





Synergizing Blue Finance and Ocean Governance: A pathway to a Thriving Blue Economy for India



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Abstract

The “blue economy” concept has become popular recently as societies around the world seek more sustainable and ethical ways to use the resources of our planet. The blue economy is a comprehensive and ground-breaking strategy for sustainable development that places a strong emphasis on the wise use and conservation of maritime resources. In relation to oceans and coastal areas, it aims to achieve a balance between social justice, environmental preservation and economic prosperity. However, realizing the full potential of the blue economy requires a concerted effort to ensure the sustainable use of marine resources. This is where blue finance and ocean governance come into play.

By synergizing blue finance and ocean governance, India can create an enabling environment for the growth of a thriving blue economy. This will require a holistic approach that addresses the economic, social and environmental dimensions of blue economy development. This paper explores the potential of blue finance and ocean governance to support the development of a thriving blue economy in India.

Introduction

Globally, investors, financial institutions and issuers are becoming more interested in the burgeoning field of blue finance in climate finance. The possibility

to guarantee the availability of clean water, protect underwater habitats and promote a sustainable water economy is fantastic. Modern financing tools, in particular, Blue Bonds and Blue Loans, raise capital and channel it toward projects like managing water and wastewater, cutting down on ocean plastic pollution, regenerating marine habitats, promoting sustainable shipping, eco-friendly travel, or developing offshore renewable energy. Economic expansion, growth in employment, increased food security, the use of sustainable energy sources and biodiversity preservation are just a few advantages that the blue economy offers. It preserve the long-term survival of oceans and coastal areas by encouraging appropriate practices.

The seas, which make up more than 70% of the Earth’s surface, are vital to maintain life on Earth. As the challenges of climate change, overfishing and pollution loom larger, effective ocean governance has become imperative. This governance framework encompasses policies, laws and international agreements aimed at regulating the use and protection of marine resources. One key instrument in this endeavor is blue finance, a dynamic approach that mobilizes financial resources to support sustainable ocean-related initiatives.

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Blue Finance: Unleashing the Financial Tides

At the heart of effective ocean governance, the innovative concept of blue finance lies. This term refers to a suite of financial instruments and strategies tailored to fund sustainable ocean initiatives. It recognizes that economic prosperity and environmental stewardship are intimately linked in the maritime domain.

One of the primary avenues for blue finance is impact investing. This involves allocating capital to projects and enterprises that generate measurable positive environmental and social outcomes. In the context of oceans, impact investing may support ventures focused on sustainable fisheries, marine conservation and coastal resilience. These investments not only generate returns but also foster long-term benefits for both ecosystem and community.

Furthermore, green bonds and sustainable debt instruments have gained prominence as tools to channel capital towards environmentally responsible projects. These financial instruments, often issued by Governments, development banks, or private corporations, raise funds earmarked for activities like marine habitat restoration, clean energy in maritime transportation and climate-resilient coastal infrastructure.

Need for Blue Finance

The term “blue” finance for climate-smart marine-related projects connects developers with investors having interest in water projects. Bonds that focus on a single category, such as blue bonds, comes under “thematic bonds.” Investments in Blue bonds are increasing as the investment in thematic bonds are rising. Investors with interest in social impact or change like sustainable coastal tourism, fishing, port development or drinking water sources may be drawn to blue bonds. Ocean freight companies, for example, may be willing to pay more to purchase “blue” carbon credits to offset their emissions if it means they can continue to make money from water resources.

The need for funding to restore, preserve and safeguard maritime environment has been exacerbated by factors such as pollution, overfishing, unsustainable tourism and climate change. The “blue economy,” or economic activity that depends on marine environment, is anticipated to employ 40 million people globally by 2030. The 14th United Nations Sustainable Development Goal (UNSDG) is to “Conserve and sustainably use the oceans, seas and marine resources for sustainable development” is supported by investments in the Sustainable Blue Economy (SBE).

Additionally, blue funding meets UNSDG Goal 6: “Ensure access to water and sanitation for all.” In this sector, more funding is required. According to the World Bank, 4.2 billion people lack access to properly managed sanitation services and 2.2 billion people lack access to clean drinking water.

The availability and accessibility of funding channels is essential for the long-term growth of India’s blue economy. Blue finance, encompassing instruments such as blue loans and blue bonds, has become a vital catalyst for securing funding for ocean-based

initiatives and thus, achieving economic development, social inclusiveness and environmental preservation.

The need for blue finance is particularly acute in India, given its vast coastline, rich marine resources and its dependence on the blue economy for livelihoods and economic development. Blue finance can help to bridge the financing gap for blue economy projects, which are often perceived as risky or illiquid by conventional investors.

Blue loans and blue bonds can be used to finance a wide range of blue economy activities, such as marine renewable energy, sustainable fishing, aquaculture, coastal tourism and marine biotechnology. These instruments can also be used to support investments in ocean governance and marine conservation.

The prominence of India's blue economy cannot be overstated. It contributes significantly to India's GDP, provides employment to millions of people and plays a vital role in food security. The blue economy's sustainable development is essential for achieving India's goals of inclusive growth and sustainable development.

The three pillars of the blue economy are economic growth, social inclusion and environmental sustainability. Blue finance can play a critical role in supporting all three pillars by financing investments that generate economic returns, create jobs and protect the marine environment.

For the blue economy to grow sustainably, there must be effective ocean governance. Ocean governance encompasses the laws, policies and institutions that manage human activities in the marine environment. Strong ocean governance is needed to ensure that blue economy activities are conducted in a sustainable and equitable manner.

Blue loans and blue bonds

Due to the fact that blue finance is a subset of green

finance, projects that are being examined for blue bonds and loans should satisfy the requirements for green bonds and loans in addition to having a special focus on "blue" uses of revenues. Much like the process for issuing green products, the method for issuing blue bonds or loans is similar. Organizations can utilize a recognized definition for loans, such as the IFC's Guidelines for Blue Finance, to decide whether or not possible loans and investments can be categorized as "blue."

Importance of India's Blue Economy

According to the World Bank, the term "blue economy" refers to the "sustainable use of ocean resources for economic growth, improved livelihoods and jobs while preserving the health of the ecosystem." The vast array of ocean resources that are available to the nation and that may be used to produce goods and services, as well as their connections to economic growth, environmental sustainability and national security, are generally referred to as the "blue economy." Thanks to the blue economy, India and other coastal nations have a vast socio-economic potential to utilize ocean resources effectively for the good of society.

The demand for products associated to the ocean, such as seafood and energy production, has increased, fueling the growth of the global Blue Economy, which now has an estimated US\$ 3-6 trillion in annual global turnover.

The term "blue economy" in India refers to the entire system of ocean resources as well as the economic infrastructure built by people in the marine, maritime and onshore coastal zones within the country's legal jurisdiction. Due to its extensive maritime interests, India's Blue Economy idea is complicated and has a significant impact on the nation's economic progress. About 4% of India's GDP comes from the blue economy, which is expected to grow if the system

is enhanced. It is envisaged the contribution of blue economy would grow from single digit figures to double digit growth in our nation's GDP. The decade 2021-2030 has been announced by United Nations as the decade of Ocean Science for sustainable development.

In order to assure economic growth and sustainability as well as national security, the plan includes coastal management services, marine amenities, ocean resources and physical infrastructure for maritime economic development. India's two most lucrative blue economy sectors are mining and fishing. Polymetallic nodules and polymetallic giant sulphides are two mineral occurrences in the Indian Ocean that are of interest to developers. Polymetallic nodules are used for golf to tennis ball sized nodules with nickel, cobalt, iron and manganese that grow over millions of years on the ocean floor and are often found at depths of 4-5 kilometers. In 1987, India received exclusive authorization to examine polymetallic nodules in the Central Indian Ocean Basin. Since then, it has built two mine locations and explored four million square miles.

The coastal economy is crucial to the livelihood of more than 4 million fishermen as well as coastal communities. The second-largest producer of fish in the world, India boasts a fleet of 2,50,000 fishing vessels. India has a great marine position thanks to its 7,517 kilometers of coastline. The nine states of India have access to the ocean. In FY21, 541.76 million tons were handled in India's 200 ports, 12 of which are significant ports, with Mormugao Port in Goa handling the largest amount at 62.6%.

Additionally, significant components of India's blue economy are ship-building and shipping. By 2035, the modal share of coastal shipping, which is currently about 6%, might rise to 33%. The Indian Ocean region is essential to India's economic development because the majority of the country's oil and gas originates from the sea. This reliance is predicted to

increase dramatically by 2025.

The Indian Ocean's Blue Economy has grown into a significant commercial route. It is the world's third-largest body of water covering 68.5 million square kilometers. The countries that border the ocean are also home to nearly one-third of the world's population and have abundant mineral and energy resources. India is bound by the United Nations Convention on the Law of the Sea (UNCLOS) to carry out important international obligations in the Indo-Pacific, including search and rescue, seabed mining and anti-piracy. It also maintains a strong diplomatic presence in the region. Last but not least, the 14,500 km of internal waterways in the country are expanding quickly, increasing the exposure and reach of the blue industry. The first containerized shipment has already passed through the Protocol between India and Bangladesh.

Another pressing issue related to the ocean is climate change with its impact being felt most strongly in polar regions. Climate change is exerting its most pronounced effects on polar regions getting warmer, notably the Arctic, Antarctic and in the Himalayas.

Three pillars of Blue Economy

The three pillars of the blue economy are economic, social and environment and it is frequently seen as being interrelated. It aims to strike a balance between environment preservation, social equality (such as employment and poverty reduction) and economic growth. Long-term sustainability is ensured by this trilateral strategy.

The economic, social and environment components serve as the three intertwined pillars that support sustainable development in the blue economy. These pillars offer a thorough framework for juggling environmental protection, social equality and economic development in the context of our oceans and coastal areas.

I Economic Pillar: Navigating Prosperity

Utilizing the enormous economic potential of oceans and coastal regions while guaranteeing appropriate resource management is the foundation of the blue economy. The important elements include:

Marine Industries: It refers to a variety of fields, including aquaculture, maritime transportation, offshore energy and marine biotechnology. The blue economy wishes to endorse innovation, economic growth and job creation by maximizing these sectors.

Resource Efficiency: The economic pillar's primary tenet is resource efficiency. It entails using marine resources responsibly, cutting down on waste and pollution and maximizing the benefits the oceans provide.

Sustainable Business Practices: Encouragement of enterprises to embrace sustainable business practices, such as eco-friendly technologies and green supply chains, is a key component. Businesses that are sustainable not only prosper economically but also help to protect the environment.

II Social Pillar: Community Empowerment

Within the framework of the blue economy, the social pillar emphasizes the value of social fairness and community well-being. Its essential parts consist of:

Livelihoods: Millions of people around the world, particularly in coastal areas, rely on sustainable marine sectors for their subsistence. The social pillar ensures that these means of subsistence are safe, equitable and inclusive.

Local Engagement: It encourages local involvement and decision-making, acknowledging that local communities should have a say in how maritime resources are managed and used.

Social Inclusivity: In order to ensure that men and women in the blue economy have equal opportunities and access to benefits, the social pillar promotes

gender equality and inclusivity.

III Environmental pillar: Protecting Our Oceans

The health and resilience of seas and coastal ecosystems are of the utmost importance. The important elements include:

Conservation of Biodiversity: It is crucial to save marine biodiversity. This pillar promotes the protection of marine habitats, threatened species and the general harmony of marine life.

Ecosystem Resilience: It is crucial to foster resilience in the face of pollution, climate change and habitat destruction. Ecosystem health is influenced by policies like marine protected areas and sustainable fishing methods.

Environmental Stewardship: The environmental pillar is centered on ethical resource management and minimizing the ecological impact of human activities. It acknowledges that a healthy ocean ecosystem is necessary for human and economic well-being.

Ocean Governance

Ocean governance is the coordinated management of the world's oceans for the purpose of preserving their biological diversity, ensuring the environmentally responsible exploitation of their marine and coastal resources and protecting the environment. Ocean governance should be vertically integrated across all levels of governance because it requires the involvement of Government organizations, private sector, NGOs, academics, scientists, etc. as well as horizontally integrated across all levels of governance within an integrated system with reciprocal collaboration and coordination.

The Imperative for Ocean Governance

The need for robust ocean governance has never been more pressing. Overfishing has led to depleted

fish stocks, endangering livelihoods and exacerbating food security concerns. Pollution from land-based sources and maritime activities has resulted in degraded ecosystems and marine biodiversity loss. Furthermore, the impacts of climate change, such as rising sea levels and ocean acidification, pose unprecedented threats to coastal communities and marine habitats.

The Ocean governance provides a structured framework to address these challenges. It entails a multi-faceted approach, involving Government, international organizations, non-Government entities and local communities. Through mechanisms like marine protected areas, quota-based fisheries management and pollution control measures, ocean governance seeks to balance human activities with the preservation of marine ecosystems.

Conclusion

In conclusion, the economic, social and environment pillars of the blue economy, all work together to promote sustainable growth. The blue economy offers a comprehensive strategy for improving the health of oceans and coastal regions for future generation by balancing economic growth, social inclusiveness and environmental stewardship.

The Ocean governance and blue finance represent twin pillars in our collective effort to safeguard the

health of oceans. As we confront the escalating challenges of climate change, overexploitation and pollution, their significance cannot be overstated. By embracing robust governance frameworks and harnessing the power of blue finance, we embark on a path towards a future where our oceans thrive, sustaining life for generations to come. The time to act is now, for the oceans are not only our heritage but also the legacy we leave for the world.

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IIBF Inter Bank Quiz Contest-Banking Chanakya

The 3rd edition of the Inter Bank Quiz Contest-Banking Chanakya 2023 has successfully commenced w.e.f. 25th September 2023. The first phase of the event comprising the online preliminary and quarter-finals have been successfully completed during the month of September-October' 23. The National finale is scheduled to be held on January 20, 2024 at IIBF's Corporate Office, Mumbai which will be played between the Zonal Champions. Please visit our website - <https://www.iibfbankingchanakya.com/> for further updates on the same.