



Federal Ministry
for Economic Cooperation
and Development

KFW

financeinmotion
INVESTING IN DEVELOPMENT

eco.
business
Fund

Stimulus for a Green Economy

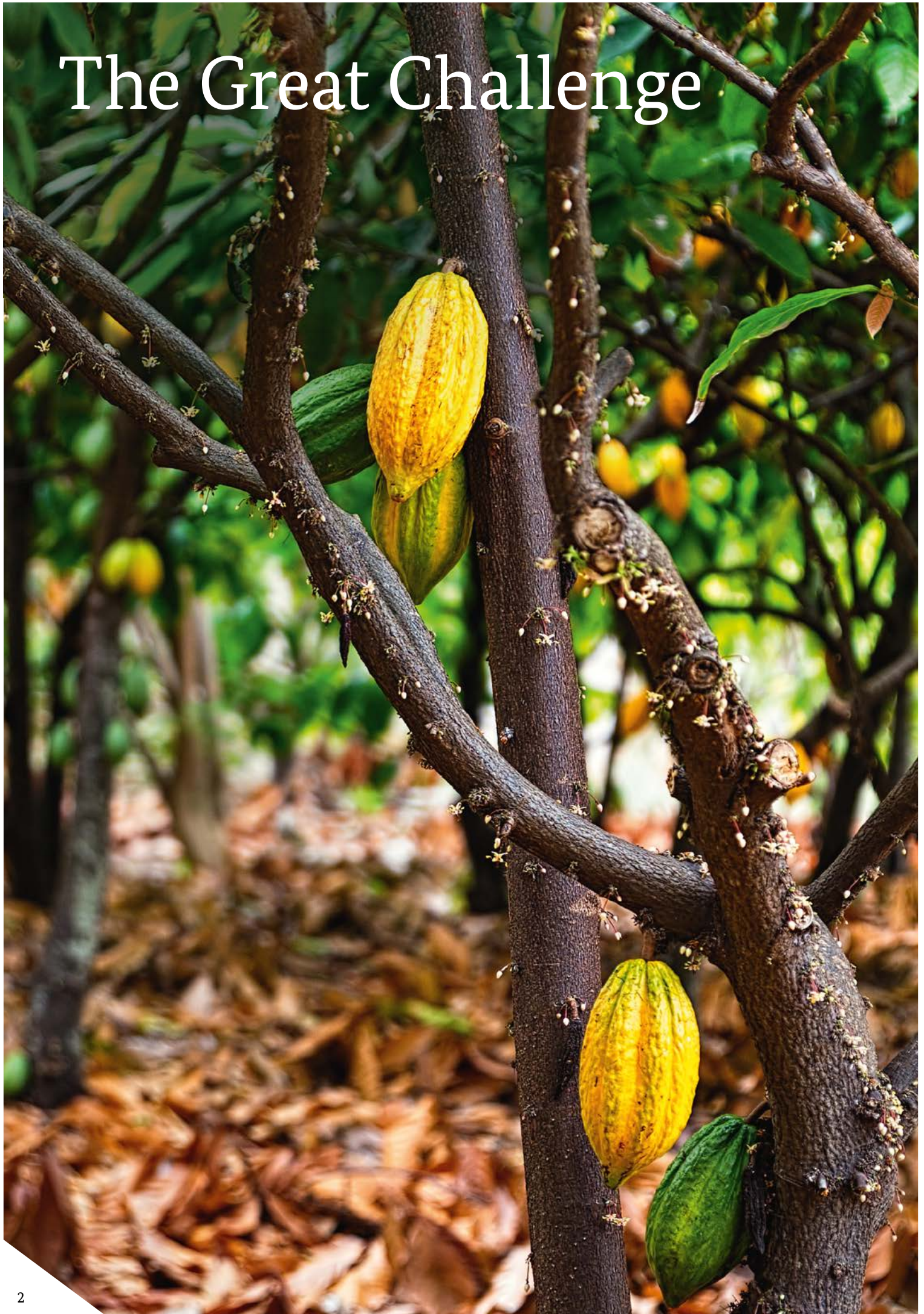
The eco.business Fund supports sustainable production methods –
now also in Africa

BMZ *in depth*

bmz.de/en



The Great Challenge





The loss of biodiversity is one of the greatest risks facing humanity. One million species are threatened with extinction. If biodiversity is not preserved, it will be impossible to achieve 80% of the international Sustainable Development Goals and large parts of the Paris Agreement.

Nature is the basis of our existence and for economic activity. And yet it is facing ever more pressure from human intervention: mining, intensive agriculture, deforestation and unregulated fishing are increasingly threatening natural resources. In many parts of the world, the impacts of this overexploitation of natural resources are already clearly visible: soils are degrading, forests are disappearing, water is polluted. And climate change is also having profound repercussions.

The extent of the threats is demonstrated by the loss of biodiversity, which the World Economic Forum rates as one of the six greatest risks to humanity. This loss is now considered to be just as important as the fight against climate change. According to the World Biodiversity Council, one million species are already threatened with extinction – a dramatic and unprecedented development. At the same time, the Council emphasises that 80% of the Sustainable Development Goals (SDGs) and key parts of the Paris Agreement cannot be achieved without effective countermeasures.

To halt this trend, new economic practices are needed alongside effective nature conservation. The economy must become “green”, which requires incentives and capital. The eco.business Fund is an instrument that works towards this goal and promotes economic activity that contributes to the sustainable use of raw materials and the preservation of biodiversity. It also helps to mitigate climate change and adapt to its negative impacts. The fund was established in 2014 by KfW Development Bank on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) together with Conservation International and Finance in Motion.



↑ At the cocoa harvest, here in Latin America.



↑ Cocoa beans: they come from inside the fruit.

The eco.business Fund promotes economic activity that contributes to the sustainable use of raw materials and the preservation of biodiversity.

The Green Fund





The eco.business Fund promotes sustainable economic practices in the areas of agriculture, fisheries, forests and environmentally friendly tourism. Thanks to its success in Latin America, the concept is now being transferred to Africa.

The eco.business Fund is a pioneer: It is unique in its approach because it only supports companies that replace conventional production processes with sustainable methods. It started its work in Latin America and the Caribbean, where it focuses on four areas: agriculture, forestry, tourism, fisheries and aquaculture.

To this end, it brings together private and public investors who assume different levels of risk. The involvement of public institutions creates a risk buffer for other investors – this makes the fund more appealing and attracts more private capital. Private investment already accounts for 30% of the total volume.

The fund generally grants “green credit lines” to local banks, which in turn extend loans to local companies. They must have sustainability certificates from the Rainforest Alliance or FSC, for example, be striving to acquire them or implement a sustainable measure in line with the green principles of the fund. Since its formation, loans of more than EUR 570 million have been disbursed to final borrowers. Through higher and sustainable production, the fund directly improves the living conditions of local residents.

The eco.business Fund has accomplished a lot since 2014. It has, for example, promoted sustainable cocoa farming in Ecuador and environmentally friendly coffee in El Salvador. Overall, in a short period of time it has contributed to:



→ protecting more than 90,000 hectares of land from deforestation; which is equivalent to nearly 130,000 football pitches.



→ saving more than 4 million cubic metres of water; this would fill more than 26 million bathtubs.



→ implementing soil protection measures on over 80,000 hectares of farmland; this is roughly equivalent to the area of Berlin.



→ protecting around 280,000 jobs in the organic sector; this corresponds to around half of all people employed in German agriculture.



→ storing around 5 million tonnes of CO₂ through agroforestry; this represents the per capita emissions of around 600,000 Germans.

Since the eco.business Fund has accomplished a great deal in Latin America in just a few years, a branch was also set up in Sub-Saharan Africa at the end of 2019.

The eco.business Fund is a pioneer in bringing together private and public investors to promote a sustainable economy.

The New Branch





Africa's nature is particularly rich, but also particularly threatened, one reason being the rising demand for food. This is why the eco.business Fund in Africa not only promotes sustainable agriculture but also companies that protect and preserve the forest.

In Africa, despite significant progress, hunger and malnutrition remain a serious problem. It is exacerbated by a population growth rate that is among the highest in the world. As a result, Africa not only needs more agriculture, but also more intensive agriculture. However, farming cannot be expanded at the expense of the environment if it is to become a sustainable long-term model. Therefore, Africa must reconcile its economic growth and its increasing demand for food with environmental principles. This applies above all to the preservation of forests and biodiversity which the continent is particularly rich in. But both are also under considerable pressure.

Against this background, KfW – on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) – together with its partners implemented the idea of extending the eco.business Fund to Africa. Based on the innovative and successful concept from Latin America and the Caribbean, it provides banks with “green credit lines”, but also directly supports companies and cooperatives if they commit to environmentally-friendly economic practices. The focus is on production practices that preserve forests, not least because of climate change mitigation.

The fund in Sub-Saharan Africa operates independently from Latin America, but under the same umbrella-structure. There too, the priority areas for funding are: agriculture, forestry, fisheries and aquaculture, and tourism. And there, too, important impetus for a “green economy” is to be generated within a few years. For unless our economic system is fundamentally changed the natural basis of life and thus the future of humanity is at stake.

Africa's economic growth and its increasing demand for food must be reconciled with environmental principles.



↑ Cocoa seedlings from Africa, the main region for growing cocoa next to Latin America.

← Quality control of banana plants in southern Africa.

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