

Green Economy – Africa and Latin America

eco.business Fund for sustainable production

Nature provides the foundation for our existence and is the basis 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 are already clearly visible: soils are degrading, forests are disappearing and water is polluted. To halt this trend, new economic practices are needed that rely on sustainability instead of resource depletion, alongside effective nature conservation. So in 2014, KfW set up the eco.business Fund together with other players. Initially it only operated in Latin America, but since late 2019 it has been active in Sub-Saharan Africa as well.

Context

We are seeing unprecedented biodiversity loss. According to figures from the IPBES biodiversity platform, up to a million plants and animals are at risk of extinction and, for many, this will occur in the next few decades. Today, the rate at which species are dying is at least ten times higher than the average rate over the last ten million years. The World Economic Forum classes this loss as one of the six greatest risks to humanity. It is now considered to be just as important as the fight against climate change. At the same time, 80% of the Sustainable Development Goals (SDGs) and key parts of the Paris Agreement cannot be achieved without effective measures to counter this loss.

The coronavirus pandemic offers a good example of the importance of an intact environment to human survival. Scientists have identified that around 60% of all existing

illnesses and more than 70% of new illnesses seen in humans have zoonotic origins, meaning that they have jumped from animals to humans. The more humans invade areas of nature, the higher the likelihood that pathogens spread. For example, numerous studies have shown a connection between deforestation and the spread of illnesses like Lyme disease and malaria.

This dangerous trend has to be reversed by introducing new economic practices alongside effective nature conservation. The economy must transition to a “green economy”. The eco.business Fund is an instrument that works towards this goal. It was established in 2014 by KfW Development Bank on behalf of the Federal Government, working in partnership with Conservation International and Finance in Motion.

Project title	eco.business Fund
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Country/Region	Latin America, Sub-Saharan Africa
Project partner	Conservation International, Finance in Motion





Martha Albir grows sustainable coffee in Nicaragua and was granted a loan through the eco.business Fund to assist her. Photo: Thomas Buhl. On the front page: tea production in Africa. Photo: eco.business Fund.

Project approach

The eco.business Fund exclusively supports companies that replace conventional production processes with sustainable alternatives. Its work started in Latin America but it has now expanded to cover Sub-Saharan Africa. The two regional funds work separately but under a single umbrella. The fields of assistance in both regions are: agriculture and forestry, fishery, aquaculture and ecotourism. To this end, the fund 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. In Latin America, private investment now accounts for 30% of the total volume. Since the fund's formation, loans of more than EUR 1.9 billion EUR have already been disbursed to ultimate borrowers.

In Latin America, the fund grants “green credit lines” to local banks, which in turn extend loans to local companies. In Africa it grants loans both to banks and to companies themselves. They must have sustainability certificates from the Rainforest Alliance or FSC, for example, or be striving to acquire them or implement a sustainable measure in line with the green “fund principles”. In Africa, operational work is just getting underway; the focus is currently on countries in East and West Africa and on deforestation-free agricultural products like cocoa, coffee and bananas. In general, however, the fund could feasibly cooperate with every country in Sub-Saharan Africa. The first commitment was made in March

2020, to a cocoa producer in Côte d'Ivoire that was certified by the Rainforest Alliance.

Impact

The fund has achieved a lot since 2014. In Latin America, for example, it has helped to protect more than 260,000 hectares of land from deforestation and to save over 4.5 million cubic metres of water. Soil protection measures were also implemented on over 500,000 hectares of farmland; this is roughly equivalent to the area of London. Furthermore, the fund preserved and created 452,000 jobs in the eco sector and agroforestry saved around 8,8 million tonnes of CO₂. The intention is for the fund to achieve a similar impact in Africa, as the region is currently facing major challenges due to poverty, undernourishment and high population growth rates, while still dealing with COVID-19. As a result, Africa needs not only more agriculture, but also more intensive agriculture; however, this must not come at the expense of nature. The eco.business Fund can make a valuable contribution in this area by creating incentives to do business sustainably. Next to the initial investment in Côte d'Ivoire there is another in tea and coffee crops in Kenya. Both are due to be followed by more in the near future.



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