Table of Contents

Seascape Assessment of Financial Flows and Key Financial Actors in the Baltic Ecoregion, and their impact towards delivering the SDGs (7, 8, 9, 13, 14), 2030 European Green Deal (EGD) marine goals and HELCOM Baltic Sea Action Plan (BSAP)

1) Background

The Baltic Sea is one of the most dynamic, sensitive and unique ecosystems on the planet. It is also one of the most threatened. Eutrophication, overfishing, increased rate of invasive species, high contaminant levels, as well as disturbance to seabed habitats are just some of the many challenges facing the Baltic Sea. Unfortunately, many of these challenges will be compounded by the effects of climate change as water temperatures and salinity will influence ecosystem structure and function. Continued economic growth and infrastructure development could also compound the problems as competition for the use of the sea increases. Coastal and marine infrastructure including aquaculture, agricultural runoff, stormwater and wastewater management, defence and security, climate change mitigation, tourism, renewable energy, oil and gas drilling, cables and pipelines are all predicted to increase. Furthermore, shipping routes, boat traffic, and other human activities are mounting[1]. Commercial fishing is on a downward trend.

1.1 The growing movement for a sustainable blue economy

The IPCC's Special Report on the Oceans and Cryosphere in a Changing Climate outlines the impacts of climate change on an already challenging situation for many millions of people dependent on the ocean for their livelihoods and wellbeing. Current planning and management approaches are insufficient when it comes to addressing and predicting future threats and challenges. Marine policy and legislation have in many countries been developed over the years in a way where each sector has been addressed in silos. This has created a patchwork of marine-related legislation that is proving insufficient to deal with the increasingly complex problems that face the Baltic Sea and its many users. Governments need to put more effort and resources into advancing towards the SDGs, and targets of the 2030 European Green Deal (EGD) Agenda and HELCOM Baltic Sea Action Plan (BSAP).

1.2 The challenge of financing a sustainable blue economy

For sustained long-term financial investment, financial institutions (FIs) must back sustainable economic activities that the EU and national governments support. Yet in most seascapes today, flows of finance to unsustainable activities are much larger than those to sustainable ones. Furthermore, most investors (private, public and civic) are not investing with a sustainable seascape context or goal in mind. Despite rising blue/sustainable finance, financial institutions still largely pursue models that focus on a single objective within a seascape, such as fishing, marine restoration, or climate adaptation or mitigation. Few investments are designed to achieve multiple objectives within seascapes and there are still few efforts to coordinate finance within seascapes to address interdependencies, conflicts, spatial connectivity, or the synergies needed to achieve seascape ambitions at scale.

[1] The EU Blue Economy Report 2019 https://op.europa.eu/en/publication-detail/-/publication/676bbd4a-7dd9-11e9-9f05-01aa75ed71a1/language-en/

A critical step toward shifting the flows of finance to integrated seascape investments is to identify and characterize the most important financial flows within the seascape. It is important to map out the relevant actors, what they are financing, and the details of the financing arrangements, as well as the impacts of these flows on the key performance indicators that have been set by seascape stakeholders. With these insights gained, stakeholders and investors can develop ideas for how to influence key flows of finance and cultivate new flows that may better align with a sustainable blue economy.

1.3 The research question

Do current Baltic seascape financial investments support ecosystem-based integrated ocean management and a sustainable blue economy?

Do planned future (next 5 years) Baltic seascape financial investments support ecosystem-based integrated ocean management and a sustainable blue economy?

2) Report(s) key aims and objectives

The aim of the research is to explore the financial flows and key finance actors in the Baltic region as a first step in building WWF's engagement with the finance sector in the region. The report will assess and advise how capital flows could be reoriented – exploring positive incentives and enabling conditions – and how to move financial flows appropriately towards sustainable long-term financial and economic activities. WWF will **use the findings of the research to promote the need to reorient capital flows towards sustainable investments**. This will be achieved by getting financial actors to mitigate those risks through proper fiduciary care, governance, investment tools (i.e. Metabolic study[2]), and adoption of the Sustainable Blue Economy Finance Principles[3] in the Baltic. This will create the conditions for a thriving and inclusive sustainable blue economy in the region, leading towards an improvement of marine conservation and recovery. **The report will also assess which financial sectors/actors are supporting maritime sectors in achieving the SDGs (7, 8, 9, 13, 14) and 2030 EGD and HELCOM BSAP marine goals and which ones are not.** The new EGD has aims to increase investments in sustainable infrastructure, fully decarbonise the energy system by 2050, promote circular economy and achieve greater efficiencies in resource use and far lower waste.

2.1 The key objectives of the study

The objective of the Seascape Assessment of Financial Flows (SAFF) is to identify and characterize beneficial vs detrimental key flows of financial investment contribution towards supporting the Baltic region sustainable blue economy (SBE). **This assessment will result in building the capacity of Baltic maritime stakeholders to identify and understand four issues — (i) the financial flows related to their seascape; (ii) who the main sources and recipients of investment are; (iii) the use and purpose of the investments; and (iv) the impacts of these investments on achieving the SDGs, 2030 EGD marine goals and HELCOM BSAP**.

This study will contribute to:

- stakeholder's understanding the composition and relationships of the seascape economy and the key modes of capital flows into maritime sectors;

[2] https://d2ouvy59p0dg6k.cloudfront.net/downloads/metabolic_wwf_value_at_risk_in_the_blue_economy_29112019_lr.pdf as well as future Global Value at Risk Assessment in production

[3] https://www.wwf.org.uk/updates/sustainable-blue-economy-finance-principles

• identify financial resources that could support strategic projects and activities critical to sustainable seascape management;
• identify key existing detrimental financial flows that need to be transformed in order to meet sustainable seascape objectives;
• identify opportunities to strengthen the financial governance mechanisms of key financial flows towards sustainable investments;
• identify system-wide challenges for the seascape's sustainable financial system (e.g., key gaps in services); and
• identify opportunities to strengthen the coordination of integrated seascape investments.

Main long-term objectives beyond the study itself:

- reorient capital flows, where needed, towards sustainable blue investment in order to achieve sustainable and inclusive growth ultimately reducing resource depletion, environmental degradation and resulting social issues;
- getting investors to exit blue investments that present a high environmental risk;
- upholding investors fiduciary duties to act in their clients' best interest by supporting sustainable economies, our communities and the planet; and
- foster transparency across the finance sector in financial and economic activity.

3) Methodology

The methodology includes four phases:

3.1 Phase 1: Map the seascape economy, to focus the design of the flows' analysis

Complete financial flows will be mapped for the top 5 or more sectors: identifying all stakeholders along the flow, understanding the points of influence for different sub-segments of the market and listing the modes/structures of these investments both from a current and a future projected perspective. The analysis should include (1) commercial banking (working capital management, term loans) transaction, (2) project finance provided by non-banking financial institutions, (3) budgetary support from the government and (4) other investment banking transactions such as project finance advisory, debt and equity underwriting, private placements, pensions, initial private offering (IPO), etc. The mapping will:

- Determine where the sectors and sub-sectors are concentrated geographically in the seascape and the most important financial flows in each key sector and sub-sector.
- Determine broadly the key trends in these sectors and sub-sectors (i.e., which activities are increasing, decreasing or staying the same).
- Determine the drivers of these trends (economic, social, political and/or ecological).
- Determine broadly the relative and absolute importance of these sectors and sub-sectors in terms of economic output, employment, and social and environmental impacts.
- Determine which sectors and sub-sectors are most dependent on marine natural resources.
- Identify the key actors in these sectors and sub-sectors (ideally, differentiated between national, regional and international actors).
- Agree the boundaries of the Baltic Seascape used for the report (i.e. Kattegat, Gulf of Bothnia, Bay of Bothnia, Gulf of Finland and Gulf of Riga)

- Clarify any discrepancies between the seascape initiative's boundaries and data sources[4] that may be jurisdictional or otherwise different from each other
- During Phase 1 the Project Team will assess the economic sectors and trends in the seascape that have the most impact on the seascape objectives of 100% ecosystem-based management.
- Phase 1 will stimulate and inform discussion within the Project Team on priorities for Phase 2.

3.2 Phase 2: Identify and understand the financial flows most beneficial to contributing towards a sustainable blue economy as well as those hindering.
Elements of these financial flows include financial sources, mechanisms, and recipients. The study will consider the financial flows within each sector and from all supply chain segments, including production, processing, and technical services.

3.3 Phase 3: Examine in further detail the top 3-5 key economic maritime sectors and sub-sectors in the seascape receiving the greatest financial support and investment, primarily the sources and recipients of these flows;

- Why the flow is important and how it affects a sustainable blue economy built on an ecosystem-based approach (refer to WWF EB IOM framing paper in Production);
- The type of financial mechanism (e.g., loan, concessional loan, grant, payment for services, equity investment, underwriting etc);
- The terms (KPIs) of the financing arrangements (e.g., in the case of loans - type of investments; or in the case of grants - the type of outcomes expected); and
- Any notable innovations of the flow (e.g., blended finance models, special conditions).

3.4 Phase 4: Provide a review of if and how financial flows towards the maritime sectors are delivering on or are obstructing delivery of the SDGS, the EGD marine goals and HELCOM BASP and/or recommendations on how financial flows can support them.

4) Consultant Deliverables

The consultant will compile a report(s) with compelling matrix diagrams and maps, and a presentation depicting the flow of capital including the owners of capital, structures of capital deployment and possible modes of investment to illustrate the most significant financial flows and growth indicators (government spending and policies, supply & demand) in the region to foster transparency and accountability.

An indicative set of deliverables is the following (the final list of deliverables will be identified according to the proposal of the consultant):

I. **Proposed methodological approach including a work plan:**
with defined timelines, milestones and research approach according to the terms of reference.

[4] Sources of information (not an exhaustive list): Existing documents and databases, interviews with a number of key informants (such as municipality officials, district heads, planning agency heads, major development programs, financial institution representatives, and heads of maritime sectors).

II. **Technical report(s):**

in MS Word format that can be laid-out and printed that will include:

a. An executive summary
b. An introduction explaining the background and aims of the report(s);
c. One section for each sector (in a modular report format so that the different elements can be used individually);
d. An overview of the current and emerging landscape of public and private finance players (including public, private and civic) active in the Baltic across relevant sectors.
e. An assessment of the landscape of current finance flows in the Baltic region based on interviews, data available and including key trends.
f. For the top 3-5 sectors targeted provide a list of recommended institutions for potential engagement with WWF to support asset managers to evaluate investment risk and reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth.
g. Recommendations on how to influence these institutions and work with them to encourage the development of sustainable investment products and lending policies.
h. Attend a stakeholder consultation meeting mid-term in the project life cycle to inform on process, identify gaps and cover questions regarding the assessment to date.
i. Provide a review of progress made by maritime sectors towards delivering the SDGs (7, 8, 9, 13, 14)[5], EGD marine goals and HELCOM BSAP with suggestions on how financial flows are or can support.
j. Provide a section outlining recommendations for the future and strategic steps on how WWF can position itself in the region to support the finance sector to reorient capital flows towards sustainable investments.
k. Reference material to support the findings in the above-mentioned deliverables. These can be presented as a separate background report or in any other format as long as all the information is provided.
l. Present findings at a stakeholder consultation meeting at the end of the project life cycle.

[5] Compiling SDG progress within the Baltic region provides a monitoring benchmark to analyse sectors progress against a set number of indicators[1] using tools such as the SDG tracker[2], SDG dashboard[3], UN SDG Tracker[4] and SDG open data source[5]. Indicators to be agreed upon with WWF.

[1] https://unstats.un.org/sdgs/indicators/indicators-list/

[2] https://sdg-tracker.org/

[3] http://www.sdgsdashboard.org/

[4] https://www.unescap.org/2030-agenda/sustainable-development-goals

[5] https://data.worldbank.org/indicator

m. There may be the need to produce a WWF internal report[6] and an external stakeholder report depending on the sensitivity of the findings.

III. **Maps, graphs, visuals**

Produce matrix maps and other visuals that can be presented in PowerPoint presentations and in reports.

IV. Two **PowerPoint presentations:**

i) Covering progress made to date at mid-term of project and
ii) illustrating the main findings of the assessment to be presented at stakeholder consultations.

Timetable for Deliverables (Consultant to supply work plan)

Table 1. DELIVERABLES	**Date**
1. One proposed **work plan** under the terms of reference with clear deadlines	XXX
2. Kick-off meeting	XXX
3. 1st **Draft report** that identifies main finance players and quantifies key financial flows and impacts on seascape sustainability objectives - to be shared with WWF for comments and suggestions.	XXX
4. WWF Feedback delivered	XXX
5. 2nd Draft report that identifies main finance players and quantifies key financial flows, and impacts on seascape sustainability objectives, and support towards achieving SDG goals - to be shared with WWF for comments and suggestions.	XXX
6. WWF feedback delivered	XXX
7. Mid-term stakeholder's consultation workshop prepare PowerPoint presentation	XXX
8. **Final technical report** according to specifications listed above and 1 **PowerPoint presentation**	XXX
9. Final workshop with HELCOM stakeholders to go over findings (October 20, 2021)	XXX

5) Challenges

A general analysis of the possibility to conduct the above described main study is that it may be hard to find all the necessary and wanted information regarding the financial flows to the Baltic Sea. It is not easy to gain access to the private finance sector as asset managers do not want to release portfolio/investment information. Therefore, a well-connected, trusted consultant or consortium with a strong and wide finance network will be needed.

[6] The financial flows study might possibly remain confidential and for internal WWF purposes only depending on the findings.

6) Timeframe

The consultancy will start on the XXX upon signature of the contract and will be concluded by XXX (to be agreed upon with the consultant).

7) Rights

WWF will retain the property rights for all material produced under this agreement.

8) Supervision

WWF BEP Secretariat along with a Steering committee (internal WWF staff) will supervise all activities of the project and will approve all deliverables. The project lead is Valerie de Liedekerke.

9) Travels

It is expected that there will be no travel needed for the study. That all meetings can be conducted via telephone or video conferencing, as well as consultant interviews with the finance sector stakeholders. Both Stakeholder Consultation Workshops will be virtual.

10) Contact

Send project proposal, timeline and previous work samples to:
Valerie de Liedekerke
Baltic Ecoregion Programme Manager
WWF Sweden
Valerie.deliedekerke@wwf.se
+46 851511462

11) Required consultant skills:

- Experience of infrastructure markets in Baltic region and in particular their financing
- Understanding of social and environmental issues linked to infrastructure development
- Understanding of the finance sector, market flows and financial funding mechanisms
- Access to detailed data (including financial databases/investment portfolios) and market intelligence
- Demonstrable industry contacts
- Matrix mapping skills
- Track record of delivery

12) Annexes or Additional helpful material

An aside WWF will bring on an intern to look at which sectors overlap or affect MPAs or OECMs in general.