Building a Sustainable Blue Economy

UNEP FI SBE Annual Report

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Introduction

Climate Fund Managers (CFM) is a climate-focused investment manager dedicated to mitigating and building resilience to climate change. Through a blended finance structure, CFM attracts public and private capital to invest in renewable energy, water, sanitation, and ocean infrastructure via Climate Investor One (CIO) and Climate Investor Two (CI2).

Since becoming a signatory of the UNEP FI Sustainable Blue Economy Finance Principles (the "Principles") in 2020, CFM has embedded these Principles into its investment processes. The Impact Screening tool, utilising criteria from UNEP FI's 'Turning the Tide' publication, ensures alignment with these Principles and adherence to recommended exclusions.

This report provides an update on progress over the past year, highlighting ongoing efforts, integration of the Principles into projects, and the initiatives undertaken, with the principal focus continuing to be in relation to the CI2 investment in Oceans Finance Company (OFC).

Case Study: Oceans Finance Company (OFC)

CI2 is the main shareholder in OFC, a marine ecosystem venture that seeks to bridge the gap between natural capital management, nature-based solutions and large-scale blended finance. OFC develops and manages large-scale impact programmes and long-term funding mechanisms that drive ecosystem conservation and protection and uplift communities while generating sustainable returns for investors. OFC has incorporated the Principles into its corporate Sustainability Management System (SMS) and all projects and programmes it supports or funds.

CI2 made an investment into OFC's flagship project in Ecuador, the geographical extent of which includes the Galapagos, and Santa Elena and Manabi provinces on the mainland. The overall objective of the project is to deliver improved ecosystem function and enhanced ecosystem resilience through better conservation, management and restoration, whilst empowering communities by providing them with access to opportunities and resources needed to contribute to and benefit from the improved health of the marine ecosystem. In the long-term, these changes will contribute to climate resilience and community well-being, which are instrumental in achieving the projects overall vision of a nature-based solution to deliver climate-resilience. OFC undertook a community needs assessment to identify the needs and opportunities of the communities within the three provinces, focusing on improving their livelihoods and development. OFC has identified local implementation partners to address the identified needs and opportunities through the establishment of a portfolio of programmes, whilst promoting the Principles throughout each of these initiatives.

A selection of OFC Ecuador's active programmes is set out in Table 2 below.

Table 1 Selection of Project Ecuador Programmes

Implementation Partner	Programme Title	Description
Charles Darwin Foundation	*Scalesia* Forest Restoration	Large-scale restoration efforts to preserve the unique *Scalesia* forest and fortify the resilience of the important carbon sink ecosystem through a programme of re-planting, invasive species management, and ongoing monitoring.
Charles Darwin Foundation	Marine Habitat Research	Use of novel technology to identify and map key sub-tidal habitats (e.g. coral reefs) in the Galapagos Marine Reserve to assess and monitor vulnerability to climate change.
Conservation International	Eco-Gourmet	A market-based approach to promoting sustainable fisheries in the Galapagos Marine Reserve through policy implementation, collaboration and capacity building, and brokering of purchase agreements with the tourism sector and local markets for sustainably captured fish.
Conservation International	Zero Anchors	Programme involving working with the Galapagos National Park to establish a reserve-wide vessel anchoring system involving mooring devices to eliminate the use of anchors which cause damage to the sea floor.
Jocotoco	Towards Productive, Sustainable and Resilient Waters and Livelihoods in Seven Protected Areas along the Ecuadorian Coast	Livelihood support and strengthening activities including capacity building, community engagement, mentoring and communication to raise awareness of marine conservation, combat illegal fishing, protect endangered species, and promote sustainable livelihoods and ecosystem stewardship.
I AM WATER	Oceans for All Alliance	Programme focused on youth by providing local organisations with necessary skills and resources for ocean conservation education initiatives.
Ichthion	Galapagos Guardians Initiative	Waste management programme in Manabí Province involving installation of waste barriers to intercept debris before it impacts sensitive areas, manual waste collection, creation of a pollution source map using remote sensing for ongoing monitoring, and training to raise awareness of the effects of harmful waste disposal.
Universidad San Francisco de Quito	Scholarships: Santa Cruz Campus	Tertiary education scholarship programme for students to participate in programmes of study relevant to climate action and conservation.
Wild Aid Ecuador	8 Miles: Protection of the eight miles in Manabí and Santa Elena as an exclusive reserve for artisanal fisheries	Programme of inter-institutional collaboration, capacity building, supply of equipment and awareness campaigns designed to facilitate the effective governance and surveillance of MPAs along the coastline of the provinces of Manabi and Sa.

The portfolio of programmes seeks to continuously increase positive impact within six mitigation and adaptation 'Results or Target Areas' which are shown in Figure 1 below. A suite of impact indicators, and targets for each have been established to monitor positive impact across the programmes.

Figure 1: Project Ecuador Results or Target Area

In addition to actively supporting the UNEP FI through its adoption of the Principles (see Table 2 below), OFC actively contributes to the following global frameworks:

- UN Sustainable Development Goals (SDGs) (in particular SDG 14 - Life Below Water);
- Paris Climate Agreement, and
- Kunming-Montreal Global Biodiversity Framework.

Table 2: Integration of Principles into OFC's Ecuador Project

Principle	Description
Principle 1: Protective	The ultimate objective of the CI2 investment in the OFC Ecuador project is to deliver improved ecosystem function and enhanced ecosystem resilience through better conservation, management and restoration, whilst empowering communities by providing them with access to opportunities and resources needed to contribute to and benefit from the improved health of the marine ecosystem. OFC only supports programmes that are aligned with this goal and the Project Ecuador Results or Target Areas. The Ichthion Galapagos Guardians Initiative involves the installation of a waste barriers in a river in Manabí province to intercept ad remove debris before it enters the ocean.
Principle 2: Compliant	OFC programmes are required to align with OFC's SMS and therefore, local/ national legislation and international best practices including the IFC Performance Standards, the IUCN Global Standards for MPAs, and the UNEP FI Blue Economy Finance Principles. Implementation Partners will define how they will manage E&S risk and impacts through an Environmental and Social Management Plan (ESMP) and/or other safeguards as required on the basis of an E&S risk assessment.
Principle 3: Risk-Aware	OFC's risk assessment and management process provides a systematic and structured approach to the identification and evaluation of risks and impacts associated with the Project. All OFC funded initiatives undergo a rigorous assessment of environmental and social (E&S) risks including: • Screening against OFC SMS Exclusion List; • High level early screening against the International Finance Corporation (IFC) Performance Standards using OFC's E&S risk screening template; • E&S risk categorisation, and • More detailed evaluation, with a specific focus on alignment with the IFC PS using OFC's E&S risk management tool.
Principle 4: Systemic	Through the programmes being supported by OFC, CI2 seeks to deliver a systemic, multi-layered approach to conservation and sustainable management of the marine and coastal ecosystem.
Principle 5: Inclusive	Inclusive, effective stakeholder engagement is core to the success of the project and commenced during the community needs assessment with a robust stakeholder analysis and mapping exercise and various forms of engagement, guided by a Stakeholder Engagement Plan (SEP) to understand needs and opportunities within the three provinces where the project operates in line with IFC PS1. OFC is currently in the process of revising the SEP for the Ecuador project, which will be supplemented by Programme-specific SEPs where considered necessary.

Principle	Description
Principle 6: Cooperative	CFM and OFC recognise the vital role of contributing to thought leadership and sharing of knowledge and expertise built through the programmes being supported.
Principle 7: Transparent	Transparent reporting obligations have been established, requiring OFC to report to investors on Project progress and impacts. In turn, the investors may publicly disclose information to provide insights into the progress and performance of the project.
Principle 8: Purposeful	All CI2 investments are designed to deliver a contribution to selected UN SDGs including SDG 14 (Life Below Water) and UN SDG 15 (Life on Land). Through the CI2 investment in OFC, the initiatives being targeted are designed to deliver a net positive social and environmental impact across a set of defined results areas that collectively contribute to the UN SDGs.
Principle 9: Impactful	All potential programmes are screened to confirm that they are able to deliver a positive, measurable impact against one or more of OFC's core impact indicators. Ex-ante and ex-post impacts will be measured, monitored and reported in accordance with a defined procedure which has been approved by the Green Climate Fund.
Principle 10: Precautionary	This then informs an Environmental and Social Management Plan (ESMP) and other E&S safeguards, where required, to manage E&S risks and impacts through the life of the programmes. Some Category C projects such as the USFQ Scholarships programme or where the funding being allocated is limited (e.g. funding for eDNA laboratory analysis) will not require an ESMP.
Principle 11: Diversified	A key focus of the community needs assessment scope was to identify a diversified portfolio of programmes and implementation partners across a range of complimentary results areas (Figure 1). Some programmes are short-term by nature and designed to deliver rapid sustainable outcomes, whereas others are longer-term such as the strategic Charles Darwin Foundation partnership.
Principle 12: Solution-Driven	Through the CI2 investment, CFM and OFC are driving a solution-oriented approach to marine and coastal conservation and sustainable management, taking into account and equally prioritising the livelihoods of the many people that depend on a healthy environment.
Principle 13: Partnering	OFC has onboarded a diversified group of implementation partners including public, private and non-government sector entities implementing marine conservation programmes or community focused initiatives. All implementation partners are aligned with OFC's goal to improve ecosystem function and enhance ecosystem resilience through better conservation, management and restoration, whilst empowering communities by providing them with access to opportunities and resources needed to contribute to and benefit from the improved health of the marine ecosystem.
Principle 14: Science-led	Key to measuring success of our projects, i.e. the extent to which they deliver a positive impact, requires an understanding of the baseline and the ability to monitor change. A science-led approach is critical to this and OFC is exploring approaches to bring efficiencies to marine data collection through innovative techniques and technologies. Through the Charles Darwin Foundation Partnership, OFC is using novel technologies to more effectively gather scientific information and data on the marine environment - for example, to identify and map key sub-tidal habitats (e.g. coral reefs) in the Galapagos Marine Reserve to assess and monitor vulnerability to climate change.

Concluding Remarks

Over the past year, OFC has made significant strides in embedding the Sustainable Blue Economy Finance Principles. The successful management of the HMR and the GMR highlights CI2's commitment to protecting marine ecosystems and promoting sustainable development.

Through strategic partnerships and innovative financing, CI2 and OFC have advanced conservation initiatives that benefit both the environment and local communities. Looking ahead, CI2 and OFC remain dedicated to driving positive change within the blue economy, fostering transparency, governance, and inclusive engagement to create lasting impacts.

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