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Investment Readiness Toolkit N°4

for: SME BlueImpact Asia

GUIDANCE REPORT:

Understanding Impact Metrics as Fundraising Tools for SMEs

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Fundraising Tools for SMEs*

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PREFACE:

PURPOSE OF THE TOOLKIT

This document provides the narrative of the Investment Readiness Toolkit (“the Toolkit”) for SME BlueImpact Asia. This initiative was established by a consortium of Asian Development Bank (ADB), United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). In 2022, the consortium produced the [Blue Economy Knowledge Product \(BEKP\) –Financing the Blue Economy](#) which called for a blended finance initiative to mobilise investment for a sustainable blue economy focusing on Small-Medium Enterprises (SMEs). [SME BlueImpact Asia](#) is executed primarily by Ocean Assets Group (OAG), with support from the consortium of ADB, UNDP and UNEP.

OAG runs a parallel program for blue economy SMEs in the Global South: BlueDeals. The digital platform of BlueDeals hosts the Investment Readiness Toolkit, with user-friendly media tools to make the content of this Report more accessible to SMEs and other stakeholders.

Recommendations for actions and resources are designed to help SMEs in the blue economy to efficiently raise capital in today’s marketplace. Each section includes detailed step-by-step guidance, sample pathways and documents. Links to supporting experts and institutions will also be provided should SMEs need to seek additional support. Users may access the sections most relevant to their needs:

- I. UNDERSTANDING THE SME FINANCE ENVIRONMENT
- II. ACCESSING DEBT FINANCE
- III. ACCESSING EQUITY FINANCE
- IV. UNDERSTANDING IMPACT METRICS**
- V. DEVELOPING BUSINESS PLANS

It is our hope that this Toolkit will speed up the financing of sustainable enterprises upon which the coastal communities and marine ecosystems of Asia and the Pacific depend. *Note: Since the Toolkit is directed primarily at managers of SMEs, with whom this initiative has a close relationship, we will address the reader henceforth as “You”.*

A WHY IMPACT METRICS MATTER IN FUNDRAISING

Impact metrics matter in fund raising for SMEs because they provide measurable evidence of the social and environmental impact generated by the business. Incorporating impact metrics into the fundraising process allows SMEs to demonstrate their commitment to sustainable and responsible business practices, which can significantly enhance their attractiveness to impact investors and socially conscious lenders. Here are a few reasons why impact metrics matter:

1. Differentiation and Competitive Advantage:

Impact metrics help SMEs stand out from their peers by showcasing their positive social and environmental impact. They provide a clear differentiation factor that can be leveraged to attract investors who prioritize investing in businesses that align with their values and contribute to positive change.

2. Investor Demand for Impact:

Many investors, particularly impact investors, are increasingly interested in supporting businesses that generate both financial returns and positive social or environmental outcomes. Impact metrics allow you to align with this growing investor demand and tap into dedicated impact investment funds and networks.

3. Risk Mitigation:

Demonstrating a clear understanding of the social and environmental risks and opportunities associated with a business can help you mitigate potential risks. By incorporating impact metrics, you can proactively address environmental and social issues, potentially reducing regulatory and reputational risks, and enhancing long-term sustainability.

4. Access to Impact Capital:

Impact metrics play a crucial role in attracting impact capital, including impact funds, development finance institutions, and impact-focused lenders. These investors often have specific requirements to measure and report the impact of their investments, and robust impact metrics can enhance your eligibility and access to such capital.

5. Alignment with Stakeholder Expectations:

Impact metrics provide a means to measure and communicate the positive outcomes SMEs achieve for their stakeholders, including customers, employees, communities, and the

environment. By demonstrating a commitment to these stakeholders, you can build trust and foster stronger relationships with customers, suppliers, employees, and the broader community.

6. Long-term Value Creation:

Integrating impact metrics into the fundraising process encourages SMEs to think beyond short-term financial gains and consider their long-term value creation potential. By tracking and reporting impact metrics, you can demonstrate their focus on sustainable growth, which can attract investors who are interested in supporting businesses with a long-term positive impact.

B. IMPACT METRICS FOR THE BLUE ECONOMY

Impact metrics for the blue economy - referring to economic activities related to the sustainable use of ocean resources - can vary depending on the specific sector and criteria of the stakeholder requesting the metrics. Standards are defined and maintained by specialty organisations for each blue economy sector. SMEs develop Key Performance Indicators (KPIs) based on accepted standards, so that investors have a common reference point.

Please see the comprehensive guide to blue economy impact metrics that Ocean Assets Group (OAG) developed for the Blue Economy Knowledge Product of ADB, UNDP and UNEP:

- [Blue Economy Metrics](#)
- [Guide to Blue Economy Metrics](#)

SMEs need to select those metrics that define their goals, are referenced by their competitors and may be requested by potential investors. Communicating verified data to potential investors may be used to define the terms of funding and accelerate your fundraising efforts.

In addition to the guidance referenced above, here are short descriptions of metrics commonly used to assess the environmental and social performance of organisations operating in the blue economy:

1. Marine Conservation:

- Area of marine protected areas (MPAs) supported or established.
- Percentage of marine biodiversity protected or restored.
- Number of endangered species protected or conserved.
- Reduction in overfishing or sustainable fishing practices implemented.
- Reduction in destructive fishing practices.

2. Sustainable Fisheries:

- Fish stocks managed sustainably or within sustainable limits.
- Percentage of fish sourced from sustainable fisheries.
- Reduction in bycatch (unwanted catch) and discards.
- Implementation of responsible aquaculture practices.
- Adoption of traceability systems to ensure seafood sustainability.

3. Pollution and Waste Management:

- Reduction in marine pollution, including plastics, chemicals, and oil spills.
- Adoption of wastewater treatment systems to prevent marine contamination.
- Implementation of recycling and waste reduction initiatives.
- Amount of marine debris or plastics collected or prevented from entering the ocean.
- Promotion of circular economy practices within the blue economy.

4. Renewable Energy:

- Generation capacity of renewable energy from sources such as offshore wind, tidal, and wave energy.
- Reduction in greenhouse gas emissions through the use of clean energy sources.
- Contribution to the transition from fossil fuels to renewable energy in the marine sector.
- Avoided carbon emissions through the displacement of traditional energy sources.

5. Coastal Resilience and Climate Adaptation:

- Implementation of climate change adaptation measures to protect coastal areas and communities.
- Restoration and conservation of coastal ecosystems, such as mangroves and coral reefs.
- Reduction in coastal erosion and increased resilience to storms and sea-level rise.
- Promotion of sustainable tourism practices that support coastal communities and protect natural resources.

6. Socioeconomic Benefits:

- Job creation and employment opportunities in the blue economy sector.
- Support for local communities and indigenous peoples' rights and livelihoods.
- Investments in skills development, education, and training for the blue economy workforce.
- Economic growth and contribution to the local or national economy.
- Enhancement of food security and access to nutritious seafood products.

SMEs should consider tailoring these metrics to their particular activities and objectives while aligning with internationally recognized sustainability frameworks, industry standards, and reporting guidelines.

RESOURCES

A. Blue Economy Metrics & Guidance:

- [Blue Economy Metrics](#)
- [Guide to Blue Economy Metrics](#)
- [UNEPFI: Turning the Tide: Guidance by Sector](#)
- [SDG Investment Platform](#)
- [Poverty Environment Action Initiative](#)
- [World Bank: ProBlue](#)
- [InsuResilience](#)
- [IRIS Catalogue of Metrics](#)
- [SDG Knowledge Platform](#)
- [SEIF: Impact Innovation](#)
- [BNCF: Blue Natural Capital Finance Facility](#)

B. Regional Guidance: Asia and the Pacific

- [COBSEA](#)
- [PEMSEA](#)
- [ESCAP](#)
- [ADB: Development Asia](#)
- [ADB - MARES](#)
- [AVPN - Deal Share](#)