

Report to
United Nations Environment Programme Finance Initiative
From
Asian Development Bank
On
ADB's Implementation of the Sustainable Blue Economy Finance Principles 2020-2022

Introduction

The Sustainable Blue Economy Finance Principles were developed through a partnership between the European Commission, the World-Wide Fund for Nature, the Prince of Wales's International Sustainability Unit, and the European Investment Bank. The process to develop the Principles began in May 2017 to raise awareness of the importance of sustainable blue economy, promote the implementation of the Sustainable Development Goals, in particular Goal 14 (Life Below Water), and guide investors towards good practice and sustainability.

At the Our Ocean conference held in Malta in October 2017, a coalition of institutions announced their support to the development of the Principles, which were published in March 2018. In 2020, the Principles were adopted by the United Nations Environment Programme Finance Initiative (UNEPFI) Sustainable Blue Economy Finance Initiative (Initiative), which now acts as the institutional host of the Principles. The Initiative provides an interactive platform that brings financial institutions and private finance together to work with scientists, corporations, and civil society. It will facilitate the adoption and implementation of the Principles, ensuring they become operational and useful for financial institutions worldwide.

The Asian Development Bank (ADB) became a signatory to the Sustainable Blue Economy Finance Principles in October 2020. Being a signatory to the Principles is closely aligned with ADB's Action Plan for Healthy Oceans and Sustainable Blue Economies (the Action Plan) launched in Nadi, Fiji on 2 May 2019. The Action Plan aims to scale up investments and technical assistance in ocean health to \$5 billion by 2024, combining finance from ADB and other sources. Being a signatory to the Principles is also aligned with Strategy 2030's key operational priorities: (i) Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; (ii) Strengthening governance and institutional capacity; and (iii) Fostering regional cooperation and integration.

Being an institutional signatory means applying the Principles across ADB's portfolio. The Principles are high-level and voluntary, and act as a guide (rather than prescribe), with the responsibility of investment decisions remaining within ADB. Other responsibilities of signatories are to: (i) publicly report annually how the institution is working to implement the Principles; (ii) allow use of the ADB logo on the Principle's signatory directory; (iii) participate in community of practice meetings and calls; (iv) provide input to discussions and work program; and (v) participate in decision-making on work program to support implementation of the Principles and opportunities to contribute to the outputs of the initiative.

These tasks and responsibilities will be managed by the Environment Thematic Group of the Sustainable Development and Climate Change Department.

There are several benefits for ADB becoming a signatory of the Principles: (i) increased visibility for the Action Plan and program; (ii) enables ADB to have access to a global community of practice, peer-to-peer learning, blue finance resources and knowledge base, and help shape guidance to deliver a sustainable blue ocean economy; and (iii) collaboration with UNEP FI and other partners also helps find new, cutting-edge solutions, amplify success, and catalyze change, with wider dissemination of ADB's work at a global level.

Progress on Implementation of the Principles at ADB

ADB is systematically integrating the Principles into decision-making across the bank. ADB operationalized the Principles by using them as a basis for developing the ADB Ocean Finance Framework¹ which has a primary purpose of defining criteria for investments under the Healthy Oceans Action Plan, and a secondary purpose to support ADB's tracking and reporting against the \$5b ocean commitment. The Framework also provides transparency and accountability to ADB's external partners who collaborate and co-finance the implementation of the Healthy Oceans Action Plan. The Framework explicitly references that it has been designed to be "consistent with, and supportive of (i) the global Sustainable Blue Economy Finance Principles, of which ADB is a signatory."

In 2021 and early 2022, the Environment Thematic Group did an internal roadshow to each of the operations departments that deal with oceans projects: Southeast Asia Regional Department, South Asia Regional Department, Central and West Asia Regional Department, East Asia Regional Department, Pacific Regional Department, and the Private Sector Operations Department. Part of the main objective of the roadshow was to socialize the Ocean Finance Framework, and thus the Sustainable Blue Economy Finance Principles across the bank. The roadshow provided an opportunity for small group training on how to develop more ocean-positive projects and improve the ocean outcomes of ADB's pipeline.

Building on the Ocean Finance Framework, ADB expanded its former Green Bond Framework to become the new Green and Blue Bond Framework in September 2021.² The bond framework and the subsequent blue bonds marketing brochure³ both explicitly refer to ADB's commitment to the Sustainable Blue Economy Finance Principles. Using this framework, ADB issued its first blue bond worth \$300m USD.⁴

ADB is also partnering with UNEP FI to operationalize the Principles through the ADB Blue Bond Incubator, which was launched in April 2022.⁵ The Blue Bond Incubator will support sovereign and corporate blue bond development and issuance. One of the key outputs is the development of new global blue bond guidance, which ADB is developing in collaboration with UNEP FI, the International Capital Markets Association, International Finance Corporation, and UN Global Compact. The collaboration plans to launch a public consultation draft of the guidance in June 2022.

¹ <https://www.adb.org/publications/adb-ocean-finance-framework>

² <https://www.adb.org/work-with-us/investors/adb-green-bonds>

³ <https://www.adb.org/publications/adb-blue-bonds>

⁴ <https://www.adb.org/news/adb-issues-first-blue-bond-ocean-investments>

⁵ <https://www.adb.org/news/adb-launches-first-blue-bond-incubator-boost-ocean-investment>

Future Directions

After the ADB Ocean Finance Framework was published, UNEPFI developed the Turning the Tide guidance, which provides more detailed criteria for selecting projects in five blue economy sectors. ADB will update the Ocean Finance Framework in the next 12 months to include more detailed selection and exclusion criteria from the Turning the Tide guidance. This will allow even greater integration of the two programs and even greater scaffolding on the definition of blue economy projects to be supported by ADB.

Through the Blue Bond Incubator, as ADB develops support to both sovereign and corporate clients, ADB will continue to use the Sustainable Blue Economy Finance Principles as a core component of the technical assistance and guidance provide to countries who are developing blue bonds.

Finally, ADB is in the process of developing two new finance facilities, both of which will be built on the foundation of the Principles. First is the Blue Pacific Finance Hub which is targeting \$50m in grant funds to leverage \$500m in ocean investments in the Pacific region. The second is Blue Co, a collaboration with the Green Climate Fund projected to be \$1.5billion in ocean investments across the Asia Pacific region.

ADB looks forward to continued partnership with UNEP FI on this important initiative.