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ADB Training: Blue Finance



Photo: OECD

Dr. Melissa Walsh, Program Manager – Ocean Finance Initiative
SDCC

11 November 2020 (Day 2 of 3)





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

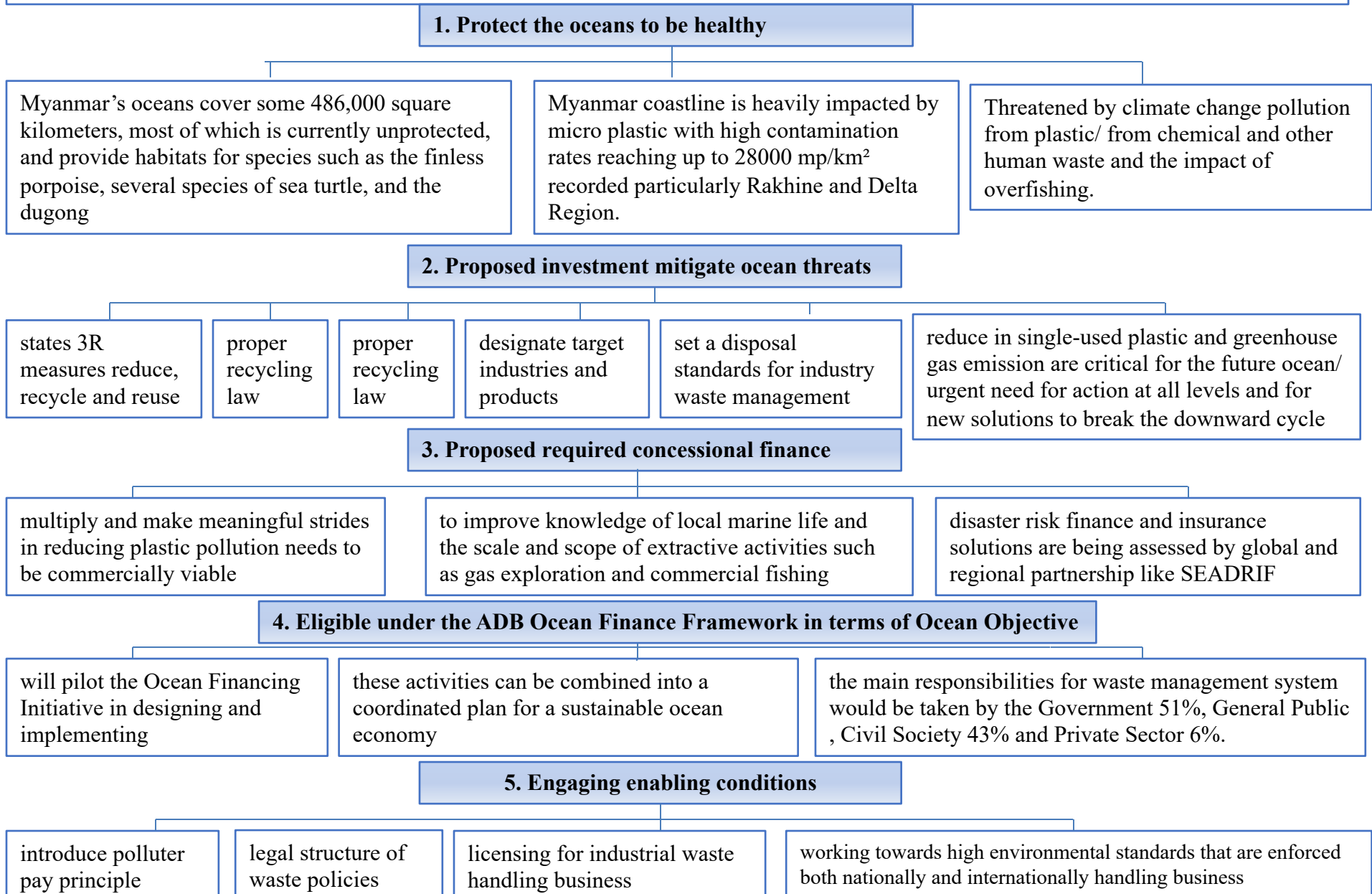


Investment Pitches



Healthy Oceans Investment Pitch

☑ If I had US\$ 10 million considering to five channels which will be provided US\$ 2million for each as follows:



**Development of
Mini Waste-
Treatment and
Tourism Centre
in East Lombok**



Enhanced the community engagement and integration on protecting marine resources



❑ Overview:

• \$ 10 million

- Lao PDR – Landlock Country
- Have rivers which one of those is the **Mekong river** - it passes through China, Myanmar, Laos, Thailand, Cambodia and Vietnam - is one of the world's great river systems (MRC) and other important rivers.

❑ Importance of river

- Essential sources of fresh **drinking water** for people, everyday recreation, **tourism, food sources, natural resources for industry, transportation, fisheries, energy resources, the habitat of aquatic animals and plants** and so forth.

- ❑ **Problem:** overexploitation, plastics and trash, pollution, dam construction, erosion, and climate change (**unrestricted sand and gravel mining extraction and fish farming (Small scale businesses which lead to accumulated impacts)**), **excluded from community activities, a lack of ownership and incentive**

❑ Solutions:

- Establish conservation unit in the community to protect aquatic biodiversity and ecosystem.
- Provide incentive to community by allowing them to **engage more** on any activity that have impact on their communities
- Reduce destructive fishing practices and help fishers to maintain their livelihoods by incorporating conservation efforts and limit the scope of fishing.
- Inclusive partnership of private sector to the community
- Capacity building to community
- Set up the protected areas and restricted sand and gravel mining extraction.

❑ concessional finance (Gov. fund, DPs, ODA, GEF...)

- ADB: Ecosystem Management and Pollution Control
- Monitoring framework



Combating Against the Coastal Erosion

Location

Seashore in Bangkok and other provinces of the north Gulf of Thailand (approx. 168 KMs)

Problems

- 5-to-10 meters of muddy land on the shoreline are eroded every year.
- Mangrove forest, regarded as the nursery of seafood supply, along the coast is destroyed.
- Communities in Bangkok will need to be relocated if measures are not taken.

Proposal

Integrative measures for the protection of coastal erosion e.g.,

1. Investments in hard infrastructure to prevent coastal erosion.
2. Investments for natural protection measures such as planting of mangrove trees for shelter to rehabilitate the ecosystem, building rows of bamboo poles on the shoreline.

Est. Cost

Initial Investment Outlay = USD 8.5 million + Yearly maintenance USD 0.02 million

Funding

Financed 30% by government budget and 70% by ADB (Eligible for ADB Finance initiative as the project for Coastal Ecosystem Restoration and Management)

Benefit

Monetary (e.g., income from coastline fishery), Security (e.g., prevent relocation of communities)

Enablers

- 1) Central Unit responsible for the problem
- 2) Strict measures to prevent the deforestation of mangrove (e.g., restriction of shrimp farming)
- 3) Coordination from villagers





Asynchronous Learning 2: Blue Finance Mechanisms in Action

- **Option 1.** Tell a story about a blue finance mechanism that is already in action in your country / sector.
- **Option 2.** Which blue finance mechanism would you implement first in your country / sector, and what are the first three action steps?
- **Submission options:**
 - Video (max 2 minutes)
 - Powerpoint (max 1 slide)
 - Word document (max 500 words)





- 1 Ocean Health, Blue Economy, & Blue Finance
- 2 Blue Economy Segments
- 3 Ocean Finance Enabling Conditions
- 4 Beneficiaries, Sources of Funds, Finance Mechanisms**
- 5 Pipeline & Opportunities
- 6 Deep Blue Vision: Way Forward



\$2.5 T/YR → **2030**



Source: UN 2014; UN 2018



Who should pay?

4 Willingness & Ability to Pay



Source: Grafeld et al 2016





INVESTORS

National Governments

Development Partners

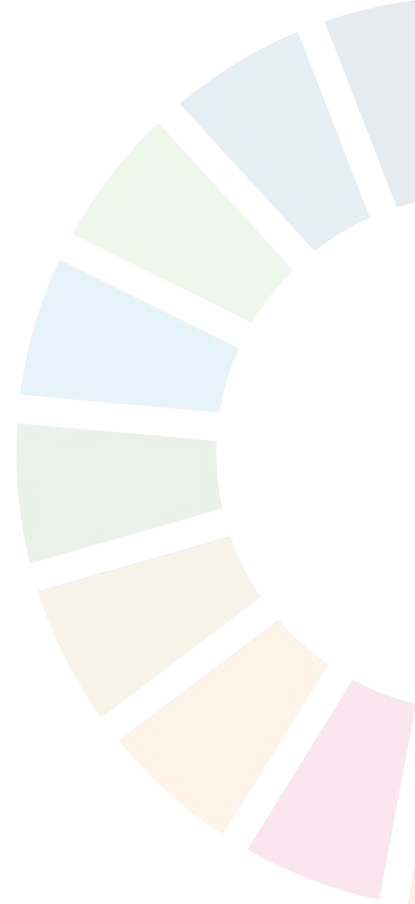
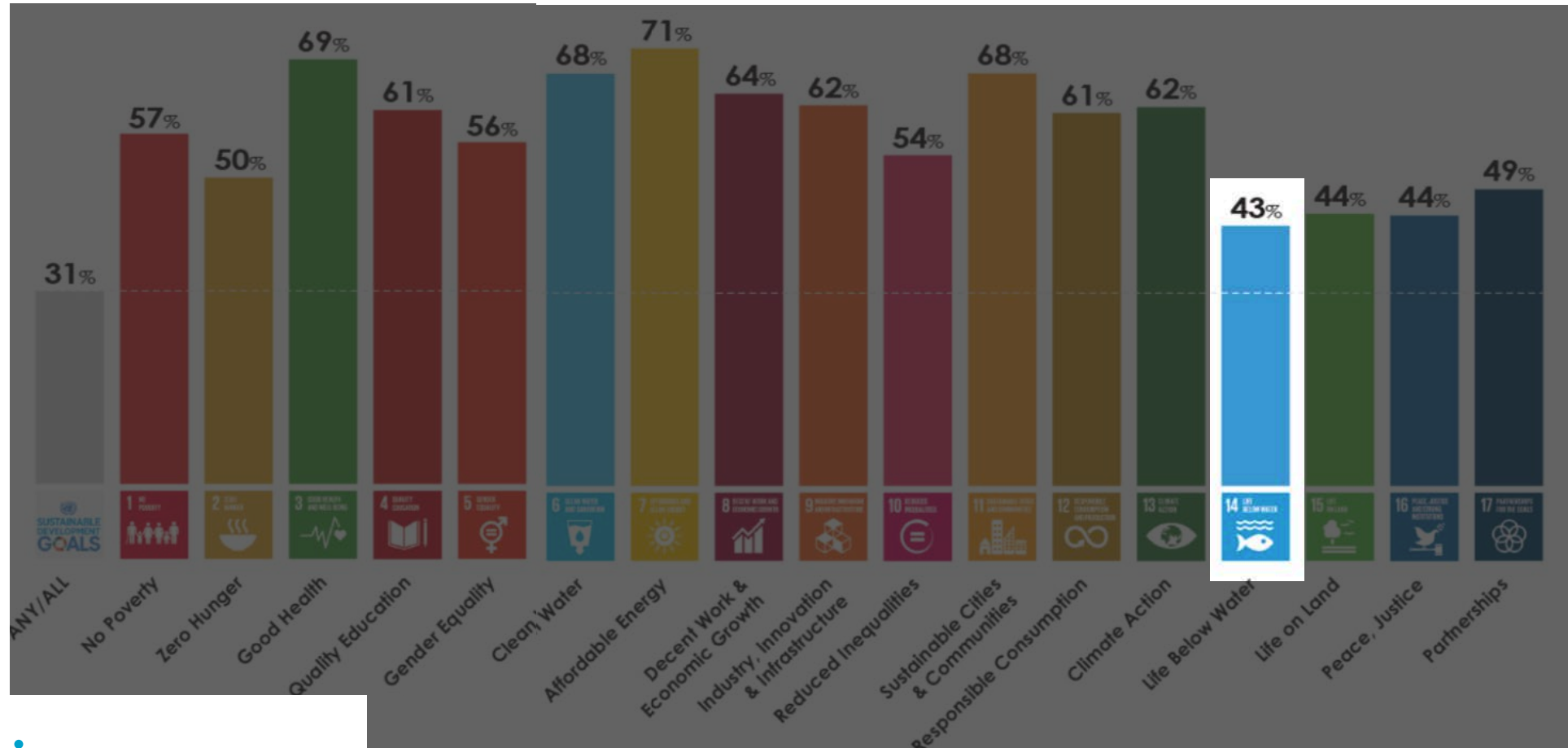
Foundations & Individuals

Corporations

Institutional Investors



4 Private Impact Investing



Source: Eldridge & Libbes 2019.



INVESTORS

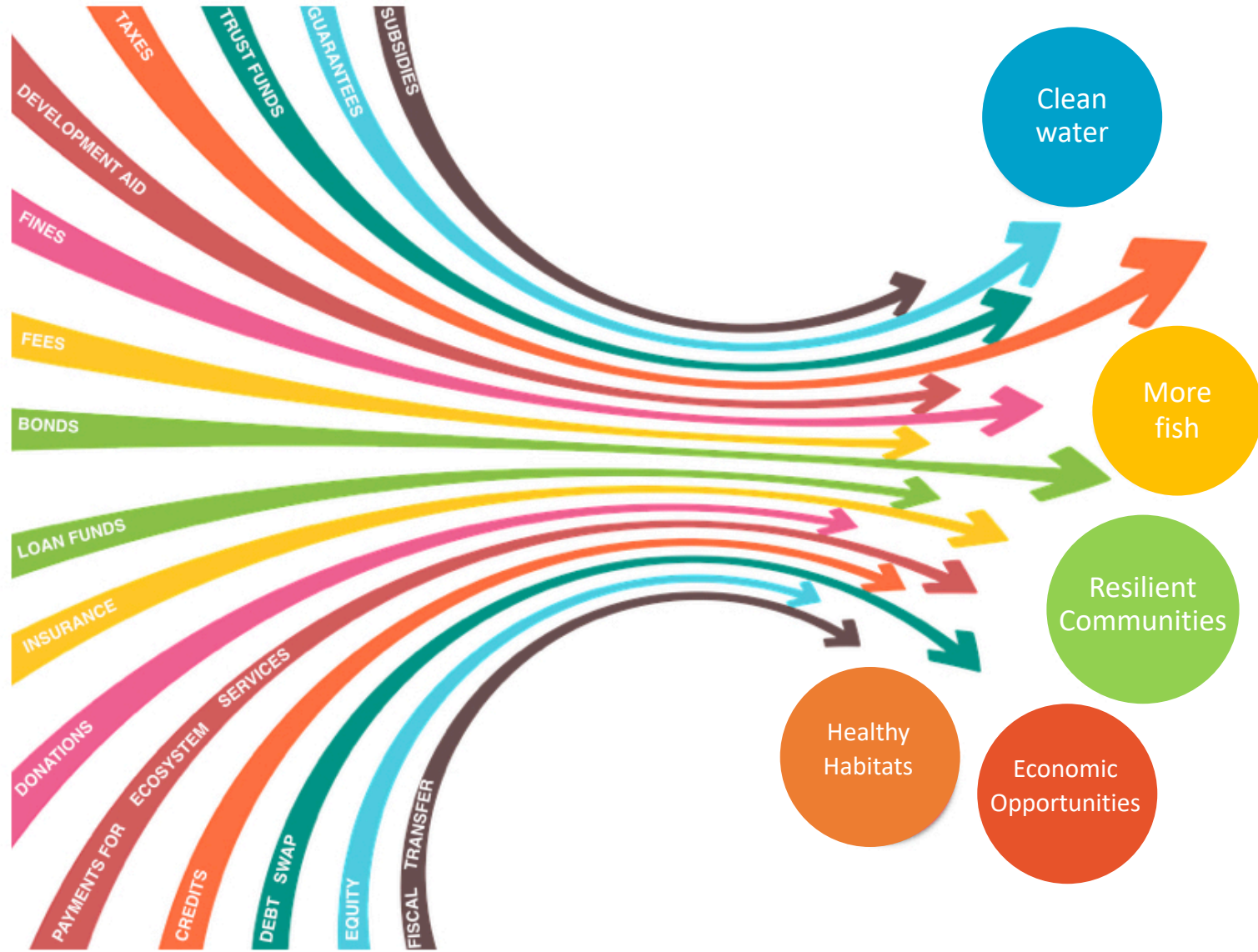
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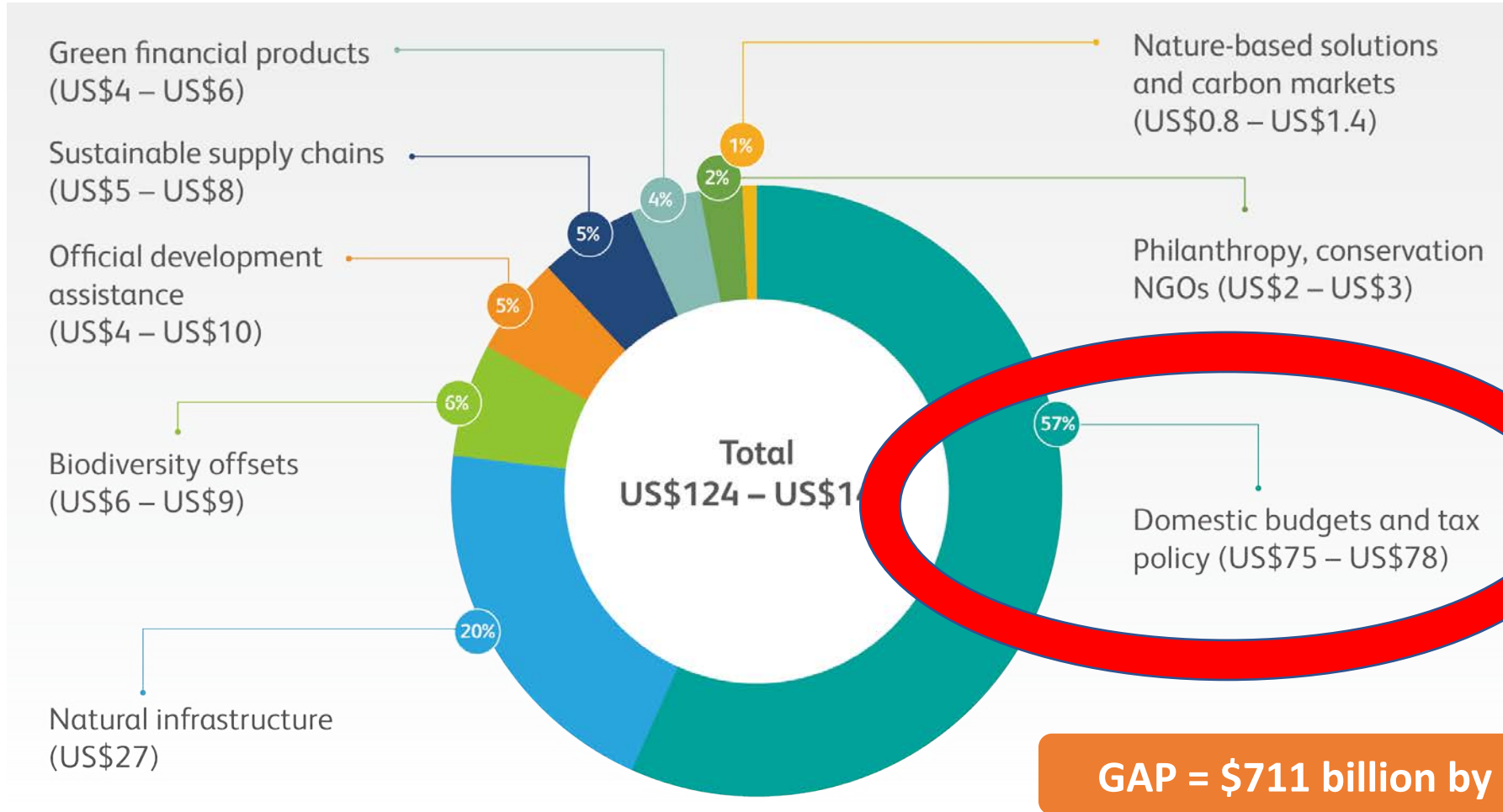
Corporations

Institutional Investors





2019 Biodiversity Financing



Source: Paulson Institute 2020





Practical ways to protect Palau

Please follow the guidelines to honor your pledge to our children to protect their environment and sacred home.

PALAU PLEDGE

REPUBLIC OF PALAU • IMMIGRATION • ARRIVAL

DATE: _____

ADMITTED UNTIL: _____

STATUS: _____

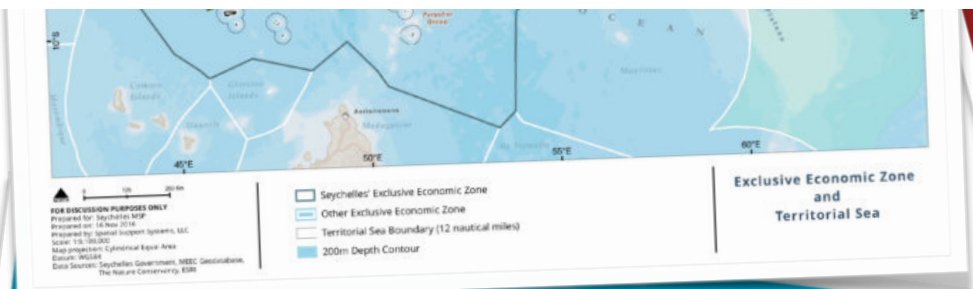
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4 Marine Biodiversity Offsets

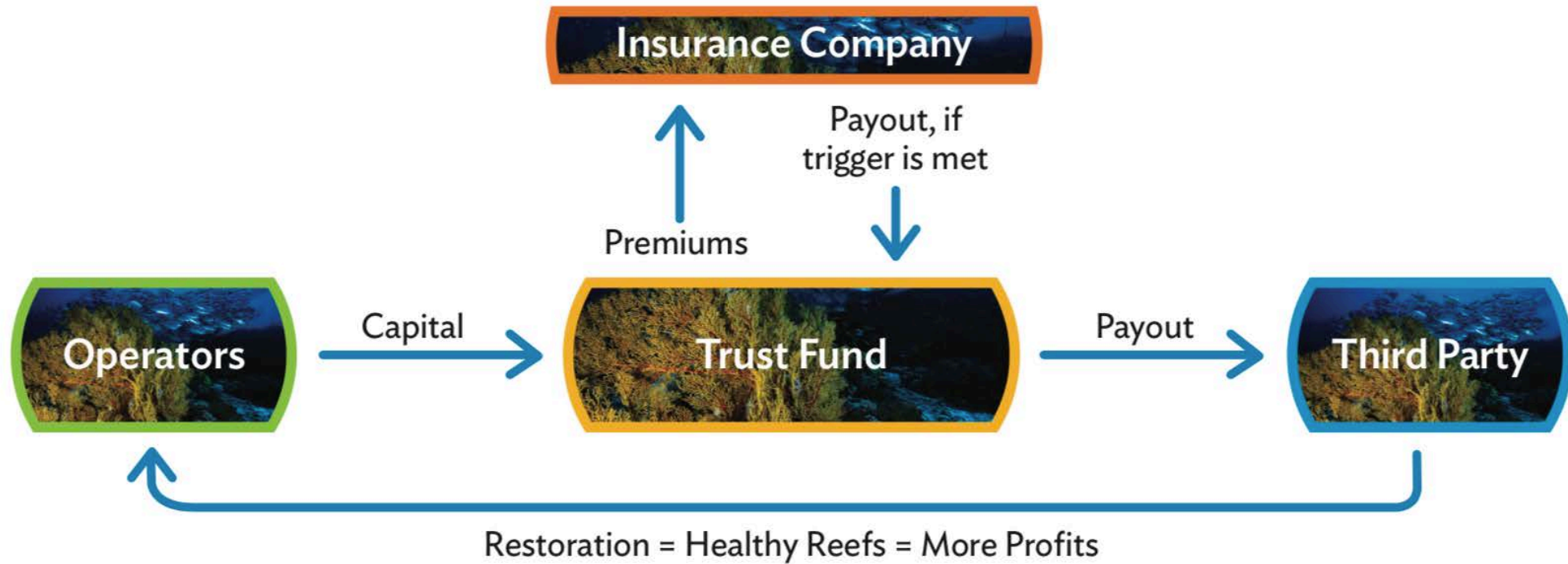


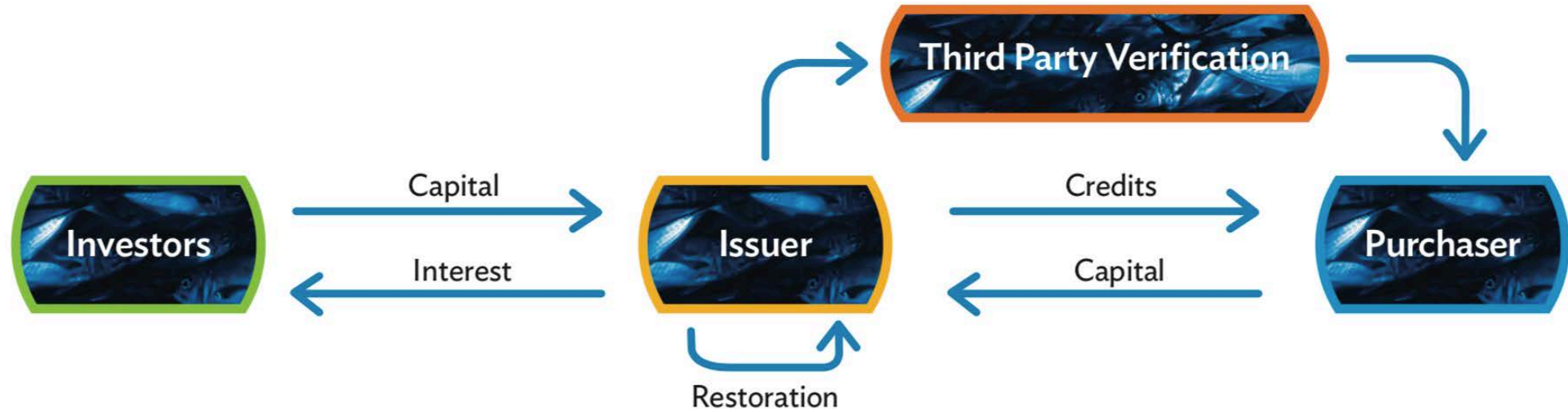


SEYCHELLES BLUE BOND IN NEI

- \$15 MILLION**
- 3 GLOBAL IMPACT INVESTORS**
- 10-YEAR MATURITY**
- 6.5% COUPON REDUCED TO 2.8% WITH GEF SUPPORT**
- PARTIALLY GUARANTEED BY WORLD BANK**

Logos for the Seychelles Government, GEF (Global Environment Facility), and ADB (Asian Development Bank) are visible at the bottom.





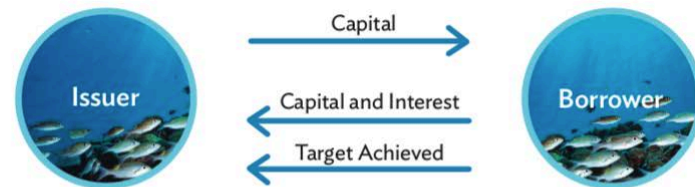


Finance Mechanism Briefs



SUSTAINABILITY-LINKED LOAN

A sustainability-linked loan or results-based lending is a debt instrument in which the issuer provides capital to the borrower in exchange for a commitment to a pre-agreed sustainability target. The financial terms, including interest rate and time period, are connected to achievement of the target. Unlike project finance or blue bonds, the monies can be used for anything on the borrower's balance sheet as long as the sustainability target is achieved. This mechanism allows companies flexibility and enables innovation towards ambitious sustainability targets.



STRENGTHS

- Can provide capital for companies to transition towards sustainability, even if they do not yet meet rigorous environmental standards
- Because funding is not tied to (a) specific project(s), companies are enabled to be more nimble and adaptive
- May be more holistic and include both environmental, social, and safety targets
- Entry point to reform mainstream financial systems

CONSTRAINTS

- May be high risk for the issuer because the company may not achieve the pre-agreed target(s)
- Reputational risk for the issuer if funding a company that is currently impacting the environment

VARIATIONS

- Loan to a commercial fishing operation to achieve by catch reduction target
- Loan to a shipping company to achieve pollution and carbon reduction targets
- Loan to a coastal hotel to achieve ambitious wastewater treatment standards





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Pipeline





Ecosystem and Natural Resources Management



Conservation & Restoration



Fisheries



Aquaculture



Pollution Control



Solid Waste



Non-point Source



Wastewater



Sustainable Coastal and Marine Development



Tourism



Ports & Shipping



Marine Renewables

Action Plan for Healthy Oceans and Sustainable Blue Economies

Target: **\$5 billion** (2019–2024)



Ecosystem and Natural Resources Management



Pollution Control



Sustainable Coastal and Marine Development

Ocean Investment plus Pipeline (2019 - 2023):

\$2.2 billion est.

Note: Figures are current SDCC estimates

Sample Projects and TA

People’s Republic of China: Fujian Mulan River Basin Integrated Ecological Restoration and Management Project (\$200 million, proposed for 2021)

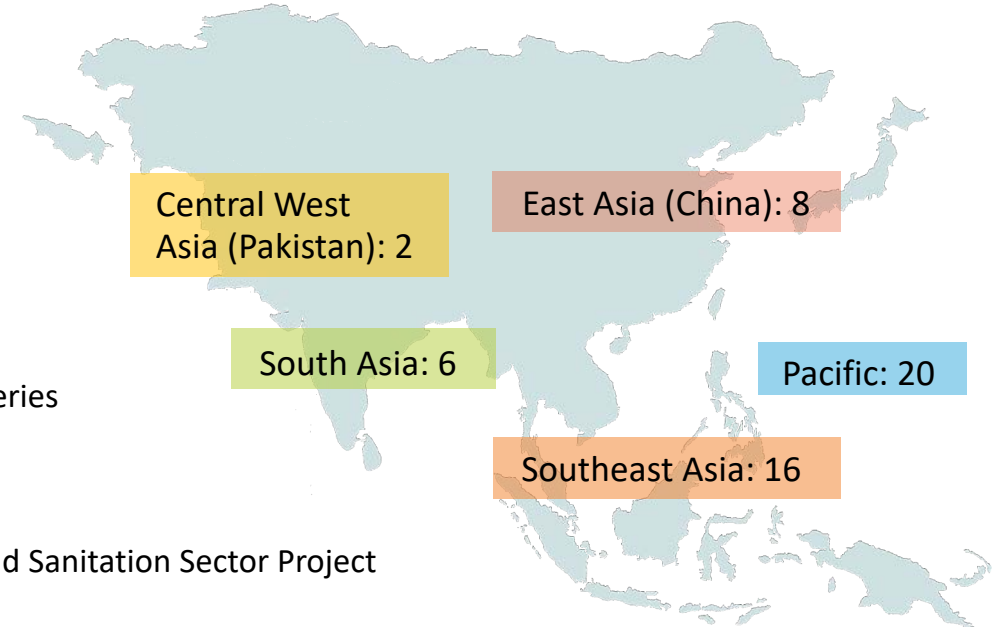
India: Maharashtra Sustainable Coastal Protection and Management Project (\$62 million, proposed for 2023)

Cambodia: Inclusive Coastal Marine Fisheries Value Chain Project (\$55 million, proposed for 2021)

Solomon Islands: Urban Water Supply and Sanitation Sector Project (\$37 million, approved in 2019)

Regional: Marine Aquaculture, Renewable Energy, and Ecotourism for Ecosystem Services (\$2.5 million, proposed for 2020)

Projects and TA by Region (2019-2023)



Limitations to
bankability?







A dark blue map of Southeast Asia is shown in the background of the central text. The map highlights the geographical region of Southeast Asia.

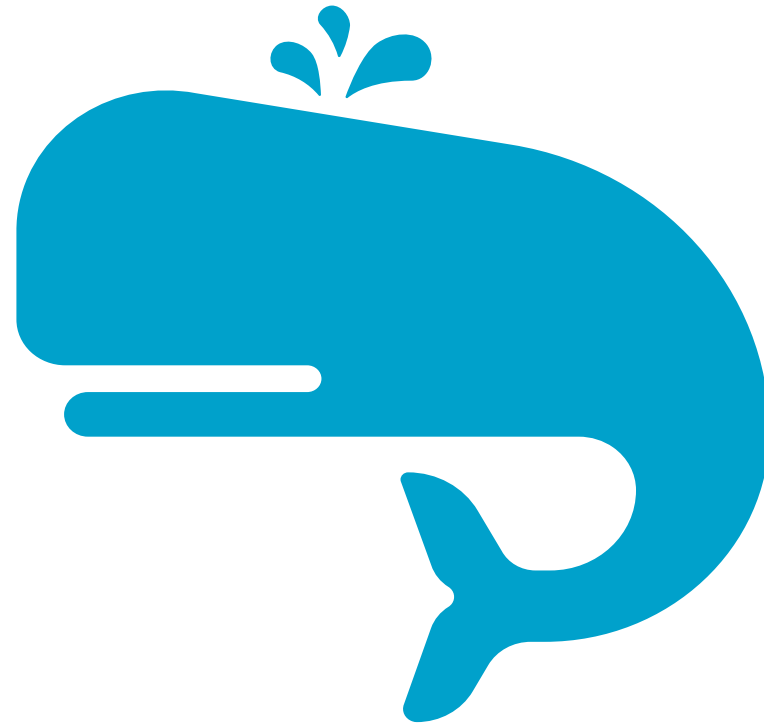
SOUTHEAST ASIA POWER SITUATION







Breakout
Groups:
Country
Discussions





1

Ocean funding gap is large and growing

2

Toolbox of diverse finance mechanisms; careful selection for context required

3

Pipeline of investible deals is limiting, but blue economy success stories growing



A woman in a blue shirt and yellow bracelet is smiling as she cleans a large fish on a black tray. The fish has a prominent blue eye and yellowish-green patterns on its body. The background shows a covered market area with other people and stalls.

Day 2 Closing