

Indonesia ✱

Coral Bond

An Innovative Ocean Financing Instrument

The proposed Indonesia Coral Bond is the World Bank's first outcome-based financing instrument that intends to positively impact ocean biodiversity and over 5 million hectares of marine protected areas (MPAs). The proposed instrument will be issued by the World Bank in collaboration with the Government of Indonesia, the International Union for Conservation of Nature (IUCN), the Global Environment Facility (GEF) and BNP Paribas.

Under the outcome bond structure, investors agree to forego bond coupon payments, which will instead be used to finance conservation initiatives in four MPAs that host some of the most biodiverse coral reefs in the world. Project success will be measured according to pre-identified coral reef health and management effectiveness targets. If the project is successful, in addition to principal redemption of the bond, investors will also receive a success payment at maturity, paid by the World Bank with funds provided by a performance-based grant from BNP Paribas and



possibly the GEF. This represents a novel approach in conservation financing that passes project risks to capital market investors and allows donors to pay for conservation outcomes. The project activities will be implemented by the Indonesian Environment Fund (IEF), in collaboration with the Ministry of National Development Planning (BAPPENAS) and the Ministry for Marine Affairs and Fisheries (MMAF).

Building on the World Bank's experience with innovative financing instruments such as the recent Plastic Waste Reduction-Linked Bond¹ and the Wildlife Conservation Bond (or "Rhino Bond"),² the Indonesia Coral Bond will generate much needed resources to improve the management and biodiversity outcomes in four priority MPAs in Indonesia. The Coral Bond leverages existing investments in marine conservation in Indonesia, including a USD 200 million loan extended by the World Bank to the Republic of Indonesia (the Oceans for Prosperity project) in support of global commitment to protect 30 percent of land and ocean by 2030³.

¹ World Bank (2024). "World Bank's New Outcome Bond Helps Communities Remove and Recycle Plastic Waste". Available at: <https://www.worldbank.org/en/news/press-release/2024/01/24/world-bank-s-new-outcome-bond-helps-communities-remove-and-recycle-plastic-waste>

² World Bank (2022). "Wildlife Conservation Bond". Available at: <https://treasury.worldbank.org/en/about/unit/treasury/ibrd/wildlife-conservation-bond>

³ Kunming-Montreal Global Biodiversity Framework

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Project Context: The Importance of Marine Protected Areas in Indonesia

Indonesia is one of the most biodiverse marine nations in the world, hosting 16 percent of the world’s coral reefs, and 17 percent of the world’s blue carbon reservoir. In Indonesia, one-third of coral reefs are in poor condition. Yet, coral reefs are vital for Indonesia’s economy, providing a direct economic contribution from fisheries and tourism estimated at USD 3.3 billion annually⁴. Additional co-benefits include improved nutrition,⁵ and climate change adaptation and mitigation.



The proposed project builds on the Government of Indonesia’s efforts to improve the effectiveness of MPAs. Four priority MPAs in Raja Ampat, Savu Sea, and Alor have been selected, totaling over 5 million hectares within the globally significant Coral Triangle ecoregion and encompassing a significant proportion of the Birds Head and the Sunda Banda Seascapes. The Birds Head Seascape contains the world’s greatest marine biodiversity with 1,600 species of reef fish and over 550 species of corals recorded by scientists. The Sunda Banda Seascape is a priority conservation region, harboring over three-quarters of known coral species and forming an important cetacean migration corridor. Coral reefs are a priority conservation target for all four priority MPAs.⁶

⁴ Bartolet et al. (2024). “Estimating and comparing the direct economic contributions of reef fisheries and tourism in the Asia-Pacific.”

⁵ Selig, E. R. et al. (2019). “Mapping Global Human Dependence on Marine Ecosystems.”

⁶ MMAF (2020). “Profil Kawasan Konservasi.”



Objective of the Coral Bond Project

The foregone coupons from the Coral Bond will be utilized to secure measurable outcomes in the four above-mentioned MPAs. The provisional key targeted outcomes, against which the amount of the conservation success payment will be measured, are:

- select MPAs achieve independently verified conservation outcomes in line with IUCN Green List of Protected and Conserved Areas; and
- live coral cover and coral reef fish biomass in select MPAs are maintained or increased.

The choice of the IUCN Green List as one of the provisional impact metrics offers a scalable, verified results-oriented model for MPA financing. The IUCN Green List is a sustainability standard that recognizes effectively managed and governed terrestrial and marine protected and conserved areas that are achieving their conservation outcomes. It provides an assured assessment of performance and expert validation of progress to participating protected and conserved areas, implemented according to the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) codes and principles.

Two provisional biophysical impact metrics, coral reef fish biomass and live coral cover, will also be tracked to demonstrate the impact management measures put in place on coral reef health. These have been selected due to their relevance to the coral reef environment, their utility to decision makers and the scientific evidence base for using these metrics to understand coral reef health, as they are recommended by the International Coral Reef Initiative, the Global Fund for Coral Reefs, and the Global Coral Reef Monitoring Network.



Conclusion

The proposed project will contribute to closing the significant gap in financing Sustainable Development Goal 14 (Life Below Water), and it represents a unique opportunity to unlock private finance for marine conservation.



Photography: Elodie Van Lierde