2022 United Nations Ocean Conference Side Event

Bridge the Blue Finance Gap: Financing sustainable ocean-based economies in emerging markets, especially in Least Developed Countries (LDCs) and Small-Island Developing States (SIDS). Solutions across the investment continuum

Wednesday 29th June 2022, 10:00 – 11:15 a.m. (WEST)

Committee Room, Altice Arena

Organized by: United Nations Capital Development Fund (UNCDF)

Papua New Guinea, Green Climate Fund, Pegasus Capital Advisors

Outcomes of the event (500 characters) showcased on website:

The event discussed the different types of innovative finance needed to grow sustainable ocean-based economies in LDCs and SIDS and how public and private capital providers can work together across the blue finance "investment continuum", calling on partners to scale up blended finance de-risking facilities to boost financing to small businesses and blue projects (incl. BRIDGE Facility, UNCDF's vehicle for providing catalytic loans & guarantees) to leverage the development impact of capital.

Background on the event

Oceans constitute a critical source for humankind, providing livelihoods to over 3 billion people worldwide. Yet, human activity and other stressors, including climate change, overextraction and overfishing, are putting the health and integrity of the ocean at risk, possibly leading to irreversible environmental and economic losses to those communities living in coastal areas and in Small-Island Developing States (SIDS). Current investments are insufficient to crowd in the necessary support to drive sustainable ocean-based economies. Only an estimated USD8 billion from philanthropy and USD5 billion from Official Development Assistance (ODA) was invested in the past ten years[1] against USD174.52 billion per year projected to be needed for the health of our oceans and reach the SDG14 by 2030.[2] Both private and public investments have a role to play in protecting the health of ocean ecosystems and supporting sustainable ocean-based economies. Investors can generate both financial and development returns by fully seizing ocean-based innovative sectors: sustainable fisheries, renewables, marine biotechnology, desalination, or eco-tourism. Financing solutions across the investment continuum ranging from traditional grants or loans, carbon markets and insurance instruments can play a vital role in support of sustainable ocean-based

[1] *de Vos, K. & Hart, B. The Ocean Finance Handbook (Friends of Ocean Action, 2020).*

[2] *Despina F. Johansen, Rolf A. Vestvik, The cost of saving our ocean - estimating the funding gap of sustainable development goal 14, Marine Policy, Volume 112, 2020.*

economies. Innovative finance is urgently needed to help LDCs and SIDS to fully tap into the benefits of sustainable ocean-based economies and build their resilience.

Key Issues discussed

The discussants highlighted the vital role that financing solutions across the investment continuum ranging from traditional grants or loans, carbon markets and insurance instruments can play in supporting sustainable ocean-based economies. In this regard, innovative financing solutions are needed to help LDCs and SIDS to fully tap into the benefits of sustainable ocean-based economies and build their resilience. For a US$1.5 trillion economy, only 13 billion dollars have been invested in the last 10 years through philanthropy and official development assistance (ODA) with little private sector investments and misdirected public sector investments in the form of harmful subsidies, with 4.7 trillion dollars to oil and gas alone. A set of barriers (incl. lack of universal framework or a classification system, gaps in understanding and scale, distorted market dynamics and weak investment pipeline) that impede private and public financing for oceans was confronted with proposed solutions, incl. strengthening knowledge, data and capacity in ocean health and finance, as well as stimulating an enabling environment and a pipeline of bankable projects.

The resilience, adaptability, and innovation of local communities in emerging markets were highlighted as key enablers to crowding in support for sustainable ocean-based economies, as well as the importance of putting in place "last mile" mechanisms to improve livelihoods and ocean resilience. The panellists shared lessons learned, innovation and experience from the field to boost the flow and availability of SDG14 investment capital and stressed the importance of partnerships to fill the blue finance gap and leave no one behind. For example, the Global Fund for Coral Reef (GFCR), the Blue Action Fund and the Global Subnational Climate Fund (SnCF Global) were shared as innovative solutions, stressing the importance of capability and knowledge enhancement of all stakeholders involved, consistent and transparent procedures, science-based interventions linked with climate adaptation and brokering public-private partnerships to accelerate SDG14 action.

Key recommendations for action

One way to bridge the blue finance gap is to apply a more holistic approach to financing ocean-based economies across the full investment continuum, leveraging diverse sources of financing and crowding in support from varied stakeholders. This is particularly relevant for smaller and riskier projects that are not able to attract or qualify for fully commercial finance, further exacerbating access to finance for "missing middle enterprises that are usually too large to receive financing from microfinance institutions, but simultaneously below the radar for classic local commercial banks, development finance institutions (DFIs) and impact investors.

Ensuring availability of concessional financing and de-risking resources and instruments can help unlock investment from domestic and international commercial banks and flow of capital where it is most needed. Depending on the stage of investment, support across the investment continuum may include grants for technical assistance to support project preparation and investment readiness, concessional finance, including loans and guarantees, to build credit history and catalyse additional investments, and blended finance vehicles partnering with private fund managers for partners that need larger ticket sizes and can offer higher risk-adjusted returns. The example of UNCDF's Blue Bridge as part of the GFCR initiative was presented as a solution to bridge the blue finance gap by carefully nurturing businesses and projects throughout an architecture of investment and support from early stage to maturity and commercial bankability. A more effective use of concessional capital was recommended to mitigate risks and mobilize more sustainable private sector investment capital, such as first-loss capital in fund structures or as early-stage catalytic investments to demonstrate viability of investments. Scaling up concrete blended finance de-risking facilities was deemed of the essence to increase capital to small businesses and projects for sustainable ocean-based economies in LDCs and SIDS.