



Debt for Nature Swap and Blue Bond

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Ministry of Finance, Economic Planning and Trade
Seychelles

SEYCHELLES



- ✓ 115 Islands and population of 97,199
- ✓ Land mass of 452 km²
- ✓ Exclusive Economic Zone of approx. 1.4 million km², which is almost 3,000 times the size of its land area
- ✓ GDP per capita classify as High Income



Debt For Nature Swap



- ✓ Issues: The low-lying geography of Seychelles, a nation of 115 islands in the Western Indian Ocean, makes its people and economy particularly vulnerable to the impacts of climate change. Increased storm frequency, rising sea levels and coral bleaching from warm ocean temperatures threatens vital pillars of Seychelles' economy: tourism and tuna fisheries.
- ✓ Commitments: Seychelles committed to the creation of 400,000 square kilometers of new marine protected areas (MPAs) – the second largest such network in the Indian Ocean – to improve resiliency of coastal ecosystems. To create a sustainable source of funding for managing this network of MPAs, the Government of Seychelles was to negotiate a landmark agreement with its Paris Club creditors and the Government of South Africa.
- ✓ The deal, which was designed by The Nature Conservancy, enables Seychelles to redirect a portion of their current debt payments to fund nature based solutions to climate change.

Debt For Nature Swap (cont)



- ✓ In 2015, the Government of Seychelles in partnership with The Nature Conservancy and the Seychelles; Conservation and Climate Adaptation Trust (SeyCCAT) concluded a US\$ 21.6 million debt-for-nature swap that generated benefits for Seychelles.
- ✓ SeyCCAT, a conservation trust fund, was established in 2015 to facilitate the debt-for-nature swap. It is an independent, not-for-profit, non-governmental organization with a vision of supporting Seychelles invest in its blue future by mobilizing and investing resources in the Seychelles' blue economy.
- ✓ As part of the debt-for-nature swap, SeyCCAT is tasked with ensuring impact investors are repaid and managing a Blue Grants Fund and a Blue Endowment Fund.



Design of the Debt Swap



This debt-for-climate-adaptation swap converts a portion of the Seychelles' debt to other countries into more manageable debt held by a local entity. To accomplish this refinancing, The Nature Conservancy has provided \$21.6 million in an impact capital loan and \$5 million in grants to buy-back \$29.6 million of Seychelles debt at a 5.4 percent discount.

The Government of Seychelles redirected this portion of their debt service to an independent, nationally based, public-private trust fund called the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT).



Debt service payments will fund three distinct streams: one to repay impact investors, one to capitalize SeyCCAT's endowment, and one to fund work on the ground that advances marine and coastal conservation, including strategies for ecosystem-based climate adaptation and disaster risk reduction.



The estimated amount to be invested in these conservation activities and the endowment through the debt swap is \$13 million, with nearly 70 percent of this payable in local currency rather than hard currency, averting the extra cost of conversion.

In addition, the period for debt payment will be extended from eight years to 20 years, reducing the government's annual debt service by over \$2 million annually, freeing up funds for other needs of the citizens of Seychelles.

WHY DO WE NEED A TRANSITION TO SUSTAINABLE FISHERIES THE BLUE BOND INITIATIVE



WE DEPEND ON OCEANS

Sustainable fisheries will provide for our present and future needs



The fisheries sector is a major pillar of Seychelles economy



17% of the total population is employed in the fisheries sector



96% of goods exported are fish and fish products



Fish is critical to our diet with Seychelles consuming approximately 57 kg per person each year

OCEANS DEPEND ON US

Our ocean's natural resources are being depleted as a result of unsustainable economic activity



Fish stocks have declined by more than 60% in the last three decades, resulting in a loss of income for fishers



Fishers now have to travel further and fish for longer to obtain good catches

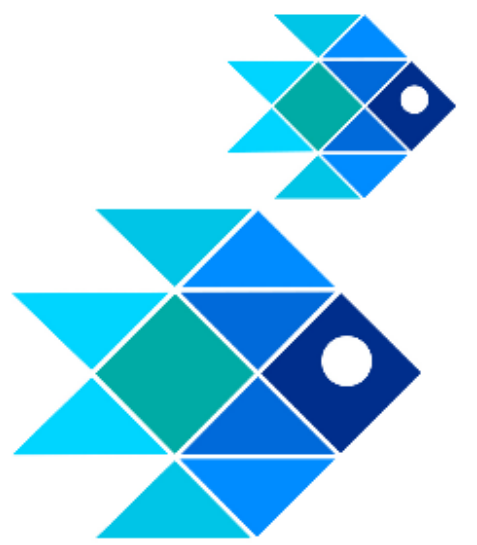


However, fishing fleets have continued to grow and now exceed sustainable levels

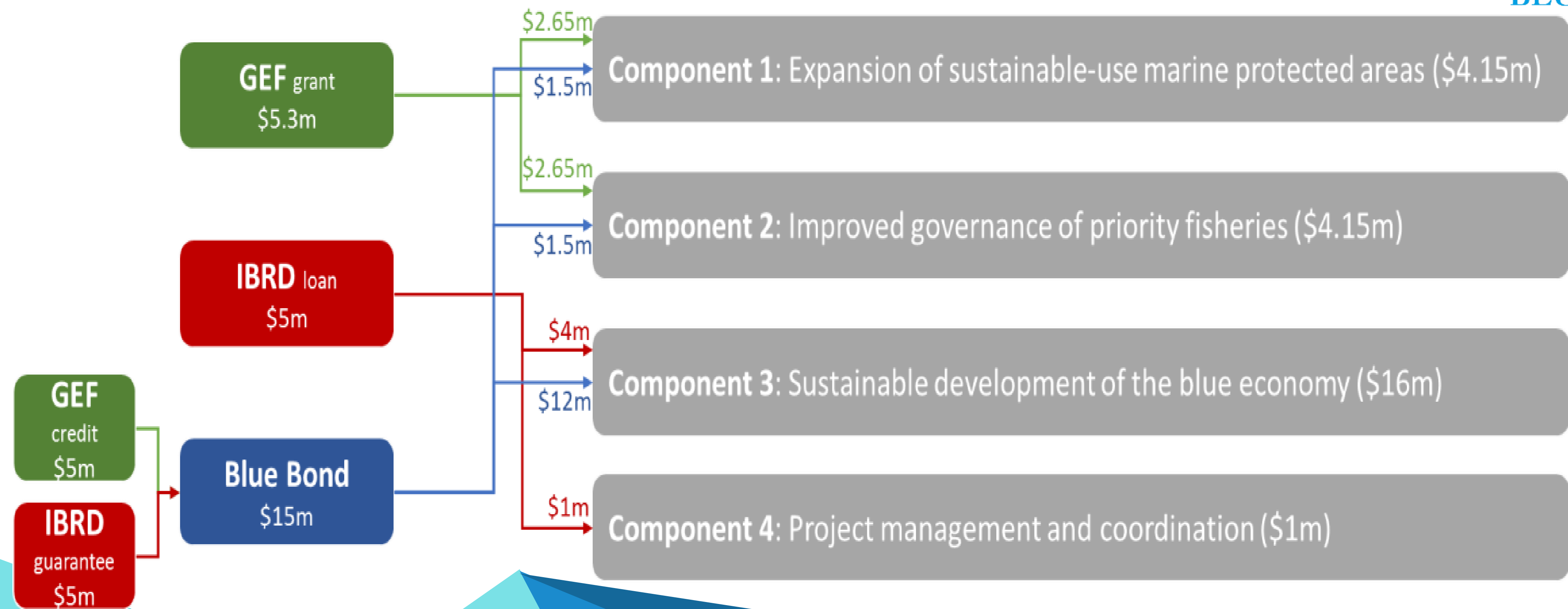


Our local diet is shifting from fish to less healthy sources of protein, which can lead to nutrition and health issues, including obesity and diabetes

The Financing Structure



BLUE FINANCE

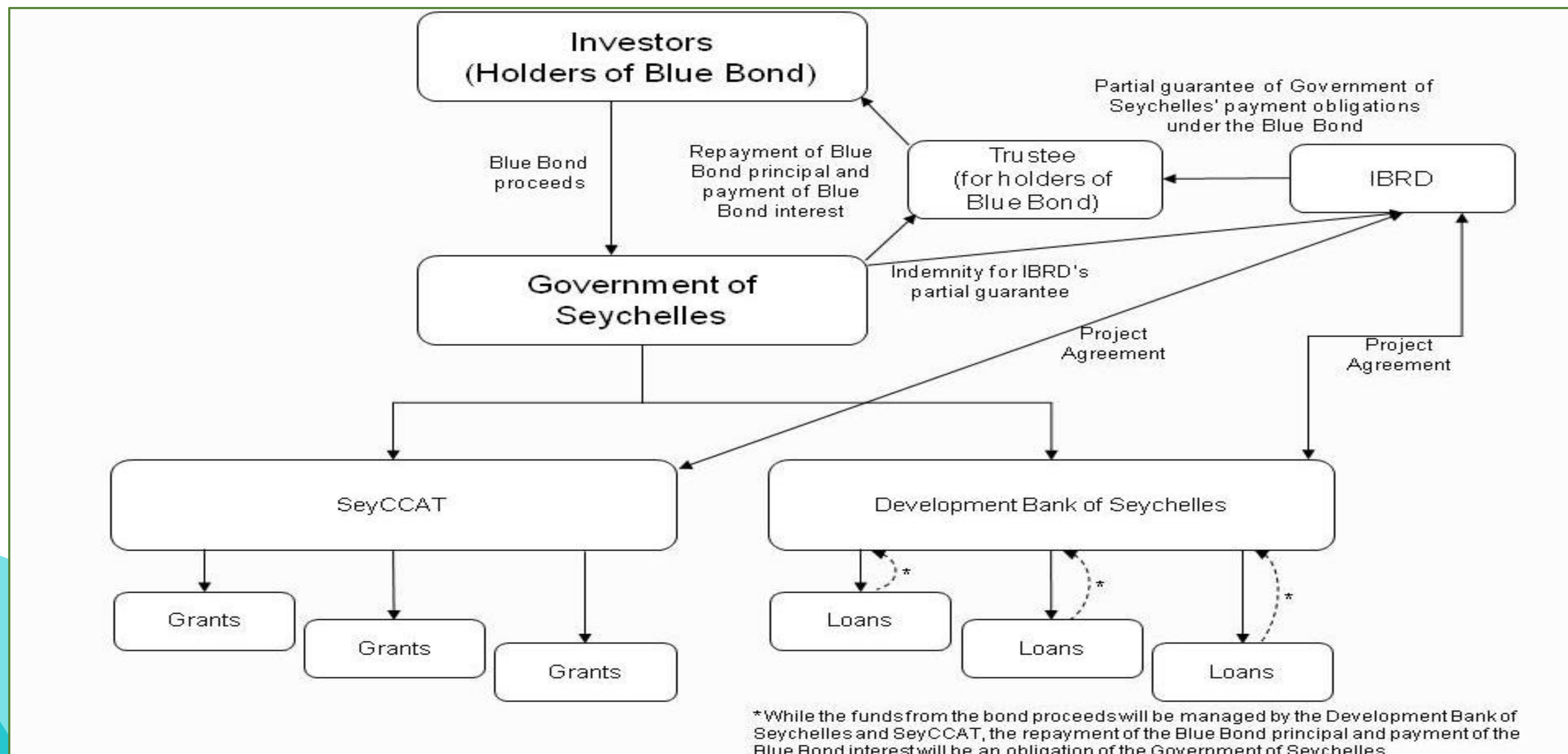


Total: \$25.3m

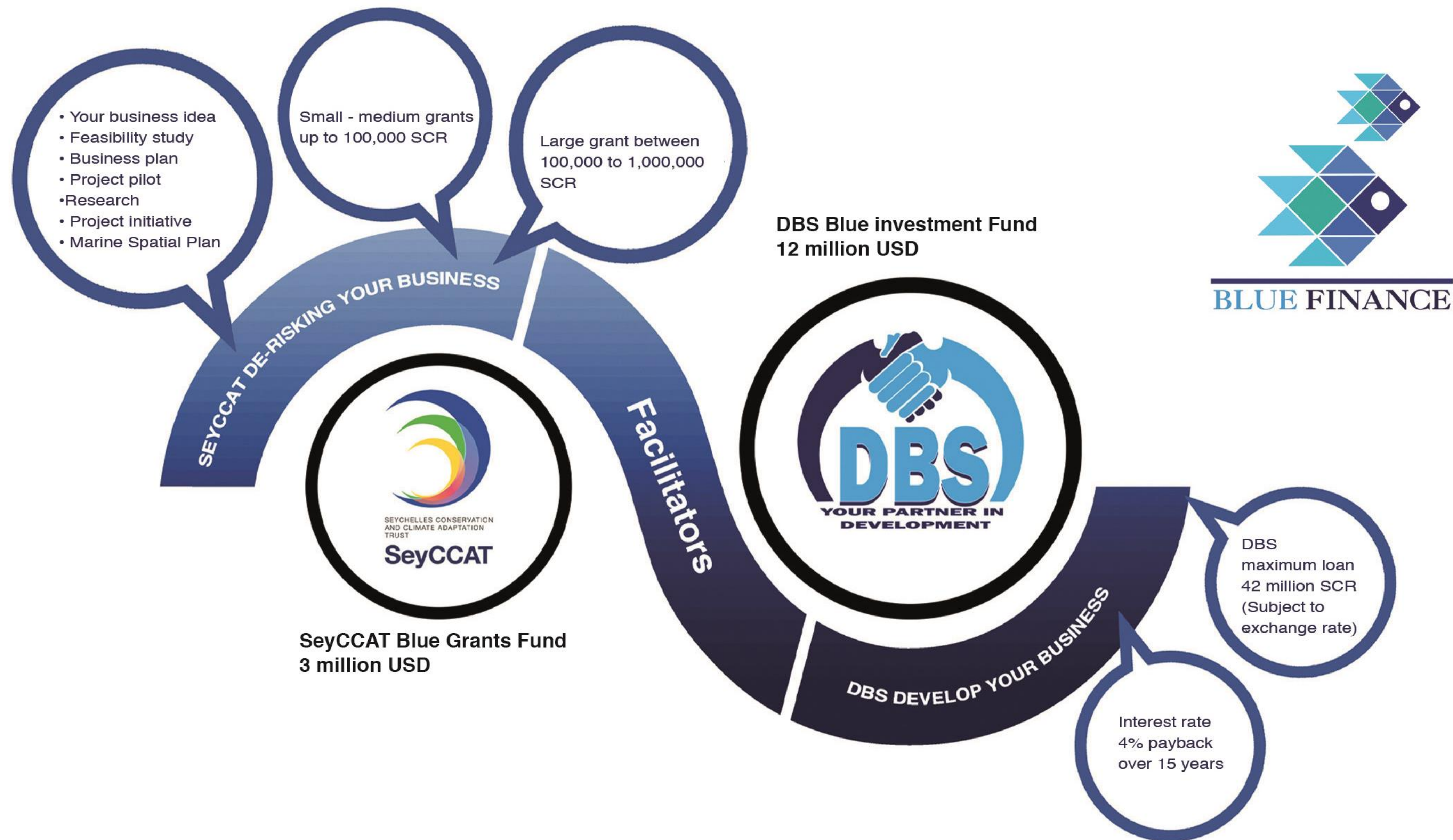
Blended Finance Approach



BLUE FINANCE



SOURCE OF FUNDS



EXAMPLES OF ELIGIBLE ACTIVITIES



EXAMPLES OF ELIGIBLE ACTIVITIES



Promotion of
sustainable practices



Fisheries
management plans



Education awareness
programs



Stock rebuilding



Improved value chains



Aquaculture
development

WHY SEYCCAT for the Blue Grant Fund



Trial and nurture businesses In the Blue Economy.

- ✓ The Blue Economy requires innovation.
- ✓ Innovation can be **risky** and uncertain.
- ✓ So SEYCCATT take the risk with the applicant by providing a GRANT.
- ✓ So when you know it works or you have de-risked your business idea then you head to our partners!



THE BLUE INVESTMENT FUND THROUGH DBS



BLUE FINANCE

A loan scheme to assist the progress of the implementation of fisheries management through economic diversification and sustainability.

Minimum loan: \$ 50,000 (approx. SR 700,000)

Maximum loan: \$ 3 m (approx. SR 42 million)

Interest: 4% p.a.

Repayment period: 15 years

Personal Contribution: 20%



Implementation of the Debt Swap and the Blue Bond



- ✓ On March 26th, 2020, Seychelles declared 30% of its Exclusive Economic Zone (EEZ) as marine protection areas. It includes five High Biodiversity Protection Areas totalling 203,071 km² including the Aldabra Group National.
- ✓ In 2020 SEYCATT celebrate 5 years since the establishment. SeyCCAT has successfully turned a blue economy vision into concrete impactful action. Within 5 years, the funds available for the sustainable financing of ocean conservation, sustainable fisheries and climate action, via the Blue Grants Fund, has more than tripled.

Over US\$ 1.5 million (approx. US\$ 1,550,857) disbursed since 2017 under the Blue Grants Fund
34 grants issued from the Blue Grants Fund since 2017.

- ✓ 58% of projects are led by women.
- ✓ 10 projects aim to support the local community to adapt to the impacts of climate change.
- 13 projects are led by youth or youth are the main beneficiaries.
- 23 projects seek to advance sustainable fisheries

Under the debt swap mechanism, marine and climate change projects receive US\$ 200,000 from the Blue Grants Fund annually, ensuring their continuity and impact. For this money, SeyCCAT depends on the government repaying its debt. As for the blue bond, the second component, the government has an obligation to include US\$500,000 in the national budget as part of the blue bond to subsequently transfer to SeyCCAT's blue grants fund.



Thanks!

Any questions?

