

## "The language of financial markets today is the language of conservation"

*A conversation with Andre Standing about the financialisation of conservation, how this is influencing international efforts to advance the 'blue economy' and why artisanal fisheries do not benefit from that.*

*Cornelia Wilß: Andre, through your work with the CFFA (Coalition for Fair Fisheries Arrangements), you have for some time been writing about the problems of the blue economy concept and the idea of 'blue growth'. Recently CFFA have been writing about the links between the blue economy and the financialization of conservation surrounding the oceans. How would you explain these developments?*

**Andre Standing:** Thanks for taking your time! Yes, the work we are doing at CFFA on these compliments work by other organisations that are worried at how saving the planet has now become a new business opportunity, designed to create new streams of income for private investors. It is quite amazing that in so many reports and conferences on the blue economy, people talk about nature as an 'asset class' for financial markets. Unfortunately, it seems to be such a normal way of thinking about nature today.

So yes, there has been a big change in the culture and ideology surrounding conservation. It has been happening for a long time—going back to the 1980s, but I think it really took off in the last decade. One of the ways you can see this is that so many of the world's leading conservation organisations are now run by people with experience from the financial sector, and these NGOs are now working in close partnership with investment banks like Goldman Sachs and Credit Suisse. These banks are also now given centre stage at international conferences on the blue economy. In the conservation world, biologists and ecologists have been pushed to one side by those with qualifications from business schools and experience in the private sector.

Of course, what is happening in the world of conservation is just part of a wider transformation in our global economy, which many people refer to as financialization. That describes not only how the world's economy is trying to extract ever more profits from financial transactions—making everything into commodities to be gambled with, which now includes nature—but also how elites of financial markets have gained power over so many spheres of our social and political life. Former top employers of banks like Goldman Sachs are found throughout governments and intergovernmental organisations, including in the EU, so it is not surprising we find the same people running global initiatives to save nature and fight climate change.

*You have written about the conservation finance industry. Can you say something on this?*

Well, that is the name given to this branch of conservation that is focussed on creating profitable conservation projects that are funded by private investors. A decade ago, no one used that concept, but it is now probably the most dominant theme in the conservation world. If you go to a blue economy conference for example, you will meet people who tell you they work in conservation finance. You can now take a post graduate course in conservation finance at top business schools, such as Yale. It is becoming a specialised field, and it is where a lot of the funding for conservation is going.

So what we have seen recently is a huge growth in the number of conferences and reports devoted to conservation finance, and there are so many more organisations and start-ups doing this sort of work. There are quite a number of international industry associations for conservation finance, with thousands of members. Many of these are venture capital firms or hedge funds that are offering eco-financial services and advice.

Almost all of the world's big conservation NGOs have departments or projects for conservation finance now, and that is also the case for intergovernmental organisations. The UN, particularly the United Nations Environment Programme, has really pushed conservation finance to the top of its agenda. So I think conservation finance has become a major industry, with its own specialisations and jargon. Putting to one side whether that is a good thing or not, I think it is important that we recognise this new industry, monitor how it is evolving and think about its implications.

For example, one of the issues that we flag in our work is how the growth of the conservation finance industry has been driven by business consulting firms. So many of the most important studies and policy documents on conservation and climate change are now authored by consulting firms such as McKinsey and Deloitte. That is cause and effect of this rise in conservation finance. These are incredibly powerful international organisations that work closely with governments, transnational corporations, and financial institutions, and generally their services and advice is not particularly environmentally positive or beneficial for poorer communities. In fact, there is a compelling argument that these consulting firms have been a key player in so many problems the world faces today, having advised governments on the deregulation of financial markets and the weakening of environmental regulations. They don't tend to receive as much critical press as they deserve. But the fact these organisations are now considered global experts in conservation is something to be worried about.

*So, how do you see the relationship between this conservation finance industry and international efforts on the blue economy?*

Well, they are so closely related one cannot imagine one without the other. The European Commission was the first major international organisation to speak about the blue economy, but this was taken up by the UN after the Earth Summit in 2012. Right from the start the blue economy concept was based on the view that maritime sectors provided enormous potential as an engine for economic growth. The EU's blue economy vision was driven by the idea oceans could help the EU rebound from the economic crisis caused by the 2008 financial crash. But of course, this interest in the oceans as a driver for growth has also been joined by the realisation that key economic sectors are destroying marine ecosystems. What we end up with is a vision of the blue economy that can provide more profits for society, but in a way that also saves marine habitats and wildlife.

Conservation finance is an extension of this flawed thinking. What most presentations of the blue economy idea argue is that the problems driving the destruction of the 'blue planet' are caused by a lack of funding, or neglect. Saving the oceans apparently needs a huge increase in investments. Apparently, this can only ever be partly paid for by governments, so saving the oceans requires increased investments from the private sector. And that is where conservation finance comes in—if we want to save the oceans, then we need private capital. If we want private capital for saving the oceans, then saving the oceans must be a profit-making endeavour. Hey presto! We end up with a situation where the world depends on investment bankers and hedge fund managers to save the planet and the blue economy is seen as vast opportunity for helping investors to get rich.

At CFFA we think this vision will have dangerous consequences for many people, including small-scale fishers. It is not possible for the world to extract boundless economic growth from the oceans while restoring and saving marine wildlife and ecosystems. You know that CFFA believes truly sustainable use of the oceans must be based on limits to growth, and sectors such as small-scale fisheries must be prioritised over industrial extractive industries. However, the problem with small-scale fisheries is that they are not very profitable from the perspective of investors! They don't really fit in well with the financialised view of the blue economy, although of course small-scale fisheries provide extraordinary value in many ways beyond providing surplus profits.

*A steep thesis! So, conservation finance is about making money. But can you give examples of how this conservation finance industry is affecting small-scale fisheries, particularly in developing countries?*

It is a difficult question to answer, and I think the conservation finance industry is generally more successful at developing projects in wealthier countries. But certainly, the conservation finance industry is actively looking for opportunities in many developing countries—these are higher risk countries for investors, so they have higher returns!

At a general level we are of course concerned about the narrative of blue growth. It has become so dominant that other ideas on how to manage marine spaces are struggling to be heard. Also, the danger of merging conservation with finance—allowing banks and business consulting firms such a strong voice in debates about saving the planet—is that it helps distract attention from how financial markets and banks have done so much to create the problems we are trying to solve. I think one of the most obvious examples of this comes with Credit Suisse. It is a bank that has probably done more than any other to promote the idea of conservation finance for the oceans. It has partnered WWF, the UN and the World Bank in all sorts of projects for the blue economy. But at the same time Credit Suisse has been at the centre of one of Africa's largest ever corruption scandals involving the bogus financing of a tuna fishing company in Mozambique.

That is just one example of the dense layers of hypocrisy that surrounds the conservation finance industry. And of course, there are lots of other examples of how private investments and the logic of financialization permeates the fisheries sector, with terrible outcomes for fishers and the environment.

*Andre, let's talk about other financing instruments, such as blue bonds or ocean-debt swaps. Can you explain what exactly the catch is?*

Well, let's take a closer look at some of the specific financial instruments that are being promoted in the blue economy. One of the themes that I have worked on relates to 'blue bonds', another is on 'ocean debt swaps'. These are financial instruments that are also getting a lot of support from European governments, the EU as well as the UN and the World Bank.

Both instruments try to leverage the debts of developing countries to increase financial flows for ocean conservation, although from different angles. They are also instruments that are designed to be financed by private investors. So, they are the classic example of how the conservation industry tries to achieve a win win situation; raising money to save the oceans, while giving private investors profits. But it doesn't take much effort to see how these instruments are skewed to the interests of investors and foreign conservation organisations, while providing many risks to developing countries and communities like small-scale fishers. When it comes to the world of international finance, people are easily confused by positive sounding jargon.

Let me focus very briefly on the debt swaps, and we have just published a report on these. There is a lot of support for them, particularly during the global pandemic when the debts of developing countries have spiralled out of control. Many organisations are campaigning for debt forgiveness, so that countries can stop paying off foreign creditors and instead use this money to finance local spending on conservation and the climate crisis. That is a promising proposal. However, debt swaps are something different to debt forgiveness. They involve an organisation or group of investors buying the foreign debts of developing countries on the agreement that the developing country government spends the equivalent amount of money on local conservation projects, usually with the help of a foreign NGO. Those buying up the debts are also expected to be repaid with interest. The American NGO "The Nature Conservancy" (usually known as just TNC) has financed two debts for ocean swaps so far, one in the Seychelles and one in Belize. However, when you look closely at the financial transactions, you find that levels of debt are not being reduced for developing countries, while the loans used to purchase foreign debts are generating substantial profits for banks and conservation organisations. While these don't seem to add much financial value for developing countries, they do transfer a lot of power to foreign conservation organisations, who then have a great deal of influence on national policy making.

Common to many financial deals in conservation finance, what is really objectionable about these transactions is that they are negotiated in secret. The public only hears about them when they are finalised. At the moment, TNC are negotiating debt swaps worth several billion dollars with countries such as Kenya and Barbados, but hardly anyone knows about them. And to add just another detail; the investment bank chosen by TNC to handle the debts is Credit Suisse.

So, one key area of the conservation finance industry in developing countries is manipulating—or gambling with—national debt. The fact that countries are drowning in foreign debt is a huge problem for the sustainable management of oceans and for addressing the climate crisis, and it does receive too little attention. But it is madness to expect the investment banks to provide a viable solution to this. The largest source of escalating debts in developing countries are the predatory loans provided by the exact same investment banks who are now lining up to provide more loans for blue bonds and debt swaps.

*So, how does the work of CFFA try to counter this growing influence of conservation finance?*

Of course, we are a tiny organisation, so we don't expect to create much anxiety for financial markets! I have written to organisations like TNC, but I never get a reply. But I think one of the useful roles we can play is monitoring what is going on for small-scale fisheries organisations, and also trying to demystify issues surrounding the conservation finance industry. I think this is important because one of the problems facing small-scale fisheries is that presentations on financial instruments are very confusing. Although I would say that small-scale fisheries organisations are hardly ever invited to meetings on conservation finance, despite the fact they are often used by others as the beneficiaries of these deals.

Most of us don't speak the language of international finance, and it can be quite intimidating to interact with people who do. It is a serious barrier for democratic governance; the fact that most of us don't really understand how the world of international finance works while it is now considered critical to saving the planet.

I want to give another example. There is another type of bond that the conservation finance industry is excited about. These are called 'catastrophic bonds'. They are one source of insurance for developing countries over the effects of the climate crisis, and they are being marketed at coastal states in particular, due to the costs of hurricanes and storms. This is in fact part of a wider industry trying to provide insurance for climate disasters. But these instruments are really difficult to understand. They sound like good ideas, but in the devil can be in the details. But if we don't really understand what these deals involve, it is hard to know what details to look for. And I think we have to remind people of the bigger picture. Western financial organisations are encouraging Southern countries to pay for Insurance policies to cover the impacts of the climate crisis, when there is a massive unmet duty of western countries to pay these costs. This is the ecological debt owed by the most polluting countries.

So, we are trying to provide jargon free descriptions and analysis, pointing out exactly how these sorts of deals work and what are the risks for small-scale fisheries. It is challenging work because financial transactions are complex to write about, and sometimes people find them boring to read about! So contributing to transparency surrounding conservation finance is really important. Unfortunately, the progress being made by conservation finance seems to be getting very little critical attention. But I think things will change. For a long time now, the world has emphasised market-based mechanisms to save nature, and now it is ramping up efforts to turn conservation over to financial markets and bankers, but we should hope that the failures of all this will become more obvious and something that more people will be motivated to challenge. Sadly, we don't have much time.

#### **Sources:**

Currently published and a recommended:

Andre Standing, The Sustainable Blue Economy Finance Initiative: How to destroy the oceans responsibly, April 2022

<https://www.cffacape.org/publications-blog/how-will-the-eu-contribute-to-support-sustainable-artisanal-fisheries-in-africa-through-its-international-partnerships-b97yy>

Andre Standing, Debt-for-nature swaps and the oceans: The Belize Blue Bond, March 2022, <https://www.cffacape.org/publications-blog/debt-for-nature-swaps-and-the-oceans-the-belize-blue-bond>

Andre Standing, Understanding the conservation finance industry”, November 2021, <https://www.cffacape.org/publications-blog/understanding-the-conservation-finance-industry>

Andre Standing, Blue Bond: Saving your fish or bankrupting the oceans?, April 2018, <https://www.cffacape.org/publications-blog/2018/04/14/2018-4-14-blue-bondsaving-your-fish-or-bankrupting-the-oceans>

Andre Standing: Meet Bond ... Blue Bond. Saving your fish or bankrupting the oceans, April 2018, <https://static1.squarespace.com/static/5d402069d36563000151fa5b/t/5f520ce2b5ba5d61a747f544/1599212774454/18.+Blue+bond.pdf>

Dr. Andre Standing lives in Kenya. He is the author of numerous technical publications and was instrumental in setting up FITI (Fisheries Industry Transparency Initiative). Today he works as an independent writer and research associate for CFFA.

Interview by Cornelia Wilß for Fair Oceans.

Andre Standing has also responded to the questions in writing.