

The green and blue bond program enables the Asian Development Bank (ADB) to support its developing member countries seeking to deliver environmentally sustainable growth to help reduce poverty and improve the quality of life of their people.



1 PRINCIPLES

All ADB green bonds and blue bonds are consistent with the Green Bond Principles.¹ The Green Bond Principles are voluntary guidelines coordinated by the International Capital Markets Association that recommend transparency and disclosure and promote integrity in the development of the green bond market. In addition to the Green Bond Principles, ADB blue bonds are consistent with the voluntary Sustainable Blue Economy Finance Principles, hosted by the United Nations Environment Programme – Finance Initiative, of which ADB is a signatory.²



2 PROJECT ELIGIBILITY

Green bonds (as discussed in paragraph 2.1) include investments that support climate change mitigation (such as renewable energy, energy efficiency, and sustainable transport) and climate change adaptation (such as energy infrastructure resilience, water supply and infrastructure, agriculture, and transport).

Blue bonds (as discussed in paragraph 2.2) include investments that contribute to: (i) marine and coastal ecosystem management and restoration (such as management, restoration, sustainable fisheries, and sustainable aquaculture), (ii) pollution control for marine and coastal environments, including the rivers that drain to the ocean (such as management of solid waste, non-point source pollution, and wastewater), and/or (iii) sustainable coastal and marine development (such as sustainable ports and shipping, and marine renewable energy). Eligible distances from the project site to the ocean, rivers that drain to the ocean and/ or the marine environment are described as follows, where appropriate.

Both green bonds and blue bonds would include investments such as construction of new assets, as well as maintenance, enhancement, improvement or repair of existing assets. Green bond- and blue bond-eligible projects would exclude lending to financial intermediaries.

In some instances, due to the interconnected nature of green and blue environments and interventions, a project may be inherently both green and blue, and therefore eligible for both blue bond and green bond issuance allocation. When such circumstances arise, ADB will determine whether the project shall be allocated to the green bond portfolio or the blue bond portfolio based on the primary project objectives, target results, and market demand. No project shall be allocated to both the green bond portfolio and the blue bond portfolio. Each project shall be allocated fully to either the green bond portfolio or the blue bond portfolio.

2.1 Eligible Projects for Green Bond Financing

Projects eligible for green bond financing include investments in climate change mitigation projects (as discussed in paragraph 2.1.1) and climate change adaptation projects (as discussed in paragraph 2.1.2).

2.1.1 Climate Change Mitigation Projects

Climate change mitigation projects are those that target a reduction of greenhouse gas (GHG) emissions into the atmosphere, or the sequestration (removal) of GHGs from the atmosphere. GHG reductions are measured against the GHG emissions that would have occurred in absence of the project (“business as usual”). Mitigation projects typically include those that fall under the following sectors:

Renewable Energy: This is defined as an energy resource that can be naturally replenished. Qualifying renewable energy projects include those that support solar, wind, geothermal or small hydro energy generation.³ No specific eligibility threshold is specified here given that the evaluation and selection process described in paragraph 3.2 results in a strict selection of projects having a significant contribution to the climate change mitigation objective. Renewable energy projects relying on ocean resources (e.g., tidal, offshore wind, wave, ocean thermal energy) and renewable energy projects that support blue economy sectors (e.g., aquaculture and fishing) are included in the projects eligible for blue bond financing (see paragraph 2.2.3).

¹ International Capital Market Association. 2018. The Green Bond Principles. <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² European Commission, World Wildlife Fund, World Resources Institute, and European Investment Bank 2018. <https://www.unepfi.org/blue-finance/>.

³ Small hydro is quantified as equal to or below 20 megawatts. Any hydro project with a greater output will be excluded from the projects eligible for green bond financing.



Coral Reef. Photo by Francesco Ricciardi.

Energy Efficiency: An energy efficient system is one that, with the same energy input, delivers more energy services. Qualifying projects include demand side energy efficiency measures, such as street lighting improvements, or supply side energy efficiency measures, such as smart metering installation, but will exclude fossil fuel-related projects.

Sustainable Transport: A sustainable transport system is one that is environmentally friendly, accessible, safe, and affordable. A sustainable transport system minimizes emissions, use of land, waste, and noise. Qualifying projects include those that support (a) urban public transport projects; (b) inter-urban railway projects; (c) non-motorized transport (including cycling lanes and those that support pedestrian mobility); and (d) projects that promote low-carbon travel (e.g., electric mobility). Transport of fossil fuels is not eligible for green bond financing.

2.1.2 Climate Change Adaptation Projects

Climate change adaptation projects are those which target the reduction of vulnerability of human or natural systems to the consequences of climate change and enhance resilience and adaptive capacity. Such projects typically include those that fall under the following sectors:

Energy Infrastructure Resilience: Climate change will impact on energy infrastructure resilience due to floods and tropical storms causing damage to generation plants or transmission and distribution systems, or due to changing precipitation patterns affecting the generation capacity of hydropower plants. Qualifying climate change adaptation projects include those that help DMCs improve their energy infrastructure resilience (e.g., designing wind turbines to cope with typhoons). However, energy infrastructure resilience projects shall not be fossil fuel-related.

Water Supply and Other Urban Infrastructure and Services: climate change will impact water security and urban populations due to increased exposure to droughts, floods, tropical storms, pests, and diseases. Qualifying climate change adaptation projects include those that improve water security or the livelihoods of vulnerable urban populations. It includes, for example, climate-proofing water supply infrastructures and provision of urban flood protection.

Sustainable Transport: climate change will impact connectivity and access provision, particularly for rural populations, due to floods and tropical storms severing key transport links. Qualifying climate change adaptation projects include those that reduce the vulnerability of transport infrastructure to climate change impacts (e.g., by increasing the embankment heights and bridge clearances, and improving storm water drainage). Projects to improve the environmental performance of ports and shipping are included in projects eligible for blue bond financing (see paragraph 2.2.3).

Agriculture: change in climate variables such as rising temperature may impact agricultural production through the decrease in crop yields; salinity intrusion from sea-level rise and/or storm surges may affect the quantity and quality of agricultural land; increase in frequency and intensity of droughts can disrupt agricultural production; and rise in temperature combined with decline in precipitation can reduce pasture productivity and availability, thereby potentially decreasing livestock yields. Qualifying climate change adaptation projects include those that (i) promote improved water and soil management practices; (ii) strengthens agriculture infrastructure such as irrigation systems; (iii) promotes research, development and use of climate-resilient crop varieties and planting techniques; (iv) diversification of climate-sensitive livelihood activities; and (v) improved use of early warning systems to inform agricultural planning.

Climate change mitigation and climate change adaptation projects may also contribute to other environmental objectives that are not listed in this framework, such as natural resources conservation, urban environment improvement, eco-efficiency, and disaster risk management. For example, renewable energy generation projects that support climate change mitigation objectives whilst avoiding air pollution can deliver cleaner energy production in support of environmentally sustainable growth. In addition, they can also qualify as climate change adaptation projects when they are built to withstand high and fluctuating winds, extreme temperature and precipitation changes, and floods. Similarly, climate change adaptation projects reduce the impacts of climate change risks and when utilizing nature-based solutions can also contribute to environmental conservation objectives.

2.2 Eligible Projects for Blue Bond Financing

Projects eligible for blue bond financing include projects that contribute to ocean health through ecosystem and natural resources management (as discussed in paragraph 2.2.1), pollution control (as discussed in paragraph 2.2.2), and/or sustainable coastal and marine development (as discussed in paragraph 2.2.3). The distance from the project to the ocean is considered as a secondary screening criterion as described below and as appropriate.

2.2.1 Ecosystem and Natural Resources Management Projects

Ecosystem management and natural resources restoration:

To sustainably manage, conserve and/or restore the health and resilience of coastal, marine, and river ecosystems. Qualifying projects include marine protected area establishment and management; management and restoration of coral reefs, mangroves, coastal wetlands, salt marshes, river embankments, and seagrasses; and eradication or control of invasive species. Projects must be located in the marine environment, on a river that drains to the ocean, and/or within 100 kilometers of the coast.

Sustainable fisheries management: To improve environmental sustainability of fisheries and the seafood value chain. Qualifying projects include ecosystem-based fisheries management; improved cold storage and processing, certification schemes, and traceability; integration of bycatch exclusion devices and other fishing gear modification programs; and using policy and technology to strengthen traceability of seafood supply chains.

Sustainable aquaculture: To improve environmental sustainability of aquaculture, mariculture, and algaculture. Qualifying projects include development of new or upgrades to existing infrastructure for sustainable aquaculture, algaculture, or mariculture; development of alternative (not wild-caught) feeds for aquaculture; and development of new technologies and systems to reduce pollution from aquaculture systems and supply chains.

2.2.2 Pollution Control Projects

Solid waste management: To reduce marine debris and/or associated impacts to marine life. Qualifying projects include integrated solid waste management systems and infrastructure; rehabilitation of coastal or riverside landfills or open dumps; and improvement of stormwater management systems. Projects must be within 50 kilometers of the coast or a river that drains to the ocean.

Resource efficiency and circular economy: To reduce marine debris and/or associated impacts to marine life. Qualifying projects include implementation of waste exchange programs; new business models that “design-out” plastic waste; green supply chain management programs to reduce plastic waste; and innovative technologies or approaches that reduce single-use plastic production and consumption.

Non-point source pollution: To reduce pollution (e.g., nutrients, sediments, and chemicals) of coastal and/or marine environments. Qualifying projects include sustainable agriculture programs that reduce inputs of fertilizer and agrichemicals; riparian zone protection and reforestation to prevent soil erosion on rivers that flow to the ocean; and new technologies to reduce agricultural pollution from entering coastal and marine waters. Projects must be within 200 kilometers of the coast or within 50 kilometers of rivers (and their tributaries) that flow to the ocean.

Wastewater management: To reduce wastewater pollution of coastal and/or marine environments. Qualifying projects include new or upgraded wastewater collection and treatment systems built or upgraded; new technologies or systems to prevent wastewater pollutants from entering coastal and marine waters. Projects must be within 100 kilometers of the coast and/or the marine environment.

2.2.3 Sustainable Coastal and Marine Development Projects

Ports and shipping: To increase environmental performance and sustainability of maritime infrastructure and transport. Qualifying projects include reduction and mitigation of ship strike, invasive species, pollution, and other impacts to the ocean.

Marine renewable energy: To reduce GHG emissions and increase contribution of marine and offshore renewable energy (e.g., offshore wind, tidal, wave, or ocean thermal energy) and renewable energy projects that support blue economy sectors (e.g., aquaculture and fishing). Increase capture and storage of GHG emissions using marine-based solutions and technologies.⁴

⁴ Marine renewable energy is a subset of paragraph 2.1.1 Climate Change Mitigation – Renewable Energy. Projects eligible for green bond financing may include all eligible renewable energy projects, and projects eligible for blue bond financing may only include renewable energy projects that focus on marine and offshore renewable energy.



3 PROCESS FOR THE EVALUATION AND SELECTION OF PROJECTS ELIGIBLE FOR GREEN BOND OR BLUE BOND FINANCING

3.1 All Projects

ADB's environmental and social safeguards are a cornerstone of its support for inclusive economic growth and environmental sustainability in Asia and the Pacific. ADB's Safeguards Policy Statement (SPS) (2009)⁵ provides a consolidated policy framework covering environment, involuntary resettlement and indigenous people and it is applicable to all ADB-financed and/or ADB-administered projects and their components.

The SPS aims to promote sustainable project outcomes by protecting the environment and people from potential adverse impacts by (i) avoiding adverse impacts of projects on the environment and affected people, where possible; and (ii) minimizing, mitigating, and/or compensating for adverse impacts when avoidance is not possible. Policy implementation involves a structured process of impact assessment, planning, and mitigation to address the adverse impacts of projects throughout their life cycles. The process is managed by ADB's own safeguard specialists and the safeguard documents are disclosed to the general public in a form, manner, and language accessible to them, and the information is updated as necessary during the project cycle. Under the SPS, ADB aims to help borrowers and/or clients strengthen their safeguard systems and develop the capacity to manage environmental and social risks. All of ADB's investment projects are screened and categorized on a sliding scale of A to C, based on the significance of potential impacts or risks, or categorized as financial intermediary at the project identification stage.

Climate change risks and other social and governance aspects (e.g., poverty reduction, gender, labour, and anticorruption) are also addressed during project preparation in accordance with ADB's operational policies and strategies.

ADB's green and blue bond working group meets on a quarterly basis. Sector experts select and confirm eligibility of projects. The climate and environment team checks whether such projects are in compliance with the SPS and other criteria, such as whether a project has an ongoing compliance case. Projects are nominated for discussion by sector experts and the working group decides to include projects based on consensus. The precautionary principle is normally followed to exclude projects where there is any doubt. The list of eligible projects is summarized in the annual impact report which is signed-off by senior management (i.e., Director General of the Sustainable Development and Climate Change Department).



A patrol group composed of community members who are tasked in maintaining the general well-being of the forest. Photo by ADB.

3.2 Projects Eligible for Green Bond Financing

In 2012, the Multilateral Development Banks (MDBs), including ADB, developed a joint approach for tracking and reporting of climate change mitigation and adaptation finance. This joint approach is a harmonized methodology for reporting on climate change finance. Based on the principles of the general typology of mitigation and adaptation activities included in the joint MDB approach, ADB has been assessing, tracking and reporting its annual climate change mitigation and adaptation finance since 2011.

Eligible projects for green bond financing are identified by ADB energy, climate change, transport, and environmental specialists on a continuous basis firstly using the joint MDB approach for tracking and reporting of climate change mitigation and adaptation finance and then taking into account the additional selection criteria, including the project's classification, as earlier outlined, as a means of identifying "green" projects that deliver environmentally sustainable growth, and compliance with environmental and social safeguards.

3.3 Projects Eligible for Blue Bond Financing

Eligible projects for blue bond financing are identified by ADB environmental specialists on a continuous basis taking into account the selection criteria including the project's classification (as earlier outlined) to identify "blue" projects.

⁵ ADB 2009. Safeguard Policy Statement. <https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>.



Residents of Tuvalu enjoying the sea. Photo by ADB.



4 ALLOCATION OF PROCEEDS

Green bond and blue bond net proceeds will be allocated within ADB's treasury to special sub-portfolios that will be linked to ADB's lending operations to the eligible projects as earlier described. So long as the green bonds and blue bonds are outstanding, the balances of the relevant sub-portfolios will be reduced at the end of each quarter by amounts matching disbursements made during the quarter in respect of the eligible projects. Pending such disbursement, the relevant sub-portfolios will be invested in liquid instruments, consistent with ADB's liquidity policy.



5 MONITORING AND REPORTING

Detailed information about ADB projects, green bond issuances and blue bond issuances are available on ADB's website.

Green bond and blue bond newsletters will provide allocation and impact reporting, detailed highlights of specific examples of eligible projects and relevant impact indicators.

Development effectiveness and compliance with environmental, social and governance aspects (as covenanted in the legal agreement) is monitored on an ongoing basis by ADB during project implementation in accordance with ADB's operational policies and strategies. Each eligible green or blue project loan will also have applicable environmental and social safeguard documents which will be available on ADB's website.



6 ENSURING COMPLIANCE

Through supervision and monitoring at project level it is ensured that safeguard and other requirements are complied with during project preparation and implementation. If issues with safeguards compliance are identified, borrowers must take corrective action to rectify the situation, as covenanted in their legal agreement. Project-affected people can also directly submit complaints to the Accountability Mechanism which provides a forum where they can voice and seek solutions to their problems and report alleged noncompliance of ADB's operational policies and procedures.



7 EXTERNAL REVIEW - SECOND PARTY OPINION

ADB's Green and Blue Bond Framework has been reviewed by CICERO Shades of Green, a leading provider of Second Opinions on green bond frameworks, to confirm the alignment with the Green Bond Principles.

This Second Party Opinion document will be available on ADB's website.



ASIAN DEVELOPMENT BANK

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1996, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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