Acknowledgments

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Fully implementing a Blue Economy approach in Africa requires scaling up the financial resources available. African nations need to spend as effectively as possible the limited resources available to them by leveraging coordination and sustainability. Many African countries would also benefit from accessing the World Bank’s full range of finance instruments, which spans grant financing, debt, and equity financing. Technical assistance or grant financing is often required to undertake the analytics and diagnostics needed to identify policy improvements. The private sector has an important role to play in developing Africa’s Blue Economy. Several financial instruments can encourage partnership with the private sector, each of which have a different purpose with different requirements. The World Bank is available to help countries with mobilizing capital for investments. It also provides technical support and learning from its portfolio of more than US$7 billion of ongoing investments in oceanic and ocean-related sectors.
Introduction

Africa’s coastal and marine areas face growing challenges. Protecting the continent’s natural assets and the services they provide is not just a moral imperative; it is also a chance to obtain higher economic yield by, for example, adding value to fish products in Mauritania, using mangroves as shield for rice paddies from storm surges in Guinea, using clean coastal environment for tourism, as in Senegal, and generating new jobs by moving from destructive to productive practices, so enabling countries to access to blue carbon finance.

The Challenge

Despite wide acknowledgement of their importance to global development and environmental health, the world’s oceans are under threat from mismanagement, the effects of climate change, and poorly understood interactions within and between oceanic and terrestrial sectors. Investments in oceanic development are often isolated to individual sectors, exacerbating conflicts over resources and space.

Protecting the ocean is not only a moral imperative; it is also a financial opportunity. Ocean financing needs to move beyond an extractive, inequitable “business as usual” approach—which sees activities undertaken with little regard for negative environmental, economic, and social impacts that threaten long-term development—to align economic development opportunities with ocean health in a way that fosters low-carbon, resource-efficient growth, creates jobs, and reduces poverty. Enabling such a transition requires significant upfront investments, firstly to understand current trends and emerging threats through technical assistance, and secondly to formulate appropriate governance, fiscal, and financial policies, as well as investment solutions.

In many cases, financing is available. However, it is not always available at the right time or place. The time and effort required to request (and then wait for approval of) finance can also be prohibitive. In some cases, projects are isolated from each other or are not “shovel-ready”, and continuity is not achieved.
What is Needed

Each African country is different, with different financing needs based on that country’s unique economic and political backdrop. Middle income countries have different needs to low-income countries or fragile and conflict-affected states. However, all countries have two things in common when it comes to developing their Blue Economy. First is a need to develop blue investments based on data, analytics, and scenarios for sustainability and climate change. Second is a need to shift from separate, isolated investments in individual sectors to integrated, holistic, and regional management of marine and coastal areas.

Long-term, scalable solutions require sound technical assistance; robust, multisectoral networks with clear institutional mandates; and access to sufficient and appropriate finance. Such financing can be secured in two ways: by spending the resources available better, so that better sustainability results can be achieved, and/or by identifying new sources of financing to scale the Blue Economy and climate action.

Many countries in Africa could benefit from accessing the World Bank’s full range of finance instruments, which spans grant financing, debt, and equity financing. Innovative finance products that can be explored include blue bonds, crowding in private sector finance where practical, and a strategic deployment of concessional resources. This paper provides a few examples of existing instruments available from the World Bank and its partners.

Technical assistance or grant financing is often required to undertake the analytics and diagnostics needed to identify policy improvements. Countries also need debt financing to get to scale: to finance the gray, green, and digital infrastructure necessary to improve waste management; to improve safety at sea; for monitoring, control, and surveillance of fisheries; and to unlock the employment potential within marine and coastal tourism.

The process for accessing development finance can be complex. To help countries successfully navigate this territory, it is important to convene governments, technical partners, and donors so that they can establish trust and collaboratively develop a clear path towards achieving the Sustainable Development Goals by strengthening their blue economies.

The private sector has correctly been touted as a necessary ingredient in sustainable economic development. This is also true for Africa’s coastal and marine areas. Several financial instruments can be pursued to encourage partnership with the private sector, each of which have a different purpose with different requirements. The decision trees on the next page can help identify which instruments are suitable for a particular situation.

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How the World Bank Group Contributes to Solutions

The World Bank seeks to operationalize Africa’s Blue Economy by integrating disparate oceanic sectors under a common vision of sustainability and resilience in the face of intensifying climate change risks. It provides cost-effective financing combined with technical expertise to ensure that investments are directed where they will be the most effective, so supporting the successful implementation of sustainability-focused marine and coastal activities.

With more than US$7 billion invested in marine and ocean-related sectors in June 2022, the World Bank is in a unique position to help countries transform their ocean economies and move towards a more resilient and sustainable pathway. The World Bank’s Blue Economy portfolio currently includes projects focusing on sustainable fisheries and aquaculture, integrated coastal and marine ecosystem management, the circular economy and improved solid-waste management to address marine plastics, sustainable coastal tourism, maritime transport, and offshore renewable energy.

The World Bank has demonstrated its ability to catalyze coherent and purposeful collective action. The World Bank’s Blue Economy portfolio currently includes projects focusing on sustainable fisheries and aquaculture, integrated coastal and marine ecosystem management, the circular economy and improved solid-waste management to address marine plastics, sustainable coastal tourism, maritime transport, and offshore renewable energy.

Through its commitment to convening partnerships, the World Bank has demonstrated its ability to catalyze coherent and purposeful collective action. The West Africa Coastal Areas Management Program (WACA) provides a clear example of how the World Bank draws on its global knowledge and deploys its own financing instruments to bring along other development partners in providing collective support for countries as they pursue their existing national, regional, and global commitments.

Many instruments and financing options are available to meet countries’ economic conditions and climate challenges. This includes concessional and non-concessional loans, blue bonds, marine conservation endowment funds, carbon credit, parametric insurance, debt for climate swap, and many more.

Adaptable financing options

The International Development Association/International Bank for Reconstruction and Development (IDA/IBRA) offers various financing instruments to meet countries’ unique needs.

- **Case study**

**THE WEST AFRICA COASTAL AREAS MANAGEMENT PROGRAM**

The West Africa Coastal Areas Management Program (WACA) is an example of investment project financing (IPF). Developed in partnership with West African people who live on the coast and depend on it for their livelihoods, nutrition, food security, and prosperity, the program draws on US$477 million in IPF funding to support countries’ effort to improve the management of their shared coastal resources and reduce the natural and manmade risks affecting coastal communities.

The program consists of country-level IPF projects and a regional platform that promotes integration, the sharing of knowledge, and political dialogue between member countries. The platform also mobilizes public and private finance to tackle coastal erosion, flooding, pollution and climate change adaptation.

**Development Policy Financing**

The Development Policy Financing (DPF) instrument helps governments (or government divisions) develop and implement policies and institutional actions that support sustainable shared growth and poverty reduction. Policy reforms with a Blue Economy lens seek to ensure that marine and coastal development, wastewater management, and solid waste management contribute to economic growth and create jobs, so ultimately preventing an increase in poverty in country.

The US$50 million Grenada Fiscal Resilience and Blue Growth Development Policy Financing is one example of DPF. The project sought to help Grenada embark on various policy reforms to ensure the sustainable use of natural ocean resources while increasing adaptation and resilience to the impacts of climate change. Grenada’s marine and coastal ecosystems provide a wide array of goods and services. However, these assets were being undermined by poorly planned coastal development, pollution, unsustainable fishing, unplanned tourism, and climate change impacts.
MOROCCO BLUE ECONOMY PROGRAM FOR RESULTS

The US$350 million Morocco Blue Economy Program for Results uses the Program for Results Financing instrument to create jobs, stimulate economic growth, and strengthen the sustainability and resilience of natural resources while improving food security. Specifically, it supports the development of institutional frameworks, improves the integrated management of natural resources, and strengthens selected sectors for a climate-resilient Blue Economy in targeted areas.

CASE STUDY THE GUINEA-BISSAU BIOGUINEA FOUNDATION

The Guinea-Bissau BioGuinea Foundation (FBG) is a marine conservation endowment fund registered under British law and recognized as a charitable organization in both the United Kingdom and Guinea Bissau. Its mission is to provide financial resources and mobilize partnerships to benefit biodiversity conservation, sustainable community development, and environmental education in Guinea-Bissau. FBG was established in 2011 with support from multiple donors, including the World Bank. It is primarily funded through an endowment of €4.35 million (US$4.2 million), with additional pending commitments totaling €3.6 million (US$3.5 million). The foundation recently helped raise US$4.1 million for conservation through an innovative blue carbon REDD project. Its endowment targets are set at €13 million (US$12.6 million) by 2026 and €28 million (US$27.1 million) by 2031—which is estimated to be sufficient to sustainably guarantee basic operating costs for the country’s National Protected Areas System as well as the foundation itself.

INNOVATIVE INSTRUMENTS

The World Bank is constantly developing innovative financing products to meet the needs of a diverse range of countries with unique funding needs.

SEYCHELLES BLUE BOND

The Seychelles Blue Bond, issued in October 2018, was the world’s first sovereign blue bond. The World Bank supported the bond by providing a US$5 million guarantee which, together with a concessional loan of US$5 million from the Global Environment Facility, will partially subsidize the payment of the bond coupons. These credit-enhancement instruments allowed for a lower price of the bond by partially de-risking the investment for impact investors, but also by reducing the effective interest rate for the Seychelles.

BLUE ECONOMY FOR RESILIENT AFRICA PROGRAM

Parametric insurance

Parametric insurance is project finance through insurance payments for risk mitigation (for example, for the conservation and restoration of fisheries, coral reefs or mangroves). These insurance products have been developed for various oceanic sectors in Central America and holds promise for similar applications in Africa.

The first parametric insurance product developed by the World Bank was a US$2.3 million insurance package for the Caribbean Oceans and Aquaculture Sustainability Facility to protect fisheries and aquaculture. The insurance promotes formalization of the sector by giving fishers incentives to register to benefit from the insurance scheme. Ultimately, it aims to reduce the natural disaster risk that climate change poses to food security and foster policy reforms that promote climate-smart fisheries practices and coastal resilience.

INNOVATIVE INSTRUMENTS

Case study

Marine conservation endowment funds

Marine conservation endowment funds are grant-making entities that provide finance for conservation activities. They receive capital from governments, foundations, and the private sector. Often there is no expectation of a return, so the funds can support higher-risk projects that have less certain outcomes.
Blue carbon credits

Blue carbon refers to carbon that is sequestered through marine and coastal ecosystems such as mangroves, tidal wetlands, and by using seagrasses. While there presently are limited examples, the upstream identification stage of such credits is growing fast and can build on the experience gained in terrestrial carbon sequestration.

The World Bank provides support to help countries prepare for blue carbon credits. For example, it supported Pakistan with analytics focusing on the potential for blue carbon using the PROBLUE multi-donor trust fund. The resulting report, published in May 2021, recommended that the country should start developing a Blue Carbon Action and Financing Roadmap and include blue carbon in its nationally determined contributions. Since then, the provincial Government of Sindh has jointly launched the Delta Blue Carbon partnership, one of the world’s largest mangrove restoration projects, which aims to conserve and restore nearly 350,000 hectares of mangroves. In March 2022, the project sold its first tranche of 3 million blue carbon credits.

Debt for Nature/Climate Swaps

This is a mechanism by which international creditors offer debt relief in exchange for the investment of the avoided debt service in climate change-related projects. The transaction structure can vary, with the reduction of debt coming from its conversion to local currency, the use of a lower interest rate, a partial write-off, or a combination of these options. As an example, in 2021 Belize signed a debt-for-nature swap that reduced the country’s external debt by 10 percent of its GDP in exchange for a government commitment to spend US$4 million a year until 2041 on marine conservation.

Given the complexity of the instrument, its higher transaction costs, and its dependency on the creditor, its use has been limited in scope and scale to date and usually involves countries in debt distress.

Case study

PROBLUE

PROBLUE is a World Bank programmatic multi-donor trust fund that uses its well-established platform to channel funds to initiatives that align with its four strategic pillars. These pillars are:

- Improved fisheries governance
- Marine litter and pollution reduction and prevention
- The “blueing” of oceanic sectors to ensure their sustainable development
- Integrated seascape management.

PROBLUE has a broad structure to accommodate the evolving priorities of client countries and development partners alike. Its resources allow the World Bank to identify trends and emerging threats to oceans and the coastal and maritime economy, formulate appropriate solutions for action, and support the implementation of blue interventions that focus on these pillars, along with important cross-cutting issues such as gender, climate change, and maximizing finance for development.

PROBLUE is able to support Africa’s Blue Economy in two ways:

- By supporting an integrated, “spend better” approach to investment: PROBLUE’s capacity-building support and upstream knowledge work can help regional and country-level institutions develop strategic, integrated investment opportunities that are sustainable.
- By exploring ways to increase financing to Africa for Blue Economy activities: PROBLUE’s resources can be used to leverage other resources within the World Bank and beyond. New financing mechanisms—such as payments for ecosystem services and blue carbon opportunities—can also be explored in partnership with countries and regional entities.

What Success will Look Like

Africa’s Blue Economy will thrive if technical assistance and finance are channeled into larger programs so that the results become greater than the sum of the individual contributions. Multiple development funding donors will need to work together to support national development processes, mobilize additional resources, and ensure that their actions are coordinated to ensure maximum impact in client countries.

The Blue Economy will also thrive if decisions and investments reflect the externalities of the ocean economy. To achieve this, Africa’s decision-makers need access to high-quality data, tools, and methodologies, as well as standards to ensure that strategic and most-resilient projects are prioritized for financing and implementation. As an example, PROBLUE has created a platform for data and tools that serves as a basis to undertake marine spatial planning and better optimize the use of the marine and coastal resources.

Ideally, Africa’s Blue Economy agenda should integrate other World Bank priorities such as poverty reduction, biodiversity, climate change, and gender and social inclusivity. In particular, climate change should be incorporated both upstream and downstream, including for coastal infrastructure investments. Several examples show that the Blue Economy can be captured in nationally determined contributions for climate change and systematic country diagnostics.

Finally, Africa’s Blue Economy will succeed if it is built on regional integration that draws on existing institutions and platforms in an integrated and collaborative manner.