Establishment of the Ocean Resilience and Coastal Adaptation Financing Partnership Facility
### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>DMC</td>
<td>developing member country</td>
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<tr>
<td>OIC</td>
<td>officer in charge</td>
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<tr>
<td>ORCA-FPF</td>
<td>Ocean Resilience and Coastal Adaptation Financing Partnership Facility</td>
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<tr>
<td>ORCA-TF</td>
<td>Ocean Resilience and Coastal Adaptation Trust Fund</td>
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<tr>
<td>PARD</td>
<td>Pacific Department</td>
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<tr>
<td>SDCC</td>
<td>Sustainable Development and Climate Change Department</td>
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<td>SDG</td>
<td>Sustainable Development Goal</td>
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<td>SIDS</td>
<td>Small Island Developing States</td>
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<td>TA</td>
<td>technical assistance</td>
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### NOTE

In this report, “$” refers to United States dollars.

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### APPENDIX

1. Instrument of Contribution                       | 17   |
I. INTRODUCTION

1. The Ocean Resilience and Coastal Adaptation Financing Partnership Facility (ORCA-FPF), its related trust funds, and other forms of partnerships will scale up investments across coastal areas and the “blue economy”. It will accept and administer contributions to these trust funds and partnerships from bilateral, multilateral, and other sources substantially upon the terms and conditions of this paper.

2. The ORCA-FPF will include

(i) the Ocean Resilience and Coastal Adaptation Trust Fund (ORCA-TF), a multi-donor fund to support technical assistance (TA), grants and grant components of investment projects, and any other activities that the Asian Development Bank (ADB) may agree upon with financing partners; and

(ii) additional partnership agreements that can be arranged during the ORCA-FPF implementation period for the following:

(a) single or multi-donor trust funds to be established substantially on the terms and conditions of this paper;
(b) project-specific and/or programmatic cofinancing, i.e. parallel or joint cofinancing of lending and nonlending assistance to ADB’s developing member countries (DMCs);
(c) knowledge partnerships and collaboration (i.e. secondments, networks); and
(d) any other form of assistance or collaboration with agreed upon arrangements where such activities support the objectives and the scope of the ORCA-FPF.

II. BACKGROUND AND RATIONALE

3. Oceans and coastal areas are crucial to people in Asia and the Pacific. Healthy oceans sustain life on earth, providing billions of people in Asia and the Pacific with livelihoods, food, good health, and recreation. Conserving and restoring coastal and marine ecosystems increases the resilience of coastal communities to economic disruptions, disasters, and climate change impacts. Oceans are one of the world’s largest carbon sinks, absorbing about 31% of the carbon dioxide emissions released into the atmosphere. Mangrove forests, coral reefs, and seagrass beds act as natural buffers from extreme weather events. The oceans also provide benefits far beyond coastal areas, including more than half of the oxygen in the atmosphere and global climate regulation, and are the main source of protein for more than 3 billion people. Much of Asia’s rapid population and economic growth is in large coastal cities, which are highly exposed to extreme weather events. Of the top 10 cities in terms of population exposure to

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1 The ‘blue economy’ refers to an integrated approach to achieving sustainable and resilient ocean development. A sustainable blue economy provides social and economic benefits for current and future generations; restores, protects and maintains diverse, productive and resilient ecosystems; and is based on clean technologies, renewable energy and circular material flows.
3 National Oceanic and Atmospheric Administration. How Has the Ocean Made Life on Land Possible?
extreme weather events worldwide, 9 are in Asia,\textsuperscript{5} which experiences average daily losses of $200 million from disasters caused by such events.\textsuperscript{6}

4. **Oceans face a range of threats.** The threats include overexploitation, pollution, and climate change. Overfishing (fishing beyond the biological limits of fish stocks) is a major threat, driven by the increasing demand for fish and corresponding intensity of fishing activity. Global fisheries are estimated to lose more than $80 billion a year because of overfishing, with about 65% of this loss in Asia.\textsuperscript{7} The region is also the major source of plastic pollution and home to 8 of the world’s top 10 rivers that act as pollution conduits. About 8 million tons of plastic enter the ocean every year along with huge volumes of agricultural pollutants and untreated domestic and industrial wastewater.\textsuperscript{8} The coronavirus disease pandemic has increased the pressure on already vulnerable systems by creating additional marine plastic pollution from personal protective gear. This puts additional strain on fisheries and weakens governments’ ability to protect the oceans.

5. **Coastal and marine ecosystems are highly vulnerable to climate change.** Climate change is causing rising sea levels and ocean warming and acidification, increasing the frequency and intensity of tropical storms and other extreme weather events, and changing species’ population sizes and distribution patterns. Sea level rise, one of the greatest challenges facing coastal areas, exposes hundreds of millions of people—along with their assets and livelihoods—to the risks of more severe and frequent flooding, increased coastal erosion, land loss, and salinization. Studies suggest that, without climate adaptation, an average of 2.5 million to 7.2 million people annually in Bangladesh will be affected by coastal flooding in 2070–2100.\textsuperscript{9} Climate change impacts cause large-scale loss and degradation of coastal ecosystems (including coral reefs, seagrass meadows, sandy and rocky shores, coastal wetlands, mangrove forests, and tidal flats), which are critical to coastline protection, food supply, livelihoods, and the economies of coastal areas. Business as usual means the death of 90% of coral reefs by 2052 and the continued decline in capture fisheries.\textsuperscript{10}

6. **Poor and vulnerable populations bear the brunt of ocean degradation and climate impacts.** Poor and vulnerable populations rely most heavily on the natural resources primarily threatened by overexploitation\textsuperscript{11} and are more likely to live in hazard-exposed areas along the coast. Gender inequalities add to this vulnerability; women typically face disproportionate impacts from climate hazards because many are engaged in the informal economy without job security or social protection schemes. In designing and undertaking actions on the use, management, and protection of oceans, ADB seeks to integrate a gender perspective and consider the different needs of women and men, especially in traditional and indigenous communities.

7. **Coastal areas require adaptative strategies to manage climate risks.** With massive investments in coastal areas in Asia and the Pacific, the stock of low-resilience assets is growing rapidly, increasing future costs of climate hazards and extreme weather events. Investments


\textsuperscript{10} Intergovernmental Panel on Climate Change. 2018. *Global Warming of 1.5 °C.*

\textsuperscript{11} Jaureguiberry et al. 2022. *The Direct Drivers of Recent Global Anthropogenic Biodiversity Loss.* *Science Advances* Volume 8, Issue 45
today risk locking in vulnerability to climate impacts for decades if they fail to consider systemic resilience. Some coastal adaptation interventions may need to be undertaken now and others in the future because of uncertainties associated with climate change. Thus, it is important for coastal areas to adopt adaptive strategies that keep options open to avoid creating path dependencies and lock-in to non-resilient solutions. Such strategies should promote a range of adaptation solutions such as (i) introducing soft defenses “building with nature”\textsuperscript{12}; (ii) incorporating expected sea level rise in periodic maintenance of coastal infrastructure; and (iii) making spatial reservations for future coastal defenses. As some coastal areas, such as atoll countries, may not be able to adapt in the future because of extreme sea level rise, options such as “managed retreat” may need to be explored. Since no single response is enough, implementation of a combination of approaches requires attention to governance issues to help ensure that the outcomes are equitable and sustainable.

8. **Transformational solutions are required.** Ocean and coastal governance systems are fragmented, resulting in conflicting agendas. The current financial system does not fully account for business impacts on nature disadvantaging business models that create both economic and ecological values and generate climate benefits. Harnessing opportunities from the blue economy and resilient coastal development requires doing things differently. A comprehensive and system-wide approach to resilient coastal development is needed, recognizing climate risk as a starting point for formulating coastal development policies, plans, and investments. This would also help to ensure that climate risk considerations are adequately reflected in all decisions for coastal development based on a dynamic pathways approach that seeks to deal with uncertainties.

9. **Pacific Small Island Developing States have unique and extreme climate challenges.** Pacific Small Island Developing States (SIDS) self-identify as “large ocean states,” reflecting the critical role of the ocean in their economies, society, and environment. Excluding Papua New Guinea, 90% of Pacific Islanders live within 5 kilometers of the coast; coastal and marine resources provide most of their food and livelihoods; and their economies depend on coastal and marine tourism, maritime transport, and fisheries. For example, six Pacific SIDS derive at least 45% of government revenue from tuna.\textsuperscript{13} Against a wider backdrop of fragilities and vulnerability to exogenous shocks, coastal areas in the Pacific are highly exposed to extreme weather events and face extreme, cascading, and compounding climate change impacts. For the Pacific’s low-lying atoll nations, only a few meters above sea level, rising oceans and coastal erosion not only cause loss and damage but pose an existential threat. Conversely, Pacific SIDS are also unique in that they are stewards of more than 20 million square kilometers of ocean, including globally significant marine biodiversity. The uniqueness of the challenges and opportunities facing Pacific SIDS necessitates a differentiated approach, including a massive increase in investment, enhanced development cooperation, and support for Pacific regionalism in line with the 2050 Strategy for the Blue Pacific Continent.\textsuperscript{14}

10. **Opportunities to accelerate ocean health, coastal adaptation, and the blue economy.** Despite the challenges, opportunities for sustainable and climate-resilient development for marine economies have never been bigger. The pandemic offers a chance to “build back bluer” by using the economic pause to reimage sustainable development and reinvigorate environmental stimuli. Governments are developing national ocean strategies and blue finance frameworks to support sovereign and private investment in the blue economy.

\textsuperscript{12} “Building with Nature” is a design approach to develop Nature-based Solutions and work with ecosystems for water-related infrastructure such as flood defenses.

\textsuperscript{13} Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Tokelau, and Tuvalu.

\textsuperscript{14} Pacific Islands Forum Secretariat. 2022. *2050 Strategy for the Blue Pacific Continent*. 

Coastal areas in Asia and the Pacific are employing adaptive strategies that start with “low-regret measures”\textsuperscript{15} and using a range of technologies, including remote sensing, to better plan and monitor development and resource use. Investments in climate resilience realize three dividends by avoiding losses, stimulating desirable economic activities, and generating social and environmental co-benefits. Communities are sustainably managing their marine and coastal resources in partnership with national governments and regional bodies. Large firms are working to understand their dependence on nature and improve their environmental impacts. New and innovative firms are finding niche markets to use technology and science to create economic and environmental benefits.

11. **Oceans and coastal adaptation are core ADB business.** Thirty of ADB’s DMCs border the ocean, a sea, or a major river that drains to the ocean.\textsuperscript{16} ADB launched the Action Plan for Healthy Oceans and Sustainable Blue Economies in May 2019 with a commitment to scale up the bank’s investments and TA (including cofinancing) to $5 billion from 2019 to 2024.\textsuperscript{17} ADB has committed to ensuring at least 75% of the total number of its operations support climate action. In 2021, ADB announced an ambition to provide $100 billion in cumulative climate finance from its own resources by 2030, with $34 billion for adaptation.\textsuperscript{18} ADB also endorsed the MDB Joint Nature Statement\textsuperscript{19}, which focuses on moving towards nature-positive investments. These commitments will strengthen the implementation of operational priority 3 (tackling climate change, building climate and disaster resilience, and ensuring environmental sustainability) of ADB’s Strategy 2030\textsuperscript{20} and the priorities of the Climate Change Operational Framework 2017–2030 (footnote 8). ADB will help DMCs achieve the Sustainable Development Goals (SDGs), the Paris Agreement, and the Convention on Biological Diversity. Investments in ocean health and sustainable blue economies are integral to achieving these commitments and aspirations, including 14 of 17 SDGs.

12. **Partnerships needed to deliver multisector projects for the blue economy.** Although ocean health and climate health are inextricably intertwined, finance for climate and oceans have been siloed. In recent years, integration of the ocean–climate nexus has been gaining momentum,\textsuperscript{21} and oceans became part of the mandate of the United Nations Framework Convention on Climate Change in 2021 at the 26th Conference of the Parties (COP26). The ORCA-FFP is designed to provide strategic, long-term, multi-partner cooperation to support the implementation of the Action Plan for Healthy Oceans and Sustainable Blue Economies and ADB’s other climate commitments. It will bring together knowledge and financial resources in a coordinated manner and reduce transaction costs for initiatives and projects in line with ADB’s Ocean Finance Framework.\textsuperscript{22} The framework has been designed to be consistent with, and

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\textsuperscript{15} Low-regret adaptation options are those worth implementing no matter which event actually happens whenever consequences are uncertain.

\textsuperscript{16} Bangladesh, Cambodia, Cook Islands, Federated States of Micronesia, Fiji, Georgia, India, Indonesia, Kiribati, Lao People’s Democratic Republic, Malaysia, Maldives, Myanmar, Nauru, Niue, Pakistan, Palau, Papua New Guinea, People’s Republic of China, Philippines, Republic of Marshall Islands, Samoa, Solomon Islands, Sri Lanka, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu, and Viet Nam.

\textsuperscript{17} The target represents an increase of about 30% in ocean investments from the 2016–2018 baseline.


supportive of, the global Sustainable Blue Economy Finance Principles, to which ADB is a signatory, and the SDGs.

13. **Scaling up existing initiatives.** The ORCA-FPF would maximize synergies between ADB’s subregional hubs in Southeast Asia and the Pacific: the Blue Southeast Asia (SEA) Finance Hub and the Blue Pacific Finance Hub. It will do so through increased coordination, knowledge sharing (including of best practices), and enhanced regional cooperation. It will complement ADB’s existing ocean finance mechanisms—the Blue Bond Incubator, Coral Reef Insurance, and the SME Blue IMPACT Asia Platform—to provide a One ADB approach and simplified access point for DMCs and development partners. Similarly, ORCA-FPF will maximize synergies with different climate adaptation and resilience initiatives, including the Community Resilience Financing Partnership Facility, the Asia Pacific Climate Finance Fund, and the planned Urban Resilience Trust Fund.

### III. OBJECTIVES

14. The ORCA-FPF aims to help DMCs increase the finance for and the quality of investments in ocean health (including resilience and the blue economy) and coastal adaptation. The ORCA-FPF will contribute to climate-resilient and nature-positive sustainable development in Asia and the Pacific. The outcome will be enhanced ocean health and resilience, a stronger blue economy, and improved coastal adaptation for the region. The outputs that are necessary to achieve the outcome and form the conceptual framework are discussed in paras. 15–17.

15. **Ocean-positive investments increased through blue economy development.** The ORCA-FPF will support capacity development, knowledge sharing, and regional collaboration. It will also accelerate ocean-positive project origination and preparation in all areas that contribute to measurable ocean health, including (i) marine plastic reduction and the circular economy, (ii) solid waste and wastewater management, (iii) nonpoint source pollution, (iv) coastal resilience and nature-based solutions, (v) ecosystem management and restoration, (vi) sustainable fisheries and aquaculture, (vii) marine renewable energy, (viii) green ports and shipping, and (ix) sustainable coastal and marine tourism. The ORCA-FPF will implement blue economy interventions that strengthen policies, regulations, plans, and programs (and their monitoring and enforcement). This will help to ensure that ocean strategies and investments are conceived, designed, and implemented to generate climate and nature benefits. The focus will be on integration with ocean- and coastal-related components of national plans and commitments, such as nationally determined contributions and national adaptation plans, finance frameworks and fiscal policies, and environmental tax reform.

16. **Coastal adaptation improved.** The ORCA-FPF will improve coastal climate adaptation and resilience by focusing on long-term and integrated planning approaches that favor adaptive management as well as risk-based and inclusive processes. It will support countries in undertaking analytical work on multi-hazard assessment of coastal systems, feasibility studies and project preparation, improved data management, design standards and regulations, and innovative implementation. The ORCA-FPF will strengthen the capacity of local governments and

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23 European Commission, European Investment Bank, World Resources Institute and WWF. 2017. **Sustainable Blue Economy Finance Principles.** These principles provide global and high-level guidance for investments in the blue economy. The principles are now hosted by the United Nations Environment Program Sustainable Blue Finance Initiative.

24 ADB. 2021. **Blue SEA Finance Hub**


vulnerable communities, especially women, to implement coastal resilience measures and strengthen partnerships and knowledge exchange. The full spectrum of coastal adaptation options will be considered, including nature-based solutions, grey and green solutions, and soft measures such as awareness raising, policy making, risk-sensitive land use planning, and early warning.

17. **Private sector contribution increased.** The ORCA-FPF will use funds to lower risks, blend, and attract other sources of public and private capital for ocean and climate outcomes including piloting of innovative financial instruments such as blue carbon, blue bonds and debt restructuring. The pursuit of climate-resilient development pathways needs to start from “translating” national climate and blue economy strategies and priorities into investment plans and programs that can attract financing. Without private investment, these pathways cannot be achieved. Scaling up bankable investment opportunities requires developing clear standards and frameworks for selecting projects and measuring impacts. This will support the development of financing mechanisms that reduce investment risks and increasing access to funds, particularly for the small and medium-sized enterprises that dominate economies in the region. ADB’s current private sector ocean pipeline is only 2% of its private sector operations, but it is growing and expected to reach one-third of total operations by 2024. Blue bonds, blue credits for avoided cost, and first loss guarantees provide opportunities to catalyze sustainable investments, but more market development is needed.

**IV. SCOPE**

18. The ORCA-FPF is an operational arrangement to enhance coordination and administrative efficiency of partnership activities and work at the ocean–climate nexus to achieve greater impact. It is an umbrella mechanism that will facilitate and channel resources for eligible projects, as well as any other activities that ADB and financing partners may be agree upon. Figure 1 provides a conceptual overview of the ORCA-FPF. ADB’s Environment Thematic Group will prepare implementation guidelines for the ORCA-FPF; these guidelines will generally apply to all trust funds under the facility.

19. Trust funds under the ORCA-FPF may provide grant financing for ADB investments (loans, guarantees, equities, and/or risk transfer); and direct charges. Details on the use of funds will be set out in the implementation guidelines, which will be developed after the ORCA-FPF is established.

20. **Investment grants.** Trust fund resources under the ORCA-FPF for the grant component of investment projects can be accessed as part of new or additional financing to ongoing ADB sovereign and/or nonsovereign projects, including projects adopting different financial modalities (grant, loan, guarantees, equity, and/or risk transfer).

21. **Technical assistance.** Trust fund resources under the ORCA-FPF will also be used for TA to support advisory services to (i) undertake analytical work linking ocean health and climate change to sustained growth and other related areas; (ii) prepare projects, transactions, and programs for investment; (iii) share costs in implementing ocean health and/or climate adaptation investment programs in combination with other government, development partner, and commercial funding; (iv) support cooperation to facilitate the transfer of technology, knowledge, and experience; (v) build the capacity of market actors for implementing ocean health and climate adaptation investments and programs; and (vi) produce detailed project design. Thus, use of TA funds will help to develop ocean health projects and coastal adaptation projects for financing and commercialize and replicate new ocean finance instruments. Support for other nonlending
measures (i.e., policies, regulations, standards, and institutional capacity building) may be undertaken.

22. **Direct charges.** ADB can directly draw down resources from trust funds under the ORCA-FPF to finance additional ADB staff positions for trust fund managers, consultants, and activities such as workshops and knowledge transfer that are directly related to the operations of the ORCA-FPF and not covered under other TA projects or grants. A full list of eligible charges will be provided in the implementation guidelines. Direct charges do not include ADB’s service fee (para. 58) and will be applied for through an application form.

23. **Innovative financing mechanisms.** While not an initial focus, innovative financing mechanisms may be supported by the ORCA-FPF. A blue bond is a new debt instrument for raising funds from third party investors to support ocean health and blue economies. Projects supporting the blue economy are often small. Blue bonds address this by packaging together multiple smaller projects into a deal that is large enough with a risk–return profile that is more attractive to investors. Financial risk management products providing credit enhancement will likely increase investors’ demand for blue bonds. The ORCA-FPF will use funds to lower risk, blend, and attract other sources of public and private capital. These may be delineated in the ORCA-FPF implementation guidelines. If such instruments are considered to have a “novel design” per ADB’s Enhancing Operational Efficiency Board paper, standard ADB procedures will be followed.27

A. **Ocean Resilience and Coastal Adaptation Trust Fund**

24. Initially, the ORCA-TF will support activities that will contribute to the achievement of the trust fund outcomes in terms of the blue economy and coastal adaptation. In the future, ADB and the funding partners may determine the thematic areas. Activities may include:
   - (i) coastal and marine ecosystem management
   - (ii) biodiversity conservation and restoration;
   - (iii) coastal climate adaptation and resilience;
   - (iv) sustainable seafood;
   - (v) circular economy for plastic-free oceans;
   - (vi) ocean finance;28
   - (vii) rural coastal development and food security (agriculture) and water;
   - (viii) coastal wastewater, sanitation, and solid waste management;
   - (ix) sustainable ports and shipping;
   - (x) sustainable coastal and marine tourism; and
   - (xi) marine renewable energy.

25. **Eligible countries.** As reflected in ADB’s Ocean Finance Framework, DMCs eligible for support from the ORCA-TF include those that border the ocean, a sea, or a major river that drains to the ocean (footnote 12). Priority may be given based on financing partner priorities.

26. **Eligibility criteria for funded activities.** ADB will select project proposals based on criteria agreed upon with the ORCA-TF partners. Activities to be supported by the ORCA-TF and any other trust funds under it will be identified, designed, processed, approved, and implemented in accordance with applicable ADB policies, procedures, and guidelines. These include consulting services and procurement, social and environmental safeguards, disbursement, financial

28 Ocean finance aims to improve the amount and efficacy of financial capital for ocean health and the blue economy.
management and reporting, and anticorruption and governance. Arrangements for project accounting, auditing, and monitoring and reporting will be in place for each project supported by the ORCA-TF and any other trust funds.

**Figure 1: Ocean Resilience and Coastal Adaptation Financing Partnership Facility**

27. **Windows.** For trust funds with a broad sector, thematic, or geographic scope, windows may be established to facilitate the allocation of funds, work plans, and budget monitoring and results management. Recognizing that the challenges faced by Asian countries and Pacific SIDS are different, the ORCA-TF will have a Blue Pacific Window and a Blue Asia Window to accommodate a differentiated approach for the two geographies. Financing partners’ contributions to the Blue Pacific Finance Hub will flow through the ORCA-FPF Blue Pacific Window, which will be supported through dedicated TA. This will provide for a programmatic approach and targeted in-depth consultations with DMCs, development partners, the Office of the Pacific Ocean Commissioner, and Council of Regional Organisations in the Pacific agencies. It will also support a separate partnership forum and operational handbook. The Blue Asia Window will be open to all Asian geographies with initial applications anticipated from Southeast Asia and South Asia.

28. **Monitoring, evaluation, and learning.** The ORCA-FPF will promote monitoring, evaluation, and learning systems and activities that emphasize and facilitate downward accountability and learning—not just business-as-usual reporting against predefined targets and milestones. Through the ORCA-FPF, ADB may process knowledge and support TA after the ORCA-TF is established to support monitoring, evaluation, and learning.
B. Other Trust Funds

29. Other single or multi-partner trust funds may be established in the future, if needed, to support the development and/or implementation of specific aspects of ORCA-FPF priorities through grants and/or TA. The establishment of such funds will follow the terms and conditions of this paper.29

C. Partnership Arrangements for Project-Specific or Programmatic Cofinancing

30. Individual partnership arrangements for project-specific or programmatic cofinancing of ADB projects through grants, loans, and/or TA may be established, as opportunities arise. Such cofinancing will broadly follow the criteria for the trust funds; the specifics will be detailed with respective financing partners.

D. Partnership Agreements for Knowledge Sharing

31. In accordance with the priorities of Strategy 2030 and in alignment with ADB policies, the ORCA-FPF will develop and nurture knowledge partnerships with bilateral and multilateral partners, think tanks, universities, civil society organizations, foundations, and the private sector. Such partnerships may involve secondments and will provide platforms for testing ideas, sourcing different ways of thinking about climate resilience, and jointly developing and sharing knowledge.

V. CONTRIBUTION AMOUNTS AND FUND TRANSFER ARRANGEMENTS

32. ADB will accept, on an untied basis, contributions to financing partnerships under the ORCA-FPF from bilateral, multilateral, individual, corporate, and other concessional partners. ADB will hold and administer contributions separately from its other resources.

33. To support cost-effective processing and reporting, the minimum contribution to any multi-donor financing partnership under the ORCA-FPF will be $2 million for bilateral and multilateral partners and $1 million for other partners. The minimum contribution for partners that request earmarking will be $2.5 million, and the minimum contribution to a single-donor trust fund will be $5 million.

34. Contributions to financing partnerships under the ORCA-FPF may be made through different documentation forms. These may include an instrument of contribution substantially in the form in Appendix 1; the signing of a trust fund contribution agreement, whereby the financing partner will agree to contribute to the ORCA-FPF substantially in accordance with the terms of this paper; or a project-specific cofinancing agreement.

35. Financial contributions to the ORCA-FPF or trust funds under the facility will be made in the form of cash in a freely convertible currency. Contributions will be deposited into a United States dollar account to be specified by ADB, as appropriate. For contributions received in currencies other than United States dollar, ADB will convert them into US dollars at the exchange rate prevailing on the day of the conversion and transfer them to the specified account.

29 The director general of ADB’s Strategy, Policy, and Partnerships Department will approve new trust funds under the ORCA-FPF separately. If a proposed trust fund under the ORCA-FPF does not substantially follow the terms and conditions set forth in this paper, such trust funds will be approved in accordance with applicable ADB procedures.
36. Contributions may also be made by redirecting a financing partner’s funds remaining in ADB’s trust, subject to the agreement of that financing partner.

37. Commitments by a financing partner will not be subject to any conditions, except as provided for in this paper. By depositing an instrument of contribution or other appropriate agreement as provided for in this paper, the financing partner will be deemed by ADB to have accepted the objectives and arrangements outlined in this paper. For each multi-partner trust fund under the ORCA-FPF, contributions from all partners will be commingled in the specified account (para. 35), except when allocated to a window as described in para. 27.

38. For investment purposes, contributions will be held, administered, and invested at the discretion of ADB in accordance with the bank’s applicable policies and procedures. ADB may come in the contributions with other grants and trust fund assets administered by ADB in a pooled investment portfolio, pending fund disbursements to eligible projects. The proportionate share of any gains from the pooled investment portfolio can be used for the purpose of the activities as stated in section IV and/or defray the costs of administration and other expenses incurred by ADB with respect to administration of the trust fund(s). The proportionate share of any losses from the pooled investment fund will be charged to the respective grant account.

39. ADB will make disbursements from the account as necessary to meet the expenditures of projects and activities supported by the relevant trust fund. If other currencies are required for payment to meet eligible expenditures, ADB may purchase the required currencies with the available funds. Any fees and charges related to such purchases will be paid out of the account. Disbursements will be made in accordance with ADB’s standard policies, procedures, and guidelines.

40. For funds provided by financing partners, ADB will exercise the same degree of care in the discharge of its functions as the trustee as it does with its administration of other external financing resources and will have no further liability with respect to the contributions.

VI. ADMINISTRATION ARRANGEMENTS

41. Governance structure. The governance structure of the ORCA-FPF will comprise (i) the ORCA-FPF Partnership Group, (ii) the ORCA-FPF Secretariat (managing a Blue Pacific Window and a Blue Asia Window), (iii) the ORCA-FPF Working Group, and (iv) the ORCA-FPF Executive Committee. Figure 2 shows the governance structure.

42. Secretariat. The Environment Thematic Group of the Sustainable Development and Climate Change Department (SDTC-ENV) and the Climate Change and Disaster Risk Management Division, also of the Sustainable Development and Climate Change Department (SDCD) (or equivalent entities) will manage the ORCA-FPF and act as the ORCA-FPF Secretariat. The roles and responsibilities will include (i) supporting the organization and deliberation of the ORCA-FPF Partnership Forum and consultations with financing partners; (ii) preparing the annual work plan and annual report; (iii) supervising day-to-day implementation of the annual work plan; (iv) monitoring, evaluating, and learning; (v) fostering partnerships with relevant institutions and programs globally and regionally; and (vi) disseminating the ORCA-FPF results and achievements. The chief of ADB’s Environment Thematic Group (or equivalent director-level staff) will be the ORCA-FPF manager. The facility manager will be supported by an ORCA-TF manager in managing day-to-day fund operations. This position will be funded by the ORCA-TF. The ORCA-FPF Secretariat will engage consultants, funded through the ORCA-TF,
with expertise in monitoring, evaluation, and learning; knowledge management; economics and finance; and other areas, as relevant.

**Figure 2: Ocean Resilience and Coastal Adaptation Financing Partnership Facility Governance Structure**

<table>
<thead>
<tr>
<th>Executive Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocate resources for projects from ORCA-TF</td>
</tr>
<tr>
<td>Approve the implementation guidelines as amended from time to time</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review and recommend proposals to Executive Committee</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Partnership Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary advisory body</td>
</tr>
<tr>
<td>Provide general strategic direction</td>
</tr>
<tr>
<td>Review annual report</td>
</tr>
<tr>
<td>Attend annual partnership forum</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Secretariat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage day-to-day operations of ORCA-FPF</td>
</tr>
<tr>
<td>Prepare work plan</td>
</tr>
<tr>
<td>Prepare annual report</td>
</tr>
<tr>
<td>Review proposals</td>
</tr>
<tr>
<td>Coordinate monitoring, evaluation, and learning</td>
</tr>
<tr>
<td>Liaise with donors</td>
</tr>
</tbody>
</table>

ORCA-FPF = Ocean Resilience and Coastal Adaptation Financing Partnership Facility, ORCA-TF = Ocean Resilience and Coastal Adaptation Trust Fund.
Source: Asian Development Bank

43. **Partnership Group.** The ORCA-FPF Partnership Group will be the primary advisory body to help ensure the expected outcomes of the ORCA-FPF are achieved. It will have a chair and a cochair. The facility manager will serve as the chair; a financing partner member of the ORCA-FPF will serve as the cochair. The group will also include (i) ADB—represented by the ORCA-TF manager(s) (para. 42); (ii) financing partners—countries and institutions that provide resources to the ORCA-FPF; and (ii) non-financing partners from the Office of the Pacific Ocean Commissioner, the Ocean Risk and Resilience Action Alliance, and WWF International’s Ocean practice. The Partnership Group may be expanded in the future as agreed by the members and as communicated to the ORCA-FPF manager. The group will meet at least once a year after the establishment of the ORCA-FPF at the Annual Partnership Forum to review progress, administrative matters, and the work plan and strategic directions of the facility.

44. The Partnership Group will be responsible for (i) selecting the cochair annually; (ii) providing strategic direction to the ORCA-FPF; (iii) reviewing the ORCA-FPF annual work plan.

30 Official name of organisation.
31 ADB is a member of the Ocean Risk and Resilience Action Alliance and has a partnership memorandum of understanding with WWF, the organization previously known as World Wide Fund for Nature (and as the World Wildlife Fund in the US and Canada).
and annual report; (iv) establishing links between the ORCA-FPF and other global, regional, and/or national ocean health and coastal adaptation programs; (v) providing guidance on the mobilization of resources for the ORCA-FPF; and (vi) providing inputs to and attending the annual Partnership Forum.

45. The financing partners of the Partnership Group will endorse the annual work plan before its approval by ADB. The financing partners will also endorse the implementation guidelines for the ORCA-FPF and any trust funds under the facility, as needed, and concur with any proposed changes to the guidelines.

46. **Working Group.** The ORCA-FPF Working Group will be responsible for reviewing project proposals and making recommendations to the Executive Committee on the allocation of resources. The group will be cochaired by ADB’s Sustainable Development and Climate Change Department (SDCC) and the Pacific Department (PARD). SDCC will be represented alternately by the chief of the Environment Thematic Group and the chief of the Climate Change and Disaster Risk Management Thematic Group (or an appropriate alternative ADB official, as needed). PARD will be represented by the director, Pacific Energy Division (PAEN). The Working Group will comprise one ADB staff member each from the Environment Thematic Group, Climate Change and Disaster Risk Management Thematic Group, PARD (project officer for Blue Pacific Finance Hub), Southeast Asia Department (project officer for Blue SEA Finance Hub), South Asia Department, Gender Thematic Group, and the Oceans Working Group. At the discretion of the Working Group chair, and depending on pipeline activities, the Central West Asia Department and the East Asia Department may also be represented by one staff member each. The heads of the respective departments will assign these staff members. The Secretariat, in conjunction with financing partners, may revise the composition of the Working Group, as needed.

47. **Executive Committee.** The ORCA-FPF Executive Committee will be responsible for approving the allocation of resources for specific projects under different funds of the ORCA-FPF. This will be based on the priorities identified in the annual work plan endorsed by the ORCA-FPF financing partners and the eligibility criteria defined in the implementation guidelines. The committee will be chaired by the director general, SDCC (or equivalent position) and cochaired by the director general, PARD. The members will include the directors general of the user departments (i.e., ADB departments applying for resources from the ORCA-FPF), including the directors general of the South Asia Department and Southeast Asia Department. The Executive Committee will be the designated authority for approving the allocation of resources for projects and is expected to make approvals at least once a year on a no-objection basis—or more frequently in response to calls for proposals. After the committee approves the fund allocation, the proposals will be processed in accordance with relevant ADB policies and procedures. The committee may also approve changes to the implementation guidelines, as amended from time to time (para. 45).

48. The administration of funds under the ORCA-FPF will be governed by the implementation guidelines for the ORCA-FPF, which will be endorsed by the ORCA-FPF financing partners and approved by the ORCA-FPF Executive Committee on or before the first fund allocation. The guidelines may be amended from time to time, reflecting revisions in ORCA-FPF operations. The Executive Committee will approve any change or amendment after concurrence by the financing partners. The ORCA-FPF manager will communicate the changes and amendments to the financing partners and relevant ADB user departments.

49. From time to time, ADB may adopt additional rules for managing and administering the ORCA-FPF that are substantially based on the terms and conditions of this paper.
50. ADB will promptly inform the financing partners of any condition that interferes, or threatens to interfere, with ADB’s management and administration of the ORCA-FPF.

51. **Applications.** The procedure for applications under different funds of the ORCA-FPF, which will be further detailed in the implementation guidelines, will broadly include the following steps:

   (i) ADB user departments may initiate project proposals in consultation with third parties as appropriate (e.g., DMC agencies, public financial institutions, and civil society organizations) to meet the ORCA-FPF’s wider objectives.

   (ii) In the first quarter of each year, the ORCA-FPF Secretariat, in consultation with the ORCA-FPF Partnership Group, will prepare the annual work plan, which would include the list of prioritized project proposals. The work plan will be endorsed by the ORCA-FPF financing partners and approved by the ORCA-FPF Executive Committee.

   (iii) Project proposals will be developed using the application form (to be developed as part of the implementation guidelines) and draft concept papers in standard ADB concept paper format to be submitted to the ORCA-FPF Secretariat. Applications will be reviewed quarterly.

   (iv) The ORCA-FPF Secretariat will review the applications to ensure that they comply with the eligibility criteria described in the implementation guidelines and the priorities in the annual work plan. If an application complies, it will be included in the batch for circulation to the ORCA-FPF Working Group. The ORCA-FPF manager will make a recommendation to the Working Group on each proposal.

   (v) The Working Group will review, comment, and endorse the applications for submission to the Executive Committee, which will be responsible for approving the allocation of resources for the applications.

   (vi) After the Executive Committee approves the fund allocation, the proposals will be processed in accordance with relevant ADB policies and procedures for TA, grants and other applicable modalities, including consulting services and procurement, social and environmental safeguards, financial management and reporting, and anticorruption and governance.

52. **Reporting requirements.** The ORCA-FPF manager, in consultation with related departments, will submit the following reports to the financing partners:

   (i) annual work plan of the ORCA-FPF;

   (ii) annual report for ORCA-FPF performance;

   (iii) semiannual unaudited financial statements for each trust fund under the ORCA-FPF; and

   (iv) annual externally audited financial statements for each trust fund under the ORCA-FPF, if required by the financing partners.

53. The contents of the annual work plan and annual report will be endorsed by ORCA-FPF financing partners and approved by the ORCA-FPF Executive Committee.

54. ADB will maintain the records and accounts for the trust funds and other financed activities under the ORCA-FPF, in accordance with its standard procedures that identify the contributions made, the commitments to be financed out of the available funds, eligible activities, and administration costs. ADB will provide the financing partners with unaudited or audited annual
financial statements on these records and accounts.

55. An external financial audit will be undertaken annually by ADB’s external auditor for each trust fund under ORCA-FPF. The cost of such audit will be borne by the respective trust fund or paid with additional funds to be transferred to ADB by the financing partner.

56. The ORCA-FPF manager will also provide the financing partners, if required, additional reports and information concerning the progress of projects and activities financed under the ORCA-FPF with any extra costs deducted from the relevant trust funds under the facility. The financing partners and the ORCA-FPF manager will agree in advance on the contents of such additional reports and information.

57. Visibility requirement. ADB will acknowledge funding from its financing partners and technical contributions from its non-financing partners in written materials and verbal statements regarding the ORCA-FPF.

58. Service fee for projects financed by trust funds. ADB will charge the following service fees: (i) 5% of amounts disbursed for TA projects financed under the fund; and (ii) 5% of amounts disbursed for investment projects up to $5 million or 2% of amounts disbursed for investment projects above $5 million with a minimum of $250,000, whichever is greater, in accordance with its fee policy, as revised from time to time. The service fee will be paid from the fund at the time of disbursement.

59. Administration support. The workforce supporting the work of the ORCA-FPF is expected to expand (staff consultants, secondees, or ADB staff positions) as the ORCA-FPF grows. The associated cost will be charged against different funds and partnerships under the ORCA-FPF after discussion and approval by the financing partners. Financing partners or other third parties may also offer consultants acceptable to ADB to help support the activities of the ORCA-FPF and trust funds.

60. Exit from trust fund. A financing partner opting for a refund may exit the ORCA-TF after 3 years from ADB receiving its last remitted contribution from the said financing partner, or at any time provided the financing partner waives its right to refund. Details on the mechanisms for this will be included in the implementation guidelines.

61. Closing date. Unless ADB and the financing partners otherwise agree, all activities under the ORCA-FPF, including the trust funds, will be closed on or before 30 June 2031. SDCC’s Partner Funds Division and the ORCA-FPF manager will consult with the financing partners on how to return or transfer the unused funds and will take necessary actions, as required. Closing the ORCA-FPF may start upon financial closure of all projects and activities financed by the trust funds or other financial partnerships under the ORCA-FPF.

62. Upon termination of the ORCA-TF and subsequent liquidation of the ORCA-TF account, unless otherwise agreed with the ORCA-FPF partners, any available funds will be returned to the individual partners in proportion to their respective available contributions. Following termination of the ORCA-TF, ADB will, as soon as practicable, provide the partners with a final report on the

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32 ADB follows the single audit principle granting its own external auditor exclusive right to audit the statements of account for all operations.

33 ADB. 2009. Review of the Asian Development Bank’s Service Charges for the Administration of Grant Cofinancing from External Sources. Manila
VII. RISK ASSESSMENT

63. The key risks and mitigating measures are described in the table.

<table>
<thead>
<tr>
<th>Risks</th>
<th>Mitigating Measures</th>
</tr>
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<tbody>
<tr>
<td>Strategic policy alignment risk in terms of ADB’s capacity to carry</td>
<td>The ORCA-FPF aims to work in partnership with other stakeholders, such as DMC</td>
</tr>
<tr>
<td>out the ORCA-FPF, compared with other development partners</td>
<td>agencies, local institutions, and civil society organizations, that have the</td>
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<td></td>
<td>presence on the ground and can support identification of ocean health priorities.</td>
</tr>
<tr>
<td>Operational risk associated with adequate resource allocation for</td>
<td>The ORCA-FPF will negotiate with financing partners to sponsor or fund staff and/or</td>
</tr>
<tr>
<td>ORCA-FPF operations or reduced ADB support for financing ocean health</td>
<td>consultants to support day-to-day operations. As Ocean Health has been recognized as</td>
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<td></td>
<td>an important topic within ADB (and by the SDGs), ADB is likely to continue to</td>
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<tr>
<td></td>
<td>resource this area of work.</td>
</tr>
<tr>
<td>Financing partner-related risk because of sudden change of official</td>
<td>The ORCA-FPF will include a multi-partner trust fund to reduce the risk from sudden</td>
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<tr>
<td>development budget allocation related to shifts in priorities or</td>
<td>changes in official development budget allocations of the financing partners.</td>
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<tr>
<td>external shocks</td>
<td></td>
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<tr>
<td>Risk of foreign exchange mismatch between donors’ committed currency</td>
<td>Funds will be transferred in the currency and remittance frequency (up-front versus</td>
</tr>
<tr>
<td>and ADB’s operations-based currency (United States dollar)</td>
<td>in tranches) agreed upon with individual financing partners. For contributions in</td>
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<td></td>
<td>currencies other than United States dollar that are remitted up-front, the foreign</td>
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<td></td>
<td>exchange risk is minimized. For non-United States dollar contributions that are</td>
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<td></td>
<td>remitted in tranches, the foreign exchange rate will be monitored closely, especially</td>
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<td></td>
<td>around time of remittance. Project allocations will take into account the availability</td>
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<td></td>
<td>of funds in United States dollar, i.e., after fund remittance.</td>
</tr>
<tr>
<td>ADB reorganization results in a change in leadership groups and</td>
<td>The ORCA-FPF establishment document includes flexibility in identifying the</td>
</tr>
<tr>
<td>appropriate sponsors of ORCA-FPF</td>
<td>appropriate facility manager.</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, DMC = developing member country, ORCA-FPF = Ocean Resilience and Coastal Adaptation Financing Partnership Facility, SDG = Sustainable Development Goal.

VIII. THE PRESIDENT’S DECISION

64. The President, acting under the authority delegated by the Board, has approved

(i) the establishment of the Ocean Resilience and Coastal Adaptation Financing Partnership Facility in accordance with the provisions set forth in this paper;

(ii) the establishment of the Ocean Resilience and Coastal Adaptation Trust Fund under the Ocean Resilience and Coastal Adaptation Financing Partnership Facility and its administration by ADB in accordance with the provisions set forth in this paper; and

(iii) the acceptance and administration by ADB of contributions to the Ocean Resilience and Coastal Adaptation Financing Partnership Facility Partnership Facility and related trust funds by bilateral, multilateral, and/or other concessional partners in accordance with the terms and conditions set forth in this paper,

and hereby reports these actions to the Board.
INSTRUMENT OF CONTRIBUTION

{Full name of the financing partner}, {Date}

Asian Development Bank
6 ADB Avenue
Mandaluyong City Philippines

{Full name of the financing partner} (hereinafter referred to as the “Contributor”) hereby undertakes to provide a contribution under the Ocean Resilience and Coastal Adaptation Financing Partnership Facility to the {full name of the trust fund} in an amount of $ {xxx} million, based on the provisions of the Asian Development Bank (ADB) approved paper – Establishment of the Ocean Resilience and Coastal Adaptation Financing Partnership Facility – and subject to the terms and conditions set forth in that paper.

The contribution will be paid to ADB in the form of cash on or prior to {date}.

The contribution will be paid into the designated ADB bank account with the following details:

- Name of Bank: {xxxx}
- Account Name: {xxxx}
- Account Number: {xxxx}
- Type/Currency: {xxxx}
- SWIFT/BIC: {xxxx}
- Fedwire No.: {xxxx}

Date: {Date} {Month} {Year}

For and on behalf of {Full name of the financing partner}

________________________
(Name and Title of Signatory)