WELCOME BY THE SUPERVISORY BOARD

2020 will be an important year for the ocean. Several targets of the Sustainable Development Goal 14, advancing the sustainable use and conservation of the oceans, are due in 2020. In addition, there are major opportunities to strengthen multilateral solutions and voluntary commitments. This includes, among others, the second United Nations Ocean Conference in Lisbon. Blue Action Fund (Blue Action) itself is a voluntary commitment from the first UN Ocean Conference in 2017 and illustrates how such commitments can achieve tangible impact on the ground. The fifteenth session of the Conference of the Parties (COP 15) to the Convention on Biological Diversity (CBD) in Kunming – where post-Aichi targets will be on the agenda – presents another opportunity to strengthen ocean conservation and sustainable livelihoods in coastal regions.

Acknowledging the fundamental role of the oceans for the earth’s ecosystems, Blue Action finances projects which work to expand, connect and effectively manage marine protected area (MPA) networks and promote the conservation and restoration of marine ecosystems. Indeed, we are convinced that Blue Action, through its growing grant programme and broadened thematic focus, will make a significant contribution to achieve the CBD’s Aichi Targets. Nature-based solutions, which preserve marine biodiversity, address climate change and provide sustainable livelihood opportunities in coastal communities, are key factors in this regard.

In 2019, we were able to launch two additional open Calls for Proposals and sign several new grant agreements. This would not have been possible without the financial support of the German Ministry for Economic Cooperation and Development (BMZ) through KfW Development Bank (KfW), the Swedish Ministry for Foreign Affairs and the French Agence Française de Développement (AFD). In addition, we are proud that the Board of the Green Climate Fund (GCF) approved a major contribution to Blue Action to support ecosystem-based adaptation in the Western Indian Ocean. The additional funding from GCF, together with match funding provided by BMZ, will allow Blue Action to continue broadening its thematic focus and to make significant investments to support climate adaptation in this important coastal and marine region. Since the outbreak of the Coronavirus in early 2020, we have been facing a major global challenge and feeling the impact on all of us, on our partner countries, our projects and respective beneficiaries. In 2020 and beyond, they can be assured to receive our ongoing support to continue our joint efforts in ocean conservation and sustainable livelihoods.

Ingrid-Gabriela Hoven
Chair of the Supervisory Board

Stephan Opitz
Deputy Chair of the Supervisory Board
2019 – A YEAR IN REVIEW

Programme

The Blue Action Fund finances NGO projects supporting local, national and regional marine conservation strategies and sustainable livelihoods. It is premised on the belief that projects supporting nature-based solutions contribute to a triple bottom line: protecting biodiversity, supporting sustainable livelihoods and adapting to the effects of climate change. This is achieved through our programme consisting of projects proposed and carried out by NGOs that are experienced in conserving marine biodiversity and improving the lives of local people. To ensure ownership and increase synergies with other efforts, the grantees must fund a significant part of the total project costs. In addition, all projects are endorsed by the relevant government authorities.

In 2019, Blue Action signed four new grant agreements, providing more than €10 Million for projects situated in the Western Indian Ocean. In addition, Blue Action launched two new open Calls for Proposals focusing on the Eastern Tropical Pacific Ocean and on Ecosystem-based Adaptation in the Western Indian Ocean, respectively. Blue Action intends to fund about 10 to 15 projects with a total volume of more than €40 Million through these calls. In 2020, Blue Action expects to conclude several grant agreements from its East Asian Seas call, which was launched in 2018. Blue Action will also continue its work to select additional projects in the Eastern Tropical Pacific, the Western Indian Ocean and Western and Central Africa.

Ongoing Grants

The Blue Action grant portfolio consists of nine projects, which are situated in the Pacific Ocean, the Eastern Tropical Pacific, the East Atlantic and the Western Indian Ocean. All projects seek to establish, enlarge or better manage MPAs of regional importance and to improve livelihood conditions and food security.

The implementation of the projects is mainly based on activities that support:

MPA Governance

Including:
- management plans
- mapping and demarcation
- monitoring, control and enforcement measures
- data collection
- training of staff

Sustainable Livelihoods

Including:
- saving clubs
- sustainable tourism initiatives
- reduction of harvest losses in fisheries
- empowerment of women

Species Conservation / Sustainable Fisheries

Including:
- gear selectivity
- co-management initiatives
- conservation measures for key species

Habitat Conservation and Restoration

Including:
- mangroves
- coral reefs
- seagrass beds
The aggregated ambition of our current grant portfolio is to establish a total of around 31,000 km² of new, well-managed MPAs and to better manage around 172,000 km² of existing MPAs. A total of more than 250,000 people, including users of marine resources and their families, fishermen, and employees of MPA management authorities are estimated to directly benefit from these projects.

Examples of projects that commenced in 2019 and are supported by Blue Action, include:

**Strengthening management and expanding coverage of Marine Protected Areas in the South-West Indian Ocean**

WILDTRUST, in cooperation with Africa Foundation, aims to expand formal protection and improved management at two regionally important and ecologically connected marine biodiversity hotspots in South Africa and Mozambique, and also act on the social and economic challenges for the coastal communities living around these sites. The project supports the creation of 40 km² new MPA and enhances effective management of 11,605 km² MPA, reaching 4,500 direct beneficiaries.

**Creating a network of resilient MPAs in globally significant areas of the Western Indian Ocean**

In this project, the Wildlife Conservation Society (WCS) and partners tackle the issue of deteriorating marine environments in Kenya, Madagascar and Tanzania, by expanding MPAs and improving their management. By creating 2,950 km² of new and enhancing management effectiveness of 5,291 km² of existing MPAs, the project strengthens the protection of some of the world's most extensive and most climate resilient coral reefs and mangroves, thereby supporting sustainable livelihoods for 5,000 direct beneficiaries in coastal communities.

**Strengthening Marine Protected Area Management in Rufiji, Mafia, Kilwa Districts, Tanzania**

WWF and partners work to improve the management of the existing protected areas and buffer zones, and aim to create a UNESCO Man and Biosphere Reserve within Tanzania’s Mafia-Rufiji-Kilwa Seascape covering more than 5,000 km². The project supports the conservation of one of the most climate resilient coral reefs and some of the largest mangrove forests in East Africa as well as around 40,000 direct beneficiaries.

The below map shows which other projects Blue Action currently funds. For more information, please visit our website.
**STATE OF PROGRAMME END OF 2019**

**Conservation International**

'Making the Eastern Tropical Pacific Marine Protected Area Network a driver of local community sustainable development'
Costa Rica, Ecuador, Colombia, Panama
Duration: 2018-2021
Blue Action Fund Grant: 2,750
Match Funding: 922
Total Project Costs: 3,672

**Fauna & Flora International**

'Establishing a network of marine protected areas across São Tomé and Príncipe through a co-management approach'
São Tomé and Príncipe
Duration: 2018-2023
Blue Action Fund Grant: 1,941
Match Funding: 648
Total Project Costs: 2,589

**Rare**

'Network of Community-Managed MPAs for Inshore Small-Scale Fisheries in Mozambique'
Mozambique
Duration: 2018-2021
Blue Action Fund Grant: 1,635
Match Funding: 546
Total Project Costs: 2,181

**WILDTRUST**

'Strengthening and expanding MPAs in the South-West Indian Ocean'
Mozambique
Duration: 2019-2023
Blue Action Fund Grant: 2,998
Match Funding: 1,207
Total Project Costs: 4,205

**WWF**

'Scaling up adaptive co-management to improve the effectiveness of Quirimbas National Park management'
Mozambique
Duration: 2019-2023
Blue Action Fund Grant: 1,237
Match Funding: 418
Total Project Costs: 1,656

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Total committed: 21,520
Total disbursed: 5,830
WWF
Reactive co-
adaptive co-
management
2019-2023
Blue Action Fund Grant: 1,237
Match Funding: 418
Total Project Costs: 1,656

Wildlife Conservation Society
‘Creating a network of resilient MPAs in globally significant areas of the Western Indian Ocean’
Fiji, Papua New Guinea, Solomon Islands
Duration: 2019-2021
Blue Action Fund Grant: 2,713
Match Funding: 1,071
Total Project Costs: 3,784

WWF
‘Safeguarding PSEPA – Precious Seas Effectively Protected and Administered’
Mozambique
Duration: 2018-2022
Blue Action Fund Grant: 2,250
Match Funding: 754
Total Project Costs: 3,004

Wildlife Conservation Society
‘Scaling up marine protected areas in Melanesia for biodiversity conservation, food security and livelihoods’
Fiji, Solomon Islands, Papua New Guinea
Duration: 2018-2021
Blue Action Fund Grant: 2,713
Match Funding: 1,070
Total Project Costs: 3,783

WWF
‘Strengthening MPA management in the Rufihi-Mafia-Kilwa Seascape in Tanzania’
Tanzania
Duration: 2019-2024
Blue Action Fund Grant: 2,998
Match Funding: 1,002
Total Project Costs: 4,000

Wildlife Conservation Society
‘Creating a network of Community-Managed MPAs for Inshore Small-Scale Fisheries in Mozambique’
Mozambique
Duration: 2018-2021
Blue Action Fund Grant: 1,635
Match Funding: 546
Total Project Costs: 2,181

WWF
Scaling up adaptive co-
management to improve the Quirimbas management
2019-2023
Blue Action Fund Grant: 1,237
Match Funding: 418
Total Project Costs: 1,656
Outreach & Partners

In 2019, Blue Action staff, Supervisory Board members and leaders of our funding partners presented Blue Action at several high-level events. In early 2019, Blue Action convened an “Ocean Expert Talk” to gather feedback from current and potential grantees about its grant programme.

In October, at the Our Ocean conference in Oslo, Blue Action co-hosted a side event on management effectiveness of Marine Protected Areas. In addition, Dr. Gerd Müller, German Federal Minister for Economic Co-operation and Development, announced an additional contribution of €25 Million to Blue Action.

In December, at the 25th Conference to the Parties to the United Nations Framework Convention on Climate Change (COP25) in Madrid, Blue Action was presented as a funder of marine nature-based solutions for National Determined Contributions. The Green Climate Fund announced its board decision to provide Blue Action with €30 Million for Ecosystem-based Adaption in the Western Indian Ocean. Once the relevant agreements with the GCF are signed, contributions to Blue Action will exceed €120 Million.
Lean Organisational Structure

While Blue Action remains a comparatively lean organisation, its staff size has grown from two to three full-time staff members in line with the increased efforts to manage the grant programme. In order to keep administrative costs low, Blue Action continued its successful collaboration with the Nature Trust Alliance - a shared service organisation set up to provide support services, such as financial management, IT and communications to Blue Action and two other conservation trust funds.

IUCN remains a partner of Blue Action that provides essential support in the project appraisal and selection process as well as the monitoring and evaluation of projects.

Outlook 2020

In 2020, we expect to finalise several grant agreements from the Calls for Proposals launched in 2018 focusing on East Asian Seas. We will furthermore advance with the selection and finalisation of grants in the Eastern Tropical Pacific and for Ecosystem-based Adaption in the Western Indian Ocean. Blue Action will also launch a new Call for Proposals focusing on Western and Central Africa to further grow its reach and impact.

Within its short lifetime, Blue Action has developed into a leading foundation for marine conservation financed by public funding. Thanks to these joint financial contributions and efforts, Blue Action was able to increase its impact on ocean protection and improving sustainable livelihoods in 2019.

We look forward to welcoming additional partners interested in joining us on the journey to achieve our mission.
### A Growing Funding Base

Blue Action's total assets at the end of 2019 amounted to approximately €87 Million, compared to €64 Million at the end of 2018. In 2019, Blue Action was able to further increase its assets thanks to additional funding contributions:

BMZ through KfW contributed €25 Million to Blue Action as the co-financing to the Green Climate Fund contribution expected in 2020 for the GCF Ecosystem-based Adaptation programme in the Western Indian Ocean. This contribution is classified in the balance sheet as a new Funding Capacity Reserve dedicated to the EbA project.

AFD contributed €2.5 Million. As the amount is repayable if not spent by a certain date, it is classified as a liability in the balance sheet that will be taken into income and reduced as the contribution is spent.

### Balance Sheet

Assets consisted to a large extent of cash and cash equivalents as well as investment securities. The receivables of about €180,000 consisted of accrued interest on bank deposits and receivable withholding taxes.

The equity at December 31, 2019, consisted of our Endowment Capital, our Spendable Capital and, most importantly, our reserves. The Spendable Capital is in the form of a €3 Million grant from BMZ in 2016 to support our operating...
costs, which must be used over a 10-year period. We used about €150,000 of the Spendable Capital in 2019 to cover operational costs, which leaves €2.4 Million to be used before the end of 2026.

The reserves at the end of 2019 consisted mostly of our Funding Capacity Reserve and a Project Reserve, both of which are pools of funds that will be spent down over what is likely to be a period of four to seven years from receipt of the funds. Most of this funding is earmarked for our grant programme and a small portion is available to support operating costs.

Blue Action’s liabilities at the end of the year consisted of the remaining €4 Million of the donation by AFD, which is considered a liability since it must be paid back in case of non-fulfilment. Other liabilities reflect small commitments from 2019 that will be paid only in 2020.

**Income Statement**

Because much of Blue Action’s funding is supplied using reserves, which is shown below the net income line, net income should not be judged as an indicator of Blue Action’s operating performance. Blue Action’s true “bottom
The result of the above was a total net revenue of about €2.4 Million in 2019, compared to €2.8 Million in the previous year, reflecting a contribution from the Swedish International Development Agency (SIDA) in 2018.

**Net Revenues**

Blue Action’s net revenue is composed of the net investment income and the revenues from donations and grants as shown in the table above. The net investment income has significantly improved from previous years thanks to the completion of the investment set up for Blue Action. Blue Action’s capital and reserves were gradually invested, and the full benefit of the investment programme began to appear in 2019.

The revenue from donations and grants for 2019 doesn’t represent a new donation but the use of a portion of the contribution from AFD classified as a liability in our balance sheet.

<table>
<thead>
<tr>
<th>NET REVENUE (amounts in EUR 000s)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from Donations &amp; Grants</td>
<td>993</td>
<td>2,819</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>1,439</td>
<td>4</td>
</tr>
<tr>
<td>Of which: Investment Income</td>
<td>1,813</td>
<td>345</td>
</tr>
<tr>
<td>Investment Expense</td>
<td>-374</td>
<td>(342)</td>
</tr>
<tr>
<td><strong>Net Revenue</strong></td>
<td>2,432</td>
<td>2,823</td>
</tr>
</tbody>
</table>

The result of the above was a total net revenue of about €2.4 Million in 2019, compared to €2.8 Million in the previous year, reflecting a contribution from the Swedish International Development Agency (SIDA) in 2018.

**Expenses**

Blue Action continued to expand its grant programme in 2019 and signed four new agreements. Grant funding and financial support to develop full project proposals have continuously increased from previous years up to €4.5 Million in 2019.
Programme development and management expenses of about €220,000 reflect the allocation of salary expenses from the Blue Action staff for the time dedicated only to the management and development of the programme, as well as fees paid to IUCN and to external consultants. Higher costs in 2019 reflect the expansion of the programme size as well as the increase in staff.

Administrative and fundraising costs of about €310,000 reflect an allocation of salary costs, Blue Action’s share of the costs of the Nature Trust Alliance, bookkeeping, audit, communications and other third-party costs. The increase from 2018 compared to 2019 reflects the growth of Blue Action’s activities and capital.

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme Grants &amp; Projects</td>
<td>4,489</td>
<td>1,331</td>
</tr>
<tr>
<td>Grants to NGOs</td>
<td>4,489</td>
<td>1,331</td>
</tr>
<tr>
<td>Promotional &amp; Research Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programme Development and Management</td>
<td>221</td>
<td>115</td>
</tr>
<tr>
<td></td>
<td>Internal</td>
<td>External</td>
</tr>
<tr>
<td></td>
<td>146</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td>75</td>
<td>30</td>
</tr>
<tr>
<td>Administrative &amp; Fundraising</td>
<td>310</td>
<td>261</td>
</tr>
<tr>
<td>Total Grant &amp; Other Expenses</td>
<td>5,019</td>
<td>1,707</td>
</tr>
</tbody>
</table>

**Net Income and Funds Carried Forward**

In 2019, Blue Action’s income and expenses generated a loss of €2.5 Million. This was covered through transfers from the Funding Capacity Reserve, the Project Reserve, Spendable Capital and the Funds carried forward from the previous year.

In addition, Blue Action transferred its entire investment earnings of about €1.4 Million into the Free Reserve to build capital and protect the endowment against inflation, as permitted by German tax law.
### FUNDS CARRIED FORWARD

(amounts in EUR 000s)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>-2,587</td>
<td>1,116</td>
</tr>
<tr>
<td>Transfer from Spendable Capital</td>
<td>154</td>
<td>150</td>
</tr>
<tr>
<td>Transfer from Funding Capacity Reserve</td>
<td>1,468</td>
<td>946</td>
</tr>
<tr>
<td>Transfer from Project Reserve</td>
<td>2,146</td>
<td>0</td>
</tr>
<tr>
<td>Carry-forward from Prior Year</td>
<td>258</td>
<td>5,160</td>
</tr>
<tr>
<td>Transfer to Project Reserve</td>
<td>0</td>
<td>6,828</td>
</tr>
<tr>
<td>Transfer to Free &amp; Savings Reserves</td>
<td>1,439</td>
<td>285</td>
</tr>
<tr>
<td>Carry-forward Current Year</td>
<td>0</td>
<td>258</td>
</tr>
</tbody>
</table>

### Ratios

Blue Action monitors its operating efficiency in order to assess cost effectiveness of our programme delivery. To do so, we compare the sum of the administration cost with the total expenses. The ratio in 2019 was 7%. As expected, the ratio fell below 10% once the programme had kicked off.

### Investment Performance

Blue Action's income statement reflects investment income in the form of dividend and interest income and realised capital gain but does not reflect the underlying increase or decrease in the value of its investment portfolio (unrealised capital gain or loss).

Blue Action follows closely the total return on its investment portfolio. In 2019, the net investment income combined with the change of the market value of our investments (which is not shown in the income statement) resulted in an overall return on our invested assets of 5.5%. From the inception of our investment programme at the end of 2017 to the end of 2019, Blue Action has an overall positive return on the invested assets of 3.5%

This represents a performance above our target average return of 1.75% more than the 1-year German Bund, which for 2019 would have been 1.1%. 