



## Blue Natural Capital Challenge

Natural Capital may be defined as the stock of active assets and natural resources on Earth, such as the soil, water, air, and biodiversity. Blue Natural Capital applies to the natural assets and resources found within the ocean. These assets include (i) stock of natural resources, such as fisheries or offshore fossil fuel and mineral deposits; (ii) “Ecosystem assets” such as pollutant recycling, oxygen production and carbon capture, integrated and renewed by their cycles, as well as broader functions designated as Ecosystem Services.

The state of an ecosystem will define its resilience and capacity for adaptation to external pressures - such as the resulting of greenhouse gas emissions or resource extraction - but also as regards the economic productivity and sustainability of those markets dependent on the afore mentioned assets. Presently, the model for the global economy does not incorporate the valorization of abundance of natural resources, nor the ecosystem services they provide, fundamentally contributing for their depletion rather than preservation. The deterioration of Natural Capital is considered a negative externality of economic growth. The typical response to this concern has been the application of command-and-control instruments or economic incentives that reduce, albeit do not eliminate, the distortion at its core: the current mechanism for economic valuation of natural assets actively contributes towards their destruction.

Several initiatives have attempted to reverse this equation. Of note are the efforts concerning the payment of ecosystem services as well as those focused on compensation mechanisms such as carbon offset which result in fundraising mechanisms for conservation efforts. Those more ambitious efforts try to incorporate Natural Capital as market assets, as is the case for Blue Bonds.

Through Blue Natural Capital Challenge, Oceano Azul Foundation challenges Economists to join Legal experts, Scientists, Marketeers, and others, to collectively uncover new and better mechanisms to this challenge.

## 1<sup>st</sup> Edition | Take Less, Earn More

In Portugal, fishing and aquaculture are currently the least lucrative sectors of the fisheries tier of the Ocean Economy. The most lucrative sectors are found at the final stages of the value chain, especially in final consumer sales. A fishing enterprises' profitability is diminished and the mean production per fisherman is significantly lower than in other European nations. Low, sector wide, productivity is aggravated by an absence of scientific knowledge concerning many of the fishing stocks as well as applicable technologies for the valuation of stock which would allow for the improvement of conservation and transformation efforts, and consequentially, market portfolio diversification.

The fishing industry has specific characteristics that are important to consider, such as that it is “an extractive activity of public goods which are renewable, however finite.” The sector's turnover and productivity are limited by the resource's scarcity; therefore, its economic growth strategy must ground itself in a higher value per unit caught rather than volume of catch. The industries financial sustainability demands a more equitable profit distribution across the value chain.

The Portuguese Sea is rich in species' variety, although their abundance has diminished over time. Portuguese fishing industry has been described as one the most diversified in the EU, both in terms of fleet diversity as well as species caught: about 200 different species including, fish; bivalves; mollusks; and crustaceans. Being many of these low abundance species or species with marginal economic expression. This differentiating factor is currently undervalued, with fishermen's income being limited by the quantity of fish captured. In the fishing industry, quality will be the fundamental differentiating factor resulting in the appreciation of the sector. In order to implement such a strategy, public and private sector efforts must be channeled towards undergoing structural and organizational changes which will enable the sought-after paradigm shift. A breadth of solutions may arise focused on certification systems for catch practices and processes, quality seals, or Protected Designation of Origin; appreciation by means of the creation and expansion of marine protected areas; directed consumer campaigns; or incentives for product diversification at the sales point;

## Regulations

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### Article 1 | Nature of the Challenge

#### 1. Scope

- a. The articles herein establish the rules for candidacy and functioning of the “Blue Natural Capital Challenge”, a financial contribution made by the Oceano Azul Foundation, hereafter referred to as the Promoter, allocated by means of a contest with the aim of finding a solution to a problem by means of the implantation of economic instruments, accompanied by legal, scientific and financial elements that can quantify and value the blue natural capital.

#### 2. 1st Edition

- a. The theme of this first edition is “Take Less, Earn More” and it is focused on the appreciation of fish stocks in Marine Protected Areas (MPA) and surrounding areas, rooted in the concept of Blue Natural Capital, and with the goal of valuing and protecting fish stocks by means of a demonstration project ready for implementation.

#### 3. Contest Goals

- a. Selection of an implementable demonstration project associated with Marine Protected Areas (MPA) and surrounding areas within national jurisdiction which promotes the value appreciation of fish stock whilst simultaneously i) increasing profitability for fishermen, ii) reducing the volume of catch, and iii) increasing resources’ availability in the Ocean.
- b. The proposal must constitute an economic intervention, aligned with legal (e.g. legislative changes) and communicational (e.g. marketing initiatives) initiatives, which will create the opportunity for an increase in revenue for the fishermen and an increase in biodiversity, without resulting in a significant increase in the selling price to consumers.
- c. By means of a practical case study, the project must show itself capable of inverting the destructive mindset surrounding marine natural capital, making its value appreciate. The proposal must materialize as an implementable demonstration project (in other words, ready to be submitted/proposed to relevant entities) that changes the current situation, assuring that natural capital is incorporated into political action.

## Article 2 | Proposals

### 1. Eligibility

- a. The proposing solutions for the 1st Edition of the contest “Blue Natural Capital Challenge” must frame a local case study of Marine Protected Areas, in Portugal, and their enveloping areas, being eligible the entirety of the National Territory, not excluding its extension to other geographic domains depending on the strategic justification.
- b. The Project, object of the proposal, must have its successful conclusion until the 31st of December 2023.
- c. The proposal must be carried out by a consortium which includes private, public, or collective entities that are for or not-for profit, national or international. Preference will be given to multidisciplinary consortiums in the fields of economics, law, fisheries biology, ecology, and marine sciences.
- d. Independently of the consortium’s constitution, the project must be coordinated by a single beneficiary entity, expressly designated for that purpose, legally constituted according to Portuguese law, headquartered in Portugal, to whom will be attributed the entirety of the financial instalment (hereafter referred to as the “Coordinating Entity”).
- e. The proposal must be submitted by the Coordinating Entity with an indication of a person to be contacted, who will at his/her responsibility ensure the fulfilment of the obligation to report to the Promoter as well as subsequent payments to members of the consortium.
- f. The Coordinating Entity must designate a Coordinator of the Consortium, who may or not overlap with the designated person of contact for the Coordinating Entity, be he/she internal or external to the organization.

### 2. Submission of Proposals

- a. The Proposal must be submitted by 23:59 GMT on the 22<sup>nd</sup> of May 2022, in a single email addressed to [application@oceanozulfoundation.org](mailto:application@oceanozulfoundation.org) with the subject “Proposal for the Blue Natural Capital Challenge – 1st Edition [Full name of the Coordinating Entity]”
- b. The proposal must consist of the joint submission of the following elements:
  - i. A proposal which presents the demonstration project under development, which must include a well-defined Why, What, When, and How approach, that responds to all the goals announced in Article 1, nº3. This proposal must simultaneously include a geographic framework, communications strategy, all predicted: Products; Deliveries; and Results (i.e., reports, digital/multimedia contents, etc...) The proposal must be no longer than 15 pages of A4 (12 font), including annexes.

- ii. A Timeline for implementation which includes implementation of all activities foreseen; their correlation with the predicted product and result delivery phases previously specified; as well as the Key Project Indicators (KPIs), in no more than 2 pages size A4 (12 font).
  - iii. A Global Budget, detailing the types of expenditures for each partner in the consortium, as well as the amount to be paid in remunerations, including a reasoned explanation for the expense.
  - iv. A model for the governance as well as the constituency of the Consortium, in no more than 2 pages size A4 (12 font).
  - v. A summarized CV of the Consortiums' Coordinator and, if pertinent, the coordination teams' members; limited to a maximum of 2 additional pages (12 font).
  - vi. A written confirmation from the Coordinating entity, receiver of the financial contribution, accepting, and assuring the compliance of, the terms stated in the present document, validation of the elements submitted to the contest as well as an indication by the Consortium Coordinator.
  - vii. Certificate of registration or equivalent documentation from the Coordinating Entity- proof of its legal validity.
  - viii. Certificates issued by Social Security, as well as the Taxation administration (Autoridade Tributária e Aduaneira) attesting full compliance with the respective fiscal obligations.
- c. Those elements that constitute the proposal must be submitted exclusively in PDF format, written in English (with the exception of any certificates mentioned in subsections vii and viii in b of the present number). Should the resulting file be too large to simply send via email, submissions may be submitted by means of a WeTransfer link or equivalent service.
- d. The Proposal may be complemented with other annexes, free format, if deemed advantageous and absolutely pertinent (e.g., video, report, study).
- e. Despite the proposal fulfilling all the listed requirements, the Promoter reserves the right to request clarifications and/or additional documentation during the proposal evaluation and selection phase.

### **3. Evaluation and Selection of proposals**

- a. The Promoter is responsible for the proposals' evaluation and selection process.
- b. Only complete proposals shall be evaluated, in other words those that comply with number 2 of the present article.
- c. Evaluation of these proposals will have as base criteria the quality and merit of the proposal as well as shown capacity to respond to the objects defined in Article 1. The remaining decision-making criterion are:

- i. Demonstration of efficacy as well as a lasting and measurable impact.
  - ii. Innovation and creativity in the developed solution to the proposed challenge.
  - iii. Rigor in the framing of and knowledge regarding the subject that is being tackled, as well as and understanding of the realities of the industry on a national scale.
  - iv. Multidisciplinary, uniqueness, and affinity of the consortium.
  - v. Alignment with the concepts of Blue Natural Capital as well as lessons learnt from analogous projects in other geographies. The proposal must go further than what has, up until the present, been done; it must also be replicable and scalable.
  - vi. Transparency and clarity of the proposal.
  - vii. The Proposal must demonstrate how it seeks to bring itself to fruition.
  - viii. Parsimonious use of the financial instalment.
  - ix. Potential for the development of future projects with the Promoter.
- d. The process for the evaluation of the proposals will occur in the following phases:
- i. 1st Phase: Evaluation of the elements submitted by complete proposals, considering the criterion described in the previous number.
  - ii. 2nd Phase: The most promising proposals will be invited to a closed pitch, to present their idea at a date to be arranged between the Promoter and the Coordinators of each Consortium.
- e. It is the responsibility of the Jury, composed by people designated by the Promoter, to make the final decision of which proposal will be selected.
- f. The Jury reserves the right to invite or consult one or more external specialists, not candidates nor those directly or indirectly involved in any project candidate to the present Challenge, which may support the Jury in the evaluation of a proposals merit during the phases indicated in d.
- g. Notification of the winning proposal will be made directly by the Promoter to the Coordinating Entity by the 30th of June 2022, along with the financing protocol which includes all the rules for financial execution.
- h. The proponents will bear all costs and expenses related to the preparation of the proposals.
- i. The Promoter will freely decide, exclusively at its own criteria, as regards any and all aspects with its decision being final and unappealable.
- j. The Promoter reserves the right not to adjudicate the work to any candidate.

#### **4. Financial Instalment**

- a. The total amount for the 1st Edition of the “Blue Natural Capital Challenge” is of, at most, one hundred and fifty thousand Euros, VAT included if applicable, in the form of a instalment, to be attributed in its totality to one project.

- b. The financial instalment shall be attributed as a pecuniary amount dependent on the signing of a contract or protocol, which defines the obligations between the parties, namely the Promoter and the Coordinating Entity.
- c. The financial instalment shall be made in a total of the tranches:
  - i. The first tranche in an amount no greater than 50.000 euros, VAT included if applicable
  - ii. The second tranche, dependent on the delivery of a midterm evaluation report, in an amount no greater than 50.000euros, VAT included if applicable.
  - iii. The third tranche upon conclusion of the project, referential to the remaining amount budgeted, dependent on the delivery of the final project proposal and the final report.
- d. All forms of expenses are eligible except:
  - i. Administrative expenses and overheads which exceed, as an aggregate of all the entities in the consortium, more than 10% of the proposed budget.
  - ii. Expenses such as products, services, or contractual obligations that may be considered illegal, bellicose in nature, expenses with fines, judicial proceedings, or financial sanctions.
- e. The allocation of the financial contribution must be clear as regards its recipients and types of costs, discerning, if foreseen, the overheads and administrative expenses (if they exist), labour expenses, services provided, asset acquisition, travel expenses, representations made on behalf of the consortium, and production of materials.
- f. The Promoter reserves the right to discontinue or revoke the financial instalment in case it is verifiable that the beneficiary did not meet specification contained within this document and/or in the contract or protocol signed.

### **Article 3 | Development and oversight of the project**

#### **1. Steering Committee**

- a. The Blue Natural Capital Challenge establishes a Steering Committee for the winning project which has the aim of overseeing the respective development, assuring effective communication between parts, and the fulfilment of the workflow timeline.
- b. The Steering Committee will be composed of, at least, one member of each participating party, namely the Promoter, the Coordinating Entity – including the Coordinator of the Consortium, and external members specializing in Blue Natural Capital, to be specified by the Promoter.
- c. External members specialized in Blue Natural Capital referred to in the previous item will have access to the development of the project, having the right to request clarifications and recommending adaptations to the same.

- d. The Steering Committee must meet, at a minimum, every trimester, checking on the progress of the project as well as the fulfilment of deliverables and results, such as KPIs, from which the Promoter proceeds with the validation, and if applicable, the payment of the tranches as stated in item 4 section c of article 2.
- e. The number of Steering Committee meeting foreseen does not impede the scheduling of additional sessions if at any point they are deemed necessary, and requested of the Promoter, by the respective members.
- f. The functioning of the Steering Committee will be managed by the Promoting entity, responsible of the calendarization, scheduling, invitation, regulation of the functions, according to standards to be included in the protocol or contract to be celebrated amongst the parties.
- g. The Coordinating Entity for the Consortium assures that all recommendations that occur as a result of the Steering Committee meetings are integrated into the project, in articulation with the Consortium Coordinator, if applicable.

## **2. Communication and Reporting**

The Coordinating Entity winner of the project commits itself to:

- a. Cooperate with the Promoter on a communications plan for the project, an integral part of the contract or protocol to be celebrated with the Coordinating Entity.
- b. Provide every trimester an Interim Short Report on the projects progress and budgetary execution, updated and presented at each meeting of the Steering Committee. Whenever requested these must be complemented by communications content, including multimedia support.
- c. Provide a Midterm Report with the projects progress and budgetary execution, at the half way point of the agreed timeline for the project.
- d. Provide a Final Report with the project's progress and budgetary execution, up until the submission of the project, until the 31st of December 2023.
- e. Make him/herself available to represent the consortium in national and international forums, in strict articulation with the Promoter.
- f. Any and all materials and communications made by the project will make reference to the financial support attributed the Oceano Azul Foundations' "Blue Natural Capital Challenge" and will include the logos of the associated entities, respecting the rules that may come to be established in the contract or protocol to be celebrated

## Article 4 | Authorship

### 1. Copyright

- a. Any and all, Deliverables, Products and Results resulting from the application of the winning project are of shared authorship with the Promoter, in a framework to be stipulated in the contract or protocol to be signed by the parties.

### 2. Exclusivity and Confidentiality

- a. At any moment or phase of the evaluation process and selection of the proposals, the parties agree to maintain confidentiality as regards the content of the proposals and the constitution of the consortium.
- b. All proposals must be exclusive to this contest until the 30th of June 2022 (included), in accordance with the stipulations made in section e. in number 4 of article 2, proposals may not be used for candidacy to other contests or adapted for other projects.
- c. The winning proposal is destined exclusively for application by the 1st edition of “Blue Natural Capital Challenge” and may not be reproduced or adapted for use in other projects without the express authorization of the Promoter. In case the candidate proposal derives from previous work, funding, or previous projects the Coordinating Entity commits to making the appropriate indication on the when submitting the proposal.

## Article 5 | Final Dispositions

- a. Situations omitted in the present regulations are resolved directly by the Promoter.
- b. The Promoter guarantees confidentiality, rigor, and transparency in all proceedings related to the contest in its various phases.
- c. Elements of the Jury, constituted by internal members of the Oceano Azul Foundation, will abstain from intervention in decisions the concerning applications in which a conflict of interest is found, in which case said member will be replaced.
- d. Deliberations made by the jury constitution final decisions within the scope of the contest, not being open to any complaints or appeal.
- e. The requirements and procedures established in the present regulation are determinative for the evaluation of the proposals.
- f. By presenting a proposal, candidates recognize full acceptance of the present regulations