

Creating a Sustainable Blue Economy by Financing Impactful SMEs

Keynote: Ambassador Peter Thomson, UNSG's Special Envoy
for the Ocean

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Ladies and Gentlemen,

All courtesies observed and many thanks to UNDP and UNEP for giving me the privilege of addressing you all. I will present my remarks on investment in the Sustainable Blue Economy today from the perspective of the UN's Sustainable Development Goal 14, known as SDG14, our universal goal to conserve and sustainably use the Ocean's resources.

As we emerge from the Covid-19 pandemic, it is crucial that we dedicate efforts on a global scale in defence of a healthy Ocean. You may have heard my daily mantra: There can be no healthy planet without a healthy Ocean, and the Ocean's health has been measurably in decline for some time now.

I won't go into the details of that decline in my remarks today; but in case you're not fully aware, we, and I mean all of us, have been party to driving the decline in the Ocean's health. Thus, it would be disingenuous were I to ignore it entirely in what I have to say today.

We need every tool at our disposal to affect positive change, and finance is indeed a powerful one. The Sustainable Blue Economy Finance Principles, hosted by UNEPFI, has produced guidance for financiers to speed the transition to sustainable maritime industries by directing capital away from destructive practices and toward restorative ones.

Nature-based solutions are a critical element in building the resilience of ecosystems, societies, and economies to respond to climate change, estimated as having the capacity to provide a third of our mitigation needs. Since financing for nature-based solutions remains comparatively low, we are

called upon to urgently change the paradigm by accounting the value of blue natural assets, identifying investment needs and providing the necessary incentives, investment mechanisms and finance.

Many small businesses are engaged in protecting ocean resources because, literally, their lives depend on it. Fisheries, mangroves, coral reefs and the vast ocean itself provides economic functions that are too numerous to list yet are well-understood by coastal communities worldwide. Therefore, a dedicated platform to identify, finance, support and scale up those businesses makes perfect sense. The mission of the BlueImpact platform launched today by ADB in cooperation with UNEP and UNDP, as I understand it, is to finance and engage with small and medium enterprises (or SMEs, with less than \$10M revenues) that have a positive impact on our oceans and the communities that depend on them. There is no shortage of capital or projects. There is, however, a need for matchmaking and de-risking between the two - especially for smaller but impactful companies.

I applaud ADB's Healthy Ocean Action Plan and the variety of initiatives it has spurred, including the BlueImpact platform for Asian SMEs. Most ocean-oriented finance has been directed at large scale sovereign and infrastructure projects - which are certainly an important part of the solution. Moreover, public-private finance initiatives have made progress in areas such as natural capital restoration, sustainable seafood, green ports and shipping.

However, SMEs are the "missing middle" of sustainable finance worldwide - including for SDG14. These are the enterprises on the front lines of community engagement for ocean health. After all, SMEs (according to The World Bank) represent 90% of all enterprises, 70% of jobs and the highest personal stakes in protecting marine ecosystems. Yet most banks and private funds deem SMEs as too small or risky, and SMEs remain under the radar of most large projects.

This is why the concept of a systematic approach to financing Blue Economy SMEs is so timely. We can benefit from following models like the EU's BlueInvest program to aggregate and de-risk SMEs into bankable portfolios so that capital markets can support these primary actors in the sustainable blue economy.

Understandably, financial actors are fiduciaries who can only invest in assets that meet their risk-return criteria, no matter how much they may sympathize with the SDGs and ecosystems that are the beating heart of our planet. Using digital tools and blended finance, as BlueImpact proposes, is a

practical way to tap private investment in ocean health. Ultimately, private capital markets are the only source to meet 90% of SDG financing needs each year (according to UNDP studies).

I therefore encourage this initiative and the consortium of ADB, UNDP and UNEP that are driving forward on such an important mission for our planet.

What more must we do? We will have to muster the necessary courage and grasp the nettle of international consensus that is so sorely required at international gatherings these days. The UNFCCC's COP26 in Glasgow made solid progress, but there remains much more to achieve and we have already begun working towards COP27 in Egypt in order to improve on targets to reach net zero carbon ahead of 2050.

Under universal mandate from all 193 Member States of the United Nations, the second UN Ocean Conference will be co-hosted by the Governments of Portugal and Kenya, in Lisbon, 27 June to 1 July next year. When we arrive in Lisbon, we must be ready to put in place the science-based solutions and market tools necessary to stop the decline in the Ocean's health. I look forward to hearing about the first fruits of this promising SME BlueImpact platform, initially launched in Asia, when we convene in Lisbon. The small enterprises on the front lines of the battle for healthy oceans deserve the capital and tools needed to win that battle.

Good wishes in this endeavor and thank you for your attention today.
