

## Exploring a Regional Outcome-Based Finance Model for the Coral Triangle

### The Coral Triangle: A Global Treasure Under Threat

The Coral Triangle, often called the “Nursery of the Seas,” spans 647 million hectares across six countries: Indonesia, Malaysia, the Philippines, Papua New Guinea, Solomon Islands, and Timor-Leste.

- It holds 76% of the world’s known coral species and 37% of reef fish species.
- It sustains 130 million coastal people who depend directly on marine ecosystems for food and livelihoods.
- Its habitats contribute an estimated US\$2.3 billion annually to regional economies.

Yet, scientific studies show that 90% of the Coral Triangle’s resources are under threat from overfishing, destructive practices, pollution, and climate change. If left unaddressed, these pressures will undermine biodiversity, food security, and community resilience.

### The Role of CTI-CFF

The **Coral Triangle Initiative on Coral Reefs, Fisheries and Food Security (CTI-CFF)** is a multilateral partnership formed in 2009 by the six Coral Triangle countries. Through its Regional Plan of Action, the CTI-CFF unites governments to conserve biodiversity, manage fisheries, strengthen climate adaptation, and secure livelihoods.

To achieve its 2030 regional financing targets, the CTI-CFF Regional Secretariat has committed to:

- Establishing 4 or more innovative financing mechanisms operational regionally.
- Ensuring 10% of MPA management costs are sustainably funded.

The launch of the Coral Triangle Conservation Fund in 2023 was a first step. The Secretariat is now exploring a Regional Outcome-Based Finance (OBF) model to complement this work.

### Why Outcome-Based Finance?

Unlike grants that pay for activities, OBF pays for results. Outcome funders, i.e., governments, donors, or philanthropies, only disburse money when pre-agreed, independently verified outcomes are achieved.

It is particularly suited for:

- Critical social and environmental issues (e.g., health, education, climate, biodiversity).
- Projects not tied to their own revenue streams (e.g., MPAs, fisheries management).
- Outcomes that can be clearly measured and verified (e.g., fish biomass, MPA effectiveness, fisher incomes).

This approach:

- Creates a pathway for impact investors to invest in biodiversity and conservation by providing upfront capital to finance measurable results.
- Brings in upfront capital from investors to close funding gaps that cannot be met by philanthropy alone.
- Shares risk between investors, service providers, and funders.
- Strengthens accountability through independent verification.

#### **Inset: [Rare’s Small-Scale Fisheries Impact Bond](#)**

Rare launched the world’s **first impact bond dedicated to small-scale fisheries** in Indonesia, a **US\$6 million pilot** supporting Managed Access with Reserves (MA+R).

- **Investors:** Pershing Square Foundation, Minderoo Foundation.
- **Outcome Funders:** Walton Family Foundation, UK DEFRA/ORRAA, Builders Initiative, Rumah Group, Milkywire, and Pershing Square Foundation.
- **Provider:** Rare implements the community-led conservation model; outcomes are independently verified.

This pilot demonstrates how OBF can mobilize blended capital for conservation and livelihoods and provides a **proof point for replication across the Coral Triangle**.

## **Next Steps for CTI-CFF**

### **1. Feasibility Study**

Conduct a consolidated study to determine the viability of a regional OBF model (such as a Regional Outcomes Fund):

- Identify potential red flags (data gaps, regulatory barriers, security risks).
- Define primary and premium outcomes, where primary outcomes are actionable milestones (e.g., adoption of management plans) that lead toward premium outcomes grounded in science (e.g., increased fish biomass).
- Assess readiness across CT6 (policy, institutions, monitoring systems).
- Design the OBF structure, including the financial model (to define sizing, payments, and risk-sharing), verification systems, implementation model, partnerships, and a draft term sheet summarizing the preliminary deal terms and performance triggers.

### **2. Capital Raising**

- Secure investment capital from impact and institutional investors to finance implementation upfront.
- Secure commitments from outcome funders (donors, MDBs, governments, philanthropies) to pay for outcomes that are achieved and independently verified outcomes.
- Finalize the financial model and Technical Annex outlining metrics, payment structure, and risk-sharing arrangements.
- Complete legal documentation and agreements.

### **3. Seed Fund**

- Launch with 2–3 countries under a regional OBF model.
- Tailor outcome contracts to each country's priorities while applying a shared framework.
- Build credibility through independent verification.

### **4. Regional Scale-Up**

- Expand reach of fund to all six Coral Triangle countries over time under a regional OBF platform (such as a Regional Outcomes Fund).
- Provide flexibility whereby countries can join at different speeds while benefiting from a common umbrella.
- Position CTI-CFF as the regional convenor and catalyst for innovative ocean finance.

## **Call to Action:**

CTI-CFF invites member countries and partners to co-design a Regional Outcome-Based Finance

model. Together, we can close the Coral Triangle's financing gap, secure MPAs and fisheries, and deliver measurable results for people and nature.