The new OECD Report "Sustainable Ocean for All" provides evidence and policy advice on how to scale up sustainable investments and scaling down and re-directing private finance away from harmful activities by: (i) shedding light on the extent to which, and how, ODA is leveraging private finance for the ocean, (ii) reviewing challenges and opportunities of scaling up innovative financing instruments – such as blue bonds, ocean-for debt swaps and others – to mobilise private capital for the ocean; and (iii) discussing how, besides scaling up resources for sustainable activities through new instruments, there is a need for a broader transformational shift to reset global finance towards sustainability and curb investments towards unsustainable economic activities.

ODA IS MOBILISING PRIVATE FINANCE FOR THE OCEAN

Development finance can help mobilise additional finance from private sources towards sustainable ocean economies in developing countries. The value of such blended finance is defined by its contribution to sustainable development, and its catalytic effect in unlocking private finance towards it, and in doing so helping to co-create sustainable products and markets, tilting the playing field in the direction of sustainability for shared prosperity and spurring the replication of similar projects via demonstration. Through the use of ODA grants, loans, guarantees, syndicated loans and other development finance instruments, development co-operation leveraged USD 2.92 billion of private finance for the ocean economy in 2013-17. Of this total, 43% supported ocean-based industries and ecosystems and 57% was comprised of land-based activities that reduce negative impacts on the ocean such as waste management, sanitation and water treatment.

For ocean-relevant land-based activities, development finance was able to mobilise the greatest volumes of private finance using guarantees, chiefly employed in support of water and sanitation interventions. In the case of ocean-based industries, the largest amounts of private finance were mobilised through direct investments in companies and special purpose vehicles (SPVs) as well as through syndicated loans. In 2013–17, upper middle-income countries benefited the most from the leveraging effect of development finance instruments, receiving 39% of overall amounts mobilised.
NEW FINANCING INSTRUMENTS ARE BEING DEVELOPED WITH THE SUPPORT OF ODA TO MOBILISE FINANCE FOR THE OCEAN

Development co-operation has proved critical for developing a range of innovative financial instruments and mechanisms for ocean conservation and the sustainable use of ocean resources, such as blue bonds, debt for nature swaps, and innovative insurance schemes. Development partners have supported the creation and implementation of new financial instruments and products in various ways, from contributing technical assistance and absorbing the development phase costs of these new instruments, to providing funds and credit enhancement for their implementation, to supporting the identification of a pipeline of bankable projects. The report discusses the challenges and opportunities for replicating and scaling up these new instruments and how development co-operation can help.

DEVELOPMENT CO-OPERATION CAN DO MORE TO HELP DIVERT AND RE-ORIENT PRIVATE FINANCE AWAY FROM HARMFUL ACTIVITIES

Development co-operation support to mobilise sustainable investments through innovative financial instruments and other leveraging instruments will be a drop in the ocean without greater efforts to curb and re-orient the financial flows currently fuelling destructive economic activities, which often have the largest impacts on developing countries’ fish populations, coasts and tourism, food security, and livelihoods. Therefore, development partners have a critical role in supporting policies, regulations and financial levers to divert finance from harmful and unsustainable practices and to ensure that sustainability is integrated in traditional financial services and investments, in financial markets (e.g. stocks and bonds), and in credit markets (e.g. loans or bonds). It is necessary to mainstream sustainability concerns to the bulk of global investments and corporate finance in ocean-based industries and those that have either direct or indirect impacts on the ocean, and the report suggests specific ways to do so.

TO ENHANCE THE IMPACT OF DEVELOPMENT CO-OPERATION FOR SUSTAINABLE OCEAN ECONOMIES, THE INTERNATIONAL DEVELOPMENT COMMUNITY CAN:

- **Use ODA catalytically** to improve the commercial viability of investments in sustainable activities and businesses, helping to create new sustainable products and markets including through new investment vehicles and instruments.
- **Integrate ocean sustainability requirements** in all ODA lending and in all development finance institution (DFIs) lending (not all of which is concessional in ODA terms).
- **Support the adoption of the Sustainable Blue Economy Finance Principles** and the integration of ocean sustainability requirements by international finance institutions, which bilateral development partners can influence as they are members and shareholders of these institutions.
- **Advocate** for the adoption of the integration of ocean sustainability requirements in exchange listing rules and other financial market regulations to refocus investments to ocean-based industries towards sustainability.
- **Strengthen independent assessments** of the impacts of different financial flows towards ocean-based industries and ocean conservation.

For more information, check out the new OECD Report: Sustainable ocean for all: Harnessing the benefits of sustainable ocean economies for developing countries (OECD, 2020)