

## **Marine conservation in Financial Cooperation**

### **Challenge**

The world's oceans cover a good 70 per cent of our planet and play a central role in sustaining life on Earth. They fulfil important climate-regulating functions, produce half of our oxygen and make a key contribution to the security of the food supply thanks to their high level of biodiversity.

However, the oceans, their ecosystems and the livelihoods connected to them are exposed to many threats. Overfishing has become a serious problem: Around 90 per cent of fish populations are deemed to be fully exploited or already overfished. In addition, increasing pollution is also affecting the world's oceans. An estimated 150 million tonnes of plastic waste are already in the oceans today, with a further five to twelve million tonnes added every year, endangering marine ecosystems and animal species. Climate change is further burdening the oceans as well by increasing their temperature and causing sea levels to rise. This results in coral reefs around the world dying off, making thousands of kilometres of coastline more vulnerable to storm surges.

### **Protecting biodiversity**

KfW promotes marine conservation as part of Financial Cooperation (FC) with developing countries, on the one hand, directly through projects to protect and preserve marine biodiversity, aquaculture and fishery, and indirectly through projects to improve land-based waste management and sanitation in order to minimise or prevent the discharge of harmful substances and solid waste into the sea. Compared with other promotional measures in the area of direct protection of natural resources, the FC marine conservation portfolio is still being developed and is therefore volatile. For several years the pace in growth is decreasing. In 2020, KfW Development Bank's commitments to SDG 14 amounted to around EUR 240 million, around EUR 202 million in 2021, roughly EUR 120 million in 2022 and EUR 212 million last year. All projects with biodiversity conservation as main goal (BTR 1) are summed up with 100%, all projects with biodiversity as a side goal (BTR 2) are accounted with 20%. The total volume of all currently active 74 marine projects is around EUR 1.054 million with the same weighting of BTR-markers, of which 3 projects with EUR 50 million do not have any BTR-marker.

In June 2021, KfW Development Bank joined the Sustainable Blue Economy Finance Initiative to mobilise more investments to conserve and sustainably use the oceans and marine resources (SDG 14) in conjunction with other development banks and organisations. In this respect, on September 5th 2023, KfW Development Bank did

also sign the Cartagena-Call for working together to make the oceans and the sustainable blue economy one of their priorities.<sup>1</sup>

*Cooperation with the private sector* plays an important role in marine conservation. From an instrumental perspective, KfW is increasingly supporting funds and foundations that operate in this area. One example of this is the support the [Eco.BusinessFund \(EBF\)](#) provides for sustainable aquaculture. The EBF was established in 2014 by KfW on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). KfW is participating with around USD 312 million (USD 247 million of which is from Federal Ministry for Economic Cooperation and Development (BMZ) trust funds, USD 15 million is from EU trust funds and USD 50 million is KfW's from own funds). The aim of the EBF is to support companies in Latin America and Africa with loans if they switch to certified sustainable production in the promotional areas of agriculture and forestry, fishing, aquaculture and ecotourism.

Verification is carried out using sustainability certificates such as those from the Rainforest Alliance or FSC in forestry, MSC in fisheries or ASC in aquaculture. Since its foundation, loans totalling around USD 3 billion have been disbursed within the scope of the revolving use of the funds employed. The share of fishery and aquaculture projects in the EBF is around 21%.

In December 2023 BMZ did invest via KfW Development Bank EUR 15 million into the [„Aqua-Spark Africa“](#) fund to back innovative and sustainable aquaculture value chains. One more million EUR is envisaged as additional technical support. This is meant as a strategic support to enable more public and private investments into an environmental-friendly and pro-poor development of the rapidly growing aquaculture sector in Africa.

To preserve marine biodiversity for future generations, KfW set up the [Blue Action Fund \(BAF\)](#) in 2016. It supports marine conservation projects of non-governmental organisations that can expand their work through access to public funds in order to establish new protected areas, expand or manage existing ones more effectively, and improve the living conditions of local communities in the long term through sustainable practices. The BAF is organised as a trust and has received payments into the trust capital in the amount of EUR 190 million, of which EUR ~116 million was paid by KfW on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) (AFD 10 million, Sweden 19.3 million and Irish Aid 5 million). In addition, FC funds in the amount of EUR 25 million, together with EUR 30 million in Green Climate Fund (GCF) funds, are being implemented by the BAF for an Ecosystem-based Adaptation (EbA) programme.

The [Caribbean Biodiversity Fund \(CBF\)](#) has a regional focus on marine conservation in the Caribbean. The CBF is organised as an environmental fund and now has long-term assets of USD 85 million. KfW contributed EUR 45 million to the capital stock on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ). The return on the foundation assets includes the designation of new and the preservation of existing protected areas. The CBF grants to domestic nature conservation funds in the participating countries and territories create a long-term financing mechanism that

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<sup>1</sup> Joined signatories are the „Agence Française de Développement (AFD)“, the „Asian Development Bank (ADB)“, „CAF - Development Bank of Latin America and the Caribbean“, the „European Bank for Reconstruction and Development (EBRD)“, the „European Investment Bank (EIB)“, the „Inter-American Development Bank (IDB)“ and the „West African Development Bank (BOAD)“.

secures the operation of existing protected areas and enables the expansion of new protected areas.

With EUR 55 million in International Climate Initiative funds from the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), KfW is also participating in a consumption fund to finance nature-based climate adaptation measures. A second consumption fund, which will receive a further EUR 25 million from Federal Ministry for Economic Cooperation and Development (BMZ) funds, will be used to finance circular economy measures to protect the Caribbean Sea and contributes to the Clean Ocean Initiative goals.

The [Mesoamerican Reef Fund \(MAR Fund\)](#) focuses on the region around the Mesoamerican Reef, which extends from Mexico to Belize and Guatemala to Honduras. KfW capitalised the regional fund with EUR 17 million. KfW also provided a total of EUR 23 million to strengthen coastal and marine conservation areas in the Mesoamerican Reef region. The project is currently being implemented in the third phase.

KfW signed a grant agreement with the [PACIFICO](#) regional environmental fund for the first time in May 2023 for EUR 10 million. The new project commissioned by the Federal Ministry for Economic Cooperation and Development (BMZ) is intended to contribute to marine protection in the Eastern Tropical Pacific Marine Corridor – one of the global hotspots of biodiversity, which includes coastal waters and exclusive economic zones of Costa Rica, Ecuador, Colombia and Panama.

In the *bilateral marine conservation portfolio*, the focus is on expanding protected areas and improving the management of protected areas and their financial sustainability, through programmes such as the “Promotion of the National System of Protected Areas – Focus on Coastal and Marine Areas” in [Ecuador](#) (EUR 14 million). On behalf of the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection’s (BMUV) International Climate Initiative (IKI), KfW is promoting the creation and improvement of marine protected zones and effective management of economically and ecologically important fishing zones in what is known as [Indonesia’s](#) “Coral Triangle” (EUR 7 million). In conjunction with a complementary EU grant „Marine Biodiversity and Support of Coastal Fisheries in the Coral Triangle“ focussing on North Sulawesi and the Maluku Islands (Indonesien) as well as Siquijor (Philippines) (EUR 8,9 Mio. million), alternative income opportunities for the local population are also promoted in addition to protected areas and resource management. This supports the national goals of the Ministry of Environment and Water to designate and sustainably manage 32.5 million hectares of marine conservation areas by 2030.

Another development is the increase in mangrove protection and mangrove reforestation projects. For example, the FC forestry programme in [Indonesia](#) was expanded to include the area of mangrove forest protection (EUR 20 million). The programme also supports the establishment of a “World Mangrove Centre” for closer national and international exchange on the rehabilitation and management of mangrove forests.

### **Reducing marine pollution**

Due to the sharp increase in plastic consumption (especially disposable plastic products) and poor wastewater and waste management, (plastic) waste is increasingly ending up in the ocean. Even though the KfW portfolio in the sectors of solid waste and

wastewater management in particular aimed at improved settlement hygiene, reducing marine pollution at coastal sites is an important additional positive effect. For example, the waste component “Emission Reduction in Cities” in Indonesia is promoting, among other things, the construction of a regulated landfill and sorting plant for recyclable waste. As a result, less solid waste ends up in rivers and seas.

KfW, the French development bank Agence Française de Développement (AFD) and the European Development Bank (EIB) launched the [Clean Oceans Initiative \(COI\)](#) in 2018 to increase the focus of their promotional activities on the issue of the discharge of solid waste into the oceans. The original goal of the COI was to mobilise EUR 2 billion in financing commitments for projects to reduce plastic waste input into the world’s oceans by 2023. The Spanish promotional bank Instituto de Crédito Oficial (ICO) and the Italian Cassa di Risparmio di Padova e Rovigo (CR) joined the initiative in 2020, and the European Bank for Reconstruction and Development (EBRD) joined in 2022, so that the COI now comprises six European development banks. At the One Ocean Summit in February 2022 in Brest, France, the participating banks extended the initiative until 2025 and increased the joint commitment target to EUR 4 billion.

At present, COI commitments amount to around EUR 3.1 billion in the areas of solid waste, wastewater and rainwater management with direct relevance for marine protection. KfW is making a contribution in 25 projects amounting to around EUR 880 million. The COI underscores the joint commitment of the European development banks in the area of marine conservation. In terms of content, the COI projects range from wastewater projects in Costa Rica and South Africa to projects in the area of rainwater management in India and waste projects in Indonesia, with wastewater projects accounting for the largest share. Waste projects always present a challenge, as in many developing countries and emerging economies the legal and institutional framework conditions for regulated waste disposal are insufficient and the issue of solid waste and marine litter is not always the top policy priority for our partners.

One example of a project to support the private sector in preventing marine litter is the [Sustainable Ocean Fund \(SOF\)](#). On behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), KfW contributed to a fiduciary holding in SOF of EUR 25 million in October 2019. The fund invests in small and medium enterprises that operate sustainable fisheries, are committed to preserving marine and coastal ecosystems, and contribute to reducing plastic pollution in the oceans through their production methods and business models.

## **Conclusion**

SDG 14 is one of the most underfinanced goals of the global community. The global financing gap for target achievement is estimated at USD 150 billion per year. KfW’s FC portfolio in the area of marine conservation has improved in recent years from a low level, but unfortunately the pace in growth is decreasing. Supra-regional approaches and fund structures that can be further expanded have resulted in good experiences. Within the framework of bilateral cooperation with our partner countries, marine protection issues – including measures to reduce the discharge of solid waste – are still under-represented, often due to the political prioritisation in the respective partner countries.

## **Outlook**

In June 2021, KfW signed the [Sustainable Blue Economy Finance Principles for financing](#) in the context of Financial Cooperation (FC) in order to confirm and further expand its commitment to marine conservation. These guidelines are congruent with

those of KfW Development Bank in the design of its financing instruments and the established environmental and social standards. Detailed information on the marine portfolio and the respective evaluation reports are now freely accessible via the [Federal Ministry for Economic Cooperation and Development \(BMZ\) Transparency Portal](#) in order to improve reporting on the implementation progress of the principles (analogous to principle no. 7). In the future, we are seeking more synergies through the joint use of “open data exchange platforms” and the exchange of scientific information on marine ecosystems collected in the context of projects. By actively participating in working groups, we want to support the exchange of ideas on the successful implementation of the principles and share them within the development bank. Based on these guidelines, we are looking for further cooperation opportunities to expand our SDG 14 portfolio.