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ADB Training: Blue Finance

Dr. Melissa Walsh, Program Manager – Ocean Finance Initiative

9 November 2020 (Day 1 of 3)



Photo: OECD

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1 Ocean Health, Blue Economy, & Blue Finance

2 Blue Economy Segments

3 Ocean Finance Enabling Conditions

Beneficiaries, Sources of Funds, Finance Mechanisms

5 Pipeline & Opportunities



4

Deep Blue Vision: Way Forward

Why Healthy Oceans Are Valuable to Asia and the Pacific

The global ocean economy is estimated to be worth

US\$3 trillion by 2030

Asia and the Pacific is home to approximately 46% of the world's mangroves.

Mangrove forests can hold up to four times more carbon than tropical rainforests.

Southeast Asia holds 21 seagrass species, which is 29% of the world's seagrass species.

40%

The coastal zones

of Bangladesh,

India, the Maldives,

Pakistan, and

Sri Lanka contain

about 40% of the

economic activities

in South Asia.

Six out of the ten largest fisheries in the world are in Asia (The People's Republic of China, Indonesia, India, Japan, Vietnam and the Philippines).

> Six Pacific Islands (Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Tokelau, and Tuvalu) derive at least 45% of all government revenue from tuna.

Coral reefs, coastal wetlands and

buffers against storms and large waves.

other coastal ecosystems act as



The Coral Triangle, which covers six life and coral diversity in the world.

> coral species in the world and is home to 37% of the world's total coral reef fish.

countries in Asia and the Pacific (Malaysia, the Philippines, Indonesia, Timor-Leste, Papua New Guinea, and Solomon Islands), is the **center of marine**

The area has 76% of all known

90% of Pacific Islanders live within

37 million people in East Asia and the Pacific live within one-meter elevation of the ocean.

five kilometers of the coast

(excluding Papua New Guinea)



Thirty-four million people in Asia and the Pacific are engaged in commercial fishing.







Mangrove forests and

seagrass beds act as

In many least developed countries of Asia, fish accounts for more than 50% of the total animal protein intake.

Total production of aquaculture in Asia reached 103 million tonnes in 2017. That supplied **60% of** fish for global human consumption.

In the East Asia Seas region (Cambodia, People's Republic of China, Indonesia, Japan, Malaysia, Philippines, Republic of Korea, Singapore, Thailand, Timor-Leste, and Viet Nam), the gross value added of coastal and marine tourism is

worth around US\$200 billion.



International arrivals to six Pacific countries (Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu) grew almost 50% between 2005 and 2015.

Tourism is a significant employer in the Pacific Islands.

Tonga (15%),

Samoa (18%),

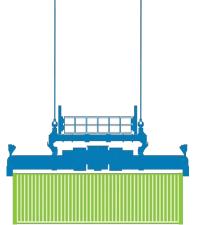
Palau (50%).





The East Asia Seas region serves as a conduit of 90% of the world's trade through shipping.

0



Every 1 million tons of cargo volume handled by a port generates an additional US\$100 of economic benefit and creates 300 new jobs.

Marine and offshore renewable energy powers coastal communities and mitigates climate change.

Ocean Health



Drivers of Ocean Degradation

- Climate change
- Illegal and unsustainable fishing
- Pollution (plastic, wastewater, agricultural runoff)
- Unsustainable coastal development (habitat conversion, unsustainable tourism pressure)
- Shipping (pollution, groundings, invasive species)
- Extraction (oil, gas, deep sea minerals)



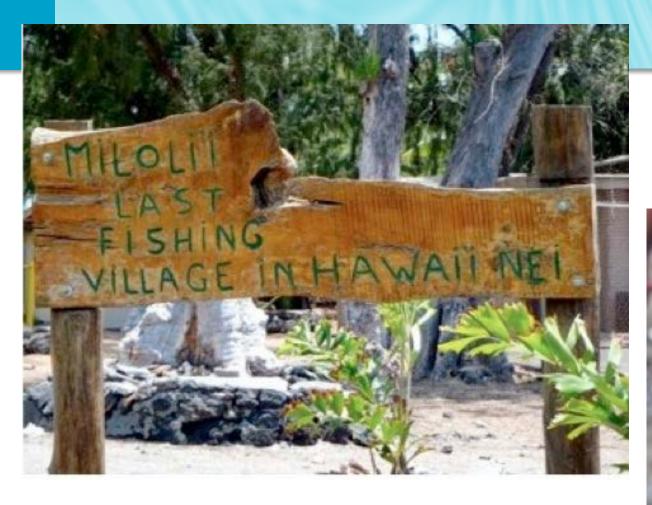
Pandemic Impacts

- Surge in marine plastic pollution
- Reduced fisheries enforcement
- Increased subsistence fishing
- Loss of marine conservation revenues from tourism



Overall Impacts

- Marine populations declined by 49% in the past 50 years
- 90% loss of coral reefs projected by 2052
- Ocean "dead zones" have quadrupled since 1950
- Third of fish stocks overfished (almost two-thirds in South East Asia)
- Food insecurity, job and economic losses, reduced resilience to coastal hazards



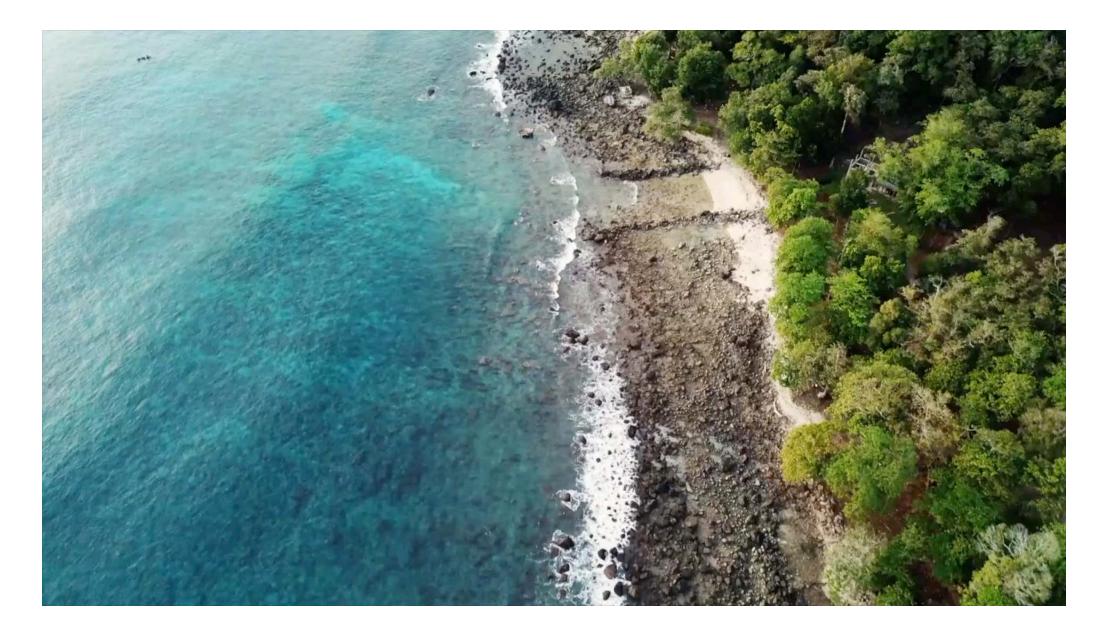






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Watch the video "What is Ocean Finance?" here: https://www.marineconservationfinance.com/







Investing \$1 in Ocean Action =

\$5 Global Benefits



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Source: Konar & Ding 2020

A Major Gap in Ocean Finance for Supporting a Sustainable Ocean Economy



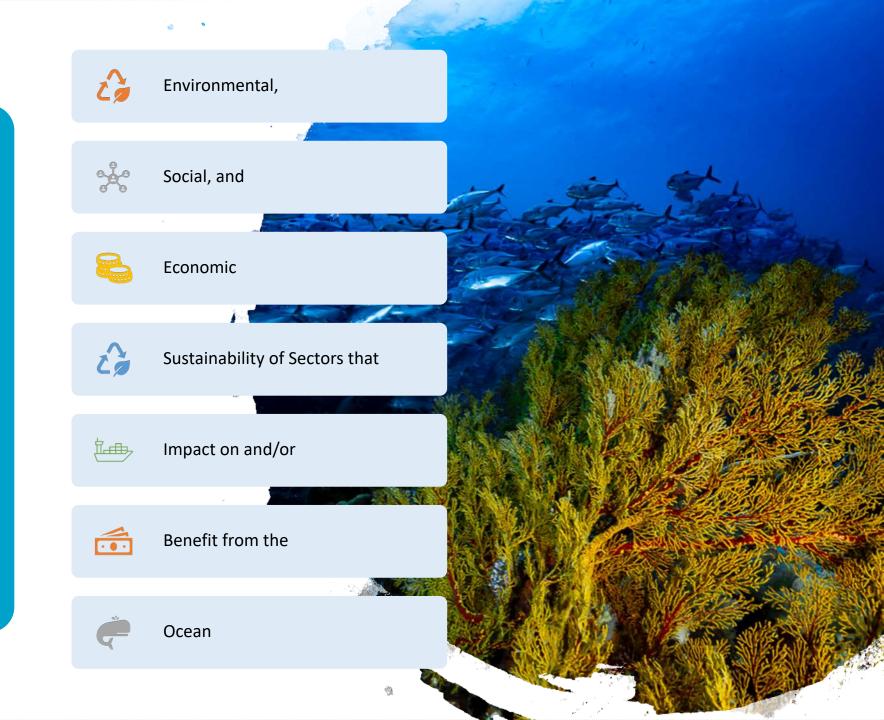


- Very little private sector investments
- Misdirected public sector investments in the form of harmful subsidies and \$4.7 trillion to oil and gas alone





Blue Economy Sustainable Ocean Economy



Challenges & Constraints

- Standards & Metrics
- Pipeline
- Underfunding
- Misalignment of Economic Incentives
- Lack of Data & Capacity



1 Challenges & Constraints

Blue Economy

Environmental, Social, and Economic Sustainability of Sectors that Impact and/or Derive Economic Activity from the Ocean

Sustainable

Ocean Economy

Challenges and Constraints

- Lack of universal standards and metrics
- Small pipeline of bankable ocean investments
- Underfunding of ocean investments
- Misalignment of taxes, subsidies, economic incentives, and ocean outcomes
- Lack of data and specialist capacity

Ecosystem and Pollution Natural Resource Control Management Solid Waste Management Fisheries Wastewater Aquaculture Management Marine and Coastal Circular Economy Ecosystem Nonpoint Management and Source Pollution Restoration Management Sustainable Development and Infrastructure Coastal Resilience Tourism

- Ports and Shipping
 Ports and Shipping
 Panawable Energy
- Renewable Energy Infrastructure

Blue/Ocean Finance Opportunities

- Define Standards and Metrics
- Develop Project
 Pipeline
- Innovate Financial Instruments
- Mobilize Public and Private Capital
- Align Taxes and Subsidies
- Strengthen Policy, Knowledge, and Capacity



Questions?





2 Blue Economy Segments

- **3** Ocean Finance Enabling Conditions
 - Beneficiaries, Sources of Funds, Finance Mechanisms



4

Pipeline & Opportunities



Deep Blue Vision: Way Forward



2 What is an ocean investment?



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THE OCEAN IS A BIOLOGICALLY DIVERSE AND HIGHLY PRODUCTIVE SYSTEM. IT IS AN IMMENSE SOURCE OF MATERIALS, FOOD, ENERGY AND ECOSYSTEM SERVICES.

According to OECD projections⁴, by 2030, the 'Blue Economy' – defined as all economie According to OEUD projections;, by 2030, the blue Economy – defined as an economic sectors which have a direct or indirect link to the ocean – could outperform the growth of the global economy as a whole, both in terms of value added and employment. In the coming decade, marine energy, marine biotechnology, coastal tourism, transport the coming decade, marine energy, marine motecnnology, coastal tourism, transport and food production sectors could offer unprecedented development and investment opportunities. However, there is increasing evidence that losses in the ocean's natural opportunities. However, there is increasing evidence that losses in the ocean's natural capital resulting from unsustainable economic activity is eroding the resource base on

which such growth depends.

As such, there is a growing recognition that following a "business as usual" trajectory, that neglects the impacts on marine ecosystems, entails great risk, not only to business, but also to our planet and our future wellbeing. By contrast, investment decisions that incorporate sustainability elements to ensure environmentally, economically and socially sustainable outcomes will help to secure the long-term health and integrity of our ocean, and the

is therefore fundamental to unlocking a sustainable approach to the development of the Blue Economy. This is why we, the organizations that have agreed to adopt these principles, commit to support the development of a sustainable 'Blue Economy's, through our interaction with other economic agents and consumers and through our own financing and investment activities.



The Green Bond Principles

Green Bond Principles

EU TECHNICAL EXPERT GROUP ON SUSTAINABLE FINANCE

ICMA

FINANCING A SUSTAINABLE EUROPEAN ECONOMY





ADB Ocean Finance Framework

Questions?





2 Blue Economy Segments

3 Ocean Finance Enabling Conditions

- **4** Beneficiaries, Sources of Funds, Finance Mechanisms
- **5** Pipeline & Opportunities







Strengthen Ocean Governance & Resilience

- Foundation of ocean economy, and national economy, is healthy & resilient ocean
- Whole domain management to strengthen ocean, to accommodate blue growth

Accelerate blue economy vision by establishing central blue economy institution

- Central institution to focus on blue economy
- Political vision & will





3 Enabling Conditions



Engage strategically and thoughtfully with ocean stakeholders, communities, NGO partners

- Engage early & often
- Ocean users & key partners
- Inclusive & systematic

Employ science & technology to innovate blue economy solutions

- Technology can increase cost-effectiveness of blue investments
- Science can build transparency & accountability for blue investments

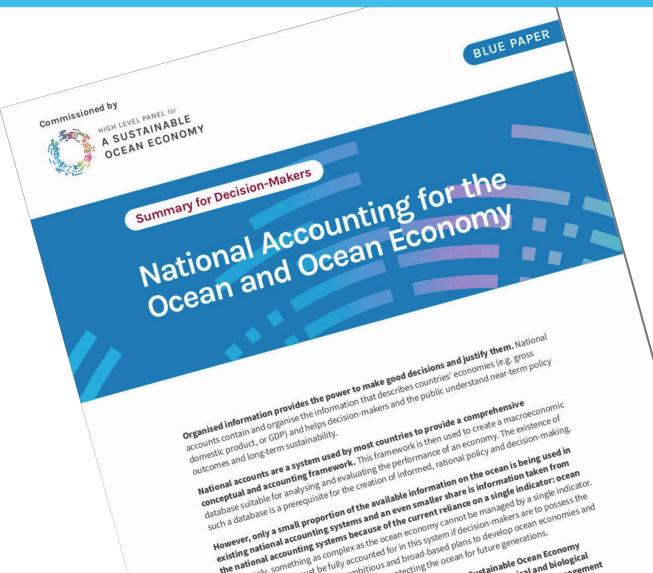




3 Enabling Conditions



Create an accounting system to track Sustainable Ocean Economy



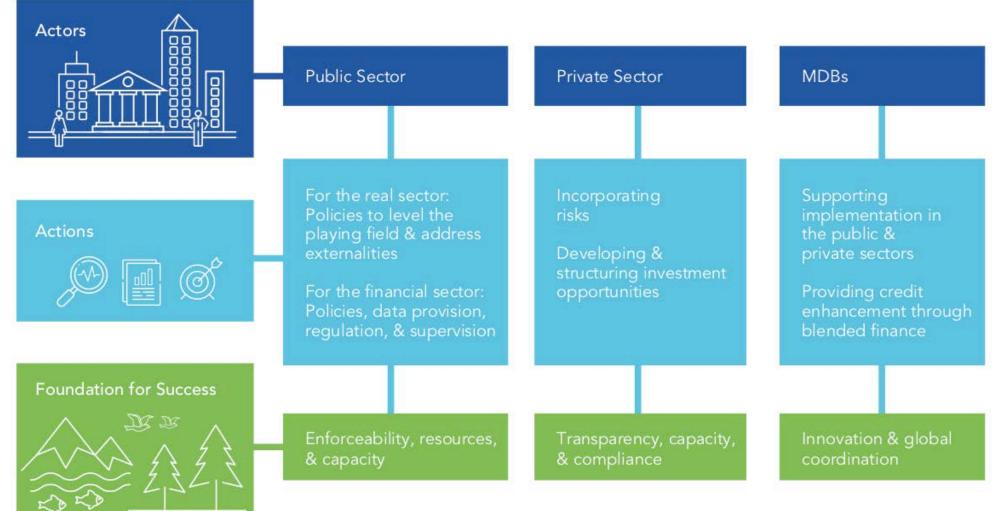


Source: Walsh in prep

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3 Roles







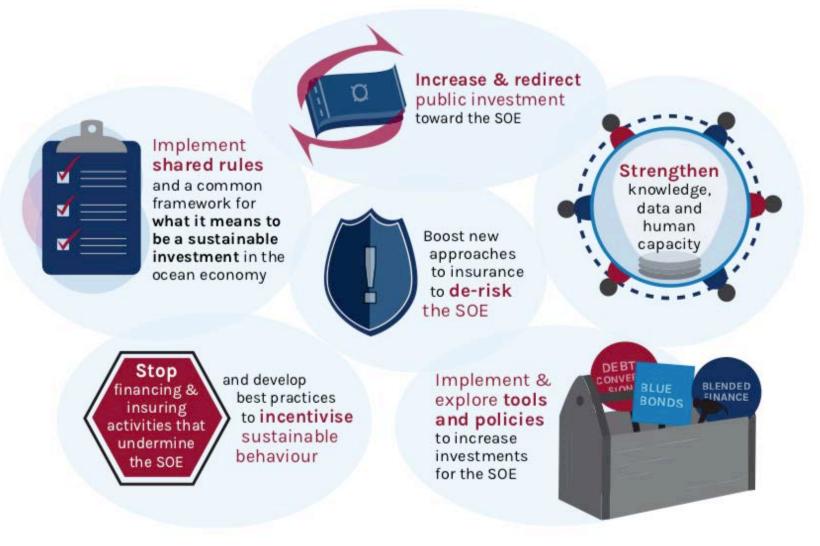
Source: World Bank 2020

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3 Enabling Conditions



Examples of Opportunities for Action by the Private and Public Sectors in Support of a SOE



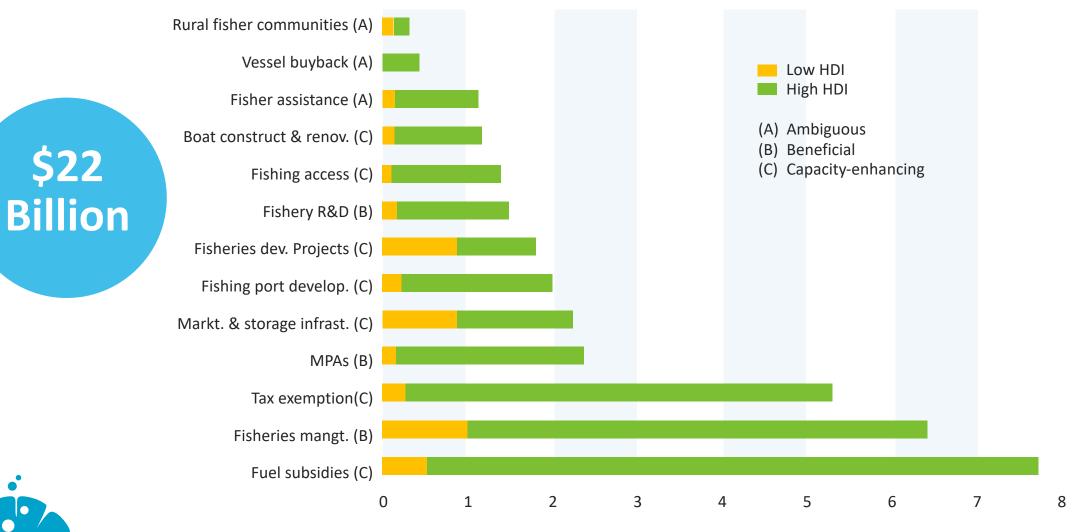


Source: Sumaila, Walsh, Hoareau, and Cox 2020



3 Taxes & Subsidies

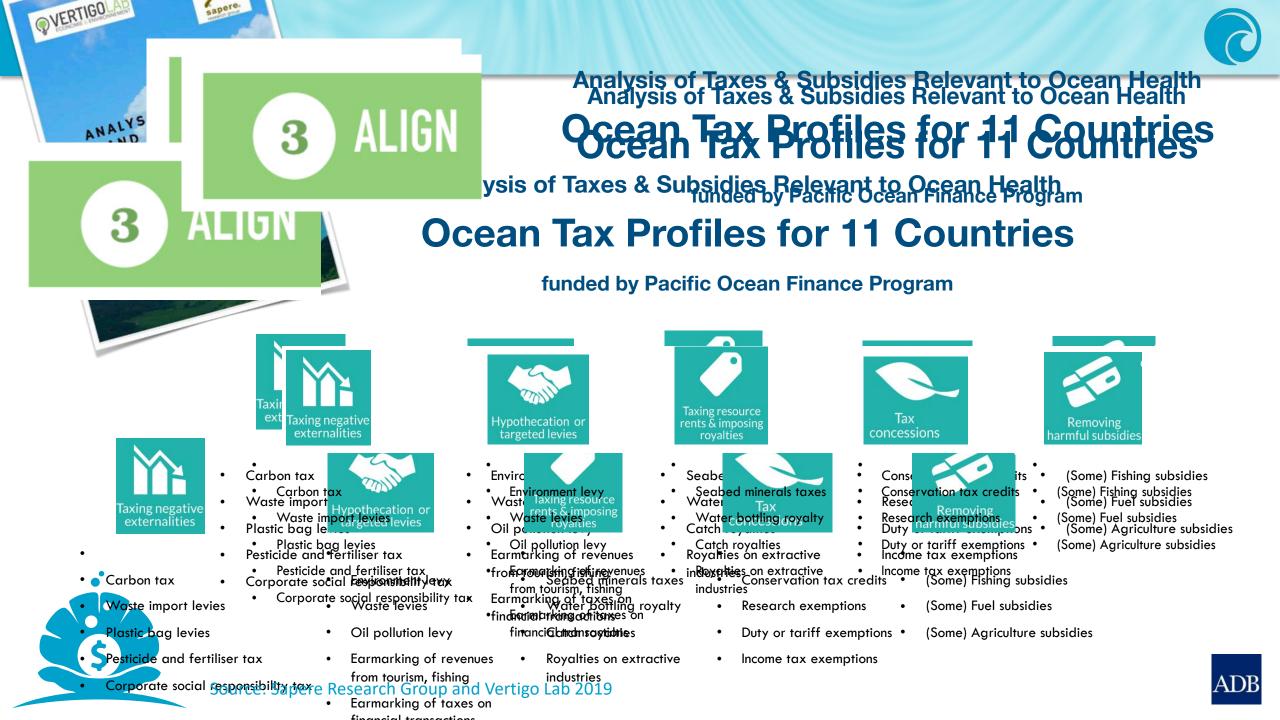




Subsidy amounts in billion USD

Source: Sumaila et al 2019

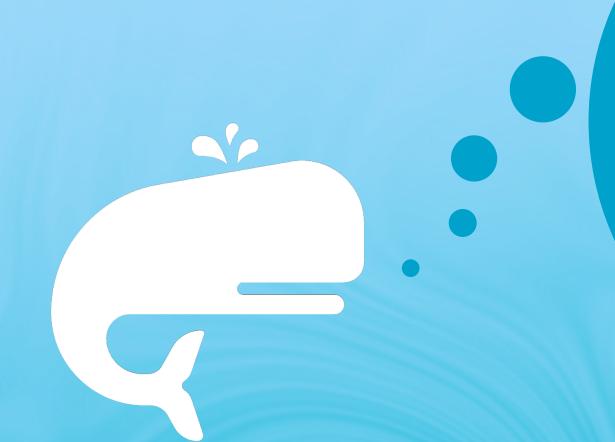






ACTIVITY

- Which enabling conditions most important in your country / sector?
- What opportunities in ocean finance would you like to explore for your country / sector?



What is the most interesting thing you learned today that you didn't know before?



1 Ocean health, which is vital to human health & global economy, is under threat

2 Investment in the blue economy needed to sustain oceans

3 Public, Private, & MDBs must collaborate to build enabling environment





Asynchronous Learning 1: Investment Pitch

Question: If you had USD \$10 million to invest in your country or sector, what would you fund to support healthy oceans and sustainable blue economies?

Submission options:

- Video (max 2 minutes)
- Powerpoint (max 1 slide)
- Word document (max 500 words)





Day 1 Closing