

HEALTHY OCEANS

Investing in Natural Capital: Towards Sustainability and Climate Resilience in Sri Lanka



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Progress on ADB Action Plan for Healthy Oceans and Sustainable Blue Economy



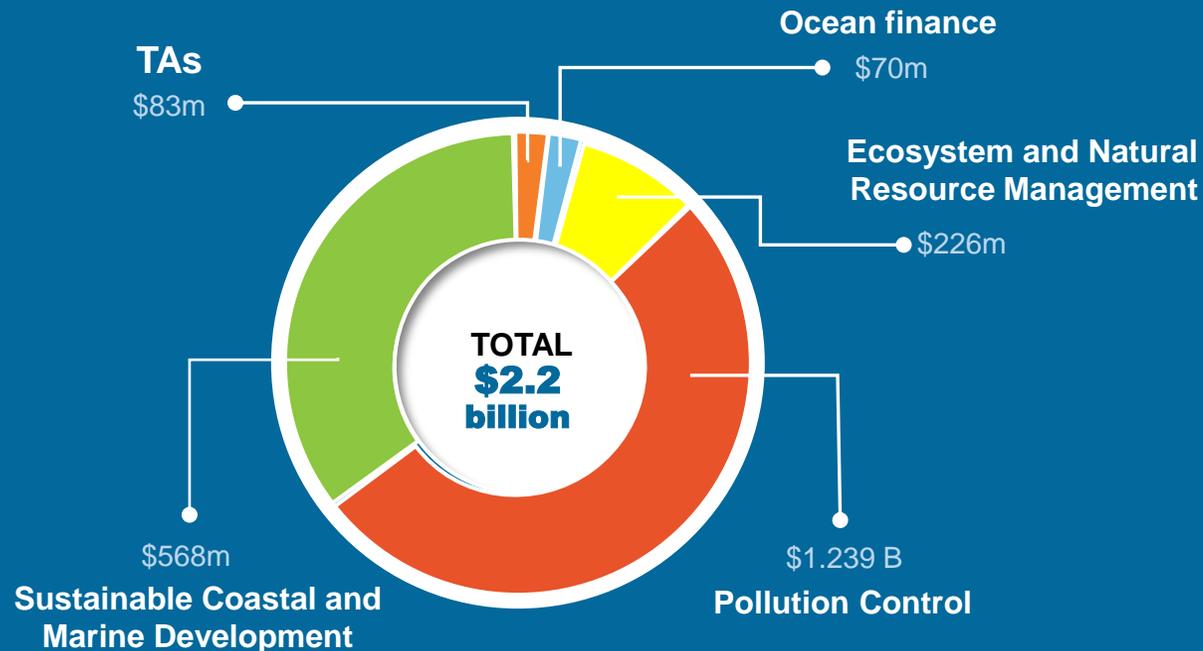
Progress towards 2024 \$5b target: **98%** **\$4.9 billion**
 Committed 2019-22: **44%** **\$2.2 billion***
 Pipeline 2023-2024: **54%** **\$2.7 billion**

44% **\$2.2 billion**

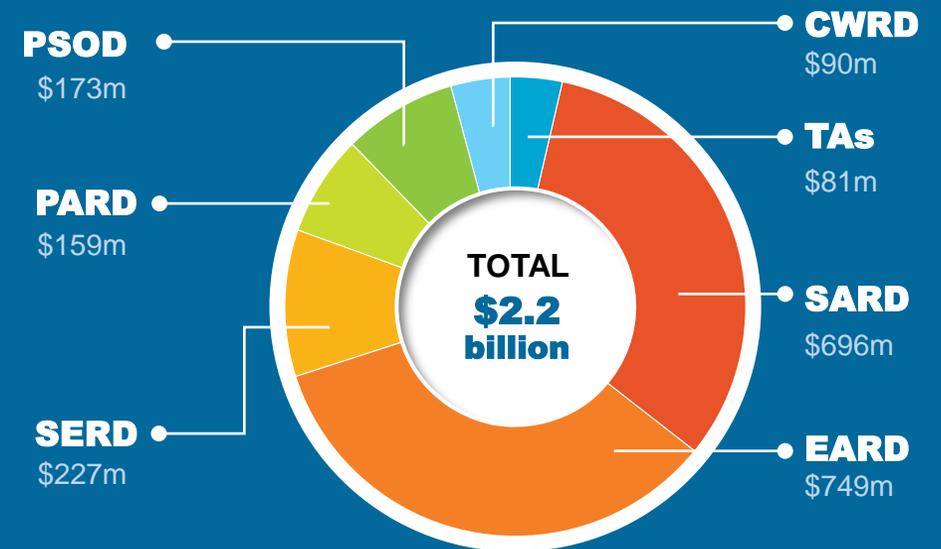
54% **\$2.7 billion**

Climate Estimates: 31% Adaptation 15% Mitigation

2019-2022 Sector Breakdown
(\$ million)



2019-2022 Regional Department Breakdown
(\$ million)



* Minimal Co-Funding in the Current Committed Projects

ADB Action Plan for Healthy Oceans and Sustainable Blue Economy

Commitment: **\$5 BILLION** by 2024



POLLUTION CONTROL



Solid waste management –
Source to Sea Approach



Circular Economy and
Responsible Consumption



Non-point source pollution



Wastewater management

SUSTAINABLE COASTAL AND MARINE DEVELOPMENT



Coastal resilience and
nature-based solutions



Sustainable coastal
and marine tourism



Green ports and shipping



Marine renewable
energy

OCEAN AND CLIMATE FINANCE



Blue Bond Incubator and
Global Guidance



Ocean Resilience and
Climate Adaption
Partnership Financing
Facility



Climate Finance –
Coral Reef Insurance

ECOSYSTEM AND NATURAL RESOURCE MANAGEMENT



Ecosystem management and
natural resources restoration

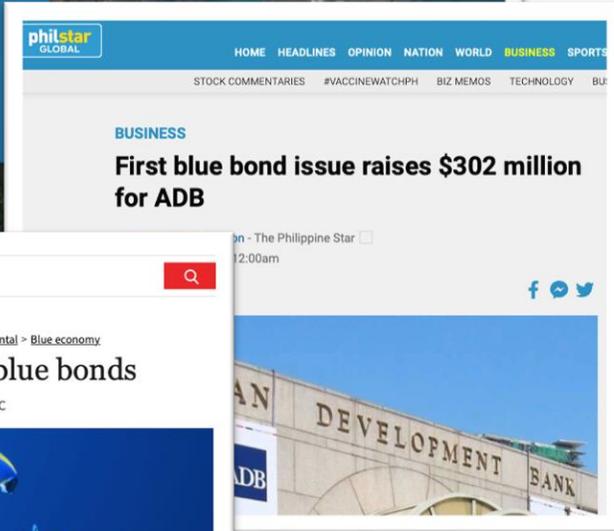
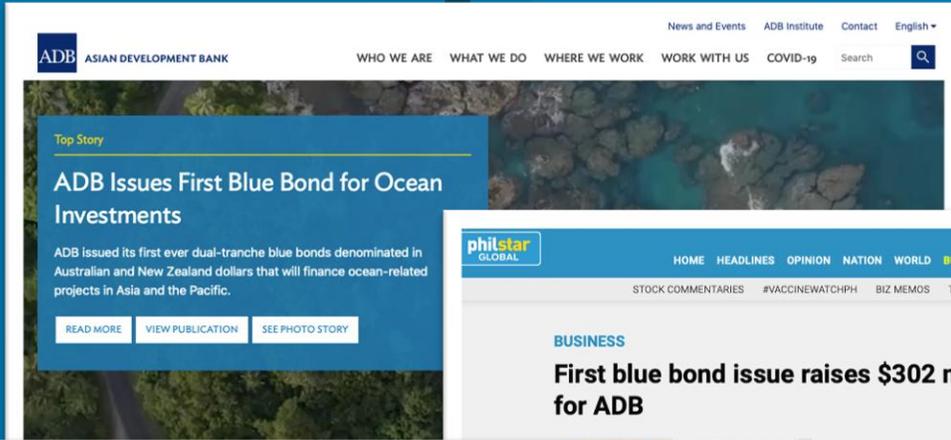


Sustainable fisheries
management



Sustainable aquaculture

ADB Blue Bonds



FRAMEWORK

ADB Green Bond Framework expanded to become ADB Green and Blue Bond Framework (2021). Second Party Opinion by CICERO Shades of Green.

FIRST ISSUANCE

September 2021. Private placement, dual tranche.

- Dai-Chi Life Insurance, \$208mAUD, 1.8%, 15 yr
- Meiji Yasuda Life Insurance, \$217 NZD, 2.125%, 10 yr

USE of PROCEEDS

Diverse sectors and geographies, e.g.:

- Waste to Energy in Maldives
- River Restoration in China
- Private Sector Plastics Recycling in Southeast Asia



STEPS TO ISSUE A BLUE BOND

Engage relevant stakeholders

01



02

Establish Bond Framework

Identify eligible budget items

03



04

Arrange Independent External Review (SPO)

Issue Blue Bond

05



06

Monitor and Report

REPEAT!

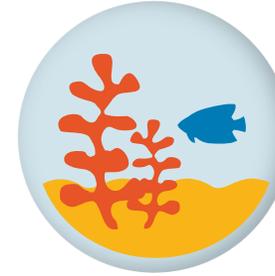
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Blue Bond Incubator



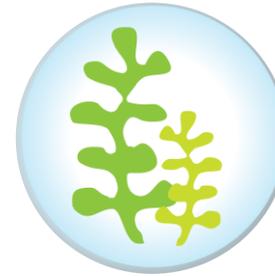
RESEARCH & DEVELOPMENT



GLOBAL GUIDANCE



SOVEREIGN BLUE BONDS



CORPORATE BLUE BONDS





RESEARCH & DEVELOPMENT

Increasing interest for blue bonds from investors and potential issuers

Some advantages of blue bonds

- help articulate and enhance **credibility** of sustainability strategy;
- improve diversification of **investor base**;
- create opportunities for larger and **longer-term financing**;
- in some cases improved financing costs through excess demand (i.e. “**greenium**”);
- increased **interaction** between different divisions and ministries on blue matters;
- adoption of **new policies and processes** to better track blue projects and assets;

Some barriers to scale-up:

- a lack of **standardised guidelines**
- lack of **liquidity**
- **creditworthiness** of potential issuers
- lack of **expertise**
- a lack of bankable **projects**



GLOBAL BLUE BOND GUIDANCE



Consultation Launched July 2022 at UN Ocean Summit Portugal



BONDS TO FINANCE THE SUSTAINABLE BLUE ECONOMY

A PRACTITIONER'S GUIDE



- Lack of universal standards creates risks, slows blue economy growth
- To be published in June 2023
- New collaboration building on:
 - ICMA Green, Social, and Sustainability-Linked Bond Principles
 - UNEP FI Sustainable Blue Economy Finance Principles & Guidance
 - ADB Green and Blue Bond Framework
 - UN Global Compact Sustainable Ocean Principles, Practical Guidance, and Blue Bond Reference Papers
 - International Finance Corporation (IFC) Guidelines for Blue Finance





Supporting Governments to Issue Blue Bonds

Trainings and Outreach events

Technical services

- Evaluating blue bond options, challenges, and benefits
- Define blue bond framework and secure external verification (SPO)
- Identify assets, projects & impact indicators eligible for blue use of proceeds bonds or KPIs for Sustainability-Linked Bonds
- Assistance in de-risking issue
- Structure and market blue bond, identifying potential investors

Financial services

- Credit enhancements





Supporting the Private Sector to Issue Blue Bonds



ADB & UNGC Collaboration

Thought Leadership

- Blue Finance Advisory Board to the UNGC CFO Taskforce - Blue Bond Technical Workshops
- Showcase corporate commitment to blue economy

Technical support

- Understand blue bond options, challenges, and benefits
- Define company's blue bond framework and secure external verification
- Identify assets, projects & impact indicators eligible for blue use of proceeds bonds or KPIs for Sustainability-Linked Bonds
- Assistance in de-risking issue
- Structure and market blue bond, identifying potential investors

Purchase or guarantee of bonds



ELIGIBLE CATEGORIES

MARINE
RENEWABLE
ENERGY

WASTEWATER
MANAGEMENT

SUSTAINABLE
COASTAL AND
MARINE
TOURISM

SUSTAINABLE
MARINE
VALUE CHAINS

MARINE
POLLUTION

COASTAL
CLIMATE
ADAPTATION
& RESILIENCE

ECOSYSTEM
MANAGEMENT
AND
RESTORATION



INVESTMENT AREAS

Sustainable Marine Value Chains

- coastal and marine fisheries provide employment ~ 0.9mn people and thus support the livelihoods of some 3.6mn Sri Lankans
- fish stocks have declined due to years of increased harvest and IUU fishing
- investments in infrastructure, smart zoning, stock rebuilding plans can ensure higher export revenues, secured jobs and reduced gender gaps

Sustainable Coastal and Marine Tourism

- strong rebound of recorded arrivals in 2022, revenue up to USD 1bn
- pre-COVID, tourism generated revenue of USD 4.4bn and employed 11% of country's workforce
- ocean and marine environment major assets of Sri Lanka's tourism industry

Marine pollution

- plastic consumption in Sri Lanka is increasing at 16% annually
- 1.59mn tonnes of plastic waste is mismanaged in Sri Lanka annually, of which close to half ends up in canals, rivers and eventually the ocean
- almost 80% of marine debris are plastic materials
- Investments in waste infrastructure, capacity building, cross-sectoral partnerships are essential

Coastal Climate Adaptation and Resilience

- 70% of Sri Lanka's urban population and 80% of its economic infrastructure networks are concentrated in coastal cities which are highly vulnerable to climate change impacts such as sea-level rise, flooding, storm surges, cyclones etc.
- coastal erosion is a long-standing problem



Future Areas

New revenue streams from blue carbon and biodiversity credits

Debt for Nature Swaps

Pooled Bonds for SMEs and small sovereign issuances