

Nairobi Convention Focal Points and Regional Economic Communities Meeting & Western Indian Ocean Science Policy Platform

Maputo, December 2023

Financing the Regional Ocean Governance Strategy [for discussion]



Kieran Kelleher
ROGS Adviser

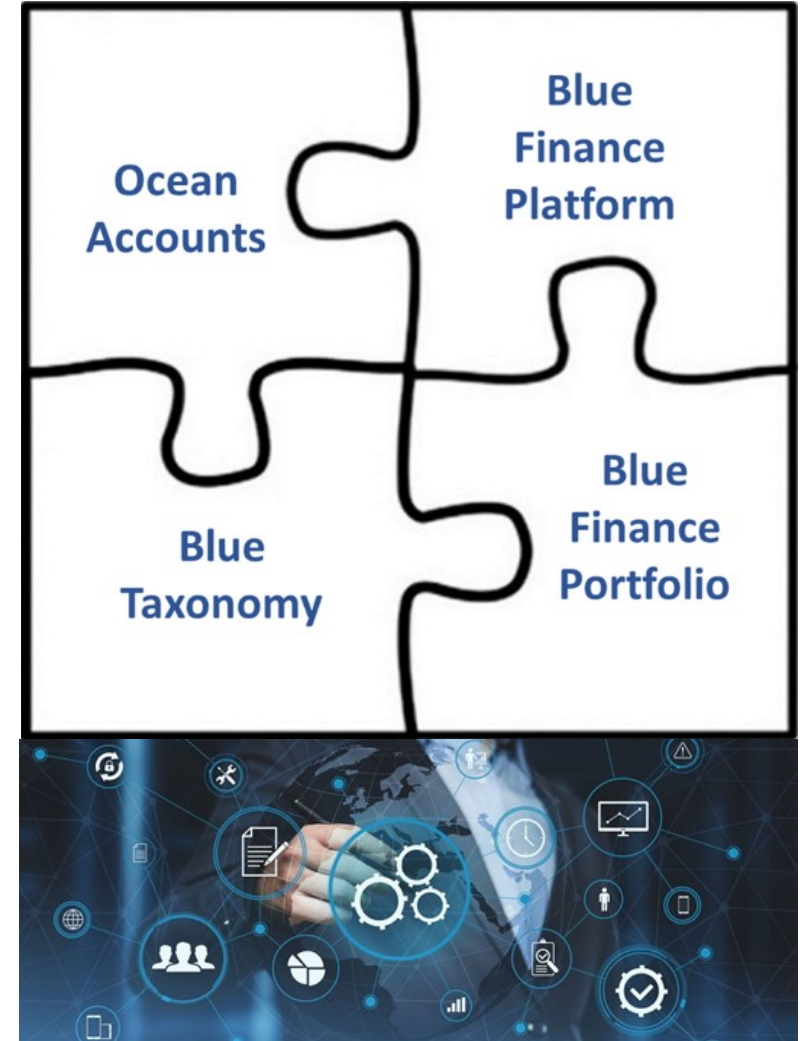


key messages on affordable blue finance

- all ROGS **priorities** require affordable finance
- there is a **structural gap** between demand for and the supply of affordable blue finance
- a **regional approach** can help national access to affordable blue finance & support strengthened regional cooperation mechanisms
- a regional **mechanism** requires further critical appraisal, particularly to address the gaps in national financing and replication of financing models

contents

- A. what is the **ROGS**? ✓
- B. the blue finance **ecosystem**
- C. the financing **gap**
- D. rationale for a **regional approach**
- E. the regional **Blue Finance Architecture**



A. ROGS - where are we?

⇒ Nairobi Convention COP decision mid-2024 on ROGS

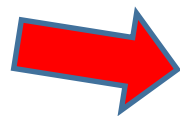
✓ policy framework, vision, objective, mandates, principles

✓ state of the WIO - baselines

✓ regional priorities – four thematic clusters (Task Force)

✓ **implementation mechanisms**

✓ 4.1 institutional arrangements .. *who does what*



4.2 financing

4.3. monitoring, review & adjustment



B. the blue finance eco

- ❑ demand for blue finance h
- ❑ supply of blue finance ‘gc
- but ...
- ❑ supply/ demand ‘gap’



B. DEMAND

all regional priorities require finance

- ❑ **scale** (\$) of finance is high
- ❑ both **capital and recurrent** finance required
- ❑ **diversity**: ‘shovel-ready’ investments to project concepts
- ❑ some investment **not ‘bankable’** but necessary - social, environmental, some ‘global goods’ essential to the enabling environment

<i>Regional priorities identified by the Task Force</i>	
Maritime Security cluster	Blue economy cluster
<ul style="list-style-type: none">• maritime security / maritime connectivity• ABNJ/ BBNJ	<ul style="list-style-type: none">• Tourism, Fisheries• Offshore energy, Deep sea• ports, trade• circular blue economy• IT, marine biotech, telecoms
Environment and natural resources cluster	Knowledge management and science cluster
<ul style="list-style-type: none">• Climate Change• marine plastic pollution• chemical pollution• coral reefs/ critical ecosystems, Biodiversity• MSP & MPAs	<ul style="list-style-type: none">• Science to governance• Human capacity• Transfer of technology• scientific cooperation• Public awareness

B. SUPPLY. SDG 14 - least finance of all the SDGs

□ % of global SDG expenditure

16. Peace and Justice 13%

(e.g., maritime security/ anti-piracy)

6. Clean Water and Sanitation 4.5%

13. Climate Action 3.8%

17. Partnerships for the Goals 2.5%

14. Life Below Water 0.7%

□ SDG14 necessary for at least 10 SDGs

○ (SDGs: 2, 3, 6, 8, 9, 11, 12, 13, 15, 16)

but

□ available funds are **not being disbursed**



Selected SDG funding (UN data)

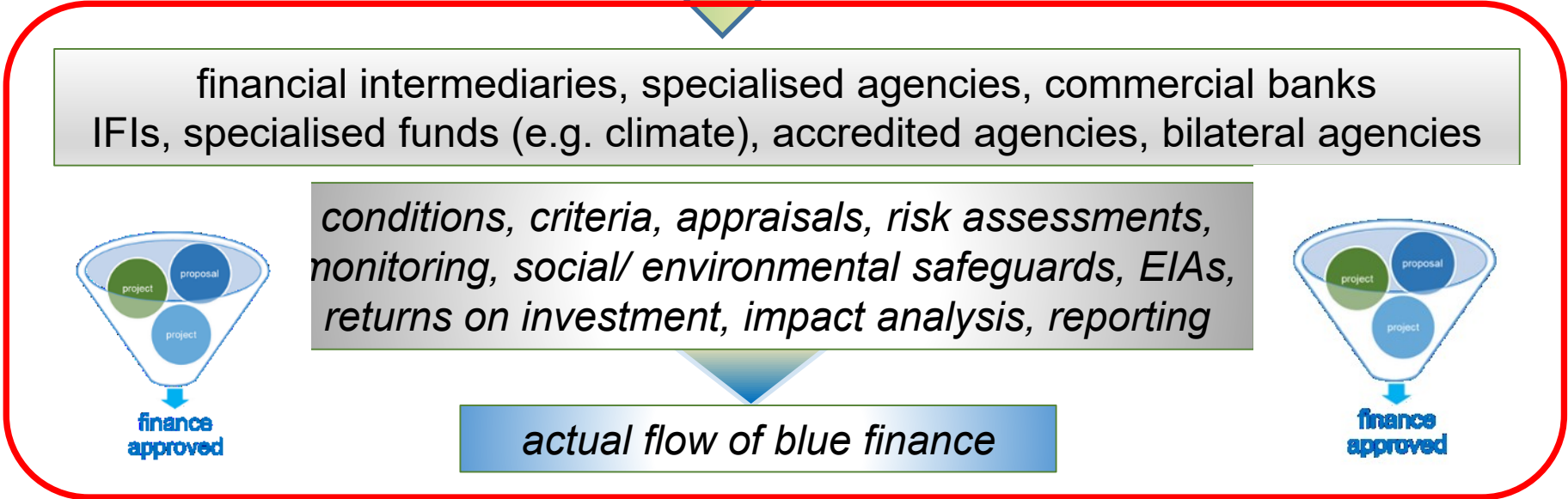
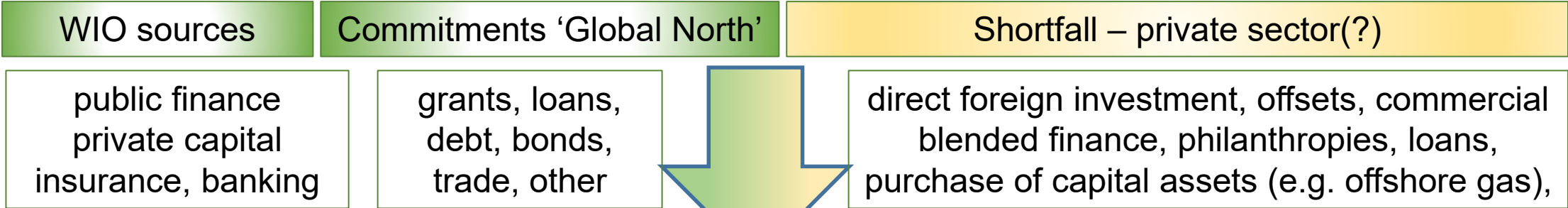
B. the supply of WIO blue finance

- ❑ national **public** financing scarce – weak tax base, public debt, ...
- ❑ high **commercial** finance costs – interest, inflation, risk, short-term
- ❑ **enabling environment** weak – reporting, transparency, ‘Doing Business’ indicators
- ❑ mostly **project-by-project** financing with high transaction costs
- ❑ some **pooled finance** and regional projects, e.g.,
 - SAPPHIRE, ACLME, WIOSAP, SWIOFP (GEF)
 - MASE, ReCoMaP (AFD)
 - SWIOFish (World Bank)
 - SWIO Seascape (WWF and others)
 - SmartFish (EU, *closed*)



SUPPLY: notional sources & flow of funds

REQUIRED TO MEET SDGS [≈ \$4 trillion/ year (global) ≈ \$2 trillion/yr (dev. & emerging countries)]

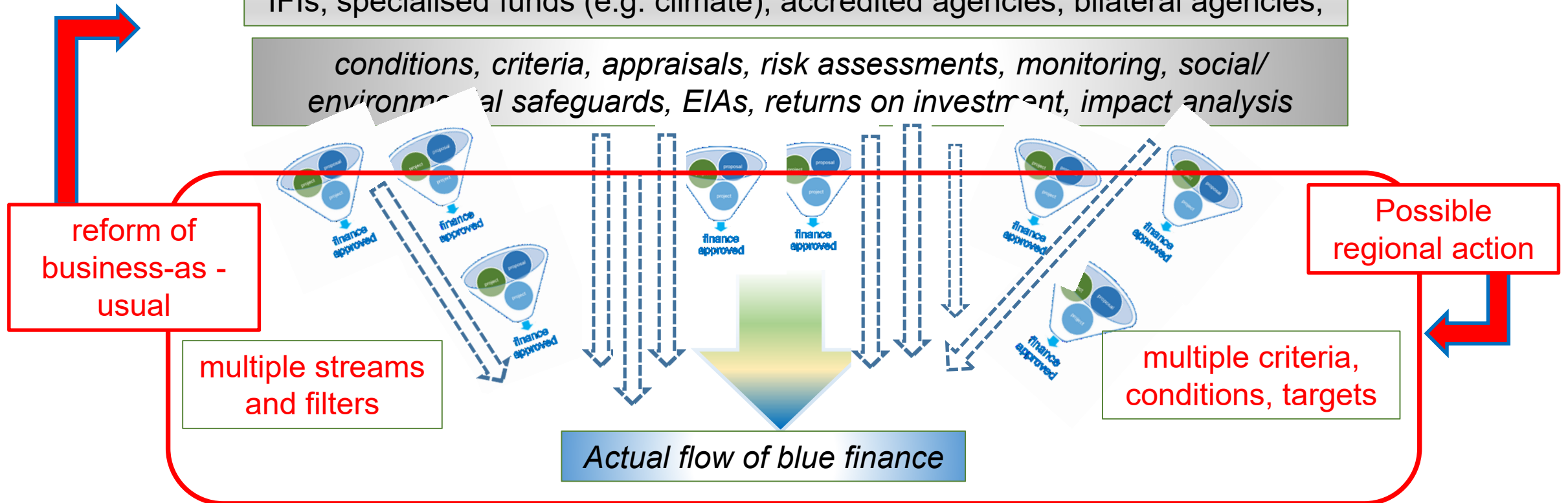


SUPPLY: fragmentation

Limited regional/WIO influence at this level (aggregate supply)

financial intermediaries, specialised agencies
IFIs, specialised funds (e.g. climate), accredited agencies, bilateral agencies,

*conditions, criteria, appraisals, risk assessments, monitoring, social/
environmental safeguards, EIAs, returns on investment, impact analysis*






SUPPLY - fragmentation ... the structural gap

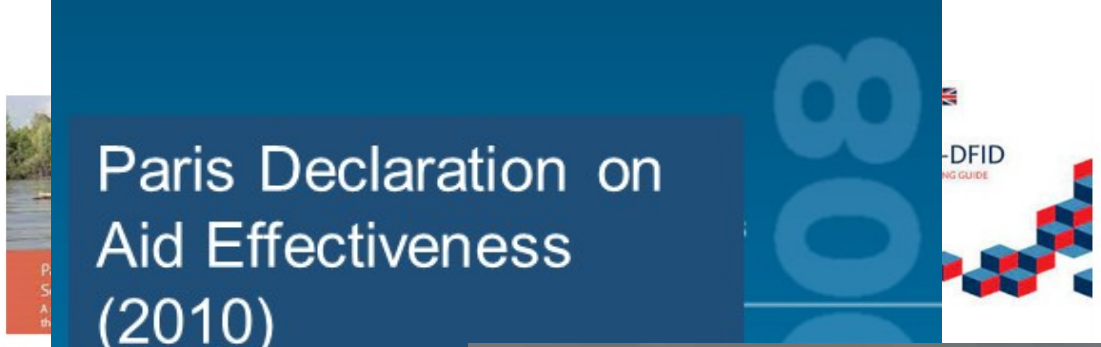
- ❑ guidelines, templates, safeguards, EIAs, manuals, rules, review, evaluations, assessments, appraisals,
- ❑ excessive costs
 - human resources
 - duplication
 - delays ...
- ❑ solutions?



Paris declaration- 2010

Paris commitment to resolve fragmentation – but still many ‘elephants’

-  over 500 bilateral & multilateral **agencies**
-  over 100 climate-related **trust funds** in various agencies
-  over 100 **pages** in the environmental and social safeguard guidelines of some finance institutions



Paris Declaration on
Aid Effectiveness
(2010)

The cover of the Paris Declaration on Aid Effectiveness (2010) features a blue background with large, stylized white numbers '8' and '0' on the right side. A red and blue checkered staircase graphic is visible in the top right corner.



FIELD MANUAL
FOR MANAGING
HUMAN-ELEPHANT
CONFLICT



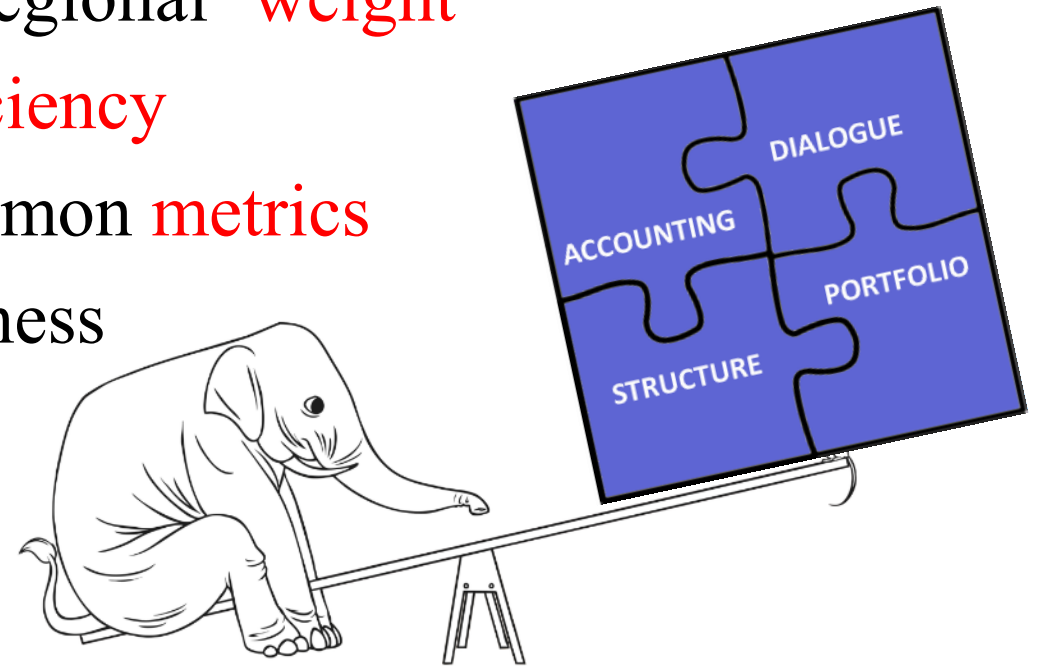
structural challenges - ‘business as usual’

- ❑ projects **individually** financed and assessed
 - baselines, risks, returns, economic viability, social and environmental benefits, safeguards and management modalities
 - project-specific indicators and monitoring
 - project-specific contributions to externally financed projects
- ❑ high transaction **costs**, often ‘**separate**’ budgets and staff/ project management units
- ❑ **integration** with other projects challenging
 - oceans, climate, poverty, or human health
- ❑ **attribution** of impacts challenging
- ❑ co-benefits not fully reflected



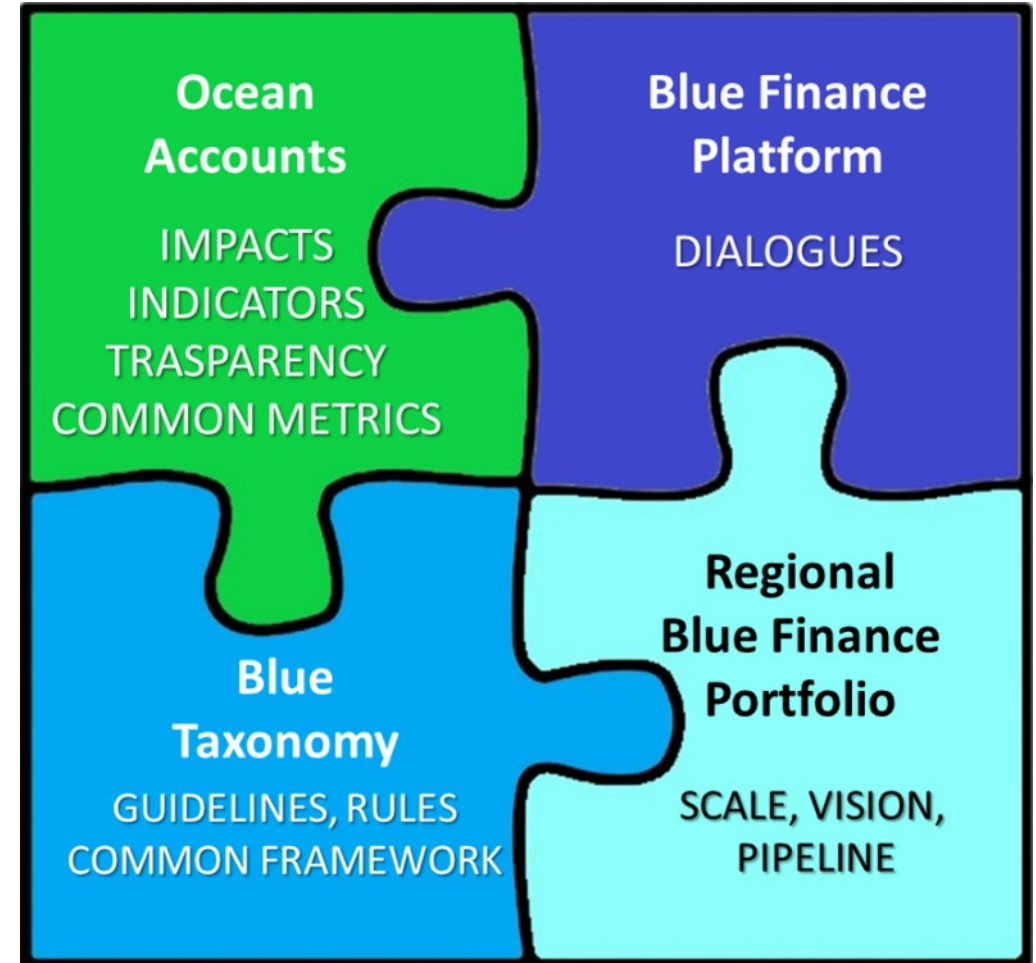
need regional ‘weight’ to move the ‘agenda’

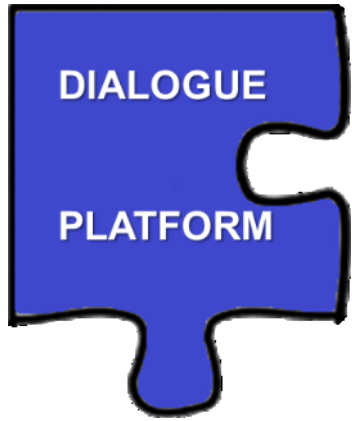
- proposed **Blue Finance Architecture** provides an approach
- **dialogue** to find solutions ‘on the ground’
- combined blue investments to provide regional ‘**weight**’
- aligned targets & criteria generates **efficiency**
- **knowledge** management to support common **metrics**
- use of **existing** institutions for effectiveness



Pillars of the Blue Finance Architecture

- I. Platform
 - regional dialogue on blue finance
- II. Portfolio
 - scale, *virtual* investment pipeline
- III. Taxonomy
 - common investment framework
- IV. Accounts
 - ocean accounts, common indicators, metrics





I. Blue Finance Platform

Role

- ❑ regional **coordinating facility** on blue finance
- ❑ **host** the regional (virtual) blue portfolio & taxonomy
- ❑ link ocean accounts to investment impact
- ❑ **NOT a fund**, but could propose financing modalities

Stakeholders

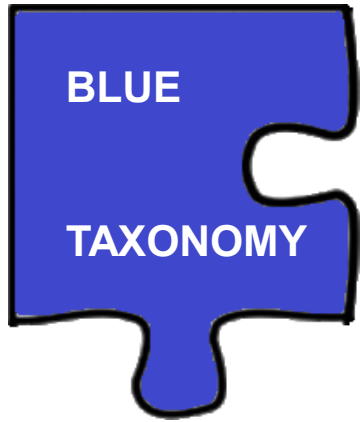
- ❑ **countries** & Regional Economic Communities
- ❑ major **sources of finance** open ended – regional/ global
- ❑ regional **business** organisations, industry, incl. SMEs
- ❑ **facilitators** with implementing/ facilitating capability, e.g. country blue funds & development banks



II. Regional Blue Investment Portfolio will

- ❑ compile a virtual regional blue portfolio of investment demand to bring regional blue finance to **scale**
- ❑ present the portfolio as a **pipeline** and **vision** of sustainable investment opportunities
- ❑ structure the portfolio to align with supply of finance through a blue taxonomy
- ❑ **identify** financing opportunities at regional scale, including blended finance
- ❑ reduce transaction **costs** & risks
- ❑ provide a vision for '**continuity**'

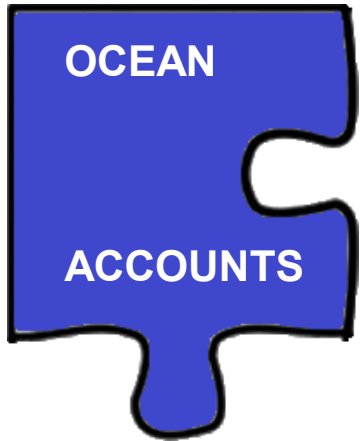




III. blue taxonomy

- ❑ framework to **structure, prioritise** & guide sustainable blue **investments** & ‘discourage’ less sustainable investments
- ❑ sets consensus **criteria & metrics** for sustainable investment
- ❑ drives **coordination** among sources of finance
- ❑ reduces fragmentation through shared investment criteria
- ❑ drives **blending** of finance instruments
- ❑ links investment with **impact**
- ❑ enables harmonised **monitoring**





IV. national & regional ocean accounts

- standardised reporting on ocean state and trends
 - quantitative & qualitative transparent assessment
 - captures environmental, social and economic information
 - captures changes in ocean wealth & flow of costs/ benefits
- means of tracking the impact of investment
 - aggregate impacts – not project-by-project attribution
- ✓ already under development
- ✓ ROGS Task Force consensus on utility

