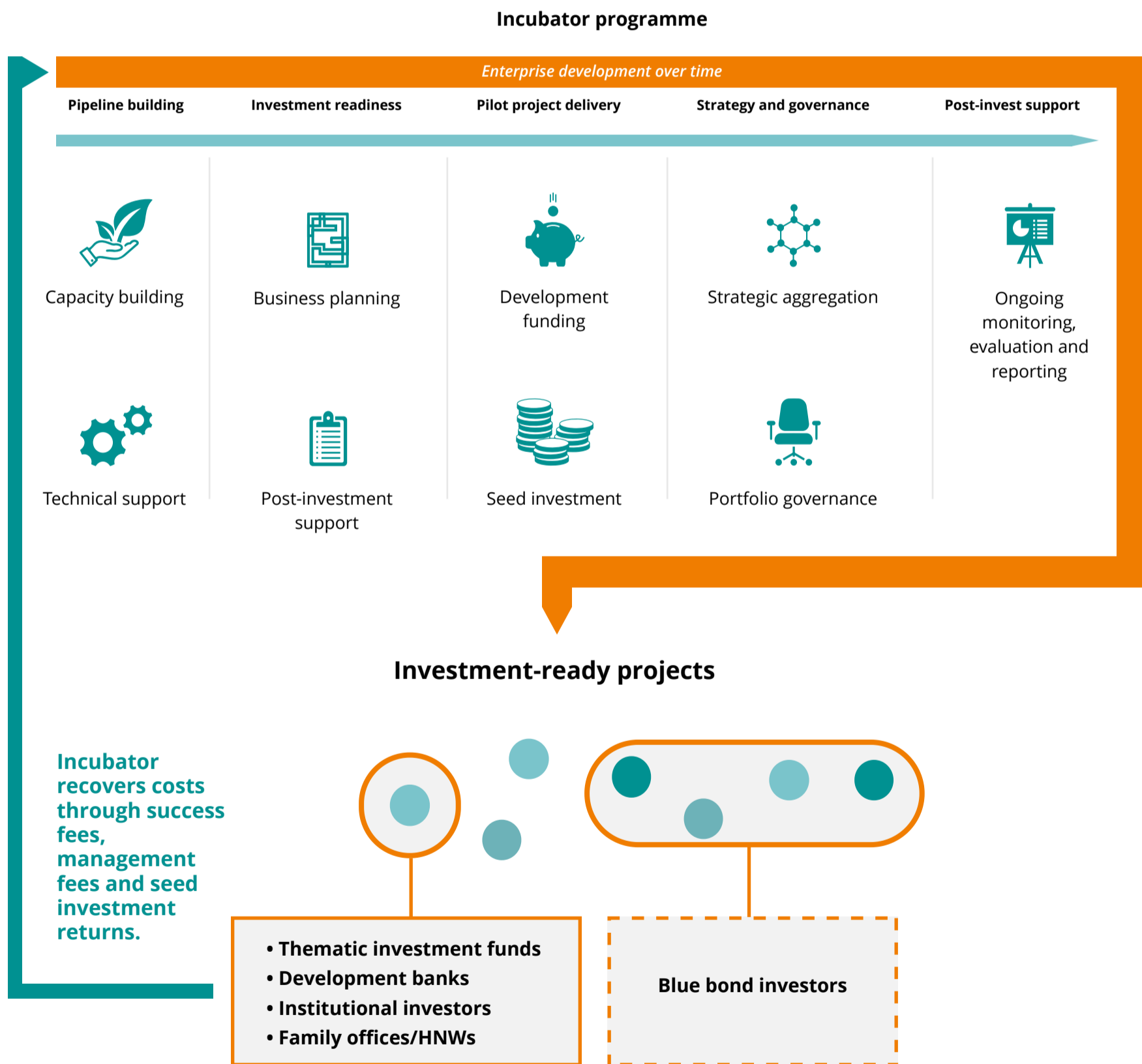
Each of the opportunities identified is measured against the business model development “j-curve”: a visual approximation of how business models develop over time as projects grow from early-stage embryonic idea and concept through to fully operational businesses.



# PORTFOLIO STRATEGY AND GOVERNANCE

There is a clear gap in the market for an incubator programme designed to provide tailored support for marine and coastal livelihood projects to become investment-ready and access appropriate, dedicated sources of finance.

This demonstrates a critical mismatch between the demand for and supply of support. An incubator programme would therefore support community led projects across all regional seascapes to meet the spectrum of non-financial, financial and 'bigger picture' needs.



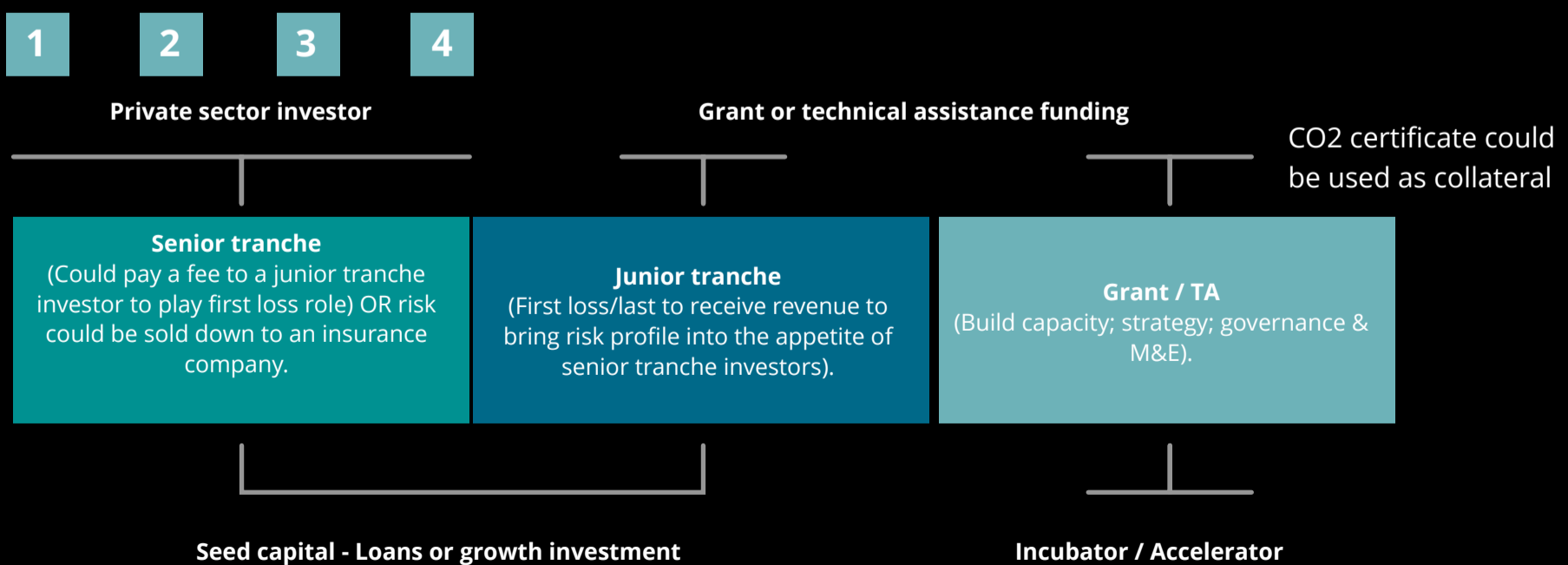
IT IS IMPORTANT TO CREATE A DEDICATED PROGRAMME SUPPORTING THE FULL RANGE OF IDENTIFIED OPPORTUNITIES AND STRATEGICALLY AGGREGATE RELEVANT PROJECTS, WHILE DELIVERING A SHARED GOVERNANCE STRUCTURE.

BY DOING THIS, A RANGE OF ADVANTAGES COULD BE UNLOCKED, INCLUDING:

- Address economies of scale in delivering the financial and non-financial support to the opportunities identified across regional seascapes;
- Aggregation of multiple small-scale projects to create investments of sufficient scale to improve attractiveness to investors and minimise the relative transaction costs (for example, shared investment documentation);
- Alignment around quality standards to increase the value of products/services and improve outcomes (for example, by applying shared best practise across all regional seascapes);
- Long-term source of support to enable projects to progress throughout their lifecycle, from early-stage concept through to investment-readiness, and ultimately mature operational business models; and
- Shared strategic approach to sustainable funding across regional seascape teams, presenting well-structured investment opportunities to significantly increase the attractiveness to funders compared to disparate, uncoordinated approaches.
- Championing infrastructure development at a regional level. Whilst an incubator may not be able to directly deliver some of the wider infrastructure needs identified by projects such as improved roads and medical facilities, it could provide the underlying data and a platform to highlight regional infrastructure needs.

## CREATING A SELF-SUSTAINING INCUBATOR

Most existing support programmes rely on continued grant funding to support long-term operations. However, to ensure the incubator is able to continue providing support on an ongoing basis without the risk of failing to raise additional funding, the programme can be designed as a self-sustaining model. While non-repayable grant and concessionary finance are required to establish and operate the incubator, the programme can be designed to recover capital from a portion of the proceeds of successfully raised investment.





**IF YOU ARE INTERESTED IN INVESTING OR COLLABORATING  
PROFIED IN THIS PORTFOLIO, THEN PLEASE SEND US A MESSAGE  
AND WE WILL BE IN TOUCH SHORTLY.**

**email: [spetersen@wwf.mg](mailto:spetersen@wwf.mg)**



*Working to sustain the natural world for the benefit of people and nature*