Fisheries Improvement Fund
Concept Summary • February 2021

Summary
Wilderness Markets and the World Wildlife Fund (WWF) are collaborating to establish a pioneering blue finance vehicle – the Fisheries Improvement Fund – to support the transition to a Sustainable Blue Economy and reverse the global trend of fisheries decline.

We propose a blended financing mechanism to provide the upfront capital necessary for improving unsustainable fisheries. Industry partners would commit to supporting target fisheries through a volume-based fee. Partners would then benefit from the long-term, secure supply of more sustainably sourced seafood. This approach will ensure economies of scale, improve accountability, and ensure consistent standards and continued market access, optimizing the success of fishery improvement projects.

The pace and scale of the fisheries improvement globally must be accelerated to stem environmental, social and economic decline. The proposed Fisheries Improvement Fund (the Fund) will combine funding from multiple sources to support economic, social and environmental outcomes in fisheries and provide fishery improvement projects with the funding they require from the outset.

The proposed Fund will provide a unique opportunity for leading companies to mainstream sustainability into their business models, reduce negative environmental and social impacts whilst also addressing long-term seafood supply risks. This innovative approach is based on the business case for seafood companies to invest in the long-term viability of their seafood supplies, thus reducing supply chain volatility and risk thereof, while enhancing business value and protecting reputations.

The proposed Fisheries Improvement Fund aims to:
• Secure collaborative commitments to sustainable seafood from industry partners to meet increasing market demand and minimise supply chain risks.
• Provide upfront financing to eligible ‘service providers’ (i.e., FIP Implementers) to progress fisheries in transition to certification.
• Leverage funding sources for fisheries in transition to certification by blending public, private and impact capital.

Rationale and Opportunity
Wild capture fisheries provide food security, livelihoods and economic benefits to hundreds of millions of people around the world, particularly in developing countries. Fisheries produce around 90m tonnes of seafood a year, and fishing communities, businesses and consumers alike rely on healthy ecosystems and robust fisheries management to continue to source, sell and eat fish.

Healthy marine ecosystems also have many other benefits, such as maintaining biodiversity, being more resilient to climate change, and contributing to economic growth in other blue economy sectors such as tourism and aquaculture. Unfortunately, many of the world’s fisheries are overexploited and the health of the ecosystems on which they depend is in decline. The most recent UN estimates suggest that over a third of global fish stocks are overexploited and a further 60% percent are fished at their maximum limit.

Despite these realities, seafood still holds much promise now and in the future. The World Bank has indicated that fishery production globally could be worth $83bn more every year if
fisheries were managed at sustainable levels.\textsuperscript{5} We believe we have the tools at hand to turn things around. Fisheries are an inherently renewable resource if managed well and can provide more fish, more predictable and resilient incomes and deliver higher environmental benefits if we invest in their recovery and continued management.

However, the lack of significant, long-term financing for fishery improvement projects represents a barrier to scaling current efforts. Whilst other challenges to fishery improvement exist, it is not possible to increase the pace and scale of change without addressing the question of how we pay for those changes.

The concept behind the proposed Fund is to directly address this need by tackling the challenges associated with traditional funding for improving fisheries, including constant fundraising efforts that lead to piecemeal activities; lack of transparency, standardization and efficiency in budgeting; high transaction costs; and lack of private sector financial leverage.

**Strategy**

The proposed Fund is being expressly designed to address critical capital requirements for sustainable fisheries in order to:

- **Secure long-term environmental outcomes on the water** — the Fund would contract experienced service providers to implement the necessary measures to make it possible to meet the three core principles of the Marine Stewardship Council Fisheries Standard: Principle 1, Sustainable Fish Stocks; Principle 2, Minimizing Environmental Impact; and Principle 3, Effective Management.\textsuperscript{8}

- **Ensure that those environmental outcomes are supported by resilient and secure fishing livelihoods and communities** — environmental outcomes can only be durable if the fishers’ livelihoods and their communities are secure. The best sustainability outcomes will emerge when socio-economic and environmental incentives are aligned and the impact measured.\textsuperscript{9,10}

To achieve these outcomes, the proposed Fund has defined requirements for eligible service providers and is developing a pipeline based on best practice assessment tools, which will also provide the basis for ongoing monitoring and evaluation of the proposed Fund’s portfolio.

All investments would be evaluated and appraised based on their anticipated direct or indirect impacts on marine health, social outcomes and financial outcomes to ensure alignment with the Sustainable Development Goals (SDGs) of the United Nations, among other standards. Specific impact metrics for the proposed Fund have been identified and are now being refined.
The seafood sector is globally important for its role in food security, income and livelihood security, trade and development, and national and regional economies. Growth in production has been rapid over the past few decades with 171m tonnes of seafood produced annually, worth around $362bn. However, rapid growth has all too often come at the expense of investment in the long-term sustainability of the industry. Overexploitation of fish stocks; impacts on Endangered, Threatened and Protected species caught as bycatch; and the destruction of critical marine ecosystems and habitats, such as coral reefs and mangroves, have been the result of rapid growth and poor management. These impacts not only negatively affect the environment and people, but also create risks for industry that ultimately affect its long-term viability by impacting the availability and affordability of supply, threatening reputations, and changing market and regulatory conditions. As supply and demand trends come ever closer together and competition for resources increases, companies will need to pay closer and closer attention to how and from where they source seafood to ensure that environmental and social risks are duly identified, managed and/or mitigated.

The good news is that what’s good for the environment is also good for business as demonstrated by the experience of the NFI Crab Council and numerous other collaborative, pre-competitive initiatives. Stable fisheries mean stable supply and pricing. Traceable products enable companies to keep illegal activities out of their supply chains. The risks are many, but so are the tools that companies can utilize to mitigate them.

To read more please go to: www.seafoodsustainability.org/industry/business-case/
Value Proposition for Industry

**Stabilize Supply Chains**
More resilient, stable fish stocks reduce supply chain volatility and improve inventory projections for seafood products.

**Drive Down Cost of FIPs**
Incentivizes competition and efficiency of FIP implementers in order to secure funding and provides upfront capital for FIPs, reducing additional costs accrued due to funding gaps costs accrued due to funding gaps.

**Equitable, Efficient Industry Engagement**
Allows costs to be fairly distributed by volume of product produced across industry participants.

**Mitigate Risk**
Reduces risk of illegality and labor violations in supply chains by engaging source fisheries and ensuring fishery reform.

**Reach Sustainability Commitments**
Funding fishery level transition needed to successfully reach goals within targeted company public timelines.

Business Model
The proposed funding model would blend private and public capital and:

1. Secure commitments from companies to buy seafood from projects financed by the proposed Fund and to pay a volume-based fee to the proposed Fund via an Off-Take Agreement (OTA);

2. Contract service providers to implement fishery improvements and a third party to monitor the projects’ environmental, social and financial performance and;

3. Raise capital from external providers to provide upfront financing for such fishery improvement projects.

Pipeline
The following pipeline opportunities have been identified in preliminary scoping activities:

- **Current Partners — WWF has over 150 seafood partnerships worldwide.** We work globally on fishery improvement projects in close collaboration with the private sector.

- **Industry Platforms — We have close relationships with platforms** that bring together seafood companies seeking to drive sustainability gains within the sector. A number of these have expressed an interest in supporting the Fund.

- **Sustainable Seafood Network — We have parties work closely with a number of organisations and entities** that work on fishery improvement projects around the world, including Conservation International, Sustainable Fisheries Partnership, the Marine Stewardship Council and FisheryProgress.org, amongst others.

Fisheries Improvement Fund Model

[Diagram showing the business model and pipeline opportunities]
Phases

The setup of the Fund is envisaged in two phases. The activities in each phase are summarized below:

**Phase 1: Feasibility and Pilot (2021)**
**Target Raise of $5 Million (USD)**

During this phase, the feasibility assessments are completed. This includes market scoping; negotiating commitments with key industry partners to test bankability and develop the vehicle structure; outlining key investment and reporting criteria; and, identifying a group of trusted service providers that can execute projects.

We intend to test the proof of concept through a pilot fund. Robust screening and due diligence frameworks that address environmental, social and economic criteria have been developed to strengthen the pipeline and identify key risks ahead of investment.

The successful completion of Phase 1 activities will provide a robust track record of transactions. This information will be utilized to inform Phase 2 activities and secure the participation of additional capital sources.

**Phase 2: Catalyze (2022 – 2031)**
**Target Raise of $100 million (USD)**

Based on the experience built during the Phase 1, further financing for a larger, global facility would be pursued. The management of Phase 2 would build on the experiences from the pilot to engage a broader base of potential investors and other private sector partners. The proposed Fund would use the track record developed in Phase 1 to allocate and price risk appropriately. The proposed Fund would also benefit from the proof of concept achieved during Phase 1, demonstrating the concept team’s expertise and ability to build a pipeline with key partners.

Ultimately, this proposed Fund could scale to a potential third phase, in which still larger pools of institutional capital are deployed toward proven concepts with a portfolio, providing more stable returns along with both lower tail risks and transaction costs.

### Pilot Projects and Pipeline

- **Mexico:** 4 FIPs
  - Volume: 24,000 MT
- **Mahi: Peru FIP**
  - Volume: 7,000 MT
- **Chile:** 3 FIPs
  - Volume: 92,000 MT
- **Indian Ocean:** 2 FIPs
  - Volume: 155,000 MT
- **Southeast Asia:** 7 FIPs
  - Volume: 192,000 MT
- **Pacific Ocean:** 3 FIPs
  - Volume: 368,000 MT
- **Tuna:** Western & Central Pacific Ocean FIP:
  - Volume: 14,000 MT
- **Tuna:** Indian Ocean FIP
  - Volume: 5,500 MT

**Fisheries Improvement Fund Pilot**
- In pipeline

*Volumes are anticipated FIP volumes*
About World Wildlife Fund

To create transformational change in wild capture fisheries, World Wildlife Fund (WWF) has focused on harnessing the purchasing power of seafood businesses to incentivize fisheries to meet the Marine Stewardship Council (MSC) standard. Certification then rewards responsible fisheries in the marketplace and incentivizes change in similar fisheries around the world. For those fisheries that cannot immediately meet the MSC standard, WWF supports the implementation of Fishery Improvement Projects (FIPs). To ensure the credibility of this work, we seek to continuously improve the effectiveness of certification systems (primarily MSC), while ensuring that the market uses the various certification and ratings programs appropriately. WWF has over a decade of experience working at the nexus of markets and fisheries to improve seafood sustainability. Since the outset of this work, WWF has led the development of the global FIP approach to guide and drive the improvement of large- and small-scale fisheries around the world and has worked with hundreds of fisheries to help improve their sustainability.

Globally, WWF currently has over 150 corporate partnerships committed to sourcing from MSC-certified fisheries or fisheries in FIPs; mature and respectful relationships with many other stakeholders along supply chains and in the trade chain, as well as with producers on the ground; strong relationships with a number of key fishery stakeholders, including management and research agencies; technical expertise on MSC certification and FIP processes; and scientific expertise on key issues preventing fisheries from meeting sustainability standards, such as overfishing, IUU, and bycatch. WWF-US alone has over 40+ corporate partnerships and a 2019 assessment found that the seafood under these commitments cover 550 unique fisheries that have the potential to influence over 30 percent of the annual global commercial catch.

About Wilderness Markets LLC

Wilderness Markets LLC brings impact capital to critical biodiversity markets on the premise that humans thrive in healthy ecosystems. We focus on Blue Finance.

We believe intact habitats should exist and should be valued appropriately. Markets exist for both the ecosystem and for the products they can provide without destroying these habitats.

Our role is to:

- provide access to markets
- provide access to best practices
- provide access to capital

Our experience spans both terrestrial and marine environments in Africa, Latin and Central America, the Caribbean, and the United States. Focus sectors include agri-business, tourism, and fisheries.

Over the past few years, we have successfully assisted a range of partners engage in evaluating and developing innovative solutions to sustainable blue solutions.
Frequently Asked Questions

What is The Fund?
The proposed Fisheries Improvement Fund is a new financing mechanism to speed and scale the transition of fisheries to sustainable practices. It provides greater transparency of investments for companies supporting fishery improvements and/or pursuing Marine Stewardship Council certification.

Why is it relevant to me?
Healthy oceans and fisheries are increasingly critical to purchasing decisions and corporate risk assessments. Overfishing and stock depletions drive unnecessary supply and price fluctuations, and poor social and environmental practices in supply chains present significant business and reputational risk. The proposed Fund uses a structured framework to link investments to evidence of social and environmental improvements.

Why should I participate?
In short, to get more control of your valuable time. By providing access to sustainability professionals, a roadmap, and accountability for efforts to improve long-term social and environmental outcomes in your source fisheries, the proposed Fund frees up your time to focus on other business priorities.

What are the benefits to my company?
Through the proposed Fund, participating companies benefit from teaming up with impact investors and development finance partners. This allows companies to avoid large upfront costs and provides access to highly qualified expertise for identifying and prioritizing fishery improvements, evaluating progress and supporting corporate commitments. An added advantage is that The Fund achieves economies of scale by reducing transaction costs and consolidating improvement work across fisheries and participating company supply chains.

What will it cost me?
The the proposed utilizes a volume-based model to determine dues, based in part upon the desired improvement objectives. This model ensures your costs align with your sustainability objectives and are commensurate with your sourcing volumes.

Get Involved

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