

JUNE 2024

# Impact Report



**Galápagos**  
life fund

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Photography by:  
Bryan Pérez



## ABBREVIATIONS

ASI	Assurance Services International GmbH
CSO	Civil society organization
DFC	U.S. International Development Finance Corporation
GLF	Galápagos Life Fund
GMR	Galápagos Marine Reserve
FADs	Fishing Aggregate Devices
HMR	Hermandad Marine Reserve
IATTC	Inter-American Tropical Tuna Commission
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFQs	Individual fishing quotas
OFC	Oceans Finance Company B. V.
MAATE	Ministerio de Ambiente, Agua y Transición Ecológica ( <i>Ministry of Environment, Water and Ecological Transition</i> )
MPCEIP	Ministerio de Producción, Comercio Exterior, Inversiones y Pesca ( <i>Ministry of Production, Foreign Trade, Investments and Fisheries</i> )
MREMH	Ministerio de Relaciones Exteriores y Movilidad Humana ( <i>Ministry of Foreign Affairs and Human Mobility</i> )
NGO	Non-governmental organization
RoE	Republic of Ecuador
SC	Sustainability Commitments
SCA	Sustainability Commitments Agreement
REDLAC	Regional Group on Risk, Emergencies and Disasters
TURF	Territorial use rights for fishing
UNESCO	United Nations Educational, Scientific and Cultural Organisation



It is a great pleasure to present our annual report. This report encompasses our achievements, challenges, and the process of creating our trust fund during its first year. We invite you to learn more about the Galápagos Life Fund, its history, and its establishment process through this report, where we reflect on the collective efforts between different sectors, including representatives of government agencies, the private sector, and stakeholders of the Galápagos, to reach our marine conservation mission.

The Galápagos Life Fund was legally established as a non-government organization in Ecuador in December 2023, after its formal creation in May 2023, to support the implementation of a trust fund that will financially support marine conservation and sustainable initiatives in the Galápagos Islands. We are proud that the Galápagos Life Fund is rooted in the Galápagos Islands, where the initiative to create the Hermandad Marine Reserve was born. It was this initiative, and the subsequent need for sustainable financing mechanisms for its successful implementation, that gave rise to the Galápagos Life Fund, which aims to guarantee the protection of our marine protected areas and their ecosystem services that are vital for providing both natural and economic benefits to our community.

The Galápagos Life Fund is a historical milestone for long-term ocean conservation at the local and national level. It is the first fund in the Galápagos with substantial financial resources for the upcoming decades to support marine conservation projects. These projects will encompass protection, research, education, and sustainable productive activities in the Galápagos. The fund aims to provide financial support and advice for creating, developing, and implementing projects in a joint effort with public institutions, private sector and community initiatives.

This first year, we have built work teams at different levels: in our board of directors and committees. We have also established our office in the Galápagos with local staff implementing administrative and financial processes for the efficient operation of the fund. We have also created our organizational image through a community participatory process. We have been equally dedicated to meeting all social, environmental, and safety standards, ensuring that our efforts result in long-term benefits for the conservation of the islands and the sustainable development of our community.

Transparency will prevail in our operational decisions and resource allocation, while a solid governance structure like the one established in the Galápagos Life Fund, will enable us to reach our objectives and outcomes. All these efforts will be reflected in our second year of operations when we will launch our first call for proposals, which will consolidate the implementation and expected benefits of the Galápagos Life Fund.

Mónica Calvopiña  
Executive Director

Susana Cardenas  
Board of Directors Co-Chair



## 2. INTRODUCTION

This document is the Annual Impact and Project Report for the Galápagos Life Fund (GLF). It provides information about GLF's activities during the first year of GLF's operations from early May 2023 to end of May 2024 (hereafter referred to as the Reporting Period) and an overview of GLF's priorities for the upcoming year. It outlines the financial highlights of the GLF for the Reporting Period including that of the endowment and includes an update on the status of the Government of Ecuador's compliance with the Sustainability Commitments<sup>1</sup> that were due within the Reporting Period. In future years, the report will include an overview of the GLF's grant portfolio.

This report forms part of the GLFs commitment to keep the government and citizens of the Galápagos and the Republic of Ecuador (Ecuador), interested non-government organisations and other stakeholders informed of its performance and activities.

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<sup>1</sup> These are obligations upon various ministries to deliver under the debt for nature transaction, set out in the Sustainability Commitments Agreement (SCA) dated 25 April, 2023.



# 3. ABOUT GALÁPAGOS LIFE FUND

## 3.1 HISTORY AND CONTEXT

The creation of the GLF is strongly connected to a marine conservation history, originating from a participatory initiative with stakeholders and the Galápagos community. A local campaign started in the Galápagos in 2020 with the proposal to expand the Galápagos Marine Reserve (GMR), identifying this process as a priority to strengthen marine conservation in response to increasing threats to important marine ecosystems that have no formal protection. The proposal to expand the existing reserve considered biological, physical, and socioeconomic aspects. Over two years, extensive meetings and workshops with stakeholders and government representatives were conducted to define an agreed-upon proposal for creating Hermandad, the new marine reserve for the Galápagos Islands, formally known as the Hermandad Marine Reserve (HMR).

The Government of Ecuador formally declared the creation of the HMR in January 2022 through Presidential Decree 319. The new reserve included the expansion of 60,000km<sup>2</sup> of marine protection to the waters surrounding the Galápagos, thus creating the country's first open water marine reserve. The HMR was formally established in March 2022 by a Ministerial Agreement (Ministerial Agreement 2022-019) to integrate it as a new protected area under Ecuadorian regulations, an important area at local, national, and regional levels due to its strategic location and connectivity.

While establishing the HMR, the importance of having a financial mechanism was identified to ensure the implementation and effective management of this new marine reserve and the existing GMR. After working with partners and government institutions, the Government of Ecuador, with the support of the U.S. International Development Finance Corporation (DFC), Inter-American Development Bank (IDB), Credit Suisse, Oceans Finance Company B.V. (OFC), the Pew Bertarelli Ocean Legacy, and Aqua Blue investments, closed on the largest debt for nature conversion in history.

Before the debt conversion, Ecuador owed international bondholders US\$ 2.725 billion in capital and interest payments under the bonds that were purchased at discount via a tender offer. This was replaced with a new loan from GPS Blue Financing Company (GPS Blue<sup>2</sup>) with a total repayment of US\$ 1.599 billion that saves the Government of Ecuador US\$ 1.126 billion in lifetime savings or on average US \$60.8 million annually. GPS Blue raised the funding for this new loan by issuing bonds in the international market (the "Galápagos Marine Conservation Bonds"). GPS Blue will use the debt service payments under the new loan to repay the holders of the Galápagos Marine Conservation Bonds and donate US\$ 323 million over 18.5 years to the Galápagos Life Fund (GLF) a conservation trust fund<sup>3</sup> which has been established to oversee the allocation of funding made available for conservation through a debt for nature conversion.

The GLF will finance concessional payments of approximately US\$ 13 million per year to projects and an average of US\$ 5 million per year to capitalize an endowment, resulting in total US\$ 463 million of investment into the Galápagos, part of which generates a stream of investment into the Galápagos into perpetuity through an endowment.

This GLF Funds come from the new loan structure and not from the Government of Ecuador. They are a 'donation' from GPS Blue to support conservation in Ecuador, to enhance the management and conservation of the HMR and the surrounding marine ecosystem. If it were not for the intended positive contribution and impact

<sup>2</sup> GPS Blue is the Special Purpose Vehicle (SPV) based in Ireland that is the administrator of the finances.

<sup>3</sup> A conservation trust fund is a financial mechanism designed to support the long-term conservation of biodiversity, ecosystems, and natural resources. A conservation trust fund provides a stable source of funding for conservation projects, ensuring that there is consistent financial support for environmental and social development projects.

to the marine ecosystems and communities dependent on them, the providers of the new loan would not have supported the debt conversion. This means the Government would still have owed the original amount to bondholders, and there would have been no finance for the before mentioned conservation impact. Without the transaction, US \$1.459 billion would have left the country in debt service payments to the original holders of the bonds that were acquired; however, with the deal this US\$ 1.459 billion remains available to the government, and \$463 million flows to conservation and local projects. To give these funders comfort that the conservation funding created through their new loan will be used to deliver the expected impact, it needs to be managed through an entity that has representatives from the private and public sectors but that is led by the private sector, with a strong and transparent governance structure. This is what GLF was established to do.

**Transaction Summary:**

Ecuador repurchased US\$ 1.599 billion of its existing debt at a 59% discount

- GPS Blue Financing Company (GPS Blue), raised a US\$ 656 million Loan to finance the repurchase.
- DFC provided Political Risk Insurance as a form of credit enhancement on the Loan.
- Credit Suisse arranged the Galápagos Marine Conservation Bonds, which funded GPS Blue to make the Loan.
- The transaction will generate an estimated US\$ 463 million of conservation funding over 18.5 years:
  - US\$ 13 million average annual cashflows for marine conservation activities, for a total of US\$ 223 million by 2041
  - US\$ 5 million annual cashflows to capitalize an endowment that is expected to grow to US\$ 240 million by 2041

The GLF is responsible for ensuring transparency, traceability, and effective local governance in the use of resources, and it is reflected in its procedures set out in the bylaws.

### 3.2 ESTABLISHMENT OF GLF

The GLF was established as a non-profit corporation non-assets in Delaware, USA, a traditional domicile for the establishment of conservation trust funds across the world, to oversee the allocation of funding made available for conservation through a debt for nature conversion<sup>4</sup>. The GLF was legally established and made operational in May 2023 with Government Representation on the GLF permitted via an Ecuadorian decree. It was established as a local financial mechanism to channel conservation funding generated through the transaction and additional finance raised from other sources to support conservation efforts.

In December 2023, the GLF was formally registered in Ecuador under an agreement with the Ministry of Foreign Affairs and Human Mobility (MREMH, Ministerio de Relaciones Exteriores y Movilidad Humana), to fulfil its main objective, which is to promote the maintenance, growth, and security of the natural capital of the Galápagos Islands and their ecosystems through making grants and providing funds for environmental and sustainable development projects. GLF opened its office in the Galápagos Islands in March 2024. In April 2024, a logo contest was held in the Galápagos Islands. The youth of the islands were invited to design a logo for the GLF. This was to foster and facilitate community participation and a sense of involvement in the startup of the GLF.

<sup>4</sup> 20% of global conservation trust funds were established off-shore per a recent review.

### 3.3 PURPOSE OF THE GLF: MISSION & VISION

The GLF will provide financial support and promote the maintenance, growth, and security of the natural capital of the Galápagos Islands and their marine ecosystems by making grants to or funding projects of organizations, government agencies, and other entities for relevant environmental and social development projects as informed by biodiversity, social, economic, sustainability and climate change matters and by pledging assets to secure loans and other obligations in furtherance of the purpose.

### 3.4 CURRENT ORGANIZATIONAL STRUCTURE

The GLF is managed by an 11-member board, with eight Ecuadorean members (3 private and 5 public) and three international members. The Board of Directors composed of five government and six non-government representatives including representatives from private sectors in Ecuador; including artisanal fishing, local tourism, and academic communities. The structure of the GLF is set out in Figure 1.

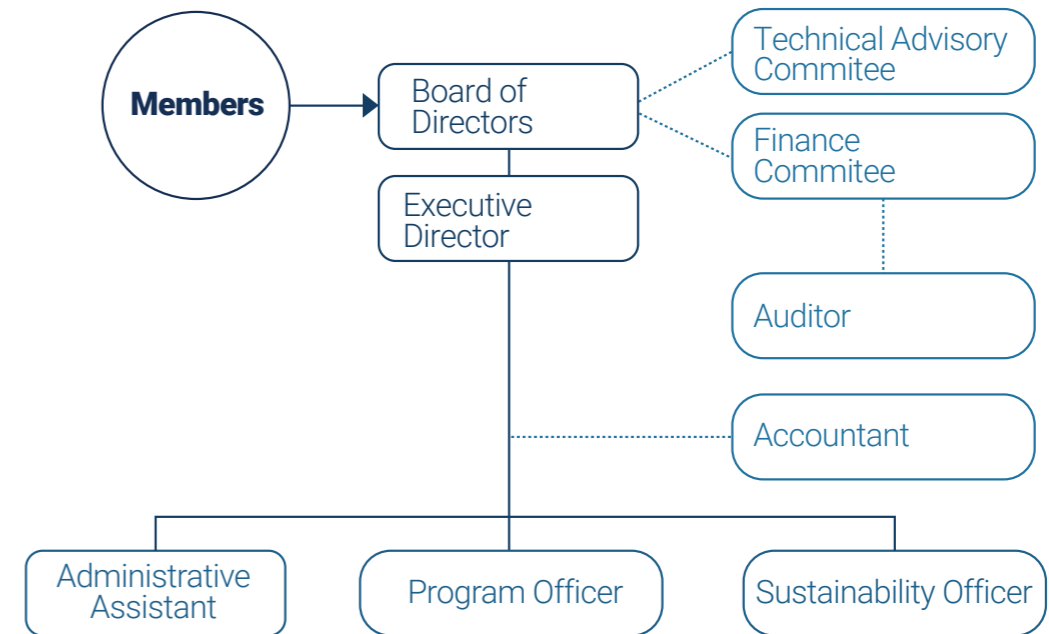


Figure 1: Galápagos Life Fund Structure

The Minister of the Environment, Water and Ecological Transition (MAATE, *Ministerio de Ambiente, Agua y Transición Ecológica*) is the Co-Chair of the GLF to ensure alignment with Ecuador’s policies and interests. Board members and the GLF’s governance structure were selected through consultations and workshops carried out in January and October of 2022 with Galápagos stakeholders from the public and private sectors, universities and research institutions, as well as local NGOs.

The GLF Board of Directors is supported by a Technical Advisory Committee and a Finance Committee, whose key responsibilities are set out below.

- The Technical Advisory Committee reviews and comments on grant proposals and provides advice to the Board on technical matters and inquiries related to their field of expertise (scientific, environmental, social and conservation matters).
- The Finance Committee supports the Board by providing recommendations to formulate or review and revise its policies and guidelines related to resource mobilization, investment and other financial frameworks and supports the recruitment of the investment manager

and monitoring and evaluating their performance to keep the Board regularly informed and recommend to the Board any possible changes to consider. The Finance Committee also supports the Board in appointing the Accountant and Auditor.

Additionally, the Board of Directors has two ad-doc committees for communications and selection processes who support the implementation of activities prior to be presented for the board approval.



GLF visiting the Tortoise Breeding Center in Santa Cruz, Galápagos.

### 3.5 MEMBERS OF THE GLF BOARD

#### Government Members



**Ms. Sade Fritschi Naranjo**  
Minister  
Ministry of Environment, Water  
and Ecological Transition  
Minister  
Co-Chair of the Board



**Ms. Dana Zambrano**  
Subsecretary of Fisheries and  
Aquaculture  
Ministry of Production, Foreign  
Trade, Investments and  
Fisheries



**Mrs. Gabriela Sommerfeld**  
Minister  
Ministry of Foreign Affairs and  
Human Mobility



**CAL. Ricardo Unda**  
National Aquatic Spaces Director  
Ministry of National Defense



**Mr. Edwin Altamirano**  
Minister  
Galápagos Government Council

#### Private Members



**Mrs. Susana Cardenas**  
Academia  
University of San Francisco de  
Quito (USFQ)  
Co-Chair of the Board



**Mr. Giuseppe Dicarlo**  
NGOs  
Pew Bertarelli Ocean Legacy



**Mr. Andres Ordoñez**  
Galápagos Tourism Sector  
Chamber of Tourism of  
Galápagos  
Secretary of the Board



**Mr. Alexi Moncayo**  
Fishing Associations  
Isabela Fishing Association



**Mr. Robert Roeder**  
Founder Member  
Dona Bertarelli Philanthropy



**Mr. Robert Weary**  
Founder Member  
Oceans Finance Company B.V.  
(OFC)  
Treasurer of the Board

### 3.6 MEMBERS OF THE STAFF

As of the 30th May 2024, the GLF organisational structure currently comprises two fulltime personnel, recruited after a competitive recruitment process undertaken in line with the Galapagos Government Council employment regulations and GLF human resources procedures. The GLF procedure involves a process of selection carried out with the selection committee and approval at the Board of Directors:



**Monica Calvopiña**  
Executive Director



**Carolina Astudillo**  
Executive Assistant

The GLF intends to onboard a Sustainability Officer and Program Officers in the third quarter of 2024 to ensure readiness for grant making and support the long-term operations of the GLF, and then post for two additional Program Officers, a Finance Director, an additional Administrative Assistant, and a Communications Officer with a goal to hire all positions by year end.





# 4. KEY ACTIVITIES TO DATE

The GLF will officially start a call for proposals process to disperse the conservation funding in line with its objectives in the last quarter of 2024. A call for proposals is where the GLF will invite organizations to apply for funding for projects that align with GLF's specific goals or objectives. During this Reporting Period, the GLF has not issued any calls for proposals.

To ensure that funding is provided in a transparent, equitable, auditable and responsible manner in line with international standards, including the globally accepted International Finance Corporation (IFC) Performance Standards, GLF's efforts have been on undertaking a number of environmental and social studies to support the HMR Project and developing the GLF's Environmental and Social Management System (ESMS).

Throughout its first year, the GLF has been putting in place the operational and administrative systems, resources, procedures and mechanisms in preparation for grant making activities, in line with global best practices outlined by the Conservation Finance Alliance and the Regional Group on Risk, Emergencies and Disasters (REDLAC) This has included developing its' Operational Manual and establishing the necessary committees such as the Technical Advisory Committee, which is required to be in place before grant making will proceed. The various aspects are expected to be completed in the third quarter of 2024 and shortly after that the first calls for proposals will be issued.

Additionally, the GLF went through a competitive request for proposals process to engage an external auditor (Price Waterhouse Cooper was selected, for a period of three years), an accountant (UHY Accounting was selected), and an investment manager (Bank of New York Mellon was selected). This process was overseen by the GLF Finance Committee and the selected organisations were approved by GLF Board prior to appointment.

At the same time, various engagement activities with the Board of Directors have taken place and continue, to establish a route to develop the first project proposal to support the implementation of the HMR Management Plan, including important strategies for control and surveillance activities. As part of the communication strategy, the GLF website was launched. In addition, the organisations branding was established through a logo contest held in April 2023 with participation of 97 youth representatives from different islands. GLF is sharing its updates, progress and activities through social media pages, talks and workshops with the community and stakeholders. These activities will continue and form part of a long-term engagement strategy aligned with the GLF activities.



GLF team visits navy vessel, May 28, 2024.

# 5. GRANTS PORTFOLIO



## 5.1 PRIORITIES FOR FUNDING

The primary objective of the GLF is to provide funding via grants and other forms of support that promote the conservation and maintenance, growth and security of the natural capital of the Galápagos, including HMR. The GLF will try to fill major funding gaps in responding to various environmental, social, and sustainable development issues and opportunities. This will include ensuring that the Management Plan for HMR<sup>5</sup> that was established by the Ministry of Environment, Water and Ecological Transition (MAATE, *Ministerio de Ambiente, Agua y Transición Ecológica*) in 2023 in accordance with Ecuadorian legislation, is effectively implemented, including related activities such as the monitoring and surveillance of the new marine reserve.

The GLF will support projects related to the following priorities:



The funds will be allocated through an open call for proposals system in which any government agency, locally registered NGO, civil society organization (CSO), parastatal organization, or citizen of Ecuador may submit a proposal to the GLF. Organizations submitting proposals must be locally based and have legally existed and operated in the Galápagos for at least two years.

<sup>5</sup> MAATE (2023). Plan de Manejo de la Reserva Marina Hermandad. Ministerio del Ambiente, Agua y Transición Ecológica. Dirección del Parque Nacional Galápagos. Subsecretaría de Patrimonio Natural. Fundación de Conservación Jocotoco. Biogennia Cía. Ltda.

## 5.2 HERMANDAD MARINE RESERVE (HMR)

As the establishment of the HMR was the main catalyst for the creation of the GLF and the debt conversion, it is important that its conservation priorities are supported by the GLF. HMR expands on and complements the existing GMR.

HMR, located northeast of the Galápagos archipelago, comprises an area of 60,000km<sup>2</sup> and it is part of the Eastern Tropical Pacific Marine Conservation Corridor (Galápagos – Hermandad – Cocos – Coiba – Malpelo – Gorgona). Together with the previously existing GMR, an area of 202,758km<sup>2</sup> is legally protected. The location of HMR is shown in Figure 2 below.

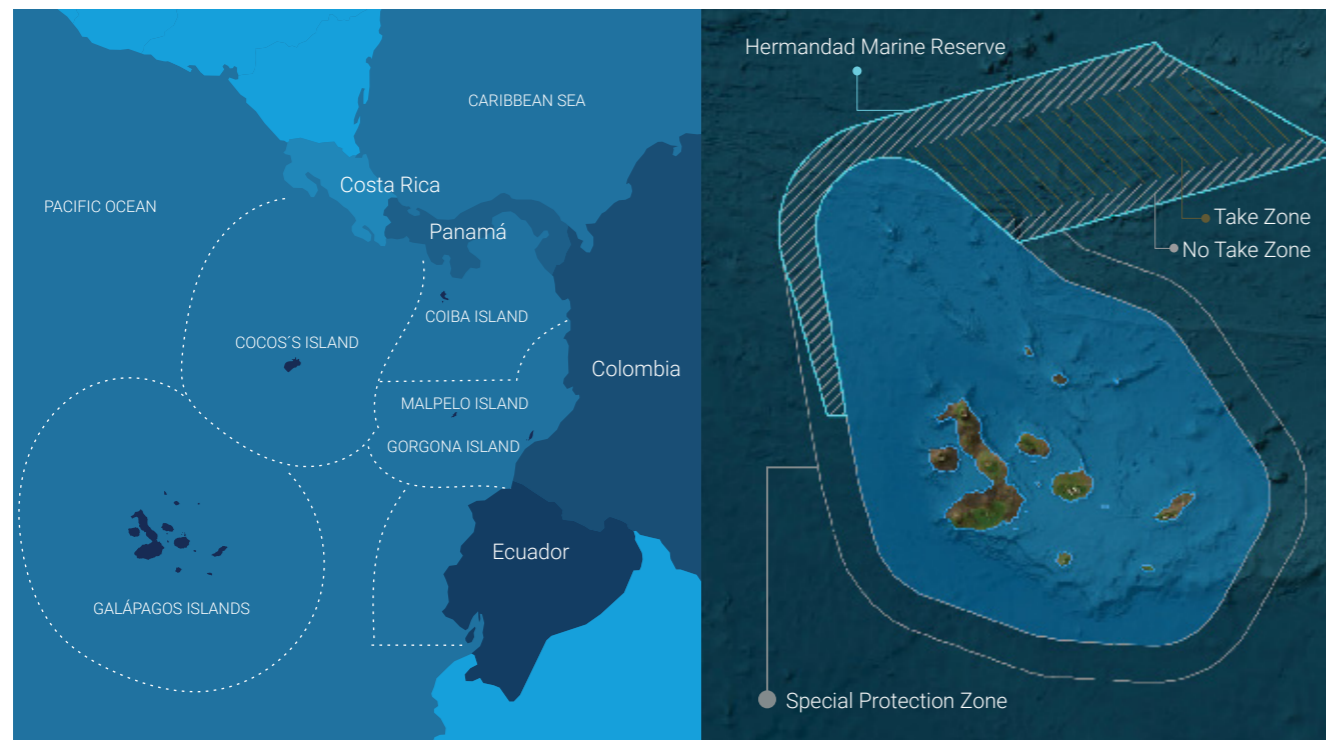


Figure 2: Location of Hermandad Marine Reserve

The objectives of establishing the HMR are to drive conservation of migratory and endangered species, such as hammerhead sharks, leatherback turtles, and whales; migratory species of commercial interest, such as tuna; and to conduct interdisciplinary scientific and technical knowledge applied to the management of the reserve.

The zoning of HMR comprises an area of 30,000 km<sup>2</sup> strictly protected, in which no fishing or extractive activities are permitted due to the critical ocean ecosystems, migratory routes, and feeding grounds of threatened marine species. A 30,000 km<sup>2</sup> area is zoned for sustainable fishing and extends along the northwestern edge of the GMR to the equatorial line, where fishing activities are permitted, with the exception of the use of longlines.

The complexity of managing an open ocean area such as HMR requires sustained institutional strengthening, financing, and management mechanisms that foster coordination and cooperation among all the actors responsible for its conservation and commercial use. The GLF will play a crucial role in providing financial support for the effective implementation of the HMR Management Plan.

## 5.3 PROJECTS

The GLF will officially start a call for proposals process to identify projects to fund in line with its objectives in the last quarter of 2024.

The Ministry of Environment, Water and Ecological Transition (MAATE, *Ministerio de Ambiente, Agua y Transición Ecológica*), Minister of Defence, and Ministry of Production, Foreign Trade, Investments and Fisheries (MPCEIP, *Ministerio de Producción, Comercio Exterior, Inversiones y Pesca*) are due to be recipients of the first grant and are preparing a proposal which will be formally submitted to the GLF's Technical Advisory Committee and Board of Directors for review and final approval.

Additionally, on May 30th 2024, the GLF announced that it would run its first open call for proposals for US\$4.5 million to support additional projects, including Sustainable Fisheries, Research and Science, Environmental Education, and Sustainable Tourism activities in the Galápagos.

The GLF's Technical Advisory Committee, working with GLF staff, will define the call for proposals, including specific amounts per activity, and specific project focus within each activity. The GLF plans to finalize these details, seek approval from the Board of Directors, and formally announce the call for proposals by the last quarter of 2024. Project review, selection, drafting and finalizing grant agreements would occur thereafter, with a goal to begin to disburse funds by the end of 2024 or the first quarter of 2025.



# 6 SUSTAINABILITY COMMITMENTS



The Ministry of Environment, Water and Ecological Transition (MAATE, *Ministerio de Ambiente, Agua y Transición Ecológica*) and the Ministry of Production, Foreign Trade, Investments and Fisheries (MPCEIP, *Ministerio de Producción, Comercio Exterior, Inversiones y Pesca*) have committed to deliver upon eighteen (18) Sustainability Commitments (SCs) within given timelines from 2023 to 2037. The SCs are summarized in the table below, together with the relevant ministry responsible, timelines for compliance and means of verification required to demonstrate compliance.

Table 1. Summary of SCs

SC	SC Title	Relevant Ministry	Deadline	Summary of Means of Verification
SC1	Maintain the Hermandad Marine Reserve	MAATE	09/05/2023	Execute Decree and Ministerial Agreements
SC2	Purse Seine (PS) Fleet – Vessel Monitoring Systems (VMS) and Observer Coverage	MPCEIP	31/12/2024	Visit to Control and Monitoring Center (CMS) in Manta with the MPCEIP, various reports and interviews
SC3	Longline (LL) Fleet – VMS	MPCEIP	31/12/2024	CMS Visit and CMS report
SC4	LL Fleet – 20% observer coverage	MPCEIP	31/12/2025	Report from Observer Programs and interviews
SC5	LL fleet – Develop and install electronic monitoring equipment	MPCEIP	31/12/2037	CMS Visit, reports and expert analysis
SC6	PS Fleet – Limiting the number of Fish aggregating devices (FADs)	MPCEIP	30/06/2024 <sup>6</sup>	Inter-American Tropical Tuna Commission (IATTC) Report
SC7	Appointment of Board of Directors representative in GLF	MAATE	09/11/2023	Approved GLF bylaws and notice of nominee to the GLF board of directors.
SC8	Management Plan for the HMR	MAATE	09/11/2023	HMR Management Plan, Ministerial and Interministerial Agreements
SC9	Mid-term evaluation of the Management Plan to determine implementation of the HMR	MAATE	30/06/2028	Mid-term evaluation document
SC10	Participatory management mechanism for the management of the HMR	MAATE	09/11/2024	Constitutive Act of the Participation Mechanism, acts of meetings, attendance registers
SC11	Protocol for Oceanographic and Climatological Monitoring of the HMR	MAATE	09/05/2025	Oceanographic and climatological monitoring protocol document
SC12	Research plan or agenda for the HMR	MAATE	09/05/2025	Report of the research plan and HMR research plan or agenda
SC13	Technological alternatives and sustainable fishing practices for the HMR	MAATE	09/05/2027	Document for the identification and prioritization of technological alternatives and sustainable fishing practices
SC14	Scientific and technical studies according to research priorities	MAATE	09/05/2027	Research permissions granted for the development of scientific studies, scientific studies documents, report on implementation of a fishery management measure
SC15	Sustainable fishing technology alternatives/practices – At least two pilot initiatives.	MAATE	09/05/2028	Pilot projects on sustainable fishing alternatives and/ or technological practices

<sup>6</sup> The original timeline for compliance for SC 6 was 31 Dec 2023, however this was extended six months to 30 June 2024 at the request of a Grace Period by MPCEIP to align with IATTC's timelines required to finalise and issue their report for the 2023 calendar year.

SC	SC Title	Relevant Ministry	Deadline	Summary of Means of Verification
SC16	Inclusion of the HMR as a core zone of the Galápagos Biosphere Marine Reserve.	MAATE	09/05/2031	Galápagos Biosphere Reserve extension application submitted to United Nations Educational, Scientific and Cultural Organisation (UNESCO)
SC17	Effectiveness/enforcement of bycatch-related laws and regulations	MPCEIP	31/12/2024	Dossier
SC18	Information regarding fishing activities of any vessels	MPCEIP	02/01/2025	Report to be provided by the MPCEIP with technical data

Assurance Services International GmbH (ASI), is the independent Verification Agent that has been appointed to monitor the compliance with or achievement of (as applicable) the Sustainability Commitments (SC) by MAATE or MPCEIP. A means of verifications has been established which must be met by the ministries to demonstrate compliance with the SCs. In some cases, information or data additional to the means of verifications is required. ASI prepared a Report Template to be used by the Ministries on submission of documents and reports to demonstrate compliance with each SC.

ASI is required to issue an annual report documenting whether each SC has been complied with or achieved within the Reporting Period.

## 6.1 CURRENT STATUS

During the Reporting Period, timelines associated with four (4) SC's were due as outlined in the table below. The deadlines for the rest of the eighteen (18) SCs are outside of this Reporting Period.

Table 2. Summary of SCs Due in Reporting Period

Sustainability Commitment (SC)	Title	Relevant Ministry	Original Deadline
SC1	Maintain the Hermandad Marine Reserve (HMR)	MAATE	09/05/2023
SC6	PS Fleet - Limiting the number of Fishing Aggregate Devices (FADs)	MPCEIP	31/12/2023*
SC7	Appointment of Board of Directors representative in GLF	MAATE	09/11/2023
SC8	Management Plan for the HMR	MAATE	09/11/2023

*note: this has been extended to June 30<sup>th</sup> to allow for a 6-month granted Grace Period.*

The Verification Agent concluded in its annual report that SC 1, SC 7 and SC 8 were considered as 'compliant' within the established deadlines. A summary of the findings is set out below:

- SC1: There is evidence that RoE established the HMR, and it is committed to maintain it.
- SC 7: The RoE has appointed its Board of Directors representative in the GLF, which will finance part of the conservation efforts of the HMR.
- SC 8: The RoE has formalized and publicly disseminated the HMR Management Plan which defines the strategies and programs to be developed in order to achieve the objectives and results proposed in the HMR Management Plan.

The MPCEIP requested a Grace Period (an extension of six months to submit the means of verification) for SC 6. This was granted by the Project Manager (OFC) given that MPCEIP had not yet received a key

report from the Inter-American Tropical Tuna Commission (IATTC) to fulfil the means of verification required for SC6. This was deemed outside of the control of MPCEIP. The deadline for compliance of SC 6 was extended to 30 June 2024.

## 6.2 SC: NEXT REPORTING PERIOD

The table below sets out the SCs due in the next reporting period June 2024 to May 2025.

Table 3. Summary of SCs Due in the Next Reporting Period

Sustainability Commitment (SC)	Title	Relevant Ministry	Deadline
SC2	Purse Seine (PS) Fleet – Vessel Monitoring Systems (VMS) and Observer Coverage	MPCEIP	31/12/2024
SC3	Longline (LL) Fleet – VMS	MPCEIP	31/12/2024
SC10	Participatory management mechanism for the management of the HMR	MAATE	09/11/2024
SC17	Effectiveness/enforcement of bycatch-related laws and regulations	MPCEIP	31/12/2024



Board of Directors meeting May 2024 held at the Galápagos National Park facilities on Santa Cruz Island

# 7 FINANCIAL HIGHLIGHTS



Under its loan agreement, the Conservation Funding Agreement, the Government of Ecuador has an obligation to make scheduled quarterly payments. All such payments have been made on time and in full.

As a result, the GLF has received the donation of approximately US\$ 4.4 million in funding to be made available for conservation activities and an additional approximately US\$13.2 million to capitalize the endowment.

## 7.1 VALUES OF THE ENDOWMENT

The Bank of New York Mellon (BNY Mellon) was selected as the investment manager to invest the GLF endowment fund in accordance with investment policy agreed by all parties. This selection of BNY Mellon was done through a competitive tender process, undertaken by the GLF Finance Committee and approved by the GLF Board of Directors in late 2023.

The endowment will be a source of permanent funding for the GLF to continue supporting marine conservation projects beyond the term of the debt conversion transaction into perpetuity. The GLF's endowment of approximately US\$ 9.9 million was fully invested as of February 12, 2024, and due to increases in market value and an additional payment, as of May 31, 2024, the value of the endowment was approximately US \$13.5 million.

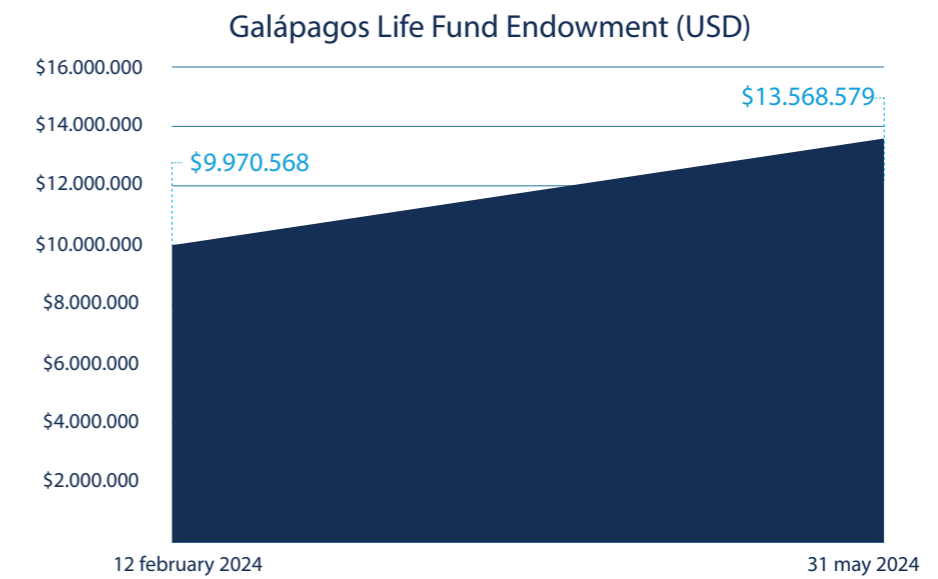


Figure 3. GLF Endowment showing increase in market value from February 2024 to 31 May 2024 (BNY Mellon)

## 7.2 FINANCIAL STATEMENT

In January 2023, the GLF appointed UHY Accounting (UHY) an accounting firm to manage the GLF's financial accounts following a competitive tender process, undertaken by the GLF Finance Committee, and approved by the GLF Board of Directors in late 2023.

Financial statements were provided by UHY for the Reporting Period and these are shown in Table 4 and Table 5 below.

Table 4. GLF's Financial statement - May 31 2024 (Source: UHY, June 2024)

Financial Statement as of May 31, 2024 (US dollars)			
	MAY. 2024		MAY. 2024
<b>Assets</b>		<b>Liabilities</b>	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Bank	4.031.251,92		
Supplier advance*	11.254,36	Suppliers**	1.288,01
<b>Current Tax Assets</b>		Other Accounts Payable	-
VAT Credit on Purchases	8.947,49	Expense Provision*	9.328,40
<b>Total Current Assets</b>	<b>4.051.453,77</b>	<b>Total Current Liabilities</b>	<b>10.616,41</b>
<b>Non-Current Assets</b>		<b>Net Equity</b>	
<b>Property, Plant, and Equipment</b>		Capital	4.393.360,50
Furniture and Fixtures	15.728,84	Deficit of the Period	-333.348,76
Computer office	3.445,54	<b>Total Equity</b>	<b>4.060.011,74</b>
<b>Total Non-Current Assets</b>	<b>19.174,38</b>		
<b>Total Assets</b>	<b>4.070.628,15</b>	<b>Total Liabilities and Net Equity</b>	<b>4.070.628,15</b>

\* Values in the process of inclusion in the tax regulation system

\*\* Pending for payment

Table 5. Income and Expenses Statement until May 2024. (Source: UHY June 2024)

Income and Expenses Statement May 2023- May 31, 2024 (US dollars)		
	May- Dec 2023	Jan-May 2024
<b>Income</b>	<b>8.415,52</b>	<b>57.952,19</b>
Interest	8.415,52	57.952,19
<b>Expenses</b>		
<b>Operating Expenses</b>	<b>27.794,18</b>	<b>8.785,10</b>
Meeting Expenses	27.794,18	8.785,10
<b>External Services Expenses</b>	<b>143.297,67</b>	<b>141.516,46</b>
Rent expenses	5.550,00	9.250,00
Accounting Services	-	5.750,00
Salaries	17.454,55	48.750,00
Consultancies	37.284,62	71.120,23
Legal Expenses	70.000,00	1.824,56
Office Expenses	622,75	2.514,74
Cleaning Supplies	-	83,61
Management Expenses	-	-
Travel Expenses	-	249,00
Freight and Courier	-	1.974,32
Insurance	12.385,75	-
<b>Basic Services Expenses</b>	<b>-</b>	<b>1.417,77</b>
Energy Service	-	108,90
Cable/ Internet/ Telecommunications service	-	1.308,87
<b>Maintenance</b>	<b>2.357,16</b>	<b>5.581,09</b>
Facility Maintenance	-	3.591,09
Web Maintenance / Hosting / Design	2.357,16	1.990,00
<b>Non-Operational Expenses</b>	<b>62.413,33</b>	<b>5.749,62</b>
Bank fees	62.413,33	5.749,62
Injustified Expenses	-	-
<b>Total Expenses</b>	<b>235.862,34</b>	<b>163.050,04</b>
<b>EBITDA</b>	<b>-235.862,34</b>	<b>-163.050,04</b>
<b>Depreciation</b>	<b>13,93</b>	<b>790,16</b>
Furniture and Fixtures Depreciation	-	579,73
Computer Equipment Depreciation	13,93	210,43
Deficit of the Period	<b>-227.460,75</b>	<b>-105.888,01</b>
		<b>-333.348,76</b>

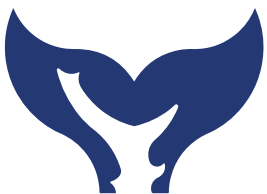


# 8

## PRIORITIES FOR THE UPCOMING YEAR

- Complete all operational and administrative processes necessary for the GLF to begin to disburse grants before the end of 2024.
- Launch the first call for proposals for US\$ 4.5 million, focused on the identified priorities.
- Complete the hiring and onboarding of the GLF organization to allow the GLF to prepare for and execute its forthcoming grants adequately.
- Support the relevant entities to develop a US\$18 million proposal in alignment with GLFs requirements to support the implementation of the HMR Management Plan through the end of 2027, focused on strengthening control and surveillance strategies. Award the funding for this scope and commence monitoring and evaluation of the activities.
- Finalize and implement the Environmental and Social Management System (ESMS).
- Execute GLFs Stakeholder Engagement Plan and associated Grievance Mechanism to enable stakeholders to raise concerns, complaints or positive comments about the GLF and its activities.
- Provide support to MAATE and MPCEIP as needed, to support compliance with the Sustainability Commitments.
- Establish and implement an integrated communication strategy for GLF.
- Commence the implementation of the Security Management Plan.
- Implement the Transition Action Plan (TAP), a key output of the recently completed Social Safeguards Study.





**Galápagos  
life fund**

**Impact Report**

**JUNE 2024**