



# DOCUMENT DETAILS

## About the Sustainable Finance Coalition

The Sustainable Finance Coalition (the Coalition) FINDS, DESIGNS and MOBILISES tailor-made finance solutions for nature. We are a driving force for the Incubation and Implementation of Finance Solutions at their point of impact, ensuring effective and enduring naturescapes across Africa through collective action.

The Coalition is supported in its efforts by a voluntary advisory Council of thought leaders from 18 sectors. Our interventions are backed by Core Partners, Collaborators, Communities, Specialists and Associate Contributors from across Africa who offer multi-disciplinary expertise and experience. It also includes contributions by the Coalition founding organisations, Wilderness Foundation Africa and WWF. The Coalition is led by Candice Stevens, supported by a Coalition Team and guided by its Board of Directors.

## Purpose of the Viability Report

This Viability Report aims to share the findings from the **Blue Outcomes Fund Incubator**, outlining the key **Building Blocks**<sup>1</sup> for viability and providing recommendations for an **Implementation Pathway**.<sup>2</sup> The Viability Report establishes what is required for a Finance Solution such as The Blue Outcomes Fund to reach Implementation and to be scaled effectively.

## Authorship and Citation

The Coalition extends its appreciation to the members of The Blue Outcomes Fund Incubator for their time and expert contribution to the Incubation process, Viability Report and Implementation Pathway. Incubator membership is by invitation and based on a member's willingness and availability. Each member of an Incubator represents a focal area and/or core skill set. The report's lead author is Lisa Freercks, with support and review from Candice Stevens and Ellané van Wyk (see Annexure C for further details).

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<sup>1</sup> Building Blocks are the critical success factors required for the viability of a Finance Solution and for taking it to scale within a 3 to 5-year period.

<sup>2</sup> Implementation Pathway represents the strategic steps that are required to ensure the effective implementation of a Finance Solution in Step 2 of the DESIGN stage of the Coalition's Finance Model.



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Daniel Jooste	Denise Nicolau
Gail Hurley	Simone Smit
Bokamoso Lebepe	Candice Stevens
Monalisa Mabandla	Jason van Staden
Cerin Maduray	Ellané van Wyk

## Coalition Contacts

### **Candice Stevens**

CEO and Founder

### **Ellané van Wyk**

Head of Impact

### **Kyra Lunderstedt**

Head of Strategy

### **Lisa Freercks**

Lead: Finance Solution Incubation

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# GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

Term	Definition	Source(s)
Actions Table	Document provided to Incubator members to assign Framing Questions to be investigated, and for feedback to be added.	<i>Sustainable Finance Coalition</i>
Bluewashing	The practice of corporations aligning themselves with the UN or its Sustainable Development Goals to enhance their public image, while failing to make substantial changes to support those goals.	<i>The Global Compact</i>
Building Blocks	The crucial elements of a finance solution that need to be in place for a finance solution to be viable and implementable.	<i>Sustainable Finance Coalition</i>
Finance for Nature Ecosystem	The Sustainable Finance Coalition's network of specialists and experts, including its Council, Specialists and Associate Contributors, Collaborators and Core Partners.	<i>Sustainable Finance Coalition</i>
Findings Document	A document derived from the Actions Table to which member findings are added. It is a living document and is constantly iterated throughout the period of the Incubator.	<i>Sustainable Finance Coalition</i>
Framing Questions	The key questions that need to be investigated to confirm if a Finance Solution's Building Blocks are in place or can be put in place with minimal delay.	<i>Sustainable Finance Coalition</i>
Innovative Finance	Innovative financing is an approach to funding enterprises and interventions that optimise positive social, environmental and financial impact. It uses all available financial and philanthropic tools to support the growth of these enterprises, interventions and entrepreneurs and, when the existing tools don't work, it creates new ones.	<i>UCT</i>
Innovative Finance for Conservation (the term can be applied to biodiversity)	<p>Conservation finance goes beyond traditional government or donor-funding by introducing innovative finance mechanisms and market-based approaches to increase available funds for conservation.</p> <p>Innovative financing for nature refers to initiatives that aim to raise new funds to support and conserve nature or optimise traditional funding sources. They aim to narrow the gap between the resources needed to achieve Environmental Goals, and the resources available.</p>	<p><i>WWF and adopted by the Sustainable Finance Coalition</i></p> <p><i>Adapted from the OECD</i></p>
Implementation Pathway	The strategic steps required to ensure the effective implementation of a Finance Solution.	<i>Sustainable Finance Coalition</i>
Methodology	A protocol that gives a metric meaning. It has a formal replicable set of instructions to interpret outcomes and say what area has been conserved from analysing that metric.	<i>Sustainable Finance Coalition</i>
Metric	A core measurement. Raw data, such as static camera footage, may be translated into a metric like species observation.	<i>Sustainable Finance Coalition</i>

Term	Definition	Source(s)
Other Effective Area-based Conservation Measures	A geographically defined area distinct from traditional Protected Areas (PAs) but managed in ways that yield positive, sustained, and long-term outcomes for biodiversity conservation, including associated ecosystem functions, services, and, when applicable, cultural, spiritual, socio-economic, and other locally significant values.	<i>IUCN</i>
Origins Document	The framing document of an Incubator detailing the Aim, Objectives, Membership, Framing Questions, and Building Blocks of the Finance Solution being incubated.	<i>Sustainable Finance Coalition</i>
Outcomes Fund	Outcomes funds can vary in form and objectives but are essentially defined as a structure which groups multiple outcomes-based contracts in a portfolio to be developed and supported together. A common goal of outcomes funds is to improve services that address complex social and environmental issues and to pay for outcomes in such areas (as opposed to inputs or activities).	<i>Government Outcomes Lab, Blavatnik School of Government, University of Oxford</i>
Quasi-equity	Debt that can appear as equity investments by, for instance, making use of flexible repayments.	<i>UCT</i>
Sustainable Blue Economy	A Sustainable Blue Economy is one that seeks to promote economic growth and preserve and improve livelihoods across a range of sectors while ensuring the sustainable use of marine resources.	<a href="#"><i>UNEPFI Economy</i></a>
Viability Report	Establishes what is required for a Finance Solution such as The Blue Outcomes Fund to reach implementation and to be scaled effectively.	<i>Sustainable Finance Coalition</i>

Abbreviation or Acronym	Definition
DFI	Development Finance Institution
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IUCN	International Union for Conservation of Nature
MoU	Memorandum of Understanding
MPA	Marine Protected Area
OECD	Organisation for Economic Co-operation and Development
OECM	Other Effective Area-based Conservation Measures
SA	South Africa
SARS	South African Revenue Services
SDG	Sustainable Development Goal
SMME	Small, Medium and Micro Enterprises
SPV	Special Purpose Vehicle



# EXECUTIVE SUMMARY

## Introduction

The blue economy - encompassing sectors such as sustainable fisheries, marine conservation and coastal tourism - is essential to global ecological, social and economic stability. It remains underfunded, limiting efforts to tackle pressing challenges like overfishing, marine pollution and biodiversity loss. Innovative financing mechanisms are urgently needed to close this gap. Among them, outcomes-based funding presents a powerful opportunity. By linking financing to measurable environmental and socio-economic results - such as restoring marine habitats, increased fish stocks or improved livelihoods for coastal communities - this approach encourages more efficient use of resources and fosters innovation in the design and delivery of ocean solutions.

## The Blue Outcomes Fund Incubator

To this end, the Coalition facilitated The Blue Outcomes Fund (the Fund) Incubator during 2024 to investigate the viability of an outcomes fund as a Finance Solution to create additional finance flows to the African blue economy. The Incubator hosted thought leaders from a range of sectors, offering diverse experience and expertise as well as practical knowledge from projects across Africa.

## Incubator Findings

The Incubator unpacked a series of Framing Questions to determine the viability and Building Blocks required for the Implementation of the Fund. Key findings are listed below and unpacked in more detail in the report:

Consideration was given to how broad or narrow the balance between geographic and thematic focus of the Fund should be.

There is consensus for a **narrower, more manageable geographic scope as a pilot project that will provide the platform for scaling** (with potentially broader scope) in future iterations. It will help to provide evidence of success for further resource mobilisation and partnership development once the pilot project is completed and lessons for scale are drawn. The exact region will ultimately be defined by the mandate of the outcomes funder, but South African (SA)-registered stakeholders are preferred for ease of legal frameworks.

Additionality in incentivising innovation and improving efficiency amongst existing marine-focused implementing partners is favoured for a pilot project, with the potential for catalysing private capital to be built into future iterations.

Consensus on a key objective for the Fund is to **drive sustainable finance to protect and restore Southern Africa's marine ecosystems, delivering measurable impact for nature and communities.**

Outcomes must be appropriate for an outcomes fund i.e., they must be easily measurable, auditable and must consider what outcomes funders are willing to pay for. Early engagement with an outcomes funder is recommended to refine the outcome focus and Fund design collaboratively.

Incubator members debated the merits of social versus environmental outcomes in the context of Southern Africa and an outcomes fund structure, noting that the two are intricately intertwined. The availability of easily measurable metrics can assist in directing the focus on appropriate outcomes.

Implementing partners who have existing expertise, reach and extensive networks amongst marine organisations is favoured due to the nascent and informal nature of the marine economy.

Fund design needs to intentionally account for the sustainability of the outcomes that need to be achieved, with consideration to be given to building measurable milestones for outcome payments and adequate incentivisation and capacity building of all stakeholders to ensure ongoing participation.

## A DRAFT STRUCTURE IN-PROGRESS

An illustrative schematic of the flow of funds and outcomes is captured below with more detail on each of the respective stakeholders included in the report:

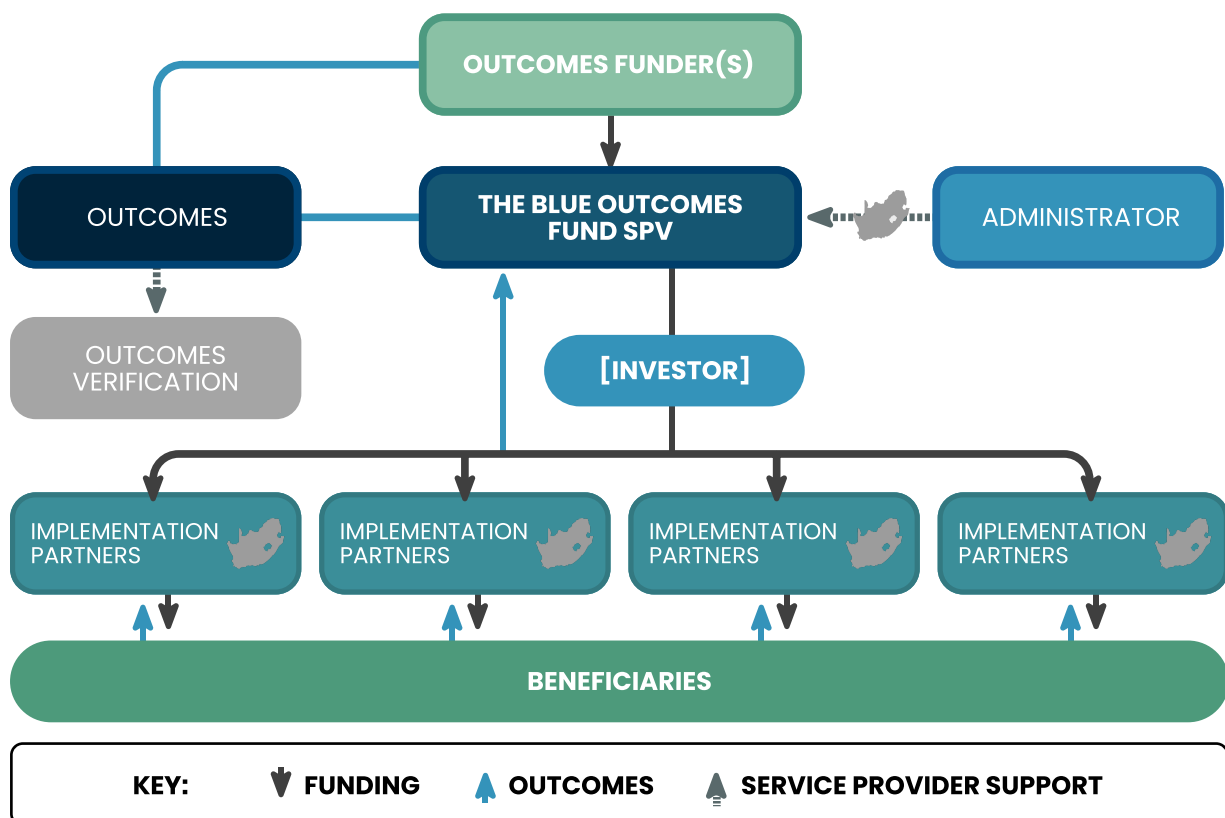


Figure 1: Illustrative schematic of The Blue Outcomes Fund.

## Building Blocks

Building Blocks are critical success factors of a finance solution under Incubation. The Building Blocks identified for a Blue Outcomes Fund as a

viable finance solution are listed below. Each of the eight Building Blocks are unpacked in detail in this report.



## Challenges and Concerns

Although the potential for all Building Blocks for The Blue Outcomes Fund is in place, some challenges and concerns are raised.

The blue economy faces challenges due to unclear definitions, complex governance across marine borders, informal and widely dispersed stakeholders and complexity in monitoring impact. Ensuring adequate incentivisation, stakeholder education, equitable funding access and alignment with government structures will be crucial for effective implementation and sustainable outcomes.

## Conclusion

Our Incubator found The Blue Outcomes Fund in the marine sector to be a viable mechanism to drive innovation and expand interventions if all Building Blocks are in place. The potential for complexity to override benefits is well-acknowledged, and a recurring theme in Incubator discussions was the need to keep design as simple as possible to start, building a foundation to expand scope over time.

### Where to next?

The Coalition is partnering with Krutham (Pty) Ltd to refine the Fund's design. An Implementation Task Team (ITT), led by the Coalition, is being established to enable deeper and more intentional stakeholder engagement and to ensure that the necessary Building Blocks can be actioned timeously. **Harnessing collaboration and aligning incentives will be key factors in the next phase of design to expedite implementation.**

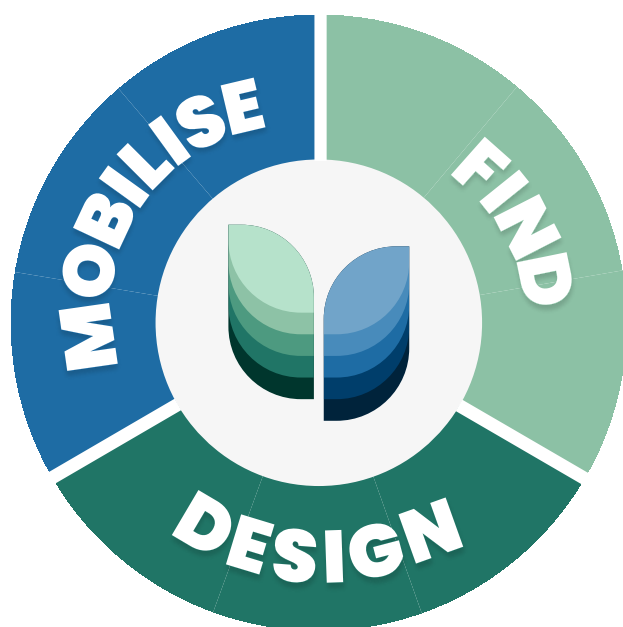


# INTRODUCTION

## The Sustainable Finance Coalition

The Sustainable Finance Coalition (the Coalition) FINDS, DESIGNS and MOBILISES tailor-made Finance Solutions for nature. We are a driving force for the Incubation and Implementation of Finance Solutions at their point of impact, ensuring effective and enduring naturescapes across Africa through collective action.

For more information regarding the Coalition and its Finance Model, please refer to Annexure A.



## Marine Conservation

The ocean is both a victim of and a solution to significant environmental challenges faced globally.<sup>3</sup> Covering two thirds of our planet's surface, the ocean provides critical ecosystem services essential to economic growth, food security and livelihoods. The Organisation for Economic Co-operation and Development

(OECD) expects the ocean economy to double in value from 2010 to US\$3 trillion by 2030.<sup>4</sup>

The High-Level Panel for a Sustainable Ocean Economy estimates that every dollar invested today in ocean action will yield at least \$5 in global benefits over the next thirty years. In Africa alone, the ocean generates US\$300 billion, supporting 50 million jobs.<sup>5</sup> These benefits are often underappreciated and critically underfunded, as evidenced by 'Life Below Water', Sustainable Development Goal (SDG) 14 being the least-financed SDG.<sup>6</sup>



To harness the full potential of the blue economy, there is **an urgent need for new streams of finance to address the complex variety of risks that the ocean faces.** These risks primarily centre on ocean health, threatened by the over-exploitation of marine resources, pollution, climate change and loss of biodiversity. In Africa, there is a broader continental effort to promote a more sustainable and regenerative blue economy through the African Union's *Africa Blue Economy Strategy*.<sup>7</sup>

<sup>3</sup> High level Panel for a Sustainable Ocean Economy (<https://oceanpanel.org/the-oceans-importance/>)

<sup>4</sup> OECD (2016), The Ocean Economy in 2030, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264251724-en>

<sup>5</sup> AU-IBAR, 2019. Africa Blue Economy Strategy. Nairobi, Kenya

<sup>6</sup> <https://www.weforum.org/stories/2024/10/sustainable-development-goal-14-un-ocean-conference-2025/>

<sup>7</sup> OECD (2016), The Ocean Economy in 2030, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264251724-en>



## Outcomes-based Funding

Outcomes-based funding differs from traditional funding in that it focuses on the outcomes rather than the inputs and activities of projects or interventions.

Outcomes-based funding (outcomes funding) provides opportunities for alignment in incentives across multiple stakeholders that can facilitate new partnerships, improve economic efficiencies in achieving social and environmental interventions

and increase innovation while redirecting funding away from ineffective projects to those that achieve demonstrable and measurable results.

With this in mind, the Coalition hosted The Blue Outcomes Fund Incubator in the period July 2024 – March 2025 to investigate the viability of outcomes funding as a Finance Solution to improving outcomes in the marine sector.

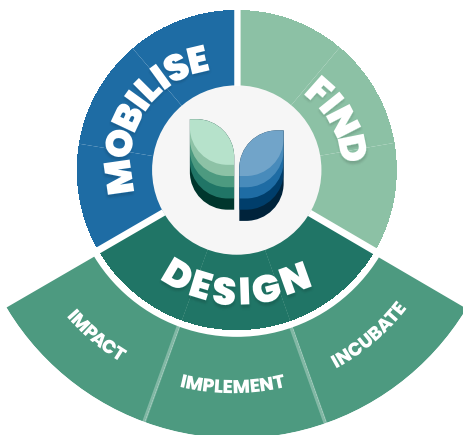


# FINANCE SOLUTION INCUBATORS

## ABOUT FINANCE SOLUTION INCUBATORS

### Background

Finance Solution Incubators represent the first component under the DESIGN Part of the Coalition's Finance Model. Incubation allows for the viability of a specific Finance Solution idea or concept to be determined over an approximate 6-month time frame. This viability determination is undertaken through a facilitated Incubator process that allows niche expert input in investigating Incubator Framing Questions (also referred to as key questions). The Building Blocks and an Implementation Pathway for the Finance Solution are determined in answering these Framing Questions.



Following the Incubation phase, the Finance Solution can move to second and third components of DESIGN: Implementation and Impact.

Successful Incubation is proven to speed up the delivery of a new Finance Solution and enhance the probability of successful Implementation. Incubation does not guarantee that a Finance Solution will amplify finance flows to scale.

Still, it allows for the most efficient and effective development of the Finance Solution with the greatest chance of success.<sup>8</sup>

Incubators aim to remain relatively small and niche to allow for fast and flexible innovation. They aim to build on existing partnerships and expertise and are convened and facilitated by the Coalition.

### Incubator Aim

The purpose of Incubators is to provide a coordinated and focused approach to specific Finance Solution investigations to ensure strategic Implementation and to unlock new Finance Solutions for the conservation of land and seascapes.

The Incubation process unfolds the Building Blocks of the Finance Solution, defined as the Incubator discussions cover key foundational aspects that will practically ensure the long-term viability of the Finance Solution.

Upon completion of the Incubator, an Implementation Pathway is crafted based on the Incubator findings, which provides a road map to unpack the most effective mechanisms for Implementation. For more information on the Coalition's Incubator process and member selection, please refer to Annexure B.

**BUILDING BLOCKS:**  
THE CRUCIAL ELEMENTS OF A FINANCE SOLUTION THAT NEED TO BE IN PLACE FOR A FINANCE SOLUTION TO BE VIABLE AND IMPLEMENTABLE.

<sup>8</sup> For evidence of successful incubation, please refer to: [https://www.researchgate.net/publication/356988283\\_THE\\_SUSTAINABLE\\_LANDSCAPE\\_FINANCE\\_COALITION\\_DRIVING\\_FINANCING\\_FOR\\_CONSERVATION\\_IN\\_SOUTH\\_AFRICA'S\\_CRITICAL\\_LANDSCAPES](https://www.researchgate.net/publication/356988283_THE_SUSTAINABLE_LANDSCAPE_FINANCE_COALITION_DRIVING_FINANCING_FOR_CONSERVATION_IN_SOUTH_AFRICA'S_CRITICAL_LANDSCAPES), <https://sustainablefinancecoalition.org/coalition-media-statement/> and [https://www.researchgate.net/publication/354447425\\_Sustainable\\_Landscape\\_Finance\\_Coalition\\_Incubators](https://www.researchgate.net/publication/354447425_Sustainable_Landscape_Finance_Coalition_Incubators)

# UNDERTAKING A FINANCE SOLUTION INCUBATOR FOR THE BLUE OUTCOMES FUND

## Background

Using the Coalition's FIND process, a case for impact was developed for an outcomes-based funding mechanism in the marine sector. The Blue Outcomes Fund Incubator was launched in July 2024 and concluded its last meeting in early March 2025. Ten Incubator member meetings were held over this period with multiple smaller deep-dive sessions with selected members taking place in-between. Meetings were facilitated by Coalition Incubation Lead, Lisa Freercks. Incubator members and their focal areas (ranging across legal, financial, conservation and academia) are provided in Annexure C.

## Members

Members were selected to ensure that their expertise would be adequate to cover the investigation into the Framing Questions of the Finance Solution and to ensure multi-disciplinary engagements. The Coalition gratefully acknowledges Incubator members for their contributions towards the success of the Incubation phase of The Blue Outcomes Fund. Member organisations, for which logos are available, are listed below in alphabetical order after the Coalition logo:



## Incubator Aim

The aim of the Incubator was to explore opportunities to achieve increased environmental outcomes in the marine sector through an outcomes-based funding mechanism. By facilitating collaboration between multi-stakeholder organisations, the Incubator aimed to unpack how an outcomes-based funding mechanism could allow for an alignment in incentives to increase the flow of funds to marine outcomes.

## Incubator Objective

Define the Building Blocks required for an outcomes-based funding structure in the marine sector to achieve measurable and verifiable marine-focused outcomes and the Implementation Pathway to ensure the efficient Implementation thereof.

## Framing Questions

The Framing Questions developed by Incubator members are provided in Annexure D. These Framing Questions were assigned to relevant Incubator members based on their expertise and voluntary acceptance of tasks.

Findings from the investigation of the Framing Questions were provided as feedback during recurring Incubator meetings, with salient summaries and key takeaways provided in Part 4 below.



## FINANCE SOLUTION VIABILITY FINDINGS

Findings from the Incubator are outlined below and reflected in the following sections:

- A UNPACKING THE FRAMING QUESTIONS**
- B DETERMINING BUILDING BLOCKS**
- C DEVELOPING AN IMPLEMENTATION PATHWAY**
- D NOTING CHALLENGES AND CONCERNS**



## A UNPACKING THE FRAMING QUESTIONS

Discussions regarding considerations for The Blue Outcomes Fund were iterative as each new Framing Question was unpacked and built on what had been discussed to date.

It is worth noting that there is no accepted definition of the concept of an 'oceans economy' or 'blue economy'. The term 'oceans economy' is often used interchangeably with the term 'blue economy', although the latter is cited mostly when related to the sustainable use of the oceans. Both concepts continue to change and adapt.<sup>9</sup> Our Incubator made reference to the 'blue economy' to maintain consistency with terminology used by United Nations Environment Programme (UNEP) and the African Union's Africa Blue Economy Strategy.<sup>10</sup>

Key viability findings and reflections against the Framing Questions are presented below.



### FRAMING QUESTIONS EXPLORED:

1. SCOPE AND DEFINITIONS
2. STRUCTURE AND STAKEHOLDERS
3. LEGAL AND POLICY FRAMEWORK
4. IMPLEMENTING PARTNERS AND SELECTION OF BENEFICIARIES
5. ROBUST SOCIAL AND CONSERVATION OUTCOMES
6. MEASUREMENT, METRICS AND VERIFICATION
7. ENVIRONMENTAL AND SOCIAL SAFEGUARDS

## ? 1. Scope and Definitions

- a. Fund objective is important; this drives an appropriate design<sup>11</sup> that includes the respective stakeholder profiles. Keeping all stakeholders aligned to this objective in design and operations is essential.
- b. Consideration was given to how broad or narrow the balance between geographic and thematic focus should be.

### i. Geographic scope considerations

The nature of marine activity does not easily align with specific jurisdictions (favouring a broader scope), but a narrower scope was deemed more straightforward to pilot.

Considerations included:

► Narrower geographic (SA-only) has the following considerations:

- **Currency** management (allows exchange rate risks to be mitigated and financial stability to be maintained).
- More manageable administratively.
- Allows the **local expertise** of Incubator members to be leveraged, which helps to build stronger relationships and ensures more effective monitoring and support for Fund investments.
- Adherence to a singular regulatory framework and access to regional bodies.

<sup>9</sup> [https://www.dffe.gov.za/sites/default/files/tenders/dfecpt\\_rfq040.24.25\\_annexure.pdf](https://www.dffe.gov.za/sites/default/files/tenders/dfecpt_rfq040.24.25_annexure.pdf)

<sup>10</sup> AU-IBAR, 2019. Africa Blue Economy Strategy. Nairobi, Kenya

<sup>11</sup> Savell, L., Carter, E., Airoidi, M., FitzGerald, C., Tan, S. Outes Velarde, J. & Macdonald, R.J. (2021). Understanding outcomes funds: A guide for practitioners, governments and donors. Government Outcomes Lab, Blavatnik School of Government, University of Oxford

- ▶ The broader geographic scope has the following considerations:
  - ▶ Potentially increase **investment pipeline** and allow for broader blue economy challenges to be addressed (including overfishing, marine pollution, and climate change impacts, which are prevalent in countries like Mozambique, Madagascar, and Tanzania) and enhance regional economic stability, biodiversity conservation and sustainable livelihoods.
  - ▶ Increase ability to **fund-raise**. SA is often categorised as a middle-income country which diverts funding towards other countries. Certain funders are less interested in SA compared to other coastal countries. Note that this could be addressed with a design focused on attracting SA's domestic private financiers (including trusts and foundations with a clear environmental focus) and domestic Development Finance Institutions (DFI's) (as opposed to international). Domestic involvement could be a catalyst for global DFI interest. SA banks and financial institutions are already playing a major role in investing in the Southwest Indian Ocean (SWIO) blue economy.<sup>12</sup>
  - ▶ Introduces **complexities** in management and oversight. Note that this could be mitigated by designing the structure to invest only in SA-headquartered organisations (but who may have an impact beyond SA borders), easing the tax, legal and regulatory constraints.
  - ▶ Increase in political **risk** and macro-economic risk.
- ▶ Forming partnerships with regional organisations, governments and financial institutions can help to mitigate the challenges of expanding the Fund's scope. These partnerships can provide local insights, facilitate regulatory compliance and enhance project implementation.
- ▶ Consistency in measuring outcomes across diverse geographies will require robust monitoring and evaluation frameworks.

Iterative discussions over multiple meetings led to a preference from Incubator members for starting with a **narrower, more manageable geographic scope, which can provide a platform for scaling** (with a potentially broader scope) in future iterations.

This will help to provide evidence of success for further resource mobilisation and partnership development once the pilot project is ready to scale. The exact region will ultimately be defined by the mandate of the outcomes funder.

<sup>12</sup> WWF, Assessing financial flows within the South West Indian Ocean blue economy report



## ii. Thematic scope considerations

- ▶ There is no clear blue taxonomy, as is the case for the green economy.
- ▶ Aligning with national and global frameworks and respective targets is important to understanding the gaps a finance solution can address. Relevant frameworks include: the United Nations Environment Programme Finance Initiative (UNEPFI) (for sustainable blue economy financing principles), Target 3 of the Kunming-Montreal Global Biodiversity Framework, otherwise known as 30x30 (for protection and expansion of marine protected areas), National Biodiversity Economy Strategy (NBES) and the UN Sustainable Development Goals (SDG's).

The Blue Outcomes Fund drives sustainable finance to protect and restore southern Africa's marine ecosystems, delivering measurable impact for nature and communities.

Leveraging the outcomes funding mechanism, which, by design, can allow the market to innovate and deliver on thematic impact in nuanced ways, guided discussions in the Incubator. A broader outcome objective may allow for wider participation and will enable the pilot project greater adaptability and freedom to pivot if necessary.

c. With the above discussions in mind and mindful of the key question: **'What are we trying to achieve and for whom?'**, our Incubator explored multiple challenges faced in the marine sector. Taking the nuances into account from all the respective Framing Questions interrogation, the Incubator reached consensus on the following key objective for The Blue Outcomes Fund:

It is acknowledged that the above objective is broad and that multiple activities could be supported within it. The merits of appropriate activities were discussed at length in the Incubator with preferred theme focus areas discussed below under Framing Question 5 (Robust social and conservation outcomes). **The exact activities for The Blue Outcomes Fund pilot will be determined in collaboration with the outcomes funder.**

## ? 2. Structure and Stakeholders

- a. Outcomes funding can be complex and requires an in-depth understanding to be managed well and to ensure that objectives are met. Our Incubator unpacked a typical outcomes fund structure, the stakeholders involved and the literature on best practices and precedent transactions. It became an iterative process to refine and direct recommendations for The Blue Outcomes Fund.
- b. Our Incubator explored outcomes funding in general as a financial mechanism. Outcomes funds can vary in form and objectives but are essentially defined as a structure which groups

multiple outcomes-based contracts in a portfolio to be developed and supported together. A common goal of outcomes funds is to improve services that address complex social and environmental issues and to pay for outcomes in such areas (as opposed to inputs or activities).<sup>13</sup>

According to the University of Oxford's Government Outcomes Lab, 21 outcomes funds have been launched globally, with more in the pipeline.<sup>14</sup>

Our Incubator discussed elements of a typical outcomes fund structure as illustrated below:

### A STANDARD OUTCOMES FUND STRUCTURE

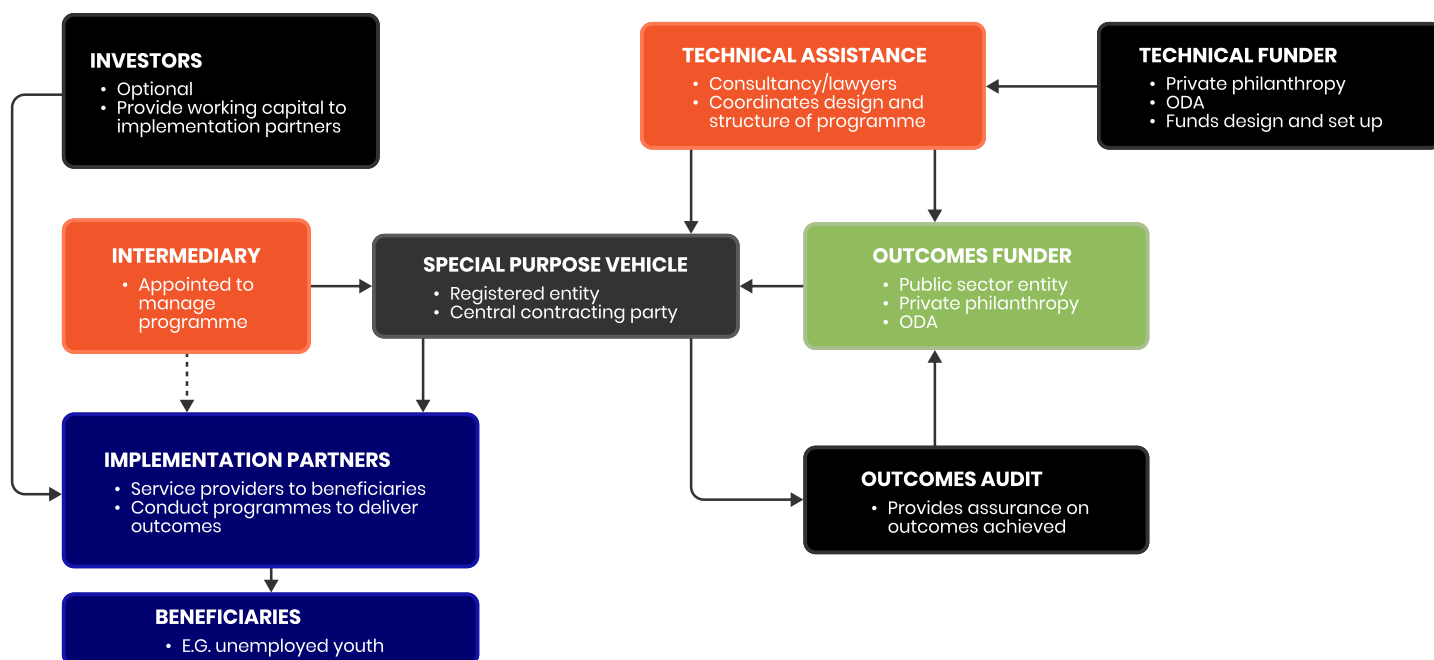


Figure 2: Schematic of a general outcomes fund <sup>15</sup>

<sup>13</sup> Savell, L., Carter, E., Airolidi, M., FitzGerald, C., Tan, S., Outes Velarde, J. & Macdonald, R.J. (2021). Understanding outcomes funds: A guide for practitioners, governments and donors. Government Outcomes Lab, Blavatnik School of Government, University of Oxford.

<sup>14</sup> <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/fund-directory/>

<sup>15</sup> Krutham (Pty) Ltd



### **c. Stakeholders and role players in an outcomes fund**

Outcomes Funds involve multiple stakeholders, with a key consideration being where the risk of outcomes delivery lies amongst the stakeholders. Selected points raised by our Incubator on key stakeholders are included below:

#### **i. Outcomes funders**

- ▶ Typically, they are from the public sector or can also be larger philanthropists/endowed foundations. Importantly, they are ideally organisations with an existing mandate and paying for the chosen outcome already; The Blue Outcomes Fund would provide a mechanism for additionality in the market (innovation, efficiency, pricing, etc.).
- ▶ Merits of different profile funders were given due consideration in the Incubator across areas such as administrative expectations, risk appetite, scope for scale and ability to enable outcomes funds (specific legislation may not allow public funds to enable outcomes funds).
- ▶ Timing of approach to an outcomes funder is to be mindfully considered – our Incubator acknowledged that the preferred approach is to have high-level (well-evidenced) direction on structure, stakeholder profiles and broad outcome focus before approaching outcome funders to allow for more considered targeting of funders who can then be brought alongside the more detailed design process.

- ▶ Note that selecting the right outcome will be pivotal, but that this is also influenced by the outcomes funders, so early engagement with a potential short-list of recommended outcomes is the preferred approach.

- ▶ Acknowledge the relevance of an outcomes funder who is already familiar with (and buys into) the merits of outcome funding for ease of execution. If key stakeholders still need to be educated and convinced of the financial instrument, the implementation process will be longer, potentially halting the process altogether.

- ▶ Note the vital role that the outcomes funder plays in dictating the size of the Fund, as well as that more than one outcomes funder can be used.

#### **ii. Investor**

- ▶ The merits of the investor role in The Blue Outcomes Fund structure were explored.
- ▶ Investors provide the working capital (generally in the form of debt or equity/quasi-equity) for implementing partners to undertake the projects that produce outcomes. Investors would require their principal investment and a financial return repaid if outcomes are successfully delivered. If The Blue Outcomes Fund can incorporate this into its design, it has the potential to provide financial additionality, catalysing increased investment towards marine outcomes.

- ▶ The investor role can add a layer of complexity, however, and it is not necessary for the mechanics of an outcomes fund to operate.<sup>16</sup> Some implementing partners may be able to cover this upfront working capital themselves (with bilateral funding agreements that they source on their own); this can allow for certain risks to be passed on to the implementation partners (and away from the outcomes funder) which can decrease complexity, administration and reliance on these arrangements.
- ▶ **The merits of balancing complexity with financial additionality to marine outcomes were discussed in the Incubator and is a matter for further analysis as the Fund design is refined and an outcomes funder is brought into discussions.**

### iii. Administrator

- ▶ An intermediary administrator is helpful to manage the process between the Special Purpose Vehicle (SPV) and implementing partners, and creates a level of independence.
- ▶ It has a multi-functional role in pooling funds, creating demand for outcomes, and assuring funders of risk management. It involves designating outcomes funding, calling for outcomes-based project proposals, selecting successful outcomes-contract projects and making payment for the achievement of measurable social or environmental outcomes.
- ▶ A Steering Committee could be incorporated to oversee the development of the outcomes fund.

### d. Precedent transactions

The Incubator explored precedent transactions to provide guidance and insights to direct the discussions. Whilst it was noted that there were no direct precedents and that The Blue Outcomes Fund was deemed nascent, impact bonds and debt facilities in the marine sector and debt facilities in the marine sector globally were reviewed. There was evidence of a growing interest globally in funding and reaching the marine sector. Respective stakeholders and marine focus areas were noted as examples for The Blue Outcomes Fund.

Two precedent transactions were of particular interest: [The Green Outcomes Fund](#) and [Small-Scale Fisheries Impact Bond](#).

## ? 3. Legal and Policy Framework

- a. The Incubator explored the legal implications of implementing an outcomes fund, taking precedent transactions and relevant legislative frameworks into account.
- b. The Incubator recognised the need to intentionally strive to create an enabling environment versus a prohibitive one.
- c. Establishment of a Special Purpose Vehicle (SPV):
  - i. The SPV's legal status (trust versus company) was duly considered, and the merits of profit versus non-profit were discussed, taking into account tax, administration and regulatory requirements. Ultimately, the needs of key stakeholders will direct an appropriate structure of The Blue Outcomes Fund.

<sup>16</sup> Savell, L., Carter, E., Airolidi, M., FitzGerald, C., Tan, S. Outes Velarde, J. & Macdonald, R.J. (2021). Understanding outcomes funds: A guide for practitioners, governments and donors. Government Outcomes Lab, Blavatnik School of Government, University of Oxford

<sup>17</sup> Savell, L., Carter, E., Airolidi, M., FitzGerald, C., Tan, S. Outes Velarde, J. & Macdonald, R.J. (2021). Understanding outcomes funds: A guide for practitioners, governments and donors. Government Outcomes Lab, Blavatnik School of Government, University of Oxford.

ii. In SA, the SPV would need to be registered as a public benefit organisation (PBO) under the Income Tax Act, 1992 and would need to be approved by South African Revenue Services (SARS) to qualify for tax-exempt status. To be eligible as a PBO, the sole or principal object of the SPV would need to qualify as a 'public benefit activity', as listed in Part I of the Ninth Schedule to the Income Tax Act, 1962. Item 7 is titled "conservation. environment and animal welfare" - this list should be considered when determining outcomes of the Fund to ensure that it qualifies as a PBO.

iii. To balance greater geographic scope with more straightforward legal frameworks, consideration was given to registering the SPV in SA yet still allowing the scope of target beneficiary areas beyond SA borders; this was deemed simpler from a regulatory perspective and would help to streamline implementation.

d. Core agreements required:

- i. Agreements regulating key financing terms and outcomes between the outcomes funders and recipients of funding (exact counterparty to be determined according to final structure).
- ii. Outcomes funder and SPV (donation/grant) agreement. The identity and requirement of the outcomes funder will dictate the terms of this agreement, which terms would flow from their specific metrics required to be achieved and whether milestone payments are appropriate.

The ability of this contract to adapt to the changing needs of the Fund (for example, if the verification methodology needs to change, as is the experience from precedent funds) will be helpful.

- iii. Agreements between SPV and implementing partners.
- iv. If SPV is a trust, it would need a trust deed.
- v. Memorandum of Understanding (MoU) between the Fund administrators and SPV.
- vi. MoU between funding partners (who may be funding different aspects of the project).

e. Other legal considerations to be taken into account in Fund design:

- i. Whether there is a need for a Financial Service Provider (FSP) licence.
- ii. Profile of the outcomes funder, for example, the impact of SA government public procurement legislation or bilateral investment treaty agreements between South Africa and another country (should there be involvement in the Fund from another government's development agencies).
- iii. How multiple outcomes funders would affect the legal arrangements.
- iv. Building flexibility into agreements allows terms to pivot as needed to enable the development of the nascent funding mechanism. Milestones embedded in agreements should allow for flexibility or a pre-agreed process for negotiating milestones.<sup>18</sup>

<sup>18</sup> Patton Power, Aunnie; (Ad)Venture Finance; Palgrave Macmillan; p182

- f. Without a green finance taxonomy for the blue economy in the SA context, one could use an internationally recognised standard to assess blue economy positive projects. The Incubator discussed the various government policies and regulations with application to the blue economy; these would need due consideration to ensure no conflicts between the Fund's outcomes and the government's legislation.

## **? 4. Implementing Partners and Selection of Beneficiaries**

- a. The Incubator discussed who will receive the outcomes funding and how they will generate outcomes for the blue economy to maximise impact. The differentiation between implementing partners (who receive funding to enable other organisations to produce outcomes) and beneficiaries (marine-impact organisations) was noted.

b. **Context is important.**

- i. Understanding the context of what type of implementers and the ecosystem structure of the SA blue economy is important when designing the Fund.
- ii. Implementing partners will be directed by the main objective of the Fund – whether it is to incentivise investment OR to drive the delivery of outcomes (refer to 1(c) above for Incubator consensus on objective).
- iii. Outcomes funds must credibly commit to paying for outcomes while allowing space for implementing partners to adapt and innovate their services.<sup>19</sup>

- iv. The Incubator shared and recognised that the SA marine ecosystem is largely nascent, with an informal and diverse spread of stakeholders and businesses at an early (or earlier) stage of the growth cycle.<sup>20</sup>

- v. The nascent nature of the SA blue economy did not provide comfort to Incubator members that there would be sufficient investible deals in the SMME-only market.

- vi. In light of this, a marine outcomes-focused approach (as opposed to financial additionality) is favoured where innovation is incentivised. This approach will help, in the longer-term, to build up the pipeline of investible deals to catalyse private sector investment.

- c. The Incubator noted that a limiting factor would be whether implementing partners can deliver on the chosen outcome.

- i. Implementing partners who have existing expertise, reach and extensive networks among marine organisations are favoured. Implementing partners can then disburse outcomes funding to the marine organisations they know and work with.

<sup>19</sup> Savell, L., Carter, E., Airolidi, M., FitzGerald, C., Tan, S. Outes Velarde, J. & Macdonald, R.J. (2021). Understanding outcomes funds: A guide for practitioners, governments and donors. Government Outcomes Lab, Blavatnik School of Government, University of Oxford. Page 20.

<sup>20</sup> Refer The South African Oceans Economy Masterplan to 2035, draft 4; Assessing Financial Flows within the South West Indian Ocean Blue Economy (WWF); Operation Phakisa report 1



ii. Fund stakeholders being SA-registered is favoured. If the respective entity is not SA-registered (and this is required; refer to the legal discussion above), it may need to be disbursed through a partner structure.

iii. Market-building conversations will be important to attract implementing partners.

iv. To leverage the advantage of an outcomes fund, Fund design should allow for competitive bidding between implementors for their respective outcomes.

v. Aligning incentives between implementers and beneficiaries is important in the design of the Fund.

d. **There was a caution against being too complex and trying to solve too many problems simultaneously.**

## ❓ 5. Robust Social and Conservation Outcomes

a. The Incubator discussions were guided by what would be determined as appropriate outcomes in The Blue Outcomes Fund context, namely:

- i. Easy to understand, measure and verify.
- ii. Addresses key challenges being faced by the blue economy (well-evidenced).
- iii. Consideration of what will be in the direct control of the Fund (and what will have an impact beyond the Fund's control).
- iv. Consideration of what prospective outcomes funders would be willing to pay for.

v. Alignment with relevant guidelines and resources such as Ocean Decade Africa Roadmap, IUCN Task Force on fisheries and MPAs/OECMs.

b. Consideration of risk transfer; outcomes that do not potentially lead to statutory infringements (i.e., if not achieved, there are no legal ramifications for the outcomes funder).

c. Incubator members debated the merits of social versus environmental outcomes in the context of Southern Africa and an outcomes fund structure, noting that the two are intricately intertwined.

i. Incubator members agreed that it is not necessarily an environmental versus social/economic outcomes decision but that one outcome needs to drive the other to allow the outcomes-based Fund to be structured with the appropriate stakeholders.

ii. An environmental-first outcomes focus (articulated as protecting and restoring marine and coastal biodiversity) is favoured. The rationale underpinning this is to lead with the asset (a healthier ocean) to allow for and facilitate the important improved social and economic outcomes.

iii. Focus areas within this broader objective that are deemed appropriate for the context include reducing marine/coastal pollution, improving sustainable fishing,<sup>21</sup> essential operations and community co-management of Marine Protected Areas (MPAs), improving coastal and estuarine water quality, rehabilitation of estuarine and coastal environments to improve climate resilience and reduce the vulnerability of people.

<sup>21</sup> According to IPBES reports, fishing has the most impact on marine biodiversity and creating protected areas is a priority to allow the ocean to regenerate.

- iv. Acknowledged that outcomes determination would need to be refined in collaboration with the outcomes funder and aligned to their respective mandate.
- v. Defining “protecting and restoring” will be necessary, as well as whether this allows scope for spin-off economic activity to take place (and hence expand the scope of impact of the Fund and its ability to create opportunities). Aligning definitions with specific guidelines will be helpful, as in current EU legislation and IUCN policy/guidance. Note that the respective regulatory bodies governing the geographic focus areas of the Fund will be important to stakeholders.

## ? 6. Measurement, Metrics and Verification

- a. Exact metrics will depend on the outcomes chosen (refer to (5) above).
  - b. The Incubator discussed the importance of the choice of metrics and methodologies for measurement in the context of a Blue Outcomes Fund.
- i. Establishing a credible baseline aligned with existing guidelines is essential.
  - ii. Outcomes focus can be directed by the ease of available metrics and baselines.
- c. Making use of established resources on metrics is recommended to lend credibility as well as to leverage existing knowledge, insights and expertise. Such resources could include:

- i. [IRIS Catalogue of Metrics | IRIS+ System](#) <sup>22</sup>
- ii. [The Biodiversity Finance Reference Guide](#)
- iii. [The Ocean Impact Navigator](#)
- iv. Selected marine-focused corporate sustainability reports (including baseline analyses)
- v. [IUCN Green List Standard](#)

- d. Note the importance of the Fund design in allowing for agility in adapting metrics when needed to stay aligned with key Fund objectives.

## ? 7. Environmental and Social Safeguards

- a. The Incubator noted the importance of robust safeguards to be put in place in Fund design. These should align with internationally recognised standards such as International Finance Corporation (IFC) Performance Standards, IUCN Safeguards and UNDP’s Social and Environmental Standards.
- b. It is recommended that the Fund establish a screening and due diligence process to assess projects against environmental and social risk criteria with transparent monitoring and evaluation mechanisms embedded to track compliance with safeguards. Relevant resources include [IFC Performance Standards on Environmental and Social Sustainability](#), [IUCN’s Environmental and Social Management System](#) and [IUCN Global Standard for Nature-based Solutions](#).
- c. Fund design must endeavour to prevent the exclusion of vulnerable groups, mitigate elite capture and address potential conflicts over resource use. It is suggested that this be

<sup>22</sup> Note the Beta version of a new IRIS+ theme of “Marine Resources Conservation and Management” (to go live in June 2025).



achieved through locally based implementing partners and clear governance structures with dispute-resolution processes to prevent disputes over rights and revenues.

d. Strong biodiversity safeguards and science-based impact assessments will be important to avoid environmental trade-offs from financially driven projects.



## B DETERMINING BUILDING BLOCKS

Based on the viability findings outlined above, the following Building Blocks were determined as critical success factors for any Blue Outcomes Fund project developers to apply to facilitate the successful flow of funding:



Figure 3: Building Blocks of Blue Outcomes Fund

### 1. Identified blue outcome(s) – clear, measurable and verifiable

Outcomes must be appropriate for the marine and outcomes fund context. Outcomes must ultimately be refined in collaboration with outcomes funder to align with their respective mandate.

### 2. Outcomes funder

The outcomes funder will direct key aspects of the Fund structure. Timing of approach to an outcomes funder will be important; bringing them into the DESIGN phase is beneficial.

### 3. Legal and policy framework

A facilitatory fiduciary structure to manage

the complexities of the cross-boundary nature of the marine space is to be given due consideration, as well as the jurisdiction over different marine areas (ocean, shoreline, coastal communities, etc.). The most conducive legislative and regulatory framework should guide operational best practices, including legal entity status and necessary tax status.

### 4. Operational capabilities and sustainability – skills, competencies and technical assistance funding

Adequate and sufficient skills and competencies (ranging from finance and legal to conservation) are needed to operate the Fund effectively and to ensure

biodiversity, environmental and social safeguarding in all mechanics of the operations and governance.

Technical assistance funding is needed to support this Building Block.

## **5. Implementing partners – marine reach, network and expertise**

This is especially important for a blue outcomes fund where the marine sector is noted as being informal and disparate by nature. Placing risks of outcome failures with implementors reduces the probability of outcome failure. Note that, as far as possible, the implementing partners must control the chosen outcome.

## **6. Impact framework – metrics, measurement and verification**

Choice of metric(s) to measure chosen outcome(s) and the methodologies to measure and verify, including establishing appropriate baselines.

## **7. Partnership management**

Mechanics are in place to drive the process, to have adequate oversight of the multiple areas involved and to ensure that they are tied together to ensure the sustainability of the outcomes fund. Regular communication and establishing frameworks for stakeholders to connect as needed, are cited as important from other SA outcomes funds. A “champion” to lead and keep momentum when problems arise and the structure needs to pivot nimbly. There needs to be clarity on the Fund’s objectives and stakeholders directed accordingly to ensure that objectives<sup>23</sup> stay on track with operations.

## **8. Additionality to the existing market**

To be successful, the Fund needs to be solving for market failure in delivering outcomes that the market is not proving to be able to, i.e. providing additionality to the existing market (otherwise, simple grant funding would be better). I.e., it must not be funding that would have happened anyway. Additionality can come in many forms, for example:

- Increased private-sector funding
- Encouraging innovation
- Changing behaviour
- Improved positive environmental impact
- Efficiency (in programmes or resource allocation)
- New partnerships
- Enhance transparency and accountability
- Improve risk management (reduces the probability of outcomes failures)

<sup>23</sup> Savell, L., Carter, E., Airoidi, M., FitzGerald, C., Tan, S. Outes Velarde, J. & Macdonald, R.J. (2021). Understanding outcomes funds: A guide for practitioners, governments and donors. Government Outcomes Lab, Blavatnik School of Government, University of Oxford. Page 20

## **C DEVELOPING AN IMPLEMENTATION PATHWAY**

### **Overview**

The Coalition follows a Finance Model to FIND, DESIGN and MOBILISE sustainable finance in the right places, with the right people, to achieve scalable impact. The Building Blocks identified above inform the next steps of Implementation to allow the concept of The Blue Outcomes Fund to move forward towards Impact.

### **An Implementation Pathway for The Blue Outcomes Fund**

A proposed Implementation Pathway is outlined below. It is noted that additional technical assistance funding is required to fund the design phase and exact costing estimates therefor can be made available to potential funding partners.

**IMPLEMENTATION TASK TEAM**  
A VOLUNTARY GROUP OF NICHE EXPERTS WHO OVERSEE AND ASSIST FACILITATION OF FINANCE SOLUTION IMPLEMENTATION.

“The strategic steps required to ensure the effective implementation of a Finance Solution.”

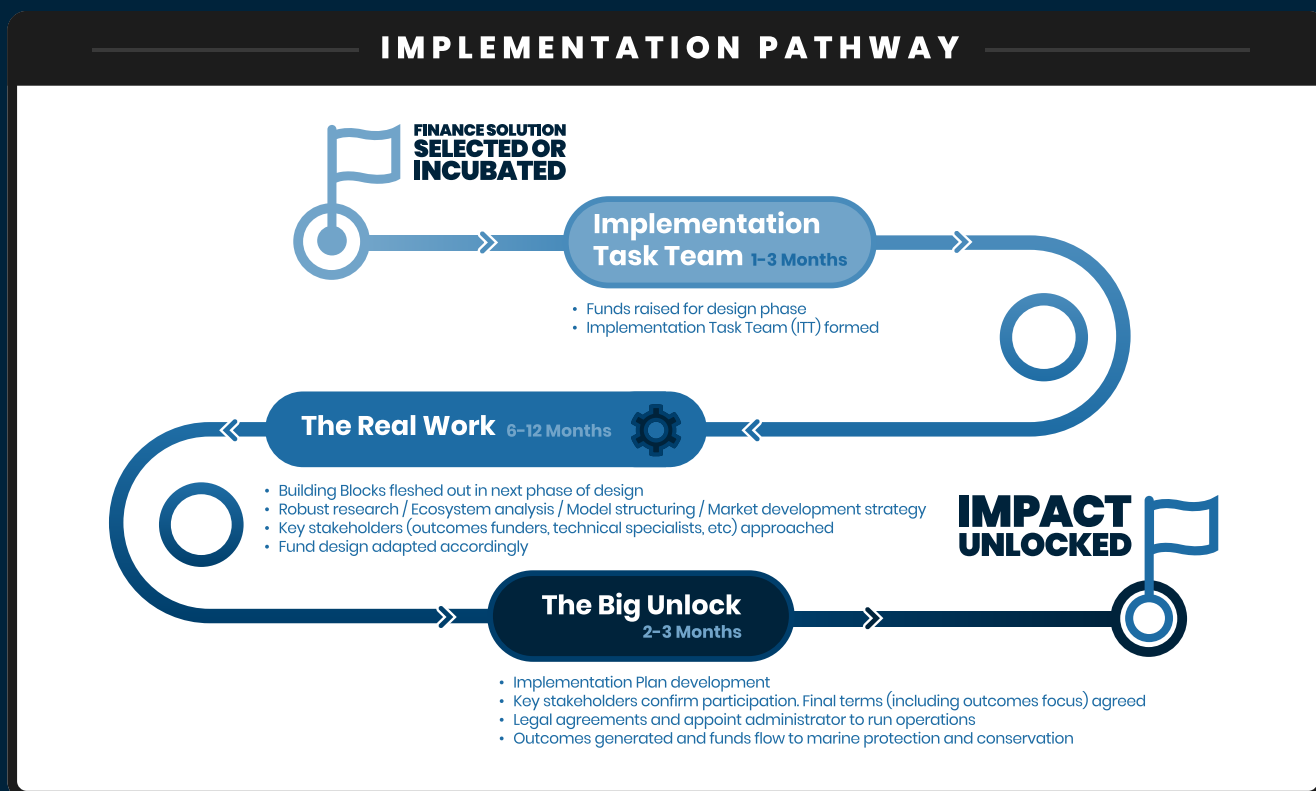


Figure 4: An Implementation Pathway for The Blue Outcomes Fund.

## D NOTING CHALLENGES AND CONCERNS

The Blue Outcomes Fund can be complex, and inevitable challenges and concerns are worth noting. These factors need to be monitored as Implementation progresses.

### Challenges

- There is no clear blue taxonomy to be able to provide guidelines and direction.
- Marine borders extend beyond country borders, and jurisdiction across marine-impacted areas within national borders can also vary. The interface between governing entities needs careful management and can make financial mechanisms that cross multiple areas complex.
- Education required amongst stakeholders regarding innovative financing tools such as an outcomes-based fund. This may take time.
- The extra-legal and informal nature of marine/coastal sector stakeholders can limit accessibility and engagement.
- Monitoring the impact of blue economy projects is often complicated and complex and requires more depth of expertise.
- Lack of standardisation of key definitions to ensure there is consistency across stakeholders' expectations and alignment of mandates.
- Navigating government structures and approval processes is cited as a key challenge from other outcome funds in South Africa. Aligning incentives and gaining early (and ongoing) buy-in from the proper government departments will be important.
- Biodiversity can be hard to measure, and a single metric may not meaningfully capture it. Attribution can also be a challenge - credibly linking individual interventions with impacts on biodiversity, acknowledging that impact can often occur indirectly as a result of the reduction or avoidance of factors that harm biodiversity.

### Risks

Risks	Mitigating Intervention
Partnerships fail	Outcomes funders and implementing partners must have a deep experience of the problem. Keeping the end goal in sight is key. A champion organisation that can hold the structure (and relationships) effectively together (and is duly incentivised to do so) is important.
Implementing partners do not want to participate in the programme	Relationship management, education and adequate incentivisation will be critical.
Outcome metrics cannot be measured or are not achieved	Strategic selection and oversight of metric choice.
External factors can be out of the control of the Fund	Strong management and governance to adapt as needed.
Operational cost overruns	Careful management and oversight of operations.
Bluwashing	Adequate oversight and careful selection of outcome metrics.

Figure 5: Table of risks and mitigating factors for The Blue Outcomes Fund.



## CONCLUSION AND NEXT STEPS

### Viability Conclusion

The Incubator concluded that an outcomes fund in the marine sector is a viable financial mechanism for moving into implementation. There appears to be alignment between what is needed (innovation and new and more interventions in the blue economy) and what an outcomes-based fund can offer; and there is the prospect for outcomes funding (noting that the exact identity of an outcomes funder is uncertain).

It is well acknowledged that The Blue Outcomes Fund is complex and will require the careful collaboration of the right stakeholders duly incentivised and

aligned in mandates to succeed. It is agreed that the prospect of catalysing innovation and more efficient funding flows to scale marine impact warrants the complexity.

### Next Steps for The Blue Outcomes Fund

The Coalition will be partnering with Krutham (Pty) Ltd and collaborating with key partners to take the design of The Blue Outcomes Fund into a more granular stage to allow for further stakeholder engagement and to expedite implementation.



# ANNEXURE A: THE SUSTAINABLE FINANCE COALITION

## Overview

The [Sustainable Finance Coalition](#) (the Coalition) FINDS, DESIGNS and MOBILISES tailor-made finance solutions for nature. We are a driving force for the Incubation and implementation of finance solutions at their point of impact, ensuring effective and enduring naturescapes across Africa through collective action.

## Who We Are

Founded in 2019 by co-founding organisations Wilderness Foundation Africa and WWF, the Coalition transitioned from this partnership to its legal entity in the first quarter of 2024.

The Coalition's model focuses on unique and innovative finance solutions targeted at the point of conservation and social impact to allow new flows of finance to reach the right people in the right places to drive lasting change.

## What We Do

The Coalition's Finance Model has three parts: FIND the right finance solution, DESIGN it through a strategic three-stage process, and MOBILISE a finance for nature ecosystem to take solutions to scale. The Coalition's model entails tailor-making the right finance solution for the right place with the right people (FIND), then designing viable finance solutions for nature by Incubating, Implementing and taking those solutions to Impact (DESIGN). The development of new Finance Solutions is facilitated in a strategic and dynamic manner whilst fostering innovation through Incubation. Finally, the Coalition focuses on building a Finance for Nature Ecosystem that replicates and transfers finance solutions through collective action (MOBILISE).

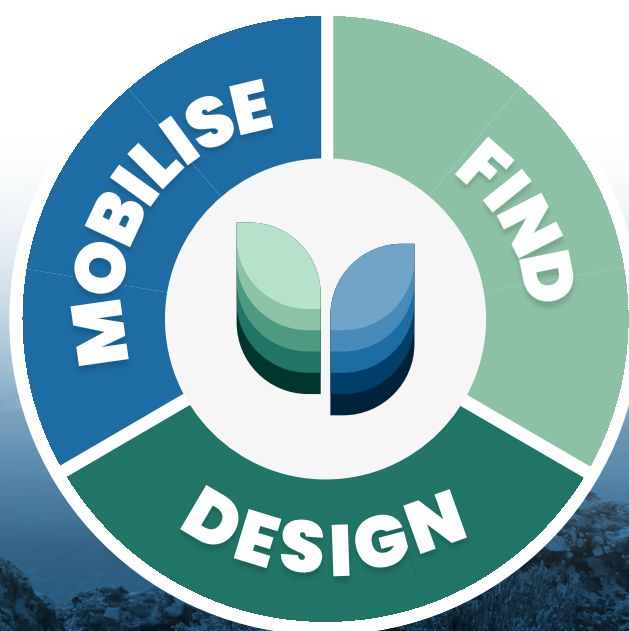


Figure 6: The Sustainable Finance Coalition's Finance Model



## Our Impact

With the support of our Finance for Nature Ecosystem, the Coalition walks a finance solution journey, where it has introduced an estimated USD 18-26 million of new finance to piloting and USD 80 - 100 million to scaling finance solutions in conservation landscapes and green outcomes livelihoods since 2019.

The Coalition's current footprint is in 15 countries across the continent, where it has incubated ten new finance solutions, with an additional three planned for 2025-2026. Following its Finance Model, the Coalition has translated five finance solution pilots into implementation, with a further two solutions reaching the final stage, amplifying

sustainable finance in naturescapes at the point of impact. Further to this, six finance strategies have been developed for multiple countries, focusing on Trans-frontier Conservation Areas, Protected Areas and Conservation and Sustainable Land Management.

The types of finance solutions undertaken by the Coalition are representative of the suite of nature-scape needs across the country and continent. The finance solution inventory includes tax incentives for biodiversity and endangered species, a finance facility for extension support, carbon payments, biodiversity credits and conservation trust funds, to name a few.

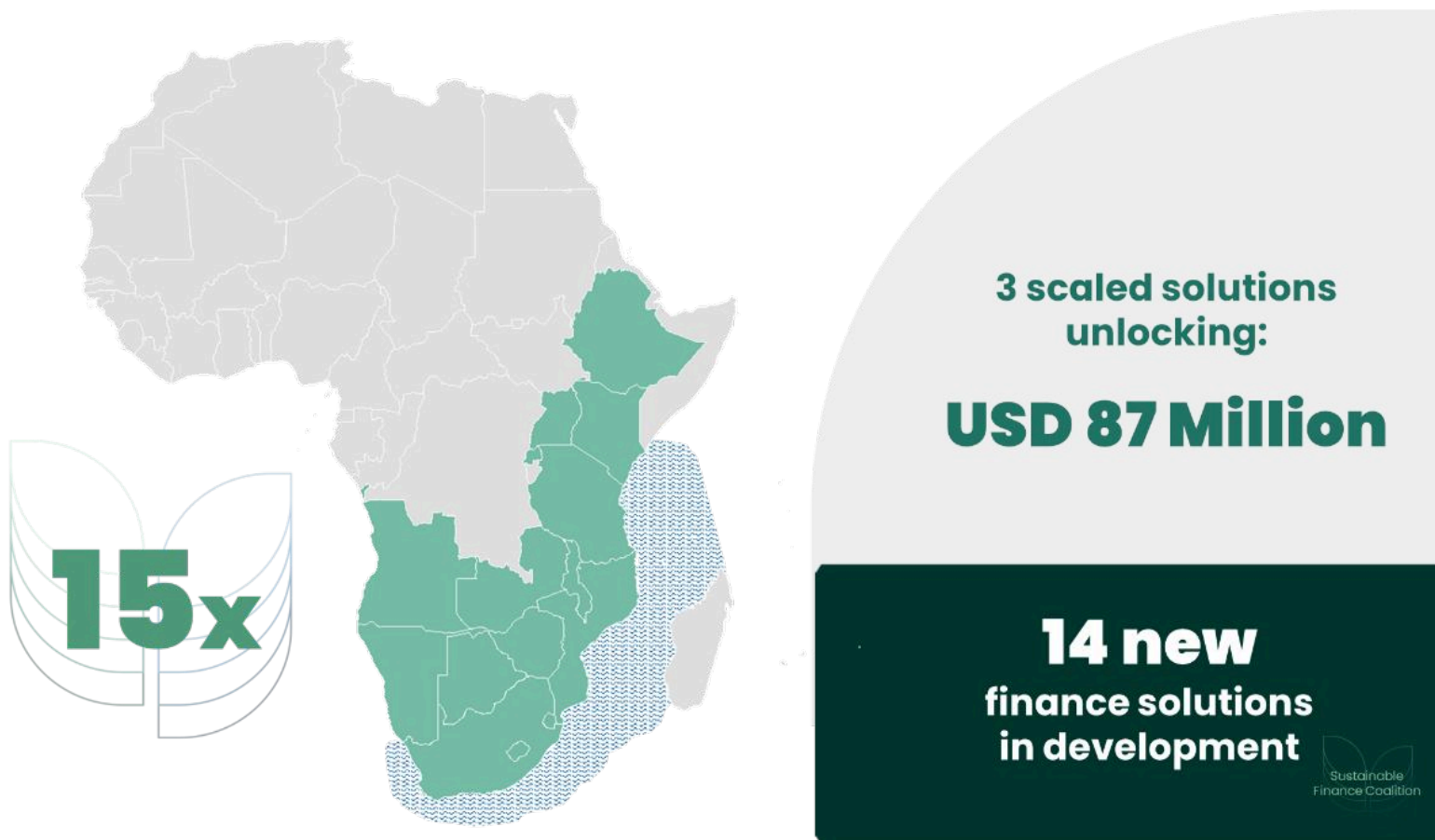


Figure 7: Coalition Impact 2019 – 2024

## Our Values and Commitments

The Coalition endeavours to work with individuals and organisations who align with our five core values and principles and to develop finance solutions for nature that embody these commitments.

### Grounded in Nature

Impact that is full of real and tangible biodiversity and social outcomes. ***A collective connection, passion and love for nature, ensuring the impact we have is more than just sustainable but positive.***

### Based in Diversity, Inclusivity and Empathy

Equal value to conservation and finance voices. ***An all-hands-on-deck approach, ensuring all voices are in the room with a genuinely collaborative approach for collective action.***

### Established in Rights-based, Equitable and Self-Determined Approaches

Equal and equitable access to finance and to nature. ***A rights-based approach to conservation and to finance, ensuring that local decision makers, actors and rights holders have the right to make their own decisions regarding their sustainable use of resources.***

### Founded in Innovative, Solution-Oriented and Forerunner Thinking

A 'can do' attitude, that is solution orientated. ***Developing solutions in a respectful, optimistic, problem-solving approach, ensuring passion for innovation that pushes the boundaries for finance and nature.***

### Affirmed in Honesty, Integrity and Respect

Acknowledging values across who we are and what we do. ***For our employees, our partners and in our solutions, we aim to ensure real human connection, a work life balance, and generation of viable and practical finance solutions.***



## ANNEXURE B: INCUBATOR PROCESS

### Incubator Structure and Process

Incubators operate through the hosting of recurring meetings, one every three weeks, for a period of approximately six months. These meetings serve to address the following:

- ▶ **Incubator launch:** introduction of the process and members.
- ▶ **Confirmation of Origins Document:** this document provides a framework for the Incubator, its aim, objectives, and the Framing Questions to be investigated.
- ▶ **Tasks assigned:** once the Origins Document has been finalised through member input, questions are assigned to members, and feedback is obtained and discussed during the following meetings.
- ▶ **Working groups established:** in most incubators, Working Groups are established to investigate related aspects, with incubator members assigned to these Working Groups based on their expertise.
- ▶ **One-on-one or Working Group meetings** are held in between recurring Incubator meetings to ensure effective engagement and feedback in the Incubator process.
- ▶ **Member feedback** on questions investigated is provided in written format before or during the Incubator meeting designated for discussing the question(s).
- ▶ **Meeting etiquette maintained:** all meetings are recorded and minuted, with actions/next steps shared with members.
- ▶ **Outcome achieved:** the result of the Incubator would be to confirm the Building Blocks and Implementation Pathway required for the Finance Solution to be implemented efficiently and be set for impact.

### Incubator Tools:

- ▶ Origins Document outlining the following for the incubator:
  - **Aim and Objectives**
  - **Process and Logistics**
  - **Membership**
  - **Members, expertise, and affiliation**
  - **Framing Questions**
  - **Overview of Incubator Outputs (listed below)**
- ▶ Member Agreements
- ▶ Findings Document and Actions Table (living document throughout the incubator process recording the member findings)
- ▶ Viability Report
- ▶ Implementation Pathway

## Incubator Member Selection

Incubator membership is by invitation and based on the member's willingness and availability. Selection criteria to identify appropriate Incubator members are applied, taking the following into account:

- ▶ The number of members is dependent on the Incubator requirements; member numbers, however, are always kept to a minimum with a soft maximum limit of 10 members. Limiting the number of incubator members allows for nimble and flexible investigations and meeting discussions.
- ▶ Each member of an Incubator is required to represent a focal area and/or core skill set, such as legal, finance, investment, conservation or the like. This ensures that the experts investigate the Framing Questions, enabling the confirmation of the Finance Solution Building Blocks.
- ▶ In the case of multiple members from the same organisation, the organisation must appoint one member to represent it and provide feedback on the Incubator findings and discussions to the organisation. This limitation avoids duplication and unnecessary time investment by the same organisation.
- ▶ For all people and organisations, including Incubator members, the Coalition undergoes a 'FIND' process to find the right people with whom we can effectively work. The criteria established in our 'FIND' assessment include professional criteria and criteria related to values alignment. These criteria and the process undertaken assist us in ensuring that we work with the right people to drive sustainable finance for conservation and mitigate against any risks that would prevent us from achieving our goals.

### Incubator member selection

The Coalition facilitates the 1-hour Incubator meetings every three weeks to explore the Framing Questions set-out for the Finance Solution and define clear actions by members and/or working groups to take forward. Working groups are intended to investigate related questions and issues such as finance, metrics, social aspects, etc. These working groups meet independently and provide feedback to the main Incubator meetings, which are complemented by concrete, researched, and documented information. Framing Questions are assigned to members in an Actions Table after each recurring meeting, with members' findings added to a Findings Document (a living document throughout the period of the Incubator). The Findings Document is then translated into the Viability Report and Implementation Pathway upon the conclusion of the Incubator.

## ANNEXURE C: INCUBATOR MEMBERS

	Member Name	Role/Focal Area	Organization
1	Dalit Antsey and Chevon Marupen	Legal	Webber Wentzel
2	Robin Bolton	Environmental /water sustainability SME	Nedbank
3	Chad Capon	Outcomes Funder perspective	Western Cape Government
4	Jonathan First	Climate financing and structuring (GOF)	First Advisory
5	Lisa Freercks	Incubator Facilitator	Sustainable Finance Coalition
6	Daniel Jooste	Financial structuring	Nedbank
7	Gail Hurley	Marine-focused finance	Independent
8	Bokamoso Lebepe	Marine Conservation	WWF
9	Monalisa Mabandla	Marine Conservation	WWF
10	Cerin Manduray	Outcomes Funding	WWF
11	Johan Malan	Financial structuring	Nedbank
12	Karine Marion	Marine and donor perspective	AFD
13	Nicole Martens	Impact Investing / Structuring	Krutham
14	Nonhle Mngadi	Marine Conservation	Wildtrust
15	Denise Nicolau	Marine Conservation	IUCN
16	Simone Smit	Environmental	UNDP
17	Candice Stevens	Sustainable Finance	Sustainable Finance Coalition
18	Jason van Staden	Outcomes Funding / Academia	Bertha Centre
19	Ellané van Wyk	Sustainable Finance	Sustainable Finance Coalition

# ANNEXURE D: INCUBATOR FRAMING QUESTIONS

## Question 1: Scope and Definitions

What are the key elements of the financial mechanism's scope that need to be defined, for example:

- a. What is the specific problem that the mechanism is trying to solve?
- b. What should the geographic scope be?
- c. How does increasing scope to outside RSA affect / complicate financial rules? Are there bigger blue economy needs outside RSA that need assistance to motivate the broadening of the scope? Will broadening the scope increase fund raising?
- d. What specific area of the Blue Economy should it focus on?
- e. Is additionality in funding an important objective (ie facilitating additional flows of funding into the ecosystem)?
- f. Are there other scoping areas that need defining? What are the barriers to blue economy investment to be aware of?
- g. What are the risks to be mitigating?

## Question 2: Structure and Stakeholders

What structure is required that could create a positive financial incentive for investing in the sustainable blue economy while also creating measurable and verifiable environmental and social outcomes?

- a. What is Outcomes Funding? Are there useful definitions or examples to draw input from?
- b. Are there precedent deals in the Blue Economy to draw insights from?
- c. What is the mission and purpose of the structure? Can this be articulated to direct the design elements that flow from this?
- d. What is the Theory of Change for the financial mechanism and does the proposed structure allow for and facilitate this?

Which key stakeholders are required for the structure determined above?

- a. Key decision upfront: What measurable outcomes are being tried to be achieved? Three main stakeholders are determined by the answers to the following questions:

- Who is going to deliver these outcomes? The implementers, NGO's.
- Who will fund it? Investors (can be a blend from asset managers to philanthropy, foundations) who put money at risk to achieve the outcomes (want their capital back and potentially a ROI).
- Who are the outcomes funders? Government (and could be in combination with others such as big foundations, DFI's, etc.)

- b. Who are appropriate outcomes funders to target? Are there outcomes funders that could pay concessional funding to the investor based on sustainable blue economy outcomes? What is their incentive? What mandates currently exist within the Blue Economy sector? What are the constraints? What are the risk return expectations?
- c. Is the role of an intermediary necessary to ensure sustainability of the Fund?
- d. Is the role of the Investor necessary? Are investors needed in the structure at all or can underlying organisations source (and take responsibility for) their own investors/donors? If needed, what type of investors are these? Are there investors that would invest in entities with impact in the sustainable blue economy? And should these investors have specific mandates? Will the use of prospective incentive payments be prescriptive by the structure (or can investors use this as they wish)?
- e. Implementing partners: Are there entities operating in the blue economy that could demonstrate a positive impact on coastal ecosystems, coastal communities or marine species, increased jobs in the blue economy, decrease in marine pollution or improved marine biodiversity? What criteria are placed on these implementing partners?
- f. Are there organisations who can verify the outcomes to enable the flow of funding in the structure?



- g. Are grant funders required in the structure? What level (if at all) of grant funding is needed (and for what eg operations, bridging payments to beneficiaries whilst they wait on outcomes payments, etc) is needed to ensure success of mechanism?

### Question 3: Legal and Policy Framework (including governance and management)

- What is the legal mechanism that could be applied to the structure determined above?
- What legislation is needed to facilitate the structure? How can the objectives of the mechanism align with government legislation?
- Are there policies that enable or constrain the structure?
- What is the governance framework for the structure/mechanism elected?
- What is the management framework for the structure/mechanism elected?
- How will the structure be administered? Which skills are needed? What costs are involved? Who pays for the administration?
- What is the role of the management team/committee? Do they act as intermediaries between investors and implementers (or not)?

### Question 4: Implementing Partners and Selection of Beneficiaries

What types of entities currently operate in Southern Africa's blue economy?

- Which of these entities are appropriate to be included as implementing partners in The Blue Outcomes Fund? For example, are they SMME's, NPO's, business support organisations or all of the above?
- If only one type of entity is included in our Fund as implementing partners (ie SMME's), are we satisfied that there is enough scope for achievement of outcomes to attract an outcomes funder and warrant the Fund operations?
- What type of outcomes can these entities produce (that would fit appropriately within an outcomes fund model)?

- What are these entities' needs and how can the Blue Outcomes Fund best meet these?
- Is there sufficient and adequate evidence to support the answers to the above questions?

How are beneficiaries identified to receive funding from the structure?

- Do beneficiaries specifically need to be profit-making entities, or can they be non-profit entities? What are the key challenges facing these entities (eg cashflow for working capital)? How can the financial mechanism be structured to ensure that these challenges are addressed?
- How are beneficiaries defined?
- Should the structure facilitate non-financial support as well as financial investment to beneficiaries? How should the structure allow for this?
- If the structure requires beneficiaries to report on outcomes, how can the structure facilitate and support this process so that beneficiaries are not over-burdened?

### Question 5: Robust Social and Conservation Outcomes

Are there robust social and conservation outcomes?  
Guiding questions:

- Is it one outcome versus the other?
- Does the chosen outcome meet our upfront definition for an appropriate outcome for an OBF?
- Does the chosen outcome(s) allow for wide-enough participation from marine/ocean stakeholders in our chosen context?
- How broad (or refined) to keep outcomes proposal in design phase before approaching Outcomes Funder(s)?
- Is there evidence to support our proposal?
- Can we answer what are we trying to achieve and for whom?

### Question 6: Measurement, Metrics and Verification

What are the indicators of success?

- What precedents are available for guidance? (see section above for examples as well)
- What are the minimum metrics used to measure progress? Who will determine which (and how

many) metrics will be used as the basis for outcomes payments? Can sourcing alternative livelihoods (from fishing-based livelihoods) be an outcome?

- c. Should outcomes payments be made in one lumpsum or is there merit in outcomes payment milestones? Should there be payment claw-backs if outcomes are not achieved?
- d. What price will outcome payer pay for outcomes?
- e. Who will determine what outcomes will be priced at (and how this pricing will be determined)?

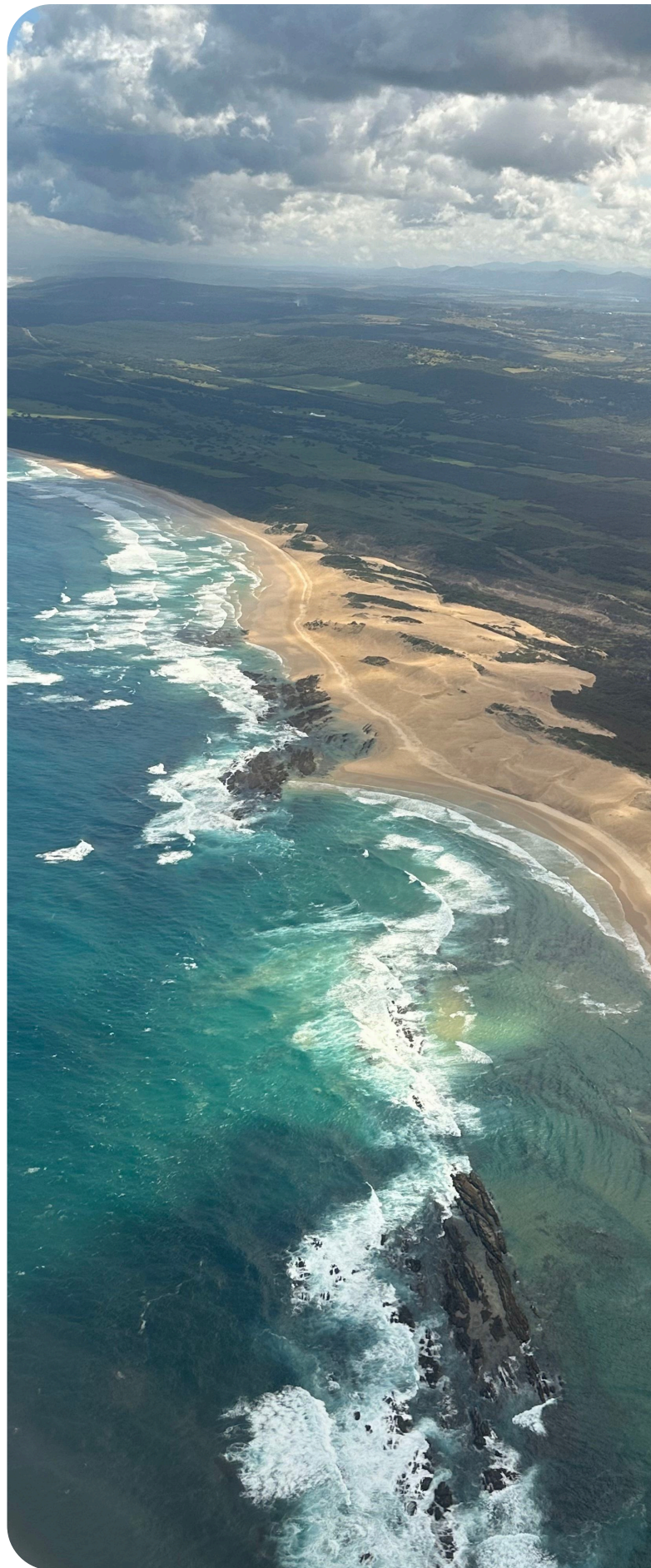
#### Verification

- a. What are the acceptable time frames for measurement and verification of metrics?
- b. Who will verify the outcomes?
- c. How will the verification process be managed and what time horizons are appropriate to set to ensure the impact of the structure is optimised?

## Question 7: Environmental and Social Safeguards

Are the environmental and social safeguards for the process well defined?

- a. What are some of the immediate social and environmental risks to be aware of?
- b. Are there risks to biodiversity created by the solution? If yes, how challenging would it be to create adequate safeguards?
- c. What are the risks and consequences of underperformance?
- d. How can rights-based approaches be mainstreamed and inclusive of these actors?
- e. Are aspects including free, prior, and informed consent (FPIC), benefit-sharing, security of rights, clarity of responsibilities confirmed?
- f. Is there significant risk of unintended negative social consequences?
- g. Will the solution be viewed as equitable, and will there be fair access to the solution?







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