

ATTACHMENT 1

Revised Project Preparation Facility (PPF) Initial Activities

based on discussion brief for FRWG Meeting in Manila 19 March 2015

1. The Regional Secretariat should undertake these initial activities to address issues identified in the Situational Assessment and Financial Architecture studies, to show quick results in 'critical path' areas such as completed NPOA costing, structuring of showcase projects, and improved and new funding mechanisms, including the proposed trust fund.
2. The Regional Secretariat] will not be involved in the implementation of nationally-funded Actions and Activities. It will concentrate in preparing, funding and implementing RPOA projects and support NPOA projects: (a) in supporting design and packaging of proposals (b) support identifying funding sources that may require supplementary international financing or (c) have been aggregated into regionally-fundable larger projects. Robust procedures will be established in the process in order to streamline and improve the quality of project preparation
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4. The Regional Secretariat will continue to work closely with ADB to establish the CTI-CFF Financial Architecture system and will report on activities and progress to CTI-CSO during SOM and MM.
5. Initial PPF activities will include the following:
 - 5.1.1. Completing the ongoing task of Action and Activity costing (NPOA Costing). This process, which the Philippines has completed and Indonesia has recently begun, is the foundation for all future budgeting and funding work. This exercise must be completed as soon as possible in all CT6 countries in order to generate the financial data and projections needed alike by national governments, by public and non-profit development partners, and by corporate partners.
 - 5.1.2. Establish processes and templates to aggregate detailed costing data into CTI project documentation to international standards. This includes further work on the budgeting and project information workspace / system so that credible project budgets can be produced for both public and private sector funders.
 - 5.1.3. Continue structuring and funding work on the national Showcase Projects confirmed at SOM-10 as cost data becomes available.
 - 5.1.4. Consult with the NCCs and TWGs, together with funders and development partners including Australia, USAID, GIZ, UNDP, UNEP, major international

NGOs, as well as GEF, GCF and other past funders, on matters including harmonization of accounting, project proposal formats, budgeting cycles, etc.

- 5.1.5 Support the aggregation of CTI data (scientific, financial and socio-economic) using CTI Atlas, the CTI mapping tool, and other technology to support M&E reporting.
- 5.1.6 Integrate a governance structure for the PPF with the organizational structure of CTI Regional Secretariat (RS) and support the CTI RS to operationalize the PPF.
- 5.1.7 Further strengthen CTI's private sector orientation and seek to establish pilot projects with entirely private sector funding to develop sustainable revenues for CTI, including licensing and co-branding opportunities with private partners.
- 5.1.8 Assist with organization of Regional Business Forums to bring CTI assets and projects to the attention of potential corporate partners in industries such as tourism on both CSR and commercial venture bases.
- 5.1.9 Continue to refine an effective structure for CTI trust funding, working with development partners who have established fund trusteeship operations.
- 5.1.10 Work with major international NGOs to improve coordination and information flow to facilitate the integration and integration / uptake of CTI projects into NGO-funded programs and jointly developing new CTI-themed programs for donors to those NGOs.
- 5.1.11 Develop new partnerships with potential funders, especially international development funds mandated to support climate resilience and adaptation, and large foundations, and examine the viability of developing a CTI-branded or co-branded donor aggregation portal (DAP), and of working with existing DAPs to establish new funding channels for structured CTI Actions and Activities.
- 5.1.12 Work to systematically identify and establish contact with associations and clubs worldwide involved with marine conservation or recreation (e.g. sailing or diving organizations) to explore licensing, co-branding, or other forms of partnerships beneficial to both which could generate revenue for CTI as an organization and financial or in-kind support for individual NPOA Actions or Activities.

ATTACHMENT 2

Revised Structure and Mechanisms of a CTI Regional Fund

Based on the "Decision Document" draft for FRWG 27 March 2015

I. Background

Under the CFI-CFF Financial Regulations (Regulation 7 Article 2), there are provisions on the establishment of CTI Funds or Special Funds as follows:

"The CTI-CFF Funds and Special Funds may be established by the Secretariat for the purpose of receiving funds and making payments for purposes not covered by the regular budget of the Secretariat. The CTI-CFF Funds and Special Funds shall only be used in accordance with the purposes for which and any conditions under which such Funds have been provided. The CTI-CFF Funds will be those funds where there are on-going monitoring and reporting obligations to the donors of the funds. The Special Funds will be any others funds provided for specific purposes that are not CTI-CFF Funds or General Fund"

Recent reports undertaken for CTI, including the Situational Assessment and Financial Architecture study, support the possible utility of establishing one or more CTI-CFF or Special Funds ("Fund") to channel funding to CTI's RPOA and NPOA Actions and Activities, as they are not covered under the General Fund.

The CTI Financial Resources Working Group (FRWG) meeting in Manila in October 2014 recommended the establishment of a Fund, and this was endorsed by the CTI Committee of Senior Officials during its 10th Meeting in Timor-Leste in November 2014. The FRWG was further tasked "to work with the necessary experts in developing the structure and mechanism of such Fund for review by the CTI Committee of Senior Officials at its 11th Meeting in 2015."

II. Issues

Funds of all types, including trust funds (TFs), are organized to pool financial resources, contributed usually by more than one donor, for more efficient management, better access to investment opportunities, or to accommodate larger-scale projects and activities. Fund assets (contributions and investment income) are, in the case of trust funds, held by fiduciaries and managed pursuant to the terms of a trust deed with the contributors (grantors) or similar agreement.

As described in the Final Report of the CTI Financial Resources Study (Section III.B.1), there are several possible structures which CTI could use for the Fund at either regional or national level (or both), including:

- Endowment Funds, which generally require the corpus (initial contributed capital and subsequent contributions) to be maintained for the life of the trust, and not

spent or distributed. This corpus is invested by the trustee(s), and amounts spent to fund projects come from investment income. Endowment funds are the most sustainable as corpus is never depleted. Their ability to fund projects and activities, however, is a function of their ability to generate investment income. In the current capital markets, with interest rates on government securities at historic lows, a substantial amount of principal is required to generate even modest grantable income.

- Revolving Funds, where both the corpus and any income may be spent to fund on activities, but for which there exists one or more replenishment sources (e.g. tax, guarantor, donors, or another source). Most revolving funds have limited or conditional terms and are not held in perpetuity. Provided the replenishment sources can be institutionalized and regularized, a revolving fund may be almost as sustainable as an endowment fund, with greater grantable funds compared to its corpus.
- Sinking Funds, which are structured to be paid out in entirety over a finite life, e.g. making payments such as funding a series of scheduled investments.
- Umbrella Funds, which are established to centralize management and administration of multiple small funds.
- National Funds, which are established by national legislation or under existing laws to set aside money either from domestic or foreign sources, for specific CTI purposes or programs, outside the normal public budgeting process.

CTI-CFF Funds could take any, or a combination, of the above forms, to be determined once (a) the NPOA and RPOA costing exercise has been completed in enough detail so that the quantum, timing, and other dimensions of CTI's project financing requirements have been documented, and (b) potential contributors have been canvassed and their structural preferences ascertained. As reported in the Final Report of the CTI Financial Resources study, accurate and detailed costing and budgeting is a prerequisite to understanding fully CTI's financing needs at the project level, for project costs are not covered under the CTI-CFF General Fund. As that data becomes known, an orderly process can be followed to establish the Fund, together with other sustainable financing mechanisms.

III. FRWG Recommendations to the CTI Committee of Senior Officials (CTI CSO)

Based on the above, proposed FRWG recommendations to the CTI CSO:

1. Acknowledge the importance of proceeding in a systematic way towards establishing a Fund.
2. Task the Regional Secretariat to pursue, in collaboration with the NCCs, WGs and CTI Partners, the following process to move towards establishment of a CTI regional

fund (“Fund”) to aggregate funds to supplement national budget allocations for the financing of NPOA and RPOA Actions and Activities:

- 2.1 To complete the prioritization and costing of Actions and Activities under RPOA and NPOAs up to 2025.
- 2.2 Based on the completed costing data and financial projections, to identify the initial investment components of those costs and segregate them from the ongoing recurring cost components, and determine the quantum of funding required for each.
- 2.3 To determine the level of current national government funding for NPOA projects, and the amounts in their current budget cycles allocated to their respective NPOA Actions and Activities and any amounts budgeted for national contributions to RPOA Actions and Activities, in order to determine the net project financing requirements e.g. projected gaps in financing for (a) investment, and (b) recurring expenses.
- 2.4 To propose a Fund structure which reflects the above CTI funding requirements as well as structural preferences of prospective contributors for consideration of possible next steps.