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ADB Training: Blue Finance

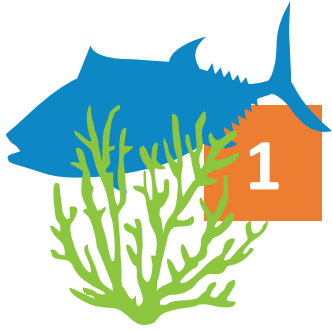


Photo: OECD

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

13 November 2020 (Day 3 of 3)





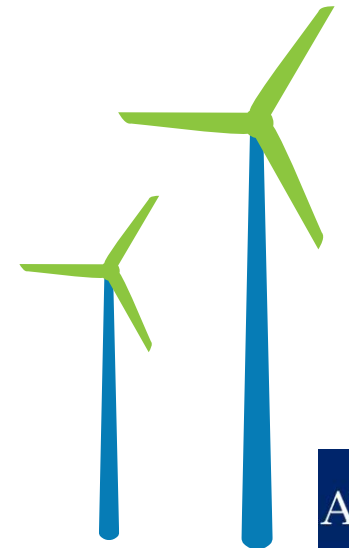
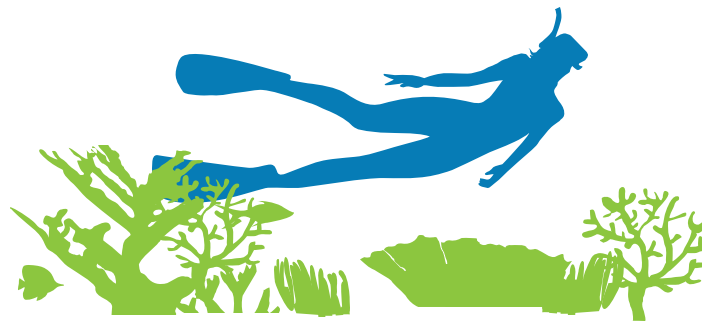
Ocean health, which is vital to human health & global economy, is under threat



Investment in the blue economy needed to sustain oceans



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





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



Blue Finance Mechanisms in Action





“Human economic activities keep threatening and worsening marine ecological environment through unsustainable exploitation of marine resources, destruction of coastlines and coastal ecology, marine pollution, and adverse impacts arising from climate change. In order to facilitate the restoration of marine ecological environment, the efficient use of resources, and the development of marine industry, categories of eligible projects endorsed under [Bank of China's 2020 Blue Bonds which includes renewable and sustainable water and wastewater management](#). The Bank has established a list of eligible projects, with an approximated total value of RMB 7,129.89 million. The expected overall environmental benefits of eligible projects will include an incremental sewage treatment capacity of 6,176,161 m³/day and an increase of 2.987MW installed capacity for offshore wind power project. ...”

<https://www.allenoverly.com/en-gb/global/news-and-insights/news/bank-of-china-issues-its-first-blue-bond-in-offshore-markets>



Singapore – Ng Kai Scene –Option 2 on SLL

Which blue finance mechanism would you implement first in your sector?

- **Sustainability Linked Loans**
 - Complements Singapore's role as green finance hub for the region
 - Ready pool of investors with potential interest in such a product
- How would you use the funds disbursed under this mechanism to support ocean?
 - Waste and wastewater management, circular economy e.g. plastic recycling
- What challenges and barriers would you face in trying to design and implement the mechanism?
- What are the first three action steps required to design the mechanism?
 1. Identifying pool of investors with interest in blue finance and understand their interest areas
 2. Speak to regional government counterparts to understand where are the projects
 3. Define the assessment criteria associated with the loan





WHICH BLUE FINANCE MECHANISM WOULD YOU IMPLEMENT FIRST IN YOUR COUNTRY/SECTOR AND WHAT ARE THE FIRST THREE ACTION STEPS?

- Sustainability Linked Loan
- This mechanism is similar with RBL which well known in Indonesia. This mechanism also allows project to focus on achieving targets for disbursement the funds and flexibility for companies
- Challenge: one target could depend on more than one effort/source to be achieved, hard to find the investors
- 3 action steps to design the mechanism: mapping the needs&actor to be involved, set the framework/roadmap, find the investor



As of four Blue Finance Mechanism, we, borrower, would select the Sustainability



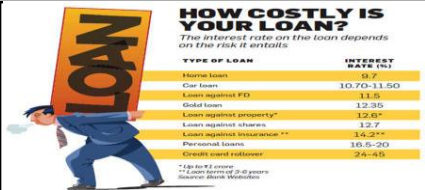
Reason for selecting this mechanism

These mechanism incentivize the borrowers achievement of ambitious, predetermined sustainability performance objectives by using sustainability-performance-targets which include key performance indicators, external rating, otherwise measure improvements in borrowers sustainability profile.



Type of using the disbursed funds

Objective
 Aim to provide long-term guidance for government, civil society, the private sector and development partners regarding environmentally sustainable development objective such as green economic development, climate change and waste management strategies and other relevant plans and policies and also achieving green growth, climate resilient, inclusive and sustainable development in Myanmar.
 Conduct guiding principles as follows: zero waste, waste hierarchy-resource conservation, polluter pays principle, precautionary principle, proximity principle, consultation principle and shared responsibility.



Challenges and Barriers in trying to design and implement the mechanism

Challenges, Barriers and Implementation
 The fundamental challenge facing Myanmar is the rapid increase in waste generation in all major towns and cities across the country including barriers to integrations informal urban waste workers into existing waste management systems, lack of suitable areas for landfilling, poor data and information on existing waste practices, absence of long-term planning and effective policy formulation, absence of suitable financing and lack of skilled personnel, poor public awareness and participation, insufficient institutional coordination and poor monitoring and enforcement.

Implementation
 In this regard, we identified the importance of developing national and city level waste management strategies to serve as a principle framework for waste management across the country, supporting the piloting and execution of concrete actions led by township and city development committees. In order to ensure these strategies are implemented in a more coordinated, cost-effective and efficient manner, a number of recommendations may be considered.



The first three action steps

- set out a framework
- enabling all market participants to clearly understand the characteristics of Sustainability Linked Loan
- four components such as relationship to borrower's Overall Corporate Social Responsibility Strategy measuring the sustainability of the borrower, reporting and review

Setting waste targets and formulation appropriate strategies for encouraging waste segregation at source, promoting traditional repair and reuse practices, preventing the landfilling of food and maximizing the involvement of informal and small-scale entrepreneurial recycling within the conventional waste management sector. Promoting partnership-building and awareness raising to encourage behavior change is crucial to moving from the waste disposal practices to more resource circular approaches.



Access to Finance

Improving access to capital finance is essential for assisting the development of Myanmar's critical infrastructure aimed at managing increasing levels of waste generation, as well as ensuring proper collection, transport, treatment and disposal. Doing so will include improving access to loan funding at affordable interest rates from international development institutions (World Bank, ADB and JICA) as well as leveraging investments from private investors, philanthropic sources and other bodies supporting climate finance.

HOMEWORK 2

I would like to explore further the Blue Carbon mechanism because it can surely help restore and protect the coastal habitats in our country and bring in ecological benefits directly to our local fisherfolks across the coastal areas.

Under this mechanism, I will fund the necessary tools/equipment that will enhance local productivity and other ecological farming supplement (e.g. mangroves) for marine conservation.

Challenge/s

One of the challenges that I look forward to is to get the nod and full support of the local leaders of the coastal community. However, I am confident that it is just a matter of convincing them to support the cause considering that they will directly benefit from the project and at the same time make the oceans rich and sustainable again.

Steps/Action

The first 3-steps I would do is to consult the local leaders for the proposed project, then get involved the local fisherfolks in the pilot communities and later the national leaders to support and possibly replicate the cause for a better and sustainable blue oceans across the coastal areas in the country.



- 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**

ACTION PLAN FOR HEALTHY OCEANS

INVESTING IN SUSTAINABLE MARINE ECONOMIES FOR POVERTY ALLEVIATION IN ASIA AND THE PACIFIC

Target: **\$5 billion** (2019–2024)

FOCUS AREAS



Ecosystem & Natural Resources Management

Protecting and restoring coastal and marine ecosystems and key rivers.



Pollution Control

Reducing land-based sources of marine pollution including plastics, wastewater, and agricultural runoff.



Sustainable Marine & Coastal Development

Improving sustainability in ports, tourism, marine renewable development.



Flagship Program: From Source to Sea: Towards a Plastic Free Ocean

Activities:

- Government led national and city action plans
- National Financing Roadmaps and task forces
- Policy and regulatory reforms to stimulate circular economy and promote 3R
- Plastic pollution reduction investments and pilot demonstrations (Integrated SWM, behavior change, support for local circular business models and women's economic empowerment)
- Studies on investment needs; technology solutions; circular economy and green jobs potential; sustainable and innovative financing solutions
- Circular business hub and test facility in Indonesia
- Knowledge-sharing workshops, regional cooperation, cross-country site visits, city twinning

Status: TA Cluster and Subproject 1 approved, Subproject 2 proposed for 2021

Amount: \$13 million total (\$8 million Indonesia project)

Duration: December 2019 – June 2023

Participating countries: Indonesia, Myanmar, Philippines, Thailand, Viet Nam, with regional knowledge sharing

Key partners: Governments of Japan and Korea; Global Environment Facility; Global Plastics Action Partnership; WWF, ADB sub-regional cooperation programs



BAN: Khulna Sewerage System Development Project



Status

**Expected Approval:
September 2020**



Amount and modality

TOTAL: \$275 million

• ADB

- regular loan: \$50 million

- concessional loan: \$110 million

• **Government: \$115 million**



Project Duration

Nov 2020 – Dec 2027



Department/Division

SARD/SAUW

Problems/ Issues

- Increasing volume of sewage clogging drains and discharged in rivers
- No organized sewage collection and treatment system
- Limited technical, financial and institutional capacities on sewerage system

Impacts/ Outcomes

- Basic needs of the people ensured in a sustainable manner without damaging the environment/
Project areas in Khulna City gained access to sustainable sewerage services

Solutions/ Outputs

- Establish centralized sewerage system, including two sewage treatment plants (80 MLD), 269 km sewer network, and 27,000 property-level sewer connections
- Establish fecal sludge treatment plant (160 KLD), with KCC undertaking collection and transportation to the site, and KWASA managing treatment
- Enhance institutional capacity on sewerage services, including training programs and project management, facility-specific O&M manual and SCADA system
- Improve public awareness on sanitation and hygiene

Innovation/ Value added

- *City-wide inclusive sanitation* - establishing both centralized sewerage system and fecal sludge treatment plant
- *Technology and innovation* - SCADA system and a comprehensive geographic information system database linked with a computerized hydraulic model for better O&M
- *Holistic support to Khulna City* - supporting sewerage system following the water supply project



Notes: KCC = Khulna City Corporation; KLD = kiloliters per day; km = kilometer; KWASA = Khulna Water Supply and Sewerage Authority; MLD = million liters per day; O&M = operation and maintenance; SCADA = supervisory control and data acquisition.

Flagship Program: Building Resilience: Investing in Critical Coastal Ecosystems and Livelihoods



Activities:

- Strategic plans, policies and programs to build coastal resilience and expand investments
 - long-term adaptation and risk-based approach
 - integrated “hard,” “soft,” “grey,” “green” options
 - sustainable coastal livelihoods and women’s economic empowerment
- Support to identify, prepare and accelerate nature-based and integrated coastal resilience investments
- Knowledge on benefits of NBS, regional cooperation, and financing for building coastal resilience

Status: Proposed 2020

Amount: \$1 million TBD (supplementary 2021 TBD)

Duration: Q4 2020 – Q4 2023

Participating countries: India, Pakistan, Indonesia, Philippines, RMI, Tuvalu, Bangladesh, Brunei, Kiribati, Malaysia, Maldives, Myanmar, Sri Lanka, with regional cooperation and knowledge sharing



PAK: Proposed Sindh Coastal Resilience Project



Status
Proposed for 2022/2023



Amount and modality
\$100 million COL sector loan with attached TA (tbc)



Project Duration
2023–2029



Department/Division
CWRD/CWER

Problems/ Issues

- Inadequate water resources and protective infrastructure, uncontrolled development, insufficient surface water connectivity and flow
- Waterlogging and inland flooding, coastal erosion, saline intrusion, land degradation, sea level rise
- Poor health outcomes, loss of livelihood opportunities, and exposure to extreme weather conditions

Impacts/ Outcomes

- Improved freshwater availability and environmental conditions
- Improved protection against natural hazards
- Resilience to future climate changes and variability

Solutions/ Outputs

- Focus on the physical "building blocks" of resilience in Sujawal, Thatta, and Badin districts:
- Integrated flood risk management schemes strengthened including revival of natural waterways and storage ponds
 - Natural coastal defenses enhanced including plantation of mangroves and saline-tolerant species
 - Strategic action planning established for coastal zone strengthened



Sujawal, Sindh, August 2020

Innovation/ Value added

- Remote sensing for spatial risk assessment of inland and coastal flooding for site selection and design
- Combination of nature-based solution with traditional infrastructure
- Support development of framework for private sector investment in forest carbon initiatives
- Close coordination with proposed World Bank coastal livelihoods project under preparation





Flagship Program: Greening Asia and the Pacific's Ports

Activities:

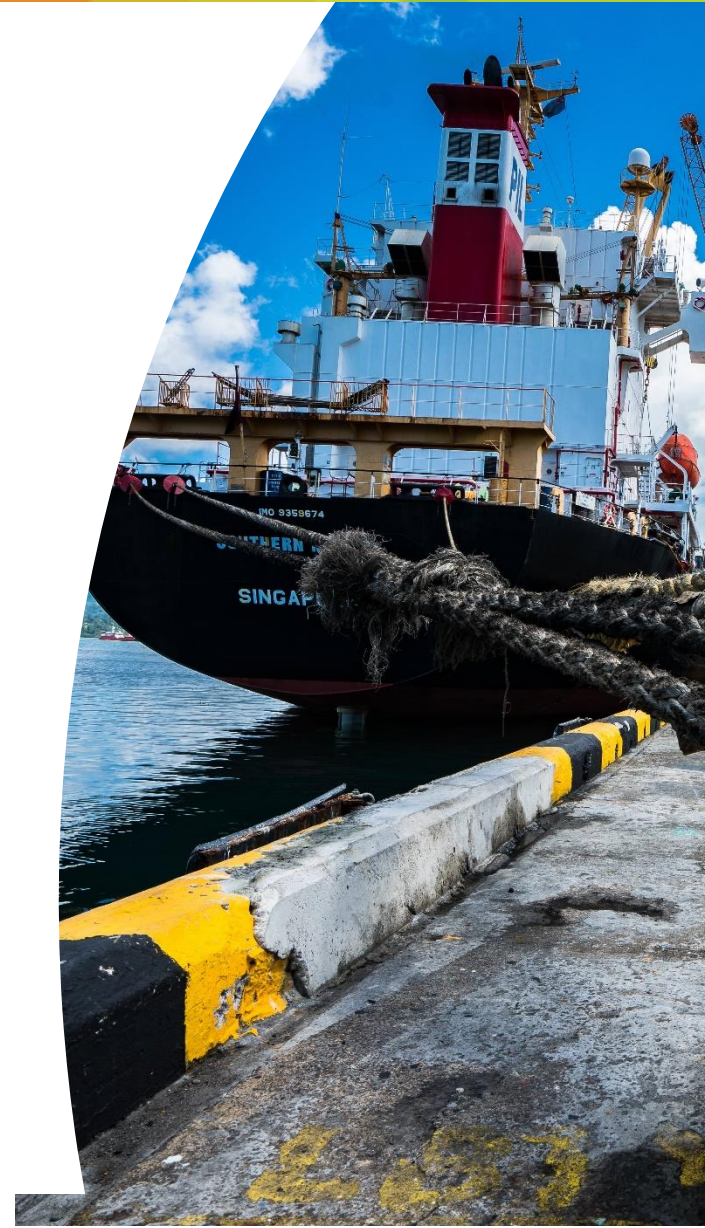
- Assessment of existing port environmental standards and practices
- Audits of existing port facilities against environmental standards
- Establishment of best practice and peer-to-peer learning to align and improve implementation of standards
- Assessment of infrastructure and investment needs
- Technical support to ports in preparing sustainable and bankable projects that help port operators attain green objectives, including through sovereign, non-sovereign and PPP funding

Status: Proposed 2020

Amount: \$1 million

Duration: Q3 2020 - Q3 2023

Participating countries: Southeast Asian DMCs



ACTION PLAN FOR HEALTHY OCEANS

INVESTING IN SUSTAINABLE MARINE ECONOMIES FOR POVERTY ALLEVIATION IN ASIA AND THE PACIFIC

Target: **\$5 billion** (2019–2024)



Ocean Finance Initiative

Objective: to increase the amount and efficacy of financial capital for ocean health and sustainable blue economies



Challenges & Opportunities

