IYAFA 2022 series - #2

The EU and African artisanal fisheries

How to destroy the oceans responsibly – The Sustainable Blue Economy Finance Initiative

Nairobi, 18 April 2022

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Efforts to make blue economy sustainable have led to increasing calls for better regulations on investments. The European Commission has provided funding for the United Nations Environment Programme (UNEP) to launch the Blue Economy Finance Initiative (BEFI). Even though it has been celebrated in international conferences about blue economy, the BEFI highlights the inherent weaknesses of voluntary guidelines in mitigating the threats financial investors pose to the destruction of the planet.

Introduction

2022 is the International Year of Artisanal Fisheries and Aquaculture (IYAFA). Fishing communities face many challenges, including the effects of global warming, or the competition from other "blue" sectors, most of which are being promoted for a fast economic recovery to the pandemic.

To address all these issues, and guarantee the sustainable development of African artisanal fisheries, the African Confederation of Artisanal Fisheries Organisations (CAOPA) has called for the implementation of Sustainable Development Goals (SDG), in particular 14b, which requires to "ensure access to fisheries resources and markets for small-scale fisheries" and has identified three priority areas of action for African artisanal fisheries: (1) securing access to resources, (2) promoting the place of women and (3) protecting them from competing sectors.

We are starting a series on what actions should the EU take, in its partnership with Africa and as a champion of international ocean governance (IOG) and sustainable fisheries, to support African artisanal fisheries? The series will look at the actions of the EU in the context of the Europe-Africa partnership, on blue economy investments, and finally, in the context of the external dimension of the Common Fisheries Policy.

International efforts to develop the 'blue economy' come with startling predictions for growth in many maritime sectors. The OECD has forecast that the economic value of maritime businesses will double over the next decade, reaching approximately 3 trillion dollars. It is a forecast that most countries and international organisations seem to be positive about, as the oceans are considered an untapped potential to drive economic growth and prosperity. In Africa, for example, the African Union's Strategy for the Blue Economy estimates that the current economic output of maritime sectors is just under 300 million USD. However, they forecast this amount will rise to nearly 600 billion by 2063.

Consistently, government visions for developing the blue economy seek to facilitate this economic growth as much as possible. Yet many organisations recognise that encouraging investments comes with a range of risks, particularly in terms of environmental harms but also the risk that growth based on investment in highly profitable sectors, such as energy production, deep-sea mining, tourism and fish farming, may not benefit large numbers of people who depend on the oceans for their food security and livelihoods. Prominent among these are the millions of people engaged in small-scale fisheries. Protecting small-scale fisheries from financial investments in competing industries is a key recommendation of the FAO Voluntary Guidelines on Securing Sustainable Small-Scale Fisheries, and is also emphasised through other international agreements on human rights and the protection of indigenous peoples. Few, however, question whether this push for "blue economy" will be anything other than unsustainable.

1. Investment principles as a solution to the Sustainable Blue Economy?

Efforts to make blue economy sustainable have led to increasing calls for better regulations on investments. One of the prominent strategies international organisations and national governments favour is to produce voluntary guidelines. It is leading to multiple and overlapping efforts. However, one of the most high-profile events came in 2017, when the European Commission, the WWF, the World Resources Institute and the European Investment Bank created a set of 14 principles to guide sustainable investing in the blue economy, referred to as the Sustainable Blue Economy Finance Principles.[1] The 14 principles cover a range of aspects, from ensuring investments in the blue economy promote healthy marine ecosystems and the livelihoods of coastal communities, but also that investments are transparent and based on the best scientific assessments of their impacts.

These principles are not the only effort in the EU to develop criteria for sustainable investing in the Blue Economy. In 2021 the European Commission released a report[2]

[1] See the principles: https://www.unepfi.org/blue-finance/the-principles/
[2] EUROPEAN COMMISSION, "Sustainability criteria for the Blue Economy: main report", European Climate, Infrastructure and Environment Executive Agency, Publications Office, 2021. Available at: https://op.europa.eu/en/publication-detail/-/publication/893c5ae2-a63a-11eb-9585-01aa75ed71a1

on developing sustainability criteria for the blue economy, which provide recommendations on having a score card for assessing new business ventures and investments. It is something that could be used to help national authorities as they develop marine spatial planning and authorising permits for new business ventures. That study reviewed 30 sustainability criteria proposed by independent organisations and academics, including those developed for specific sectors, such as aquaculture. The recommendations of this recent report go into far more detail than the Sustainable Blue Economy Finance Principles, and it suggests that more is being done on drafting new and more stringent guidelines for investments in the blue economy at the EU level.

In addition, the European Commission has recently finalised a Directive on Corporate Sustainability and Due Diligence. This aims to strengthen corporate behaviour in terms of human rights and environmental impacts, which is applicable to businesses and investors in the blue economy.

However, the proliferation of these guidelines at the EU level is potentially confusing. It is not clear how the 14 principles for investing in blue economy, which have been presented as a global initiative, will be integrated into future EU policies. Nevertheless, for the time being the Sustainable Blue Economy Finance Principles remain something of a flagship achievement for the EU. Since they were finalised, the European Commission has provided funding for the United Nations Environment Programme (UNEP) to launch the Blue Economy Finance Initiative (BEFI).[3] This is also presented by the EC as one of component of the European Green Deal.[4] It exists alongside the BlueInvest Fund, which helps countries and companies access private financing for sustainable and profitable blue ventures.

The BEFI is a voluntary initiative open to public and private banks, hedge funds and venture capital firms. Those who sign on commit to respect the 14 principles and promote their use internationally. According to UNEP, today over 70 institutions have joined, controlling a combined wealth of over 11 trillion dollars. In return for signing up, financial institutions are allowed to use the UN logo on their marketing material and company letterheads. Among the existing members are investment banks such as BNP Paribas and HSBC, as well as maritime insurance companies, development banks and investors specialising in fisheries and aquaculture. UNEP describe it as;

> *"…the foremost global guiding framework for financial institutions to ensure ocean-related activity such as lending and investing is delivered with sustainability at its core."*[5]

Small-scale fisheries are not explicitly mentioned in the BEFI principles, but it is obvious that they ought to be one of the main beneficiaries. There are many elements of the 14 principles that complement the Voluntary Guidelines on Securing Sustainable Small-Scale Fisheries, although again, these guidelines are not explicitly mentioned.

UNEP's work on the implementation of the principles is going further than the principles themselves. Last year they also produced more specific recommendations

[3] See: https://www.unepfi.org/blue-finance/
[4] Ibid.
[5] UNEP, "Momentum builds at One Ocean Summit as AFD signs the Sustainable Blue Finance Principles", News, 10 February 2022. Available at: https://www.unepfi.org/news/themes/ecosystems/afd-signs-sustainable-blue-economy-finance-principles/

on types of investments that should be avoided for its members.[6] For example, any business venture that may contribute to illegal fishing or use destructive fishing practices, such as pulse fishing.

Beyond just signing up to the initiative, members promise to produce an annual report on how their investment decisions have implemented the principles. UNEP provide no information on precisely what these annual reports should contain, and only one member has produced a report so far. However, the BEFI suggests that big investors in maritime sectors may make large amounts of information on their activities more transparent. It is expected this year many more members will provide their first reports.

The BEFI is now being celebrated in various international conferences and meetings on the blue economy, including the prestigious annual World Ocean Summit organised by the Economist Intelligence Unit. This year at the One Ocean Summit that took place in France, the Agence Française de Développement (AFD) signed the principles as well.[7] However, a closer look at the principles and the initiative to implement them suggests all this enthusiasm is dubious. In fact, **the BEFI highlights the inherent weaknesses of voluntary guidelines in mitigating the threats financial investors pose to the destruction of the planet.**

2. The BEFI in the wider context

The BEFI follows a blueprint for solving social, economic and environmental harms by corporations and financial investors, which was first established by the UN in the 1990s. Since then, the UN has helped create an enormous number of similar voluntary codes for responsible business practices, for which there is limited evidence of achieving very much.

Before, in late 1960s, the UN produced a series of studies on the growing threats caused by transnational corporations (TNCs), particularly in developing countries. This led to a dedicated Commission that was tasked to draft a mandatory Code of Conduct for TNCs.[8] The Commission was noteworthy for being majority led by developing country governments; of its 48 members, only 10 came from Europe and North America, compared to 12 from Africa. It advanced a highly critical view of the escalating powers of TNCs, including their role in undermining democracy and plundering natural resources, for which national and international regulations and law enforcement was inadequate to counter.[9] The Commission on TNCs set up a dedicated Centre on Transnational Corporations, that among other things, was tasked to collate information on the activities of these companies and their investments in developing countries. The US government and various 'right wing' think-tanks were particularly critical of its ideology and policy recommendations,

[6] UNEP, "Turning the tide: Recommended exclusions for financing a Sustainable Blue Economy", June 2021. Available at: https://www.unepfi.org/publications/turning-the-tide-recommended-exclusions/
[7] See: AFD, "The ocean: 'It's time to consider its true worth' – Hélène Gobert", Actualités, 16 June 2020. Available at: https://www.afd.fr/en/actualites/ocean-its-time-consider-its-true-worth-helene-gobert
[8] See: Union of International Associations, "United Nations Commission on Transnational Corporations". Available at: https://uia.org/s/or/en/1100059616
[9] UNITED NATIONS, "Report of the Commission on Transnational Corporations", International Legal Materials Vol. 15, No. 4 (JULY 1976), pp. 779-812 (34 pages), Cambridge University Press. Available at: https://www.jstor.org/stable/20691602

suggesting the UN was overstepping its remit and threatening economic growth for poorer countries.[10]

At the Earth Summit held in Rio in 1992, under pressure from western donors, UNEP helped put an end to all this. In opposition to the recommendations of the Commission, it decided to create a Business Council for Rio, which was to develop a set of voluntary standards for themselves. The Business Council was represented by the world's largest TNCs, including those from mining, oil and industrial agriculture, and it was subsequently turned into the World Business Council for Sustainable Development. The Rio Declaration was widely criticised for omitting any negative views of TNCs, and instead describing them as vital partners to save the planet.[11]

Following the Earth Summit, the UN decided to abolish the work of the Centre for TNCs, which was absorbed into the organisation of the United Nations Convention on Trade and Development (UNCTAD). The pursuit for the mandatory Code of Conduct was formally ended in 1994. Instead, work started on something less confrontational and in partnership with big business. This eventually led to the "Global Compact"; a set of principles of responsible conduct that businesses help draft and then would sign on to. Fittingly, this was launched by the UN in 1999 at the World Economic Forum in Davos, an annual meeting that celebrates and confirms the global power of elite business leaders.[12] Within a year, over 7000 businesses had put their name to the Global Compact (it is now up to 12,000). In return, they were allowed to use the blue logo of the UN (which is what the BEFI allows as well). Critics called this "Blue Washing": the false stamp of respectability offered to polluting industries by the UN. Others also pointed out that "*the language of these principles is so general that insincere corporations can easily circumvent or comply with them without doing anything.*"[13]

As a model of corporate governance, the Global Compact led to vast numbers of similar initiatives. Another prominent example was the Equator Principles, launched in 2003 by the International Finance Corporation and the World Bank. As with the Global Compact, these principles provide guidelines on ethical and environmentally positive investing, which members are required to respect. Critics have pointed out that these voluntary guidelines have been in direct opposition to more stringent legal regulations that UN's Code of Conduct wanted to create: principles are weak, monitoring and enforcement has been timid and many banks remain signatories while there is clear evidence that their investments have driven the climate crisis and caused widespread poverty.[14]

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[10] GERAN Juliana, et al., "The Centre on Transnational Corporations: How the U.N. Injures Poor Nations", T1 608, 5 October 1987. Available on the website of The Heritage Foundation at: https://www.heritage.org/report/the-centre-transnational-corporations-how-the-un-injures-poor-nations

[11] CHARTERJEE, Pratap & FINGER, Matthias, *The Earth Brokers: Power, Politics and World Development*, 29 September 1994, Routledge. Available at: https://www.routledge.com/The-Earth-Brokers-Power-Politics-and-World-Development/Chatterjee-Finger/p/book/9780415109635

[12] MARSHALL, Andrew, "World Economic Forum: a history and analysis", TNI, 20 January 2015. Available at: https://www.tni.org/es/node/84

[13] DEVA, Surya, "Global Compact: A Critique of UN's Public-Private Partnership for Promoting Corporate Citizenship", Syracuse Journal of International Law & Commerce, Vol. 34, pp. 107-151, 2006. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=925692

[14] "Indigenous, environmental and climate justice groups rally outside Equator Principles meeting", BANKTRACK website, news, 17 October 2018. Available at: https://www.banktrack.org/news/indigenous_environmental_and_climate_justice_groups_rally_outside_equator_principles_meeting

Despite all these criticisms, UNEP has continued to use this model. Recently this has been brought together in an overarching programme, called the "Finance Initiative".[15] Alongside BEFI, UNEP also runs: the principles for "responsible banking"; the principles for "sustainable insurance"; the principles for "sustainable investment"; the principles for "sustainable Stock exchanges", as well as the Natural Capital Protocol and the "Good Growth Project", with standards for companies investing in palm oil and soya production. The market for voluntary principles is confusing and overlapping, which is now the case also with various new ones added by the EU. It is not clear how the principles for sustainable investment complement or duplicate the Global Compact or the Equator Principles. And **it is not entirely clear why the world needs a dedicated initiative for the blue economy, when the principles are so closely aligned with many others.**

3. Should we take the BEFI seriously?

Throughout the history of all these voluntary business standards produced by the UN, critics have highlighted the same problems: the principles are often vague and the implementation of the principles is weak. Voluntary guidelines tend to lack integrity and reliability. Ultimately, they provide false claims of righteousness for their members.

Overtime there have been some efforts to rescue their credibility. Principles are often re-written to try and strengthen the wording, and reporting requirements are made stronger. Recently, for example, the Global Compact introduced mechanisms to expel companies for non-reporting. Unfortunately, however, when it comes to BEFI, UNEP have set out with the very weakest approach to its design.

A) SUSTAINABLE FINANCE CAN BE UNSUSTAINABLE

One of the recurring criticisms of voluntary principles is that they are so ambiguous they can be interpreted to fit almost anything. This is a problem for BEFI. According to these blue finance principles, sustainable investing is loosely and briefly described as something that will:

> *"…restore, protect or maintain the diversity, productivity, resilience, core functions, value and the overall health of marine ecosystems, as well as the livelihoods and communities dependent upon them".*

While it sounds positive, this definition contains aspirational concepts that are potentially conflicting and hard to interpret in practice. There is a difference between something that restores the health of marine ecosystems (or livelihoods), to something that maintains the value of existing marine ecosystems (or livelihoods). The concept of "value" is also confusing: Is this the value to shareholders, the planet or coastal communities?

These vague definitions of sustainability are compounded by the fact that commitments to the principles are phrased in very general terms. Signatories are asked to endeavour to invest in sustainable projects and endeavour to mitigate risks.

[15] See: https://www.unepfi.org/

The language is not very strong. What this means is that if companies can show some effort towards investing in projects that are sustainable, that is good enough.

Global principles that are this vague will inevitably cause controversies and tensions. For example, several fish farming companies and investors in aquaculture are members of BEFI, such as "8F",[16] a company investing private equity in fish farming ventures based in Singapore. It is the exclusive investor in one of the largest farmed salmon producing companies in the world; "Pure Salmon", who are also members of BEFI. In 2020 Pure Salmon invested 175 million Euros in what will be one of the largest and most profitable salmon farms in the world, located in Northern France. This has been heavily criticised by environmental organisations, because Pure Salmon are pushing the density of fish in their ponds to levels never seen before.[17] Because the principles are set so low, it will be sufficient to merely show some effort at reducing their environmental impact.

This light touch for investors is reiterated in UNEP's recommendations for types of investments that investors should avoid. Despite offshore oil and gas being the most valuable source of investments in the blue economy, this entire sector was not mentioned in their list. Nor was coastal and deep-sea mining, another blue economy sector that is forecast to receive large amounts of investments.[18] The list of recommendations also failed to include investments in industrial fish farming that relies on fishmeal, despite the fact that the production of fishmeal has been raised as a prominent threat to small-scale fisheries in several parts of the world. When it comes to the fishing industry, UNEP suggested investors avoid investing in fishing industries that damage ecosystems, but failed to include bottom trawling in its list of specific types of fisheries, despite bottom trawling being the most destructive (and profitable) forms of industrial fishing in the world.

Thus, **sustainability is loosely and selectively interpreted. BEFI does not require companies to be sustainable; it requires companies to try and be a bit more sustainable; a bit better than they would otherwise have been.**

B) AN EXCLUSIVE CLUB OPEN TO ANYONE?

The credibility of global voluntary standards lies partly in whether they extend membership to companies and investors that meet stringent criteria. Companies can sign on to BEFI without passing any sort of test, but they are allowed to use the UN logo from the outset, nonetheless. BNP Paribas, to give an example, is welcomed by the UNEP to BEFI while last year it was exposed as having made the largest increase in funding for fossil fuels among all leading global banks.[19] Yet that does not matter; members have to show their commitment to the ideals of the principles, not actually being sustainable.

Including organisations such as BNP Paribas might be justified if their membership means they are forced to clean up their act. However, once signed up, companies are not subject to any rigorous assessment on whether they respect the principles.

[16] For more information, see: https://8f-am.com/
[17] EVANS, John, "Pure Salmon's France land-based project comes under fire over ethical concerns", IntraFish, News, 15 February 2021. Available at: https://www.intrafish.com/salmon/pure-salmons-france-land-based-project-comes-under-fire-over-ethical-concerns/2-1-956931
[18] UNEP, "Turning the tide: Recommended exclusions for financing a Sustainable Blue Economy", *Op. cit.*
[19] "BNP Paribas massively increases fossil fuels financing", Reclaim Finance website, 18 March 2020. Available at: https://reclaimfinance.org/site/en/2020/03/18/bnp-paribas-massively-increases-fossil-fuels-financing/

Instead, to maintain their membership to the initiative they must only provide an annual report that demonstrates how they have used the principles in their business activities. As is indicated in the first annual report produced by a BEFI member, the maritime insurance company "American Hellenic Hull", a brief presentation will suffice.[20]

Such tokenistic reports are almost inevitable for these types of initiatives. **To have any credibility, companies would have to be assessed by an independent third party, with no commercial interest in the outcome of their assessment.**

Left to brief "self-reports", the BEFI fails to advance transparency and accountability, merely leaving the task of verifying claims made by members for others to contest. That may be particularly difficult given that the investment activities of many of the existing members of the initiative are hidden by confidentiality. Public information appears to be scarce on the investment activities of Investas,[21] a private investment company listed in Luxembourg.

Often what is presented as a financial institution is a subsidiary or sister organisation of another investment institution; prominent people in the private investment industry can own multiple investment companies. So, for example, a member of the BEFI is Ocean 14 Capital,[22] that markets itself for investing in the sustainable blue economy. However, it is a new venture capital firm established by Vedra Partners,[23] a private investment firm that runs several other firms specialising in energy projects. What would it mean if Ocean 14 Capital was a firm adhering to the BEFI, but Vedra Partners does not?

4. Conclusion: the EC should stop supporting the Blue Economy Finance Initiative (BEFI)

As it stands, the EU's support for UNEP's BEFI is disappointing. The objective of exposing and tackling financial investments that harm the environment and have adverse impacts on many people relying on the oceans for their livelihoods is positive. However, BEFI does not offer a meaningful approach to deliver on these aims. Worse, it provides companies with unwarranted positive public relations, or "blue washing".

The spotlight on the activities of financial investors in the blue economy needs to be widened and intensified. It is a huge challenge because of the secrecy that plagues the sector. BEFI does not make a serious effort to document the financial flows going into various maritime sectors and the beneficial owners behind these transactions.

The European Commission recognises this challenge. In 2020 it commissioned and published a report entitled "Unsustainable Finance in the Blue Economy: Where does the money come from?"[24] The study was not able to map financial flows in the blue

[20] American Hellenic Lull, "Sustainable Blue Economy Finance Initiative - Progress Report 2020", October 2021. Available at: https://hma.com.cy/wp-content/uploads/2021/10/Sustainable-Blue-Economy-Finance-Initiative-Report-2020.pdf
[21] See: https://investas.lu
[22] See: https://www.ocean14capital.com
[23] See: https://www.vedrapartners.com
[24] EUROPEAN COMMISSION, "Unsustainable finance in the blue economy: Where does the money come from? – executive summary", Executive Agency for Small and Medium-sized Enterprises, Publications Office, 2020. Available at: https://op.europa.eu/en/publication-detail/-/publication/e8c10a7d-2a1f-11eb-9d7e-01aa75ed71a1/language-en/format-PDF/source-search

economy in any systematic way, but it was an encouraging first start, setting out the methodological challenges and providing some case study examples.

Giving financial resources for a continuation and international expansion of this work is needed, as it represents a far more effective route for increasing transparency in blue economy investing than the voluntary approach based on self-reporting offered by UNEP.

The EU and other stakeholders should also re-evaluate their enthusiasm for the Sustainable Blue Economy Finance Principles because they are confusing in setting out the responsibilities and duties of investors. The vague principles merely endorse the lowest levels of commitments, opening up the opportunity for selective interpretations. For example, asking investors to endeavour to commit to ideals such as transparency is a regressive step in the context of global efforts to ensure the mandatory reporting on financial flows and beneficial ownership. The proposals being put forward by the EC on Corporate Sustainability and Due Diligence, while not perfect, are far stronger than what they have created for the blue economy.

The type of principles used by the BEFI are also a convenient distraction to more serious policy debates. The UN Special Rapporteur illuminated this problem for the principles on Responsible Agriculture Investment. Although these seem to be progressive, they represent an endorsement of the status quo, avoiding any wider critique of the way in which the world's food production system operates.

Although it is promoted as a bold global strategy to transform investing in the blue economy, BEFI reinforces a limited view where the blue economy is seen as a new frontier for enormous financial returns, which inevitably favours industrialised large-scale maritime sectors. In their flyer for promoting the blue economy investment principles, WWF describe:

> *"The Principles are more than a risk management tool, in fact they are geared just as strongly towards opportunity. The current and potential future value of the sustainable Blue Economy is immense"*[25]

The risk here is that BEFI transforms into a programme focused on attracting more investments to generate larger surplus profits. Debates at the EU level are recognising the folly of this view, as well as the importance of jettisoning "blue economy" for a vision of maritime sectors that prioritise small-scale and localised industries, including most importantly small-scale fisheries. By promoting business friendly investment principles, detached from wider political visions of what a sustainable blue economy should look like, BEFI may simply be "guidelines on how to destroy the oceans responsibly."

Nairobi, 18 April 2022

[25] WWF, "Introducing the Sustainable Blue Economy Finance Principles", Brochure, March 2018. Available at: https://www.wwf.org.uk/sites/default/files/2018-03/Introducing%20the%20Sustainable%20Blue%20Economy%20Finance%20Principles_2018%20Brochure.pdf