Commonwealth Guide to Blue Bond Issuance

The Commonwealth

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orraa
Ocean Risk and Resilience Action Alliance

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blue bond accelerator

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Foreword

The Commonwealth is steadfast in its commitment to protecting our planet and safeguarding the natural wealth that sustains our societies. Our Strategic Plan for 2025–2030 places environmental resilience at its heart – recognising that the health of our ocean, our forests, and our ecosystems underpins the wellbeing and prosperity of all our peoples. Achieving this vision demands a crucial ingredient: the unlocking of sustainable finance at scale.

The Commonwealth Working Group on Blue Finance was established to explore innovative solutions to this challenge. Its members recognised the growing interest among governments in blue bonds as a tool to mobilise capital for marine conservation and sustainable ocean-based development. The *Commonwealth Guide to Blue Bond Issuance* is a direct response to their call for practical, step-by-step guidance on how to turn ambition into action.

Across the Commonwealth, the urgency to protect our marine and coastal environments has never been greater. Climate change, pollution and overexploitation threaten the very resources on which countless communities depend. Blue bonds offer a promising path forward – linking sound economic planning with environmental stewardship, and signalling to global investors that sustainability and prosperity can, and must, advance together.

The first section of this publication, *An Introduction to Blue Bonds*, helps governments assess whether this instrument is suited to their national priorities and capacities. The second, *The Blue Bond Toolkit*, provides the technical foundations needed for credible and successful issuance.

In bringing this guide to life, we reaffirm a core Commonwealth conviction: that through partnership, innovation and shared purpose, our family of nations can pioneer finance solutions that build a sustainable, inclusive, and resilient ocean future for generations to come.

The Hon. Shirley Botchwey

Secretary-General of the Commonwealth

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Our sincere appreciation goes to the governments, partners, and practitioners across the Commonwealth who generously contributed their time, insights, and practical experience through interviews and data collection. Their contributions have shaped this Guide into a practical, user-focused resource that reflects a shared commitment to unlocking innovative finance for the benefit of people, nature, and our shared ocean.

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Acronyms and Abbreviations

ADB	Asian Development Bank
BAPPENAS	Ministry of National Development Planning (Indonesia)
BFSF	Belize Fund for a Sustainable Future
CMMAI	Coordinating Ministry for Maritime and Investment Affairs (Indonesia)
DBS	Development Bank of Seychelles
DFC	Development Finance Corporation
DFI	development finance institution
DfNS	debt-for-nature swap
DMO	Debt Management Office
DSA	debt sustainability analysis
ESG	environmental, social and governance (criteria)
GBP	Green Bond Principles (of the ICMA)
GDP	gross domestic product
GEF	Global Environment Facility
ICMA	International Capital Markets Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IUCN	International Union for the Conservation of Nature
JPY	Japanese yen
KPI	key performance indicator
LIC	low-income country
MDB	multilateral development bank
MOF	Ministry of Finance
MPA	marine protected area
MRV	monitoring, reporting and verification
MSP	marine spatial planning
NBSAP	National Biodiversity Strategy Action Plan

NDCs	Nationally Determined Contributions
NGO	non-governmental organisation
OJK	Financial Services Authority (Indonesia)
ORRAA	Ocean Risk and Resilience Action Alliance
PFM	public financial management
SDG	Sustainable Development Goal
SeyCCAT	Seychelles Conservation and Climate Adaptation Trust
SIDS	small island developing states
SLB	sustainability-linked bond
SPO	second party opinion
SPT	sustainability performance targets
SWIOFish3	Third South West Indian Ocean Fisheries Governance and Shared Growth Project
TNC	The Nature Conservancy
UN	United Nations
UNDP	United Nations Development Programme
UNEP FI	United Nations Environment Programme Finance Initiative
UNGC	UN Global Compact

Part I
An Introduction to Blue Bonds

Executive summary

The *Commonwealth Guide to Blue Bond Issuance* has been developed to help governments assess, design and implement credible sovereign blue bond programmes and support countries to make informed, practical decisions that balance sustainability goals with fiscal realities.

Part I: An Introduction to Blue Bonds provides an accessible guide to blue bonds and the key factors that should be considered by government officials in ministries of finance, planning and environment when evaluating whether a blue bond is the right financing tool to support sustainable blue economy goals. It outlines the strategic, institutional and fiscal considerations that underpin credible and effective blue bond issuance.

Blue bonds offer a mechanism for channelling capital into marine conservation and sustainable blue economy activities. However, they also carry unique requirements and risks that differentiate them from conventional debt instruments. These include commitments to environmental impact, use of proceeds tracking, enhanced governance and ongoing reporting. These constraints mean that while blue bonds are a potentially powerful mechanism for financing ocean conservation and sustainable use, they are not universally suitable. Governments should carefully weigh their benefits and costs before commencing with issuance.

Part I: An Introduction to Blue Bonds explores:

- **debt sustainability** as a precondition for issuance, and the importance of conducting rigorous analysis using International Monetary Fund (IMF) frameworks to ensure borrowing remains fiscally responsible;
- **specific risks and legal considerations** that accompany blue bonds, including reputational, environmental performance and governance risks;
- the need for strong **policy alignment**, legal authority and institutional readiness to manage the additional complexity of a blue bond;
- the importance of a **robust pipeline of eligible projects,** often the most significant barrier for prospective issuers, underscoring the need for early planning, inter-agency co-ordination and technical support; and
- alternative finance mechanisms such as **debt-for-nature swaps**, **payment for ecosystem services** and other financial tools that may be more appropriate in particular contexts.

Although not a one-size-fits-all solution, when blue bonds are designed well, embedded in sound governance, and paired with the right institutional and project structures, they can provide an effective mechanism for accessing long-term finance for ocean conservation and sustainable use.

Governments considering issuing a blue bond should use this document to inform their initial strategic decision-making process, before turning to *Part II: The Blue Bond Toolkit*, which provides detailed technical guidance on preparing, issuing and managing a sovereign blue bond.

1. Introduction

The Commonwealth, which includes over a third of all marine areas under national jurisdiction and hosts a significant portion of the world's coral reefs and mangroves, is uniquely positioned to lead transformative global action on ocean sustainability and innovation. Recognising the critical role of oceans and the accelerating threats, the Apia Commonwealth Ocean Declaration calls for collective effort to expand marine conservation, scale ocean-based climate action and mobilise increased ocean finance.

Coastal Commonwealth countries, especially small island developing states (SIDS) and low-lying nations, face acute and accelerating threats to their marine environments, economies and coastal communities. Factors like concentrated sectoral dependence (such as in tourism and fisheries), import reliance and extreme weather exposure all increase vulnerability to climate impacts. Climate shocks often result in lower revenues and increased expenditure on disaster response and recovery, resulting in a fiscal squeeze. This risks debt default or credit downgrades and can restrict the ability of governments to spend on medium- to long-term objectives such as marine management.

In this context, blue bonds serve as an important potential financing mechanism to support sustainable ocean initiatives for Commonwealth countries. Blue bonds are a type of thematic bond where proceeds are exclusively used to finance or refinance ocean-based projects that deliver positive environmental outcomes, such as coastal adaptation, marine protected areas (MPAs), pollution control or sustainable fisheries. Blue bonds can mobilise finance to facilitate growth in the sustainable blue economy, demonstrating the issuer's commitment to sustainability and supporting diversification of funding sources.

However, the process of issuing a blue bond is complex and requires careful consideration of several factors, including:

- the suitability of blue bonds, especially for SIDS or low-income country (LIC) issuers that have not previously raised external and/or long-term debt from capital markets;
- investor interest;
- debt sustainability; and
- institutional capacity within government to manage the inherent demands of issuing a blue bond.

The *Commonwealth Guide to Blue Bond Issuance* ('the *Guide*') responds directly to these challenges, providing practical guidance to help governments assess the relevance and feasibility of sovereign blue bond issuance, with attention to the specific challenges and opportunities facing SIDS.

The *Guide* is divided into two distinct but complementary parts.

- *Part I: An Introduction to Blue Bond Issuance* lays the foundation for decision-making. It is intended for policy-makers, planners and advisers responsible for evaluating whether a blue bond is a suitable instrument within the country's broader fiscal, debt and sustainability strategies. It outlines the fundamental principles of blue bonds, examines the risks and benefits of blue bond issuance, and introduces the necessary governance and institutional conditions that must be established early in the process. Part I also includes an overview of alternative ocean finance options, helping countries consider where blue bonds fit within a broader financing strategy.
- *Part II: The Blue Bond Toolkit* provides hands-on technical guidance for officials tasked with operationalising blue bond issuance. It is structured around the three key phases of the issuance life cycle – pre-issuance, issuance and post-issuance – and covers activities such as developing a Blue Bond Framework, managing proceeds, selecting eligible projects, engaging with investors and conducting impact reporting. Part II is aimed at practitioners who are directly involved in designing and executing the bond.

Together, Parts I and II of the *Guide* offer a comprehensive roadmap – from strategic rationale to practical implementation – empowering Commonwealth governments to responsibly access appropriate finance, deliver measurable ocean outcomes, and reinforce their commitment to fiscal resilience and sustainable development.

2. About blue bonds

This chapter introduces the fundamentals of blue bonds, including what a blue bond *is*, who issues blue bonds, the standards and principles that govern their issuance, types of investors, and the key benefits and challenges associated with blue bond issuance.

2.1 What is a blue bond?

A bond is a fixed-term loan from investors to a borrower (the issuer) – typically a government or large company – who agrees to repay the total amount of the original loan (the principal) at maturity and to pay periodic payments based on the bond's coupon rate (interest rate) for the duration of the bond's life. Bonds raise capital for the issuer with repayments funded from the issuer's general budget or revenue base.[1]

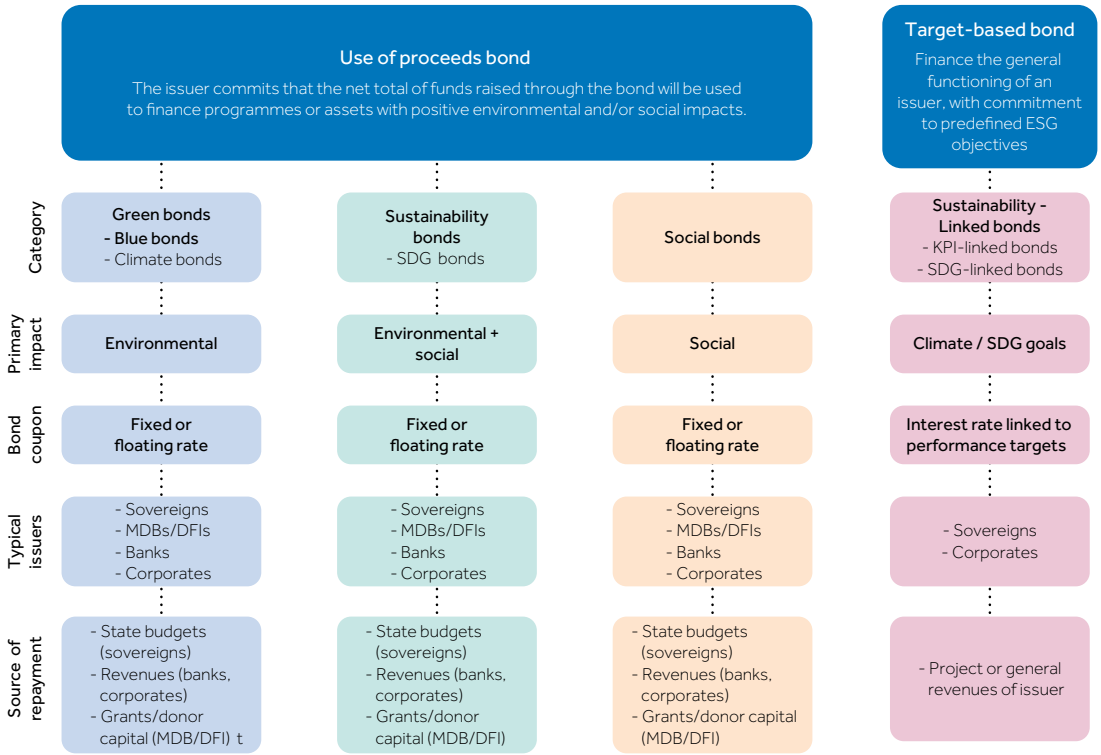
According to International Capital Markets Association (ICMA), Green Bond Principles (GBP)[2] guidance, blue bonds are:

a. A use of proceeds bond, whereby the issuer commits that the funds raised through the bond will be used to fund ocean and marine projects.

b. A subcategory of green bonds that fund ocean and marine projects. Blue bonds follow the same international standards as green bonds but focus specifically on 'blue' activities such as marine conservation, sustainable fishing and coastal protection.

Figure 2.1 provides an overview of different types of bond.

Figure 2.1 An overview of different types of bonds that can help to finance the sustainable blue economy. Based on Systemiq 2024.[3]



Note: DIF = development finance institution; ESG = environment, social and governance (criteria); KPI = key performance indicator; MDB = multilateral development bank; SDG = Sustainable Development Goal.

1 There are examples of bonds that fall outside this description. For example: amortising bonds repay principal gradually and are common in infrastructure financing; zero-coupon bonds offer no periodic interest but are issued at a discount; perpetual bonds have no maturity and pay interest indefinitely, often used by governments and large firms; and inflation-linked bonds adjust payments for inflation, increasingly used for long-term public and climate-related financing.

2 ICMA (2021), *Green Bond Principles – Voluntary Process Guidelines for Issuing Green Bonds*.

3 Systemiq (2024a), *Scaling Ocean Finance: Blue bonds and innovative debt instruments for a sustainable ocean economy in MENAT and APAC*.

Use of proceeds bonds

These commit the issuer to use the raised capital to finance projects or assets with positive environmental and/or social impacts. Use of proceeds bonds can be categorised as:

- **Green bonds** (which include **blue bonds** and climate bonds as subcategories), which place an emphasis on financing projects with environmental outcomes.
- **Social bonds**, which focus on social outcomes.
- **Sustainability bonds**, which combine environmental and social outcomes.

For use of proceeds bonds, repayments are typically funded by general budgets and revenues rather than project returns. While blue bond proceeds can be used to finance revenue-generating projects, such as sustainable fisheries, the revenues generated are rarely sufficiently large, regular and certain to be directly used to repay the blue bond. For this reason, general budgets and revenues are typically used for repayment because there is more certainty that funds will be available when debt service payments are due, regardless of individual project performance.

Blue bond issuers commit to using the bond's proceeds exclusively to finance or refinance ocean-based projects that deliver positive environmental outcomes. As defined in *Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide*,[4] blue bonds are detailed as use of proceeds bonds that help support Sustainable Development Goals (SDGs) 14 (Life below water) and 6 (Clean water and sanitation), as well as other related SDGs, and proceeds must be strictly channelled into activities such as:

- marine ecosystem management, conservation and restoration;
- coastal climate change adaptation and resilience;
- sustainable fisheries and aquaculture;
- reducing marine pollution;
- sustainable coastal and marine tourism;
- offshore renewable energy;
- sustainable, low-carbon ports and shipping.

By directing capital toward the sustainable blue economy, blue bonds offer a tool for governments to support ocean health while accessing new sources of finance. It is also important to note that beyond specific blue bonds, both green bonds and climate bonds may include 'blue' elements but will have a broader range of outcomes than solely ocean-based use of proceeds.

Sustainability-linked bonds

Sustainability-linked bonds (SLBs) are not tied to specific projects and are instead referred to as 'target-based' bonds. In SLBs, the coupon rate of the bond is linked to meeting predefined sustainability targets (for example, emissions reduction). If targets are missed, the coupon rate may increase. SLB coupon rates typically include step-up provisions where the rate increases if sustainability performance targets are not met, thereby incentivising improved sustainability performance.[5] SLBs are issued by both corporate entities and sovereign issuers.

SLBs are not generally recognised as blue bonds but may include ocean-based key performance indicators (KPIs) and can therefore contribute to sustainable blue economy investment.[6] This *Blue Bonds Toolkit* focuses on the sovereign issuance of use of proceeds blue bonds and not SLBs.

2.2 Who issues blue bonds?

Blue bonds can be issued to raise capital by a range of public and private sector actors, including:

- sovereigns and sub-sovereigns, such as municipalities
- multilateral development banks (MDBs) and development finance institutions (DFIs)
- banks and other financial institutions
- large and medium sized companies[7]

Sovereign issuers (see the case studies on Seychelles, Belize and Indonesia in Annex C) and development banks, for example, the Asian

4 ICMA, ADB, IFC, UNEP FI and UN Global Compact (2023), Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide.

5 Process guidelines for SLB issuance have been published by ICMA (2024) – see: Sustainability-Linked Bond Principles.

6 ICMA, ADB, IFC, UNEP FI and UN Global Compact (2023). See Footnote 4.

7 Ibid.

Development Bank (ADB) and the World Bank, have so far led the blue bond market. The International Finance Corporation[8] (IFC) and ADB[9] have also supported or issued corporate blue bonds under their own frameworks. Corporate issuers (such as large energy, fisheries, port or shipping companies) may also issue blue bonds.[10] The first corporate blue bond was issued by Ørsted in 2019 to support offshore biodiversity and sustainable shipping.[11] To date, most issuers of sovereign blue bonds have been the national governments of SIDS and/or emerging markets and developing economies (EMDEs)[12] that depend on ocean resources and/or those seeking new funding for ocean conservation. This issuer profile reflects the urgent financing needs of ocean-dependent economies and the particular appeal of blue bonds to impact-focused investors seeking measurable environmental outcomes. All sovereign blue bond issuances to date have followed the use of proceeds model under the Green Bond Principles (GBP), though sustainability-linked structures with ocean-related KPIs represent an emerging alternative approach.

2.3 Who invests in blue bonds?

When first issued, investors can purchase blue bonds on the primary market. After that point, bonds can be held by an investor until maturity or traded on the secondary market[13] through established bond trading platforms and dealer networks. Investors in blue bonds include those listed below.

Asset owners:

- **High-net worth investors.** Individual or family office investors, impact investors and private equity funds.
- **Pension funds.** Large institutional investors that manage retirement savings and increasingly incorporate environmental, social and governance (ESG) criteria.
- **Development banks.** Organisations like the IFC and the European Bank for Reconstruction and Development (EBRD). Development banks can function as asset owners (when investing their own capital) and intermediaries (when channelling donor/shareholder funds).
- **Sovereign wealth funds.** Government-owned investment funds that may allocate a portion of their assets to blue bonds.
- **Philanthropic foundations.** Philanthropic organisations that invest in sustainable and socially responsible initiatives, including ocean conservation.
- **Insurance companies.** Major institutional investors with long-term investment horizons aligned with blue bond maturities.
- **Central banks.** Some central banks include green and blue bonds in their foreign exchange reserves.
- **Asset managers.** Asset managers execute investment decisions on behalf of asset owners, often implementing ESG mandates and sustainability criteria established by their clients.
- **Investment firms.** Companies that manage investment portfolios, including those with ESG mandates and a focus on sustainable and impact investing.

Investors in blue bonds are typically institutional investors seeking both risk-adjusted returns and positive ocean/marine environmental impact. Many are motivated by specific mandates to support SDG14 and related ocean conservation goals, while maintaining their fiduciary responsibility to achieve market-rate returns.

8 IFC (2022), 'IFC's Investment in BDO's Blue Bond to Help Tackle Marine Pollution in the Philippines, Support Blue Economy'.
9 ADB (2021), 'ADB Issues First Blue Bond for Ocean Investments'.
10 Investors typically view sovereign blue bonds as offering different risk-return profiles compared to corporate issuances, with sovereign credit risk generally taking precedence over project-specific risks in pricing and allocation decisions.
11 Ørsted (2023), 'Ørsted becomes world's first energy company to issue blue bonds'.
12 Man (2023), 'Blue Bonds: The New Kid on the block in Sustainable Debt'.
13 Secondary markets are where bonds are traded after issuance, allowing investors to buy and sell existing bonds before they mature. Unlike primary markets – where bonds are sold directly by governments to initial investors – secondary markets provide liquidity by enabling investors to exit or enter positions at any time. However, secondary market trading for blue bonds is typically much thinner than conventional sovereign bonds, with limited price discovery due to smaller issuance sizes and buy-and-hold investor preferences.

3. Investor expectations

Investors in blue bonds expect a high degree of due diligence and transparency, both in terms of the governance of the blue bond and assurance of the bond's ocean sustainability outcomes. This enhanced scrutiny reflects the specialised nature of marine environmental projects and the need for investors to demonstrate both credit quality and ESG compliance to their stakeholders and regulators.

Issuers must develop their own Blue Bond Framework detailing eligible projects and governance procedures based on established market guidance, then seek external assurance to verify the bond's ocean sustainability credentials and blue bond market credibility. In practice, this means:

- Developing a public 'Blue Bond Framework' (see 9.5) that follows recognised standards and guidance [for example, ICMA, IFC, UN Global Compact (UNGC) guidelines] that delivers ocean sustainability (blue) outcomes.
- Obtaining an independent second party opinion (SPO) (see 9.6), confirming that the Blue Bond Framework's ('the Framework's') blue criteria are robust.[14]
- Providing ongoing internal and external reporting (see 11.3).

It is a key recommendation of the ICMA GBP that blue bond issuers:

- **Pre-issuance:** appoint an external review provider to provide an SPO assessing the alignment of the Blue Bond Framework with the ICMA GBP to verify the environmental sustainability and expected impacts and risks of the projects to be financed.
- **Post-issuance:** use a third party to verify the tracking of proceeds and the allocation of funds to eligible blue projects. Many institutional investors view external verification as essential for their ESG reporting and regulatory compliance, making verification a market access requirement rather than just best practice.

14 UN Global Compact (2020), *Practical Guidance to Issue a Blue Bond*.

Adhering to these recommendations helps to enhance the transparency, credibility and integrity of the blue bond in the market.

3.1 Principles and standards for issuing blue bonds

While blue bonds are a growing asset class within the suite of fixed income instruments focused on sustainable finance, there is currently no globally agreed taxonomy to link investments to environmental impact specific to blue bond issuance. As a subcategory of green bonds, the recognised standard for blue bond issuance typically follows the voluntary ICMA GBP,[15] while the *Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide*, published by ADB, ICMA and other partners,[16] provides guidance specific to blue bond issuance.

A range of additional voluntary guidance seeks to help users operationalise the GBP in a blue bond context and to identify eligible projects for investment. Some of the primary guidance documents are outlined in Table 3.1, but other frameworks and guidelines – for example, those published by the ADB[17] or the Latin American Stock Exchange (Latinex)[18] – may be relevant depending on the issuer's context and partners.

3.2 The benefits of blue bonds for issuers

Blue bonds offer issuers a strategic tool to mobilise targeted finance for sustainable ocean initiatives while enhancing their sustainability profile and global reputation. Beyond unlocking new sources of capital, blue bonds can attract a broader range of investors, potentially lower borrowing costs under certain conditions, and contribute to long-term fiscal resilience. For SIDS and LICs in particular, they may present an opportunity to reduce aid

15 ICMA (2021). See Footnote 2.
16 ICMA, ADB, IFC, UNEP FI and UN Global Compact (2023), *Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide*.
17 ADB (2021), 'Green and Blue Bond Framework'.
18 Latinex, Climate Bonds Initiative and and IDB Invest (2025), 'Guidelines for the issuance of thematic labelled financial instruments'.

Table 3.1 Key international guidance documents relevant to blue bond issuance, their publishers, purpose, and how they relate to other standards.

Title – published by	Target audience	Description	Alignment with other guidance
Green Bond Principles (GBP) – ICMA	Issuers	Primary voluntary global standard for use of proceeds green and blue bonds; sets recommendations for transparency, disclosure and reporting.	Foundation for all other green/blue bond frameworks; referenced by ADB, IFC, UNEP, IMF.
Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide – ICMA, ADB, IFC, UN Environment Programme Finance Initiative (UNEP FI), UN Global Compact	Issuers, investors and underwriters	Technical voluntary guidance for issuing blue bonds; includes definitions, taxonomies and reporting metrics.	Consolidates best practices; cross-references ICMA, IFC and UN standards.
Sovereign ESG Bond Issuance: A Guidance Note for Debt Managers – International Monetary Fund (IMF)	Sovereign debt managers	Technical advice on managing sovereign ESG bond issuance within debt sustainability frameworks.	Complements ICMA and MDB frameworks with macro-fiscal focus; tailored to public debt managers.
Blue Finance Guidelines – IFC	Development finance institutions	Provides recommendations for eligible blue projects and reporting practices; supports commercial and development institutions in issuing blue bonds.	Aligned with ICMA GBP and complements UN Global Compact (UNGC) and ADB frameworks.
Sustainable Blue Economy Finance Principles – UNEP FI	Banks, insurers and investors	Sets voluntary principles for ocean-related sustainable finance, emphasising environmental and social responsibility.	Referenced by ADB and UNGC guidance; broader than just bond instruments.
Practical Guidance to Issue a Blue Bond – UN Global Compact	Corporates	Provides step-by-step advice for corporates and governments on preparing and issuing credible blue bonds.	Aligned with ICMA GBP and complements IFC *Blue Finance Guidelines*.

dependency and finance critical blue economy development. By directing capital to credible, sustainable ocean projects, blue bonds can help to close the funding gap for SDG14, strengthen a country's blue economy, and support national and international commitments to address climate change, biodiversity loss and pollution.

Key benefits for issuers can include the following.

- **Mobilising new finance.** Blue bonds can unlock private capital to fund infrastructure, blue economy sector development, and conservation and restoration that are often beyond the reach of national budgets.[19] For LICs, this can help to reduce reliance on development aid and donor funding.
- **Reputation and credibility.** Issuing a blue bond signals a commitment to sustainable ocean management and development to global markets. Issuing and promoting a well-designed blue bond can 'elevate the issuer's international standing' among investors, which can improve access to other funding sources, such as climate funds.[20]
- **Lower borrowing costs.** In some circumstances, blue bonds may offer lower costs compared to conventional bonds when combined with mechanisms that reduce investor risk, such as credit enhancement, although lower costs are not a guaranteed outcome.[21] While some studies of the more mature green bonds market suggest that green bonds may achieve modest pricing advantages for investment-grade issuers in certain markets,[22] evidence in relation to blue bonds remains limited due to the small market size and prevalence of sub-investment-grade issuers. Any pricing benefits should be viewed as a potential secondary benefit instead of a primary rationale for issuance.
- **Diversity of investors.** Blue bonds can attract a more diverse suite of investors than conventional bonds because they appeal to buyers looking to invest in projects that promote sustainability, as well as investors seeking a return on investment. As such, blue bonds can potentially broaden the investor base to include ESG-focused institutions. This diversification is particularly valuable during market stress, when ESG-focused investors may maintain allocations while conventional investors reduce exposure.
- **Fiscal impact and debt relief.** Dedicating bond proceeds to verified sustainable blue projects supports the long-term health of critical ocean sectors, such as tourism and fisheries, while also supporting environmental, social and economic resilience to the impacts of climate change, biodiversity loss and/or pollution.

3.3 The challenges of blue bond issuance

Blue bonds carry the same fundamental risks as conventional sovereign debt (credit risk, interest rate risk, currency risk), plus additional complexities related to project selection, impact measurement and reputational considerations specific to ocean finance. Such factors present particular challenges for SIDS and LICs, with additional risks ranging from high costs and limited project pipelines, as well as investor concerns about creditworthiness and transparency, and the need for robust sustainable blue economy policy and governance. From an investor perspective, such complexities increase due diligence requirements and execution risk assessment, often resulting in longer evaluation periods and higher risk premiums compared to conventional bonds. These challenges contribute to the blue bond market being relatively small compared to other conventional bonds. Risks must be carefully considered to ensure blue bonds are a sustainable and effective financing tool.

The box summarises some of the key constraints on blue bond issuance.

Key constraints on blue bond issuance

- **Costs:** Transaction costs are typically 2–3 per cent of issue size.
- **Timeline:** 12–36 months' preparation is necessary for first-time issuers.

19 Systemiq (2024a). See Footnote 3.
20 Lindner, P and K Chung (2023), Sovereign ESG Bond Issuance: A Guidance Note for Sovereign Debt Managers. IMF Working Paper.
21 Systemiq (2024b), 'What is Ocean Finance and Why Does it Matter?'
22 IHS Markit (2021), 'Searching for "Greenium": Evidence of a green pricing premium in the secondary Euro-denominated investment grade bond market'.

- **Capacity:** Issuance requires dedicated staff for framework development and ongoing reporting.

Key challenges and risks for blue bond issuers include the following:

- **Coherent policies and integrated ocean governance.** Credible blue bond issuance must be underpinned by and aligned with clear ocean sustainability objectives tied to an integrated, cross-sectoral governance framework for sustainable ocean management. Investors typically seek evidence of robust policy and regulatory frameworks to signal long-term political commitment to the implementation of a national sustainability agenda. Pre-existing and established monitoring, reporting and verification (MRV) frameworks to monitor the marine environment and track progress on implementation further enhance credibility while also providing a basis for use of proceeds project selection and post-issuance reporting (see 9.5 and 11.4).
- **Financial regulatory frameworks.** Issuing a blue bond also requires a robust financial legal and institutional foundation (see 9.4). Governments must ensure the bond is authorised under sovereign debt laws and may need to establish a formal governance entity – such as a trust or inter-ministerial committee – to oversee environmental integrity. Blue bonds can be used to fund improvements to these governance systems.
- **Scale and volume of issuance.** Blue bonds must be issued at a scale large enough to be attractive to investors. An issue size below US$200–500 million often reduces secondary market liquidity and investor interest, which can result in limited uptake. This threshold reflects the minimum allocation requirement of institutional investors and the liquidity provision economics of market-makers, creating a structural barrier for smaller economies. Small issuance volumes mean fewer blue bonds available in markets, reducing asset manager appetite due to the opportunity costs of holding less fungible instruments (see *Fungibility of bonds*, later) compared to other instruments. Investors particularly value long-term pipelines of standardised issuances that can build sufficient market depth over time.
- **Project pipeline.** Just as the scale of the issuance needs to be large enough to attract investors, the available projects and initiatives ready to receive blue bond proceeds must match the scale of the issuance in volume and timescale. Investors are attracted to blue bonds that have a long-term pipeline of standardised issuances, with a comprehensive pipeline of investible projects. This can prove particularly challenging for SIDS and LICs, where there may be less capacity or capital to support the development of a scalable pipeline of eligible projects.[23] Investors view insufficient project pipelines as a significant red flag, as it suggests either weak implementation capacity or overly optimistic bond sizing relative to use of proceeds capacity.
- **Understanding impact.** Understanding and measuring the impacts of blue bond projects is challenging as the dynamic and interconnected nature of marine ecosystems makes it difficult to establish clear causal links between investments and ecological outcomes, and to demonstrate additionality (proving that outcomes would not have occurred without the bond). Particularly in SIDS and LICs, institutional and technical capacity constraints may hinder the design of robust monitoring systems or implementation of comprehensive impact assessments.
- **Institutional capacity.** A blue bond can require significant resources for both setup and ongoing management, particularly due to the need for robust measurement, reporting and verification systems to support post-issuance reporting (see11.3). This challenge is compounded where there is insufficient financial and technical capacity required to identify, prepare and monitor projects to meet investor requirements,[24] as well as

23 March, A, P Failler and M Bennett (2023), 'Challenges when designing blue bond financing for Small Island Developing States', *ICES Journal of Marine Science*, Vol. 80 No. 8.

24 OECD (2022), 'Green, social, sustainability and sustainability-linked bonds in developing countries: how can donors support public sector issuances?'

the need for continued engagement across line ministries and implementing agencies throughout the issuance journey.

- **Data and reporting.** Credible and transparent blue bonds are critical for attracting investors, and monitoring and reporting on use of proceeds is vital for providing assurance. Proceeds recipients must have the capacity and data must be readily available to enable effective and timely reporting, otherwise the integrity of the blue bond may be uncertain and discourage investors, especially in relation to future issuances.
- **Cost of issuance.** Preparing and launching a blue bond involves substantial costs, which can outweigh potential financial benefits – especially for smaller issuances.[25] Total issuance costs typically represent 2–3 per cent of issue size for smaller sovereigns.[26] These costs include developing a credible Blue Bond Framework (see 9.5), external verification, legal and structuring fees, listing expenses, and developing robust reporting and monitoring systems.[27] However, the reputational benefits, and international partnership opportunities, may justify the additional costs and should be evaluated on a case-by-case basis.
- **Market access.** Smaller economies face inherent challenges accessing international capital markets at scale. Blue bonds are typically issued in hard currencies (US$, euro) to reach institutional investors, creating currency mismatch risk for issuers with local currency revenues. Refinancing risk emerges at bond maturity if market access deteriorates. While domestic currency issuance eliminates foreign exchange exposure, it typically results in higher costs and limited liquidity due to shallow local markets and restricted international investor participation.
- **Debt repayment.** Given that many blue bond-financed projects focus on positive environmental outcomes rather than financial returns, they may not generate a sufficient income stream to cover repayments. This means that many blue bonds must be repaid from general revenues, which places an additional strain on the public finances. It is important that governments analyse and carefully consider (prior to issuance) whether the repayment of the blue bond is affordable given current and likely future revenues, expenditures, debt sustainability and fiscal space. This concern is particularly acute for sub-investment-grade sovereigns where fiscal buffers are limited and debt sustainability is already constrained.
- **Investor awareness.** While the green bond market is relatively mature and well established, blue bonds are perceived as an emerging market by comparison, despite them being a type of green bond governed by the ICMA Green Bond Principles. As a result, confidence from investors is still building and there is potentially a greater need to raise awareness and improve blue bond literacy among investors when launching a blue bond.
- **Fungibility of bonds.** Fungibility is the ability of a good or asset to be readily interchanged for another of like kind because they have the same specifications.[28] Bonds that are fungible are more attractive to investors because they are easier to trade. Blue bonds (and other thematic bonds like green, social and sustainability bonds) are not considered fungible with conventional bonds, even if their financial terms are the same, because their proceeds must be strictly allocated to eligible blue projects.

For first-time issuers, blue bond issuance can be significantly more challenging, particularly due to untested institutional capacity and limited resources. The demands of developing a credible Blue Bond Framework, transparent reporting, and robust measurement and verification systems are particularly difficult for new entrants, often leading to considerably longer preparation timelines. First-time issuers may also face higher upfront costs for framework development, obtaining an independent SPO and legal fees, which can be disproportionate, especially for smaller issuances.

25 Lindner, P and K Chung (2023). See Footnote 20.
26 Bosmans, P and F de Mariz (2023), 'The blue bond market: A catalyst for ocean and water financing', *Journal of Risk and Financial Management* Vol. 16 No. 3, 184.
27 ICMA, ADB, IFC, UNEP FI and UN Global Compact (2023). See Footnote 4.
28 For example, gold is generally considered to be fungible because one gold ounce is equivalent to another gold ounce. When gold is turned into a one-off piece of fine jewellery, however, it begins to take on unique characteristics and it is less easy to trade like for like.

Policy-makers considering blue bond issuance should weigh these risks carefully and ensure blue bonds are a well-governed financing tool that supports sustainable debt management.

In summary, blue bonds may be appropriate for countries that:

- require long-term financing aligned with SDG14 and climate targets;
- have an active blue economy policy and project pipeline;
- possess or can access technical support for issuance and capacity building; and
- can justify transaction costs through concessionality or tangential benefits of issuance, such as improved governance and MRV frameworks, capacity building or reputational benefits.

They may be less suitable for countries where:

- fiscal space is constrained and concessional finance is more appropriate;
- the blue economy is limited in size and potential for growth;
- there are limited sustainable ocean management frameworks;
- there is no clear pipeline of eligible projects;
- the potential bond size is too small to attract investor interest; and/or
- institutions lack the capacity to manage thematic bond requirements.

Governments should conduct a full feasibility assessment – including cost–benefit analysis, a debt sustainability review, and legal and institutional readiness assessments – before proceeding. These assessments are outlined in detail in *Part II*.

4. Considerations for blue bond issuance

This chapter outlines the key financial, institutional and operational factors that must be carefully evaluated to ensure that blue bonds contribute to long-term debt sustainability, climate resilience and effective ocean governance. It highlights core issues such as debt sustainability, risk management, fungibility, and the unique challenges faced by SIDS and LICs.

4.1 Sustainable ocean policy and governance frameworks

A robust sustainable ocean policy and governance framework is a foundational requirement for countries considering the issuance of a blue bond. It ensures that blue bond financing is grounded in coherent national strategies, underpinned by legal authority and accountability, and supported by effective institutional mechanisms. Without this in place, it becomes difficult to identify credible projects, maintain investor confidence and deliver on environmental commitments.

Countries pursuing blue bonds must demonstrate that their marine conservation and blue economy goals are not isolated policy statements but are embedded in enforceable strategies and supported by a robust, co-operative institutional framework for implementation. This provides the foundation for selecting eligible expenditures, monitoring impacts, and ensuring the effective and equitable use of bond proceeds, which enhances investor confidence in the government's ability to deliver on the bond's blue commitments.

To support blue bond issuance, governments should assess their governance readiness across three key areas: policy alignment; legal and regulatory frameworks; and institutional co-ordination.

Policy alignment

Blue bond investments must align with national strategies to ensure coherence and strategic impact. Relevant frameworks include:

- a national blue economy strategy, ocean policy or equivalent overarching instrument;
- Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs) and long-term climate strategies;
- biodiversity and marine protection commitments, including SDG14 implementation plans and National Biodiversity Strategy Action Plans (NBSAPs); and
- national development plans or sectoral strategies for fisheries, tourism and marine infrastructure.

A clear policy framework that links to proposed blue bond expenditure areas demonstrates to investors that financing will support well-defined, nationally owned priorities.

Legal and regulatory frameworks

In addition to policy and plans, legal structures must enable and support the implementation of projects financed by blue bonds. This includes:

- legislation related to sustainable ocean management, such as MPAs, fisheries governance, pollution control and marine spatial planning;
- clear mandates for institutions responsible for ocean management; and
- provisions for ring-fencing or tracking bond proceeds within financial management systems.

Legal authority to manage marine resources and enforce conservation regulations strengthens the credibility of environmental outcomes. In some jurisdictions, additional legal measures may be needed to authorise the earmarking of funds or to establish mechanisms for external oversight and reporting.

Institutional co-ordination

Blue bonds require effective governance, including collaboration between financial and environmental authorities. Effective governance is characterised by:

- co-ordinated oversight between ministries of finance, environment, planning, and other relevant agencies;
- the existence (or creation) of inter-ministerial committees or steering groups with clear terms of reference; and
- co-operative mechanisms for project selection, fund disbursement, stakeholder consultation and performance monitoring.

In the Seychelles case, the national marine spatial planning process and the establishment of a conservation trust fund provided a strong governance foundation. Belize's Blue Bond was also underpinned by a clear institutional structure through its Marine Spatial Planning Steering Committee. Each example shows how national systems can be adapted to support credible ocean finance delivery (see Annex A, Case Study 2).

Strong governance frameworks can help mitigate a range of risks that are common to blue bond issuance. Clear institutional roles and legal mandates reduce implementation risk by ensuring that projects can be delivered efficiently and in compliance with environmental standards. Transparent co-ordination mechanisms and inter-agency oversight reduce the risk of misuse of proceeds, enabling governments to monitor how funds are spent, maintaining alignment with the Blue Bond Framework and national priorities for sustainable blue economy development. Well-established regulatory, enforcement and reporting frameworks help reduce environmental performance risk by supporting the delivery of credible sustainable ocean outcomes. Finally, inclusive and accountable governance, for example, involving coastal communities and civil society, helps to ensure social sustainability and responsiveness to stakeholder concerns. Together, these factors increase investor confidence and support long-term access to sustainability-linked finance.

4.2 Use of proceeds project pipeline

A well-structured and credible project pipeline is one of the most critical requirements for a successful blue bond issuance. A lack of sufficiently prepared, investment-ready projects is one of the greatest constraints facing the ocean finance market today. For some countries, this can pose an even greater challenge than a lack of technical or institutional capacity and has direct implications for the applicability of blue bonds as a financial mechanism. In countries without a robust pipeline of investment-ready projects, blue bonds may not be the most suitable financing tool. Alternative financing mechanisms (see 5.1 and 5.2) may provide more flexibility while supporting the foundational work needed to build a viable pipeline.

Key factors to consider in relation to the feasibility of developing a use of proceeds project pipeline are outlined below.

Scale and aggregation requirements

Blue bonds, like other thematic debt instruments, are most effective when they can reach a minimum scale that attracts investors and supports reasonable transaction costs. For international direct sovereign issuances, the minimum viable size is typically US$200–500 million, with smaller transactions often facing higher yields, lower liquidity and less market interest. Achieving this scale requires a portfolio of eligible projects that can absorb and disburse proceeds within the timeframe stated in the bond framework (usually 24–36 months post-issuance).

However, many countries face a fragmented implementation landscape with small-scale or pilot projects that are not easily aggregated, lack bankability or are constrained by weak governance systems. Without a pipeline of implementable projects that align with blue bond use of proceeds criteria (see 9.5.1), the transaction may stall or be forced to include non-additional or weakly aligned activities, undermining both credibility and impact.

Return and risk profiles

Blue bonds typically fund public-good projects, such as MPAs, coastal adaptation or small-scale fisheries reform, which offer significant environmental and social benefits but limited direct financial returns. This contrasts with investor expectations for predictable financial flows or, at a minimum, strong performance reporting tied to ESG mandates. This mismatch creates tension between sustainability objectives and the need to demonstrate project viability to investors.

Although sovereign bonds are repaid through general government revenues, the perceived quality and impact of funded projects influence investor confidence, especially where external verification

or impact-linked pricing features are introduced. In this context, blue bond project pipelines must offer credible delivery mechanisms, defined KPIs, and measurable co-benefits (for example, improved livelihoods, coastal community resilience or climate adaptation). Even in the absence of revenue-generating assets, projects must show a clear link to national priorities and debt sustainability.

Project pipeline development

Sustainable blue economy initiatives tend to involve long time horizons, high upfront investment and complex regulatory frameworks. Many marine conservation activities, such as MPAs, habitat restoration or pollution control, are not easily monetised, making it difficult to structure repayment or return models. Additionally, ocean sectors often fall under multiple line ministries, complicating co-ordination and increasing administrative burden. The prevalence of small-scale, community-based interventions – while essential for community resilience and equitable outcomes – also makes aggregation for large bond programmes difficult without strong national strategic co-ordination and coherence.

This complexity underscores the need for governments to invest in blue finance planning and project development functions well in advance of issuance. This may include:

- establishing a blue economy investment plan that links national priorities to potential financing structures;
- creating a project preparation facility to support feasibility assessments and technical design;
- leveraging technical assistance (for example, from MDBs, non-governmental organisations (NGOs) or climate funds) to de-risk early-stage projects; and/or
- using budget tagging and performance monitoring systems to track and assess project impact.

The pressure to scale up a transaction to meet a sufficient issue size to attract investment can incentivise the inclusion of poorly aligned or non-additional projects, creating reputational risk and weakening long-term investor trust. Governments must begin pipeline development early in the blue bond process and treat it as a core pillar of issuance readiness. A strong pipeline increases confidence among external reviewers, improves market appetite, and enables a blue bond to deliver credible and lasting environmental and economic benefits.

4.3 Debt sustainability

Blue bonds represent sovereign debt obligations and must be evaluated within comprehensive debt sustainability frameworks. All new public borrowing (blue or otherwise) must remain within prudent debt limits. The IMF's 2023 guidance emphasises that sovereign sustainable bonds must be issued within debt sustainability constraints and cannot circumvent fiscal discipline.[29] For governments with strong debt sustainability positions, blue bonds can finance additional environmental investments that support long-term economic resilience. For fiscally constrained governments, blue bonds should typically either refinance existing higher-cost debt to reduce debt service burdens or fund projects that strengthen the fiscal position through revenue generation or cost avoidance. The underlying principle is to ensure that blue bond issuance maintains overall debt sustainability regardless of the government's current fiscal position.

This is critical for SIDS and LICs, many of which already face tight budgets. In 2024, 12 of 19 SIDS with IMF debt analyses were at *high risk* of distress and two were already in default or similar status.[30] This report also concluded that SIDS are facing unsustainable debt service burdens, with payments rising from 36.5 to 38.7 per cent of government revenue between 2023 and 2024,[31] and that this substantial debt load is diverting finance away from essential public spending.

These debt service ratios create heightened execution risk for blue bond commitments, as governments may struggle to maintain environmental spending when facing fiscal pressures. In Latin American, Caribbean and Asian SIDS, debt service exceeds combined expenditure on health, education and social protection by one-third, and is six times greater than climate spending across all SIDS. Projections indicate this strain will persist; by 2035, a quarter of SIDS will spend over 50 per cent of revenues on debt service, and half will

29 Lindner, P and K Chung (2023), Sovereign ESG Bond Issuance: A Guidance Note for Sovereign Debt Managers. IMF Working Paper.
30 Hurley, G and M Martin (2024), 'Solving the debt service crisis: what SIDS need'. Development Finance International.
31 Development Finance (2024), 'Country Debt Service Burdens 2024'.

spend more than 25 per cent, severely constraining their ability to address social and environmental priorities.[32]

In addition to debt burdens, SIDS face heightened climate vulnerability due to small economies, with concentrated sectoral dependence, import reliance and geographic exposure to extreme weather events.[33] A major climate shock can rapidly reduce fiscal revenues (for example, from tourism, fisheries and taxes) while increasing urgent spending needs (for example, emergency response, rebuilding infrastructure). This dual pressure creates a fiscal squeeze that may bring the risk of debt default and/or a downgrade in credit rating. Investors may view blue bonds as potentially strengthening fiscal resilience against climate shocks, provided the financed projects genuinely enhance economic adaptation capacity as opposed to simply adding to debt burdens.

These risks underscore the importance of conducting comprehensive debt sustainability analysis, including assessing climate-driven scenarios, to fully appraise the costs and risks of blue bond issuance (cost–benefit analysis is an important part of the pre-issuance feasibility assessment; see 9.2). Investors are placing greater emphasis on the integration of climate resilience into debt sustainability analyses. This is especially pertinent for countries with economies heavily reliant on marine resources, where environmental degradation can have significant fiscal implications.

4.4 Risk management

For issuers, robust risk management is essential to complement sustainable debt management. In addition to traditional debt risks, blue bonds introduce new layers of complexity – such as environmental performance risks, reputational concerns and fiduciary requirements tied to the use of proceeds. For issuers in vulnerable economies, particularly SIDS and LICs, these risks must be proactively identified and mitigated to safeguard creditworthiness, ensure compliance with blue bond commitments – including strict use of proceeds rules, environmental reporting and external verification – and maintain access to ESG-aligned capital markets. This chapter outlines the primary financial and non-financial risks that may need to be managed and/or mitigated.

Financial risks

- **Misuse of proceeds.** There is a risk that blue bond proceeds could be redirected toward unrelated expenditures, especially in countries with weak public financial management systems. This undermines credibility and raises reputational risks. Tools like budget tagging, as used in Indonesia (see Annex A), help track and report fund use. Clear internal controls and accountability are essential. Proceeds should complement and provide additionality to current and planned conservation budgets, resources and 'business as usual' activities. Blue bonds should not be used to raise capital so that existing or planned conservation budgets can be transferred elsewhere to different departments or priorities.
- **Credit rating.** Blue bond issuers must demonstrate repayment capacity, either through strong sovereign credit ratings or credit enhancement mechanisms such as MDB guarantees, political risk insurance or blended finance structures. Institutional investors often view credit enhancement as providing not just financial guarantees but also implementation oversight through multilateral institutions. While several investment-grade and sub-investment-grade issuers have accessed the market, concerns about repayment can outweigh environmental benefits. Instruments such as partial guarantees or political risk insurance, as used in Belize (Annex A), can elevate bond ratings and attract investors (see 9.4). Private sector players such as Nautilus[34] offer credit enhancement solutions for blue and nature-linked investments, which expands access to guarantees beyond traditional multilateral institutions. However, this is a nascent approach for the blue bond market.
- **Foreign exchange risk** arises if the bond is denominated in a currency different from that of the issuer. Fluctuations in exchange rates can increase the local-currency cost of interest and principal payments for the issuer.

32 Hurley and Martin (2024). See Footnote 30.

33 Panwar, V, E Wilkinson and I Noy (2024) 'The price of a changing climate: extreme weather and economic loss and damage in SIDS'. ODI Policy Brief. London: ODI.

34 Nautilus, Homepage, https://www.guarantee.blue/.

- **Interest rate risk** arises when changes in market interest rates affect the cost of issuing new debt or refinancing existing blue bonds. If rates rise, the government may have to pay higher interest on new borrowings or rolled-over debt, increasing its debt servicing burden and potentially straining public finances.
- **Legal and governance risk**. Inadequate legal frameworks, unclear mandates or weak fiduciary oversight can compromise the effective use and tracking of proceeds. Pre-issuance legal analysis should identify any gaps in public financial management (PFM) systems, assess compliance with bond covenants and ensure clear institutional responsibilities. Strong governance also reduces misuse of proceeds risk.

Non-financial risks

- **Environmental performance risk.** Failure to deliver the measurable outcomes committed to in the Blue Bond Framework can erode credibility with ESG investors (see 9.5). Early-stage project screening should include environmental baselines, measurable indicators and robust MRV systems aligned with national capacities. UNEP FI's Sustainable Blue Economy Finance Principles[35] emphasises integration of environmental risk into project selection and implementation planning.
- **'Blue-washing'.** Unlike conventional debt, blue bonds are judged not only on financial performance but on the delivery of environmental impact. Misalignment between stated commitments and actual outcomes, whether due to weak governance, insufficient data or unclear reporting, can lead to accusations of 'blue-washing', undermining market confidence and damaging access to future sustainable finance. Issuers must avoid over-simplifying impact metrics, exaggerating impacts or disregarding unintended negative consequences that outweigh positive impacts.[36] This can undermine credibility and affect future access to finance. Investors increasingly scrutinise impact measurement capabilities during due diligence, as weak monitoring systems can lead to poor reporting quality, undermining bond credibility and affecting secondary market performance. Issuers must ensure transparency and rigour in impact measurement and reporting, supported by external verification (see 9.5).
- **Social risk.** Blue bonds may finance projects that affect coastal livelihoods, traditional resource users or indigenous communities. Inadequate engagement or benefit-sharing mechanisms may lead to inequitable outcomes, community resistance or implementation failures. Social safeguards, consultations, benefit-sharing mechanisms and grievance processes should be embedded in both project design and the Blue Bond Framework.
- **Climate and nature-related risk.** Climate shocks can disrupt project delivery and reduce fiscal space for debt servicing. Blue bond structures should incorporate financial buffers and contingency tools – such as parametric insurance, disaster clauses or access to climate funds – to mitigate these risks. Some recent issuances include payment deferrals triggered by extreme weather events, but such features are not yet standard. Given the nascency of such clauses, it is unclear if, or how, they may affect the credit rating of the issuer if triggered.

35 UNEP FI, 'The Principles', https://www.unepfi.org/blue-finance/the-principles/.

36 Thompson, B (2022), 'Blue bonds for marine conservation and a sustainable ocean economy: Status, trends, and insights from green bonds', *Marine Policy*, 144, 105219.

Box 4.1 Risk management approaches

Managing operational risk

Poor co-ordination between ministries, delays in fund disbursement or weak procurement systems can derail blue bond implementation. To mitigate these risks, issuers should:

- appoint a cross-ministerial technical working group to co-ordinate delivery;
- align blue bond criteria with existing budgeting and procurement procedures, where possible; and
- integrate performance-based MRV and disbursement conditions into project implementation cycles.

Contingency planning

Issuers should anticipate underperformance or unexpected shocks and build in contingency measures. They should, for example:

- embed climate and nature risk in debt sustainability and budget planning;
- maintain fiscal buffers or access to concessional backup financing;
- use disaster-linked clauses (for example, payment deferral) or parametric insurance to mitigate revenue shortfalls from climate events; and
- establish escalation and remediation protocols to respond to non-compliance with ESG requirements.

Other recommendations

To manage the dual financial and non-financial risks of blue bonds, governments should:

- develop a national risk register covering credit, market, operational, environmental and social risks; and
- ensure independent verification and auditing of project delivery and impact.

5. The practicality of blue bonds for SIDS and LICs

For SIDS and LICs, the high upfront costs of issuing a blue bond – such as having to prepare a Blue Bond Framework, secure a SPO, legal structuring and setting up reporting systems – can outweigh the benefits, especially for smaller issuances. Meeting investor expectations around standards like the ICMA GBP also requires technical expertise that many first-time issuers lack. Countries that are planning multiple bond issuances may be able to justify building this technical expertise and the high upfront costs involved, but the cost–benefit of a one-off issuance should be carefully considered.

Issuing in international markets adds further costs and complexity, including listing fees, credit rating assessments and currency risk management. For fiscally constrained countries with limited administrative capacity, these burdens can make issuance financially unviable without concessional support.[37]

Moreover, minimum size thresholds for institutional investors and underwriters often exclude smaller economies from accessing global markets. Most SIDS cannot meet the typical US$200–500 million benchmark size for fixed income issuances preferred by institutional investors such as asset managers, reducing their ability to attract sufficient demand or competitive pricing.

Bundling blue bond issuances at a regional level

A potential solution to meeting investor thresholds is to take a regional or portfolio-based approach.[38] In this model, individual countries would establish their own thematic bond frameworks (for example, for green or blue bonds) tailored to their national priorities and eligible expenditures. These smaller, nationally issued bonds could then be aggregated into a larger bond offering to reach the necessary scale for international capital markets.[39, 40] This aggregation addresses scale constraints by bundling multiple issuances, making them more attractive to large-scale investors. Issuances could be part of a bond programme with each drawdown serving the needs of a particular SIDs issuer. Countries wishing to work together may also choose to do so through a financial institution, such as a development bank, which can act as an 'aggregator' providing additional financial and technical support.

This approach offers several benefits.

- **Reduced costs and resource burden** through shared services (for example, framework development, second-party opinions) and streamlining post-issuance reporting and investor engagement through centralised platforms.
- **Diversified risk** across issuers, helping to mitigate concerns over single-country exposure; and
- **Improved market access** through greater scale and greater secondary market liquidity.

However, this model has not yet been trialled and so the political, financial and legal implications for participating countries or the facilitators of such arrangements are not fully understood in practice.

Concessional finance and third-party intermediaries

Concessional finance – capital provided on below-market terms – can make blue bond issuance more affordable. It typically includes low interest rates, longer maturities or grants.[41] It can be a critical

37 ICMA, ADB, IFC, UNEP FI and UN Global Compact (2023). See Footnote 4.
38 Pacific Islands Forum and UNDP (2022), 'Demystifying Green and Blue Bonds for the Pacific'.
39 Thiele, T and A Pouponneau (2025), 'Ocean finance for the sustainable ocean economy'. High Level Panel for the Sustainable Ocean Economy.
40 Roth, N, T Thiele and M von Unger (2019), 'Blue bonds: financing resilience of coastal ecosystems. Key points for enhancing finance action'. Blue Natural Capital Financing Facility: technical guideline prepared for IUCN GMPP.
41 Lindner and Chung (2023). See Footnote 20.

source of funding, especially for SIDS and LICs, to address infrastructure gaps and raise much-needed capital for sustainable development.[42]

MDBs and DFIs can play a vital intermediary and co-ordination role (see Box 5.1) by providing:

- **Credit enhancement tools** [for example, guarantees, Political Risk Insurance (PRI), concessional loans] to reduce risk and improve pricing. However, these tools often carry fees and must be weighed against overall savings.
- **Technical assistance and capacity building** to strengthen government systems for budgeting, project appraisal and post-issuance reporting.

Benefits include reduced financing costs and access to donor expertise, as well as enhancing access to a wider investor base. When paired with credit enhancements (for example, guarantees or political risk insurance), concessional finance can de-risk investments and mobilise private capital for blue projects.[43]

However, challenges and risks also exist in concessional finance. Application processes can be lengthy and bring stringent donor priorities and conditions. For vulnerable countries, relying on loans can also exacerbate debt sustainability concerns, raising borrowing costs and limiting fiscal space. Additional risks include foreign exchange exposure and complex execution requirements.

In summary, to overcome the financial and operational barriers to blue bond issuance, smaller countries may need to combine concessional support, technical assistance *and* innovative structuring, such as regional aggregation, while ensuring robust governance and transparency standards.[44,45]

5.1 Debt-for-nature swaps

Debt-for-nature swaps (DfNS), also referred to as debt conversions for nature, offer a way to reduce national debt burdens while freeing up some resources for marine conservation and climate

Box 5.1 Building support networks for sustainable sovereign debt

Developing country governments, especially SIDS, may require substantial technical and advisory support to navigate post-issuance management effectively. MDBs represent the primary source of support, offering technical assistance, capacity-building programmes, and often co-investment or credit enhancement mechanisms. The World Bank's PROBLUE initiative,[46] ADB's sustainable finance facilities,[47] and similar regional programmes provide frameworks specifically designed for blue economy financing.

International climate finance mechanisms, including the Green Climate Fund and various climate investment funds, increasingly offer technical assistance grants alongside their financing facilities. These organisations can provide support for establishing monitoring systems, building local capacity and developing innovative financing structures that address the specific challenges of small sovereign issuers.

The UN system, through UN Development Programme (UNDP) sustainable finance programmes[48] and UNEP's blue economy initiatives, offers capacity-building support that complements multilateral bank technical assistance.

For Commonwealth nations, the debt management programme provides support to countries to strengthen their policy framework, institutional and legal arrangements, institutional capacity and management information systems to support prudent and effective debt management.

42 Systemiq (2024). See Footnote 3.
43 Examples include the World Bank and the Development Finance Corporation (DFC) providing guarantees and PRI (Principles of Responsible Investment) for debt-for-nature swaps; see Systemiq (2024).
44 Lindner and Chung (2023). See Footnote 20.
45 Systemiq (2024). See Footnote 21.
46 World Bank (2023), 'The World Bank's Blue Economy Program and PROBLUE: Supporting integrated and sustainable economic development in a healthy ocean'.
47 ADB (2025), 'Green and Blue Bonds'.
48 UNDP, Sustainable Finance Hub, https://sdgfinance.undp.org/.

resilience. A DfNS is a financial arrangement in which a portion of a country's external debt is forgiven, reduced or refinanced in exchange for commitments to invest in nature or climate-related actions – such as ocean conservation, marine protected areas (MPAs) or sustainable blue economy initiatives.[49]

There are two main types of DfNS.

- **Multilateral or multi-party.** This involves third-party actors such as non-governmental organisations (NGOs) or development institutions who buy a country's debt at a discount and renegotiate it at a preferential rate in return for conservation commitments.
- **Bilateral.** This involves a creditor government restructuring or selling debt directly to the debtor at a discount, with agreed investments in nature-focused programmes.[50]

DfNS are often coupled with a bond issuance to generate proceeds that are primarily used to retire the restructured sovereign debt, unlike traditional use of proceeds bonds, where all funds raised go directly to new projects. Only the savings from the reduced debt burden (for example, lower interest or discounted buybacks) are channelled into conservation.

While offering potential environmental and fiscal benefits, DfNS also pose risks. Although these transactions aim to reduce debt burdens, their impact on a country's overall debt profile depends heavily on how the new debt is structured. If DfNS involve issuing new bonds or loans, even at concessional rates, they may still increase the country's gross financing needs or create future repayment obligations that strain public finances. DfNS can be complex and costly, sometimes leading to unspent funds. Additionally, the transaction costs and long preparation times (often several years) may divert limited fiscal and administrative resources without guaranteeing proportionate debt relief. In some cases, DfNS may only restructure a small portion of the debt stock, offering limited fiscal headroom relative to the country's broader debt challenges.

In the medium to long term, governments may find it difficult to maintain the conservation spending or policy commitments tied to the DfNS if fiscal conditions deteriorate, which creates a reputational risk and can impede future access to ESG financing. To mitigate these risks, DfNS must be carefully integrated into a country's medium-term debt strategy, ensuring they contribute to long-term debt sustainability rather than adding hidden liabilities or fiscal vulnerabilities.

DfNS also raise governance and sovereignty concerns. One important consideration is that DfNS structures may constrain a country's autonomy over conservation decision-making, particularly when financing agreements include externally defined environmental performance criteria, oversight mechanisms or third-party control over conservation funds.[51] This can result in real or perceived loss of sovereignty, as countries may be required to adhere to donor or creditor priorities that do not fully align with local needs, capacities or policy cycles. In some cases, external stakeholders may hold significant influence over the design and implementation of marine management plans or the disbursement of conservation funds – sometimes through trust funds with international boards – potentially sidelining national institutions or community voices.[52,53,54]

These challenges are compounded when DfNS arrangements lack transparency or robust consultation mechanisms. The Climate Action Network has observed that 'Conditionalities attached to debt swaps can impose undue influence on national environmental strategies,' calling for stronger safeguards to protect democratic accountability, indigenous rights and national development priorities.[55] As such, governments exploring DfNS should carefully assess the trade-offs between debt relief and policy autonomy. Strong domestic governance structures, legal clarity on fund management and inclusive stakeholder processes are essential to ensure that DfNS outcomes align with national sovereignty, support equitable and effective marine management, and build public trust in the long-term viability of such arrangements.

49 Systemiq (2024). See Footnote 3.
50 Norton Rose Fullbright (2023), 'Debt-for-nature swaps: A debt restructuring tool with ESG benefits'.
51 Nedopil, C and T Sun (2025), 'Current perspectives on debt-for-nature swaps: moving from exploratory to empirical research', *Current Opinion in Environmental Sustainability*, Vol. 74.
52 Ibid.
53 Carbon Brief (2024), 'Q&A: Can debt-for-nature swaps help tackle biodiversity loss and climate change?'.
54 Climate Action Network (2023), 'Climate Action Network Position on Debt Swaps'. (accessed May 2025).
55 Ibid.

DfNS require careful planning, transparency and safeguards to ensure they reinforce, rather than compromise, national sovereignty and sustainable development priorities.

Governments considering DfNS as part of a blue finance strategy should therefore:

- conduct a legal review of debt restructuring authority and conservation fund management;
- assess institutional capacity for managing environmental commitments and financial flows;
- consult stakeholders early to ensure public legitimacy and local relevance; and
- weigh the fiscal benefits of debt relief against long-term governance implications.

5.2 Other ocean finance mechanisms and income sources

Mobilising sustainable finance for ocean conservation and the blue economy requires a diverse toolkit of instruments and income sources. While blue bonds and DfNS are important and increasingly visible components of ocean finance strategies, they are not suitable or feasible for all contexts. Countries, especially SIDS and LICs, must carefully assess which financial mechanisms or income streams are best suited to their fiscal needs and obligations, institutional capacity, investment scale, and strategic objectives.

A comprehensive approach often involves combining public, private, concessional and philanthropic finance with innovative mechanisms that align incentives, reduce risk and ensure sustained funding flows. This chapter outlines a wider set of financial mechanisms and income sources that can be directed into sustainable ocean activities, either as standalone approaches or as part of a blended or complementary finance model alongside blue bonds and/or DfNS.

It is critical that countries undertake a thorough assessment of each option's benefits, costs, legal implications and institutional requirements before pursuing a specific approach.

Some examples of finance mechanisms and other income sources are outlined in Tables 5.1 and 5.2.

Selecting the right mix of finance mechanisms and income sources requires an understanding of each instrument's scale, time horizon, legal structure and administrative requirements. Anyone considering blue bond issuance should review and assess alternative blue finance mechanisms and evaluate how approaches align with a country's fiscal capacity, policy goals and project readiness, to maximise impact while managing financial and implementation risks.

Countries are encouraged to:

- conduct cost–benefit and risk assessments for each mechanism;
- consider blended approaches;
- align mechanisms with policy goals, legal mandates and institutional capacity; and
- engage partners, including MDBs, conservation finance networks and regional bodies, for technical support.

5.3 The future market for blue bonds

A critical determining factor for the future market of blue bonds is the determination and appetite of governments, the international community and investors to prioritise sustainable ocean practices. This intention must be signalled by clear long-term national policies to communicate to investors that there is long-term viability and confidence in the market.

Currently, the sovereign blue bond market is relatively small, although some existing green bonds use proceeds for ocean-related outcomes and the components can be labelled 'blue'. The Ocean Risk and Resilience Action Alliance (ORRAA) reports that, as of December 2024, a total of 81 blue-labelled bonds had been issued globally, raising approximately US$12.7 billion, with 32 issuances totalling US$4.4 billion in 2024.[56] However, corporate issuers remain the main actors in this market[57] – meaning the size of the sovereign market is a fraction of this amount.

Ambitions from initiatives like the Blue Bond Accelerator to support the development of

56 Blue Bond Accelerator (2025, forthcoming), *Blue Bonds: 2025 State of the Market*. Ocean Risk Resilience Action Alliance (ORRAA).

57 S&P Global (2024), 'Sustainability Insights: Second Party Opinions Show A Rising Tide Of Blue Finance'.

Table 5.1 Examples of financing mechanisms that can be used to finance for sustainable blue economy initiatives.

Mechanism	Description	Example	Considerations
Marine conservation trust funds (MCTFs)	Independent funds capitalised through grants, fees or royalties to finance MPAs, enforcement or restoration	Global Fund for Coral Reefs (GFCR)	Strong governance and long-term oversight needed; can complement bond disbursement
Blue loans	Debt instruments (usually from DFIs) for single or small-scale ocean-positive projects	EIB Clean Oceans Initiative	May be faster to structure than bonds; potentially higher-interest costs
Payment for ecosystem services (PES)	Payments to individuals/ communities for protecting marine ecosystem services	Mangrove PES in the Philippines	Works well with local stakeholder buy-in and measurable outcomes
Blue carbon/biodiversity credit markets	Sale of verified credits from ecosystems like mangroves or coral reefs	Mikoko Pamoja, Kenya	Emerging market; credit verification and distribution mechanisms needed
Revolving/ endowment funds	Self-sustaining capital pools using interest or recurring revenue	Caribbean Biodiversity Fund	Useful for covering recurrent conservation costs
Blue equity and impact investment funds	Private capital into scalable, sustainable blue economy businesses	Meloy Fund	Needs strong project pipeline and investable business models
Insurance-linked financing/resilience bonds	Instruments triggered by climate shocks (for example, cyclones, bleaching)	Mesoamerican Reef Insurance Mechanism	Supports climate adaptation; contingent payout design critical
Blended finance platforms	Structures that combine public, private and concessional finance to reduce risk and attract investment	IUCN's Blue Natural Capital Financing Facility (BNCFF) ORRAA Sea Change Impact Finance Facility (SCIFF)	Can unlock private capital and reduce transaction costs

a US$70 billion blue bond market by 2030[58] underscore the potential for growth, although specific sovereign estimates have not been made. Industry is optimistic on the market potential, with the total blue bond market (corporate and sovereign issuances) suggesting a 10 per cent year-on-year growth rate.[59]

This growth potential is set against a backdrop of significant funding needs for ocean sustainability. The investment opportunity in the regenerative and sustainable blue economy is estimated to reach up to US$717 billion annually through 2030.[60] This vast funding gap underscores the critical role blue bonds could play in channelling capital towards these essential areas. However, this capital cannot solely come from public debt instruments, while structural issues on the supply side of the private investment market (fragmentation of projects, a lack of scale, return on investment mismatches) need to be addressed to fill this funding gap. However, there is an opportunity for sovereign issuances to act as a signal and test case for the private market.

The trajectory of the blue bond market mirrors the broader evolution of global sustainable finance. The initial challenges faced by blue bonds – such

58 Ocean Risk Resilience Action Alliance (2024), *Blue Bond Incubator: Channelling capital toward a sustainable ocean economy.*

59 EUROMONEY (2025), 'Uncharted waters: where next for blue bonds?'

60 Blue Bond Accelerator (2025). See Footnote 56.

Table 5.2 Examples of other sources of revenue that can be directed towards sustainable ocean activities.

Source	Description	Example	Considerations
Government budget allocations	Dedicated marine-related funding via national budgets		Can be effective in derisking private investment, implementing national sustainability frameworks and supporting blended finance approaches
Official development assistance (ODA)	Bilateral or multilateral public sector finance for development	PROBLUE	Often project based with strict reporting requirements; ODA-eligible countries only
Grants and philanthropy	Donor or foundation capital for marine or climate activities	Blue Action Fund Packard Foundation	Can be useful for project preparation and technical assistance, as well as implementation
Tourism-linked revenues	Fees, levies or licenses linked to marine tourism	Bonaire National Marine Park	Works best with enforcement and reinvestment mechanisms
Fisheries access/ licensing fees	Revenues from access agreements with foreign fishing fleets	Parties to the Nauru Agreement	Requires transparency and equitable reinvestment in governance
Sovereign wealth or climate funds	Allocations from national or regional resilience funds	Seychelles Conservation and Climate Adaptation Fund (primarily funded by a DfNS)	Should align with national sustainable blue economy goals

as regulatory ambiguity and limited market awareness – are reminiscent of the early days of green bonds, which eventually scaled to more than a US$3 trillion annual issuance mark. Likewise, the reliance on NGO assistance, guarantees and external support to develop blue bonds is similar to that pertaining at the embryonic stages of the green bond market. This historical parallel suggests that while blue bonds issuance volumes are currently small, they are on a credible path to significant scale, propelled by the same forces that drove the growth of green finance. These forces include government policy and promotion of environmental bonds, investor interest and demand for environmental investment opportunities, and increasing values alignment.

The continued success and issuances of sovereign blue bonds will depend significantly on ongoing collaboration, innovation and standardisation, much like the green bond market. As discussed in the case studies (see Annex A), sustained collaboration among governments, investors and multilateral institutions is essential to broaden the adoption of these instruments and harmonise regulatory frameworks. This collaboration is already evident in the joint efforts to develop global guidance, which is crucial for market integrity and investor confidence.

When investors are well informed and understand what they are investing in, the perceived transaction cost for the market decreases. As the blue bond market is relatively new, an element of 'training' the market to understand sovereign blue bonds, as Seychelles has done, may be required.

Innovation in financial structures will also be key. The evolution of mechanisms like DfNS, which offer a dual benefit of debt relief and conservation, will continue to enhance the appeal and effectiveness of sovereign blue bonds. Refinement of MRV systems and the establishment of consistent impact reporting methodologies, which meet international standards, will further build investor confidence and ensure robust accountability for the environmental and social outcomes achieved.

6. Conclusion

Blue bonds offer an innovative tool to mobilise capital for sustainable ocean investment, with the potential to help governments finance critical conservation and climate-resilient development while engaging new investor segments. For many Commonwealth countries – particularly those with large marine areas, ocean-dependent economies and strong sustainability ambitions – blue bonds present an opportunity to align fiscal strategy with environmental goals and global climate and biodiversity commitments.

Blue bonds can deliver multiple benefits for issuers, including:

- **Mobilising sustainable ocean finance**. Blue bonds can channel investment into existing national development priorities such as blue economy strategies, climate commitments (for example, NDCs) and biodiversity targets (for example, NBSAPs).
- **Enhancing sustainability credentials and diversifying financing**. Blue bond issuance can help countries demonstrate their commitment to responsible ocean stewardship on the international stage, signal credibility in sustainable finance markets, and diversify sources of capital beyond traditional concessional or grant-based models.
- **Having a catalytic effect**. By issuing a blue bond, countries can raise the profile of their ocean agenda, mobilise additional donor support, and strengthen institutional frameworks for environmental governance, financial management and MRV.

However, blue bonds are not the right solution for every country or every context. They may not be an optimal choice when:

- **debt levels are already high** and fiscal space is constrained, limiting a government's ability to take on new liabilities, even with concessional terms;
- **administrative and technical capacity is low**, making it difficult to meet the demands of project preparation, impact monitoring and transparent reporting;
- **transaction sizes are small**, making issuance less attractive to institutional investors and more costly relative to alternatives like grants, budgetary allocations or pooled finance mechanisms; and/or
- **the domestic policy environment is not yet supportive**, for example, due to weak marine governance frameworks or legal authority to earmark proceeds, or an insufficient pipeline of eligible projects.

As *Part II: Blue Bond Toolkit* demonstrates, successful issuance requires careful sequencing, strong inter-agency co-ordination, and early engagement with external stakeholders and partners such as MDBs and other technical assistance providers, external reviewers, underwriters and lead managers, credit agencies, and legal or financial experts. It also requires a realistic assessment of institutional readiness and financial viability. For countries where blue bonds are not currently viable, other financing mechanisms, such as blue loans, conservation trust funds or debt-for-nature swaps, may offer more appropriate or lower-risk pathways to finance the blue economy.

Ultimately, blue bonds should be viewed as one tool in a broader sustainable finance strategy. When deployed under the right conditions, they can deliver meaningful environmental outcomes, attract new capital and reinforce a country's international standing. But they must be pursued with diligence, transparency and a strong foundation in local context to ensure that the benefits are realised – and the risks managed – over the long term.

For governments considering next steps, *Part II: The Blue Bond Toolkit* provides a practical, step-by-step guide to designing, structuring and issuing a sovereign blue bond. It outlines key actions across the three phases of issuance, highlights common challenges, and offers checklists, tools and case-based insights to support successful and sustainable implementation.

Part II
The Blue Bond Toolkit

Executive summary

The first part of this guide helps governments assess whether blue bonds are the right instrument for advancing their sustainable ocean finance goals.

This, the second part, provides step-by-step practical guidance for governments on preparing, issuing and managing sovereign use of proceeds blue bonds. It is designed for debt management officials, project managers, legal advisers and technical staff across the different ministries, particularly the finance, planning and environment ministries, who are responsible for blue bond issuance.

Part II provides practical guidance across the three key phases of a sovereign blue bond issuance process:

- **Phase 1: Pre-Issuance** – This includes the strategic preparation, stakeholder co-ordination, Blue Bond Framework development, debt sustainability, legal analysis and technical assessments required to ensure a blue bond issuance is the right financial mechanism given a country's fiscal position, national priorities, and investor and market expectations.
- **Phase 2: Issuance** – This phase provides guidance on market preparation, pricing and execution, investor engagement, external review, and listing considerations.
- **Phase 3: Post-Issuance** – This focuses on implementation, proceeds management, environmental reporting, verification and planning for future issuances.

The toolkit integrates real-world examples from Commonwealth countries, offers practical tips and highlights where technical support from development partners may be beneficial. It also includes a comprehensive checklist of activities to help governments co-ordinate across agencies and manage timelines effectively.

Designed with the needs of first-time issuers in mind, this toolkit aims to demystify the blue bond process, promote credible and transparent practices, and support countries in using blue bonds as a tool for sustainable ocean finance and economic resilience.

7. Introduction

The Commonwealth includes 49 coastal states and 25 small island developing states (SIDS), many of which depend heavily on the ocean for food security, economic development and climate resilience. Yet many of these countries face rising fiscal pressures and disproportionate vulnerability to ocean degradation and climate-related risks. To address the situation, Commonwealth leaders adopted the Apia Commonwealth Ocean Declaration (2024), committing to mobilise ocean finance and support innovative blue finance mechanisms, including blue bonds. This *Commonwealth Guide to Blue Bond Issuance* responds to that commitment by providing tailored guidance for governments to assess, design and implement sovereign blue bond issuances that align with national and regional priorities.

This *Commonwealth Guide to Blue Bond Issuance* has two parts:

- *Part I: An Introduction to Blue Bonds* explains what blue bonds are, the potential benefits and challenges for sovereign issuers, and the primary considerations for policy-makers before undertaking blue bond issuance.
- *Part II: The Blue Bond Toolkit* provides a practical, step-by-step guide for governments, particularly those in the Commonwealth, on issuing sovereign use of proceeds blue bonds.

Building on Part I, which outlines the rationale and policy considerations for blue bond issuance, this *Blue Bond Toolkit* is designed to help officials navigate the full life cycle of issuance, from early strategy and feasibility analysis through to project delivery and post-issuance reporting.

Issuing a blue bond is a technically complex and multi-stakeholder process that requires aligning public financial management systems with environmental objectives. While blue bonds share features with conventional debt instruments, they include additional requirements: the establishment of a credible Blue Bond Framework, selection of eligible projects, robust environmental safeguards, and transparent reporting and verification.

This toolkit draws on lessons from past issuances, including case studies from Seychelles, Belize and Indonesia, and integrates investor perspectives throughout to help governments understand market expectations that determine successful access to blue finance markets. It provides detailed guidance across three phases:

- **Phase 1: Pre-issuance** – strategy, feasibility, governance and framework development
- **Phase 2: Issuance** – market engagement, pricing, listing and legal documentation
- **Phase 3: Post-issuance** – proceeds tracking, project implementation and reporting

Supporting annexes include:

- **Annex A:** Case studies from Seychelles, Belize and Indonesia
- **Annex B:** A checklist for the blue bond issuance process
- **Annex C:** Links to useful resources and example issuance documents

8. The Blue Bond Toolkit: A practical guide to the blue bond issuance process

Issuing a sovereign use of proceeds blue bond is a complex, multi-agency effort that must align financial planning with environmental goals. While similar to conventional bond issuance in some regards, blue bonds add specific requirements for project selection, use of proceeds, impact measurement and investor engagement.[61]

Blue bonds require enhanced due diligence compared to conventional sovereigns due to the specialised nature of ocean-related projects and compliance with sustainability standards. The evaluation process is more complex given the need to assess environmental impacts, verify use of proceeds alignment and evaluate adherence to frameworks like International Finance Corporation (IFC) Performance Standards.

Before pursuing a blue bond, governments must carefully assess whether it is the right financing instrument for their national context, fiscal position and institutional capacity. While blue bonds can mobilise capital for sustainable ocean investments, it is critical to consider them in the context of sustainable debt management. Blue bonds also involve specific governance, transparency and reporting requirements that may not be feasible for all issuers – particularly those issuing for the first time where resourcing and capacity demands are likely to be at their greatest. *Part I* explores key benefits, challenges and contextual factors to consider when evaluating whether a blue bond is viable and appropriate in a particular context.

Part II offers step-by-step guidance to help sovereign issuers navigate the blue bond issuance process. By following this guide, Commonwealth governments can build the institutional readiness, technical credibility and partner support necessary to access sustainable finance markets and contribute to the collective ambitions of the Apia Commonwealth Ocean Declaration.

Box 8.1 Practical tips: Before you begin

Blue bonds are most appropriate when a government has the following.

- **A long-term sustainable blue economy strategy or equivalent, such as a national ocean policy,** underpinned with a coherent and effective cross-sectoral planning and regulatory framework, supported by instruments such as a marine spatial plan or sustainable ocean plan. Investors typically seek evidence of robust and integrated policy and regulatory frameworks that underpin sustainable development and management of environmental resources to reduce investment risk.
- **Adequate debt sustainability** and fiscal space for new borrowing (see 11.2 for DSA guidance).[62]
- **A pipeline of eligible projects** (see 9.5) worth at least US$200 million to achieve benchmark scale for international markets,[63] though smaller pilot issuances may be viable with multilateral development bank (MDB) support or innovative structures.[64]

61 ICMA (2023a), *The Green Bond Principles Handbook – Harmonised Framework for Impact Reporting*.

62 Lindner, P and K Chung (2023), 'Sovereign ESG Bond Issuance: A Guidance Note for Sovereign Debt Managers'. IMF Working Paper.

63 The $100–200 million threshold reflects institutional investor minimum allocation requirements rather than optimal project sizing. Below this threshold, blue bonds typically attract only specialised impact investors, limiting pricing competition and potentially increasing borrowing costs (Asian Development Bank (2021), *Sovereign blue bonds: Quick start guide*.)

64 Systemiq (2024), 'Scaling ocean finance: Blue bonds and innovative debt instruments for a sustainable ocean economy in MENAT and APAC'.

- **Political commitment** and legal authority for thematic bond issuance.
- **Access to technical assistance** from internal sources or from external sources such as MDBs or experienced advisory support.[65]
- **Realistic channels to access capital markets –** either through direct market access with established investor relationships or via an established intermediary pathway, such as:
    - MDB intermediation;
    - regional development banks (for example, the Caribbean Development Bank, ADB);
    - specialised facilities or aggregation mechanisms; or
    - credit enhancement structures that enable market access.

Where some of these conditions are not fully met, alternative financing mechanisms (see 5.2) should be explored, including debt-for-nature swaps (demonstrated in the Belize case study, Annex A). Alternatively, countries can commit to longer-term targeted policy development, capacity building and project pipeline development to develop the necessary prerequisites over time.

8.1 Sovereign blue finance pathways

Governments seeking to access blue finance markets have several strategic pathways available, each reflecting different capacity levels, market conditions and policy objectives:

- **Direct sovereign issuance** involves governments issuing bonds directly to public markets through established exchanges and dealer networks, where any qualified investor can purchase them. This pathway typically involves public offering documents (prospectuses), credit ratings, and broad marketing to institutional and retail investors. This represents a well-established approach for sovereign debt generally. Indonesia's 20.7 billion Japanese yen (JPY) sovereign blue bond issued in May 2023 – the world's first publicly offered sovereign blue bond aligned with International Capital Markets Association (ICMA) principles – demonstrates successful application of this pathway to blue finance specifically.[66] The direct sovereign approach leverages existing market access and institutional capacity, offering flexibility in terms and pricing, but necessitates strong debt management capabilities and established investor relationships. This pathway typically attracts the broadest investor base due to enhanced liquidity, price transparency and standardised documentation that facilitates due diligence processes.
- **Private placement structures** involve selling bonds directly to a select group of institutional investors without public offering requirements like prospectuses or exchange listings. This route is preferred when investors have dedicated blue investment mandates (such as T Rowe Price and other environmental, social and governance (ESG) focused institutions) or when issuers cannot achieve benchmark size for public markets (typically US$200–500 million). From an investor perspective, private placements allow for customised sustainability terms and direct issuer engagement but typically command liquidity premiums over comparable public bonds, with premiums varying based on transaction complexity and structure. Impact investors, development finance institutions and ESG-focused funds often accept these terms in exchange for enhanced transparency on environmental outcomes. Belize's experience (see case study in Annex A) demonstrates how targeted engagement with sustainability-focused institutions can provide more flexible terms and reduced regulatory complexity compared to public offerings.[67]

65 ICMA (2023b), *Bonds to finance the sustainable blue economy: A practitioner's guide*.

66 Pacific Islands Forum and UNDP (2022), *Demystifying Green and Blue Bonds for the Pacific*.

67 The Nature Conservancy (2022), 'Case study: Belize blue bonds for ocean conservation'.

- **Innovative pilot approaches** may suit smaller economies or first-time issuers. For example, Seychelles' US$15 million blue bond, which utilised technical assistance and blended finance to demonstrate feasibility at a manageable scale.[68] Additional pathways include regional pooling mechanisms and multilateral development bank intermediation for countries lacking direct market access or requiring capacity-building support.
- **Multilateral/regional development bank intermediation** is an option for countries that lack direct market access. MDBs and regional development banks can serve as intermediaries, either through:
  - on-lending arrangements where the MDB issues bonds and provides loans to governments;
  - guarantee structures that enable government access to markets; or
  - pooled financing mechanisms that aggregate multiple smaller issuers.

The three case studies examined in Annex A illustrate distinct approaches that governments can consider based on their specific circumstances.

The selection of the appropriate pathway requires careful assessment of debt sustainability, institutional capacity and strategic objectives (see the text box on *Technical assistance for pathway selection*). This Toolkit primarily addresses direct sovereign issuance while acknowledging how lessons from alternative approaches inform the broader process, particularly relevant for SIDS and LICs, where fiscal space is limited, institutional capacity is often constrained, and access to affordable finance is critical for advancing climate and development goals.

Box 8.2 Technical assistance for pathway selection

Seychelles' experience demonstrates how technical assistance can be crucial for innovative pilot approaches. The country's development partners provided multi-year support, including on-site ocean governance expertise (2016–2018), co-development of the national Blue Economy Strategic Framework and legal guidance for bond structuring – creating the foundation for the world's first sovereign blue bond.

- **Investor lens:** MDB and multilateral technical assistance also signals enhanced governance and implementation capacity to investors, often resulting in improved pricing and broader investor interest due to perceived risk mitigation.
- **For Commonwealth countries**: Early engagement with development partners, including the Commonwealth Secretariat's Debt Management Unit and Ocean Section, can help assess which pathway is most appropriate and build capacity before committing to expensive external advisory services.

8.2 Phases of blue bond issuance

The blue bond issuance process includes three distinct phases, each with its objectives, deliverables and success criteria:

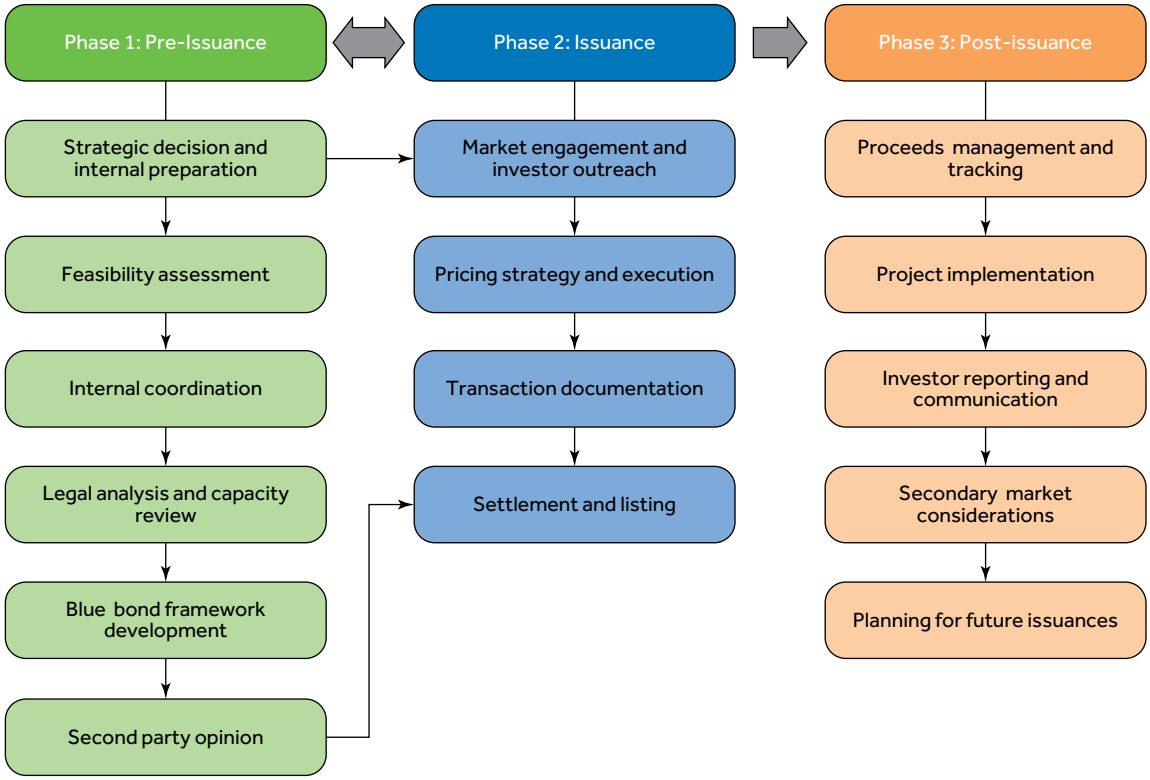
- Phase 1: Pre-issuance (Chapter 9)
- Phase 2: Issuance (Chapter 10)
- Phase 3: Post-issuance (Chapter 11)

The process map in Figure 8.1 illustrates the workflow and where activities connect across phases.

While structured sequentially, these phases involve overlapping activities and dependencies. For example, the pre-issuance phase establishes the foundation through strategic decision-making, feasibility assessment and Blue Bond Framework development, and these activities inform and influence market engagement strategies that begin during the transition to the issuance phase.

68 World Bank (2025), 'Seychelles: Introducing the world's first sovereign blue bond'.

Figure 8.1 Process map for blue bond issuance, highlighting dependencies and decision points throughout



Key dependencies include:

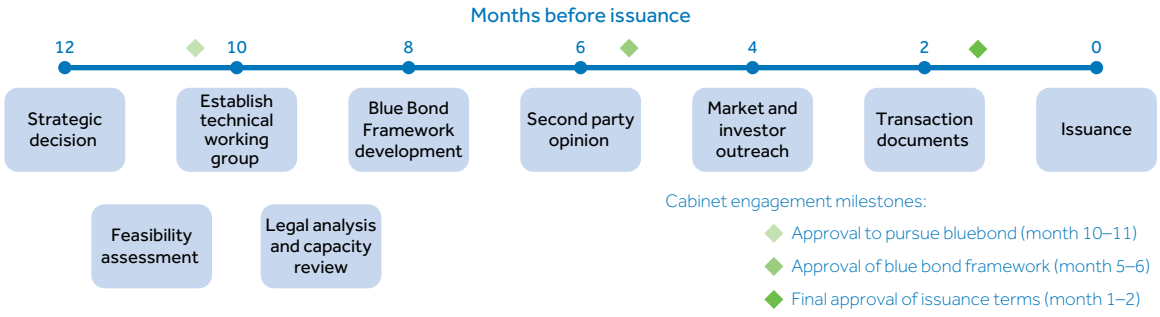
- that legal and capacity assessments in Phase 1 support settlement in Phase 2;
- the Blue Bond Framework underpins investor communication and transaction documents, and outlines proceeds tracking and reporting commitments for Phase 3; and
- early external reviews inform later market engagement and final approvals.

The pre-issuance and issuance timeline requires particular attention for planning purposes, as these phases typically determine the success of the entire process. Figure 8.2 provides an indicative timeline and sequencing of activities in Phase 1 and 2, indicating where critical government approvals intersect with technical preparation.

During pre-issuance and issuance, high-level government approvals are required at three key milestones:

1. **Strategic mandate** (10–11 months before issuance)
2. **Blue Bond Framework approval** (5–6 months before issuance)

Figure 8.2 Indicative timeline for pre-issuance and issuance activities (Phase and Phase 2),



Note: Although timelines may be longer, particularly for first time issuers where the process may take up to 18–36 months

3. **Final issuance terms** (1–2 months before issuance)

Effective operational and stakeholder co-ordination, and parallel work streams, are essential to avoid bottlenecks and delays. Governments must balance thorough preparation with momentum to maintain political support and capitalise on favourable market windows. Market timing is also critical as investor appetite for ESG instruments can shift with broader market conditions, making execution windows particularly important for blue bonds given their smaller, more specialised investor base.

CASE STUDY

In Seychelles, the journey from initial concept to successful issuance took approximately three years, with much of this time devoted to building political consensus and institutional capacity during the strategic decision phase (Case Study 1).

8.3 Stakeholders and their roles

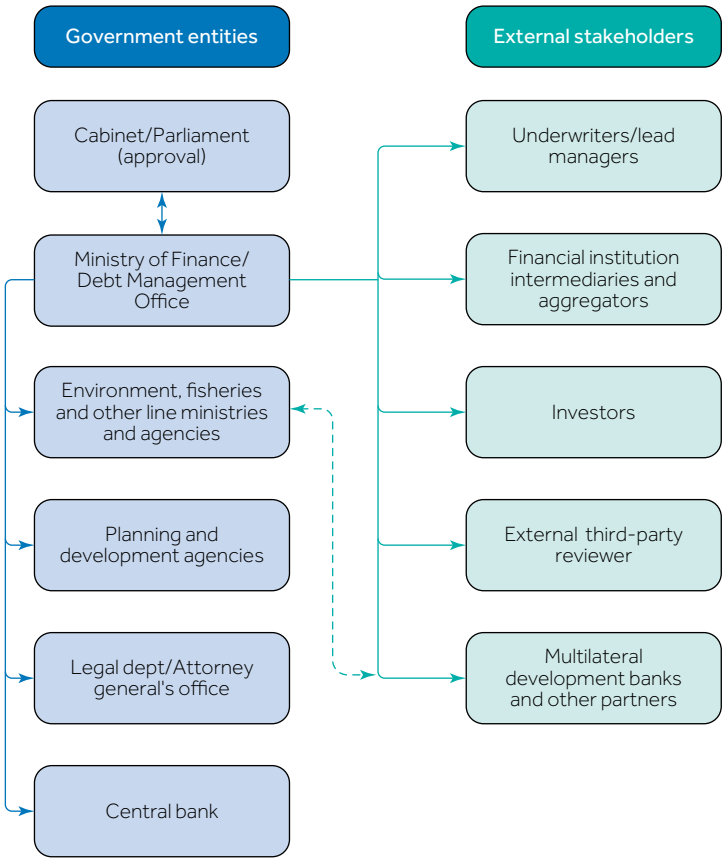
Blue bond issuance requires co-ordinated effort among diverse stakeholders with specialised expertise. Understanding who does what, when to engage them, and how to co-ordinate is critical. This section provides guidance for identifying, engaging, and co-ordinating stakeholders essential to the blue bond issuance process.

The stakeholder map in Figure 8.3 shows the government entities and external parties that must work together throughout the process. Government entities provide policy direction and implementation capacity, while external parties bring specialised market expertise and credibility.

Government entity roles and responsibilities

The success of a blue bond depends on effective co-ordination across multiple government agencies. It will be important to designate a full-time project manager or co-ordinator within the Ministry of Finance or Debt Management Office (DMO) to

Figure 8.3 Key stakeholders involved in blue bond issuance



oversee the process, with clear authority to convene meetings and resolve disputes. Cross-government co-ordination and implementation can be delivered through the establishment of a blue bond steering committee and technical working group (see 9.3). Table 8.1 details the primary responsibilities, deliverables and engagement timing for different government entities in the blue bond process.

External stakeholders

External stakeholders play crucial roles in the issuance process. Effective external stakeholder management requires a realistic assessment of internal capabilities and strategic engagement of specialists where gaps exist. Even experienced sovereign issuers often require external support for the specialised environmental and impact measurement aspects that distinguish blue bonds from conventional debt instruments.

The following section outlines the key external stakeholders that play a role in sovereign blue bond issuance.

Financial institution intermediaries and aggregators

Many SIDS and smaller economies face challenges in accessing blue bond markets directly due to scale constraints and limited institutional capacity. Financial institution intermediaries can serve as essential aggregators, enabling market access through various models:

- Regional development banks: Institutions like the Caribbean Development Bank provide aggregation services, pooling smaller issuances from multiple countries to achieve benchmark scale and attract institutional investors.

Table 8.1 Overview of the primary responsibilities of key government stakeholders

Entity	Primary responsibilities	Deliverables	When to engage
Ministry of Finance/ DMO	Overall co-ordination and external stakeholder management, debt management strategy, market engagement, investor relations	Debt sustainability analysis, bond documentation, pricing strategy	Lead from project initiation through settlement and ongoing reporting
Environmental, fisheries and other line ministries with coastal/ marine remits, and their implementation agencies	Project identification, environmental standards, impact measurement, policy and decision-making relating to sustainable ocean management, and regulatory compliance	Eligible project pipeline, environmental criteria, impact monitoring framework	Strategic decision-making and feasibility assessment; Blue Bond Framework development; impact monitoring design
Legal department/ Attorney General	Regulatory compliance, legislative requirements, contract review, risk management	Legal opinions, enabling legislation (if needed), transaction documentation review	Legal analysis and capacity review; framework approval process; transaction documentation and settlement
Planning/development ministry	Strategic alignment, project co-ordination, inter-agency liaison, policy coherence	Project alignment analysis, co-ordination protocols, strategic framework integration	Strategic decision-making through technical working group formation; framework alignment review
Central bank	Monetary policy co-ordination, foreign exchange management, financial stability assessment	Currency risk analysis, monetary policy clearance, market conditions assessment	Market conditions assessment; transaction execution (if foreign exchange implications); post-issuance co-ordination (if applicable)

- Multilateral bank platforms: Some MDBs create dedicated blue finance facilities, such as the ABD's Ocean Finance Initiative,[69] which aggregate projects across multiple sovereigns, leveraging their credit ratings and market access.
- Specialised blue finance vehicles: These are purpose-built aggregation mechanisms that combine blue economy projects from multiple smaller issuers into investable instruments.
- Third-party intermediation: These are financial institutions that structure and issue blue bonds backed by sovereign commitments, as demonstrated in innovative debt conversion structures.

Intermediary models can enable SIDS to access blue finance markets without requiring direct sovereign issuance capabilities, while still maintaining national ownership of environmental outcomes and commitments.

Multilateral development banks (MDBs)

MDBs often play a central role in supporting blue bond issuances, particularly for SIDS and low-income countries (LICs). Early engagement with your World Bank, ADB, or regional development bank relationship manager is recommended. MDBs offer:

- Technical assistance for Blue Bond Framework development
- Project identification and preparation support
- Credit enhancement (guarantees, concessional finance)
- Capacity building and post-issuance monitoring system design

The timing of MDB engagement is critical. Early involvement allows them to influence Blue Bond Framework development and identify blended finance opportunities, as well as support with components of the feasibility assessment.

69 ADB, 'ABD Oceans Financing Initiative: Accelerating Blue Investments in Asia and the Pacific'.

In Seychelles (Case Study 1) the impact of MDB support was critical: World Bank technical assistance combined with a US$5 million credit guarantee and Global Environment Facility (GEF) concessional financing reduced effective borrowing costs from 6.5 per cent to 2.8 per cent, making the transaction viable for a small island state.[70]

External third-party reviewers, including second party opinion (SPO) providers

Third-party reviewers, typically SPO providers, assess the Framework's alignment with ICMA Green Bond Principles (GBP) and review post-issuance reporting to provide the credibility investors expect. Investors typically perceive SPOs from established providers – such as Sustainalytics, VE, ISS ESG, and S&P Global's and CICERO's Shades of Green – to be more credible. Achieving a 'Dark Green' rating[71] or its equivalent from these organisations can boost a bond's marketability by signalling strong environmental credentials and alignment with long-term climate objectives. SPOs are typically engaged once the Blue Bond Framework draft is near final (see 9.6).

Investment banks

Investment banks typically serve as lead managers or underwriters, providing market expertise and investor access that governments may lack internally – such as providing the pricing and structuring expertise that is particularly valuable for ESG-focused issuance. Lead managers with established ESG investor relationships are essential for blue bond issuances, as the specialised investor base necessitates targeted marketing strategies beyond traditional sovereign bond distribution networks. Timing depends on the bond's

70 World Bank (2018a), 'Seychelles Achieves World First with Sovereign Blue Bond'.

71 A dark green rating, often associated with green bonds, signifies that the bond is assessed as having a very strong positive environmental impact, and a high degree of alignment with environmental goals and best practices for green finance. One example of this kind of 'shade rating' is S&P Global Ratings' Shades of Green.

complexity; for example, in standard transactions, investment banks may be engaged later in the process, whereas innovative or blended deals may require earlier involvement to provide advice on structuring.

Credit Suisse's involvement in Belize's blue bond (Case Study 2) was essential for the debt conversion structure, including the repackaging vehicle and syndication to institutional investors. Without this specialised capability, the innovative transaction structure would not have been feasible.

Legal and financial advisers

Legal and financial advisers are essential for navigating diverse disclosure requirements and liability provisions, particularly for Commonwealth countries issuing in US, European or Asian markets. It is important to engage early to address legal constraints, structure risks and to support compliance in international markets.

Other specialist providers include:

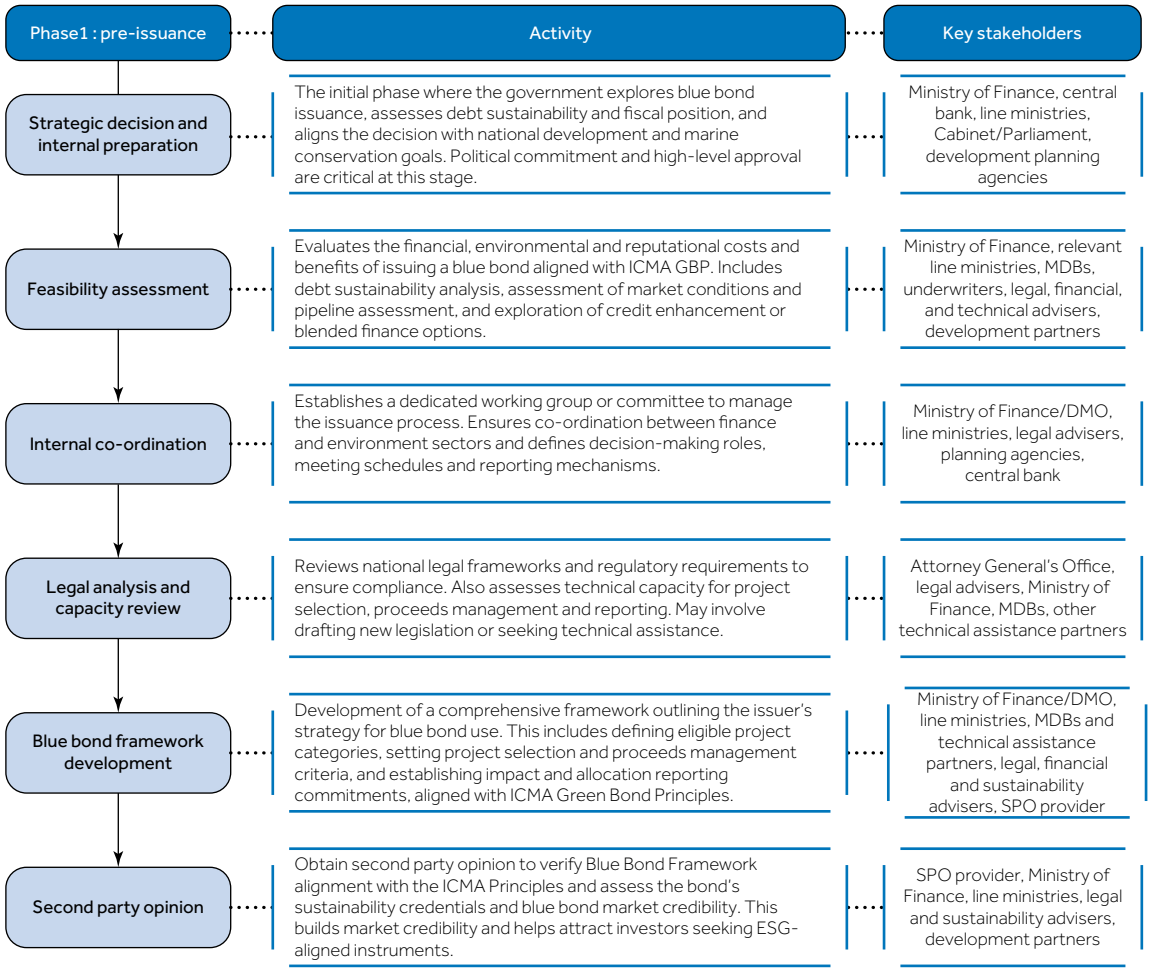
- **Credit rating agencies:** These are vital for investor access and pricing. Many institutional investors have minimum rating requirements (typically BBB- or higher) that can exclude unrated or lower-rated sovereigns from their eligibility criteria, making rating agency engagement essential for market access. Early engagement with Moody's, S&P or Fitch helps flag structural issues that could affect ratings.
- **Environmental consultants:** These support impact measurement, baseline data collection and verification for marine-related projects.
- **Listing exchanges:** Platforms such as the Luxembourg Green Exchange, London Stock Exchange or Singapore Exchange offer ESG bond segments that increase visibility and attract targeted investors. Green/sustainable bond listings provide important signalling to ESG-screened investment mandates and enhance secondary market visibility, though actual trading liquidity often remains limited for smaller issuances.

9. Phase 1: Pre-issuance

The pre-issuance phase lays the groundwork for blue bond success and involves strategic decision-making, legal and institutional preparation, and stakeholder co-ordination. For first-time thematic bond issuers, this phase can span 18–36 months, while countries with existing green bond frameworks may complete preparation in 12–18 months (Figure 9.1). In Seychelles, this phase took approximately three years from initial concept (2015) to issuance (2018),[72] while in Indonesia, nearly a decade of sustainable finance experience was leveraged to accelerate its blue bond development.[73] This represents the most critical period for ensuring long-term issuance success.

Investors closely monitor pre-issuance preparation quality as an indicator of execution capability and commitment credibility. Extended preparation timelines, while necessary for first-time issuers, can signal thorough due diligence to ESG-focused investors, who prioritise implementation capacity over speed to market.[74]

Figure 9.1 Overview of the activities in the pre-issuance phase and the key stakeholders involved.



72 World Bank (2018c), 'Seychelles launches world's first sovereign blue bond'.

73 United Nations Sustainable Development Group (2023), 'Indonesia launches the world's first publicly offered sovereign blue bond'.

74 ICMA (2022a), Pre-issuance checklist for green bonds/ green bond programmes'.

Figure 9.2 Internal co-ordination structure for oversight and implementation of the blue bond issuance process.

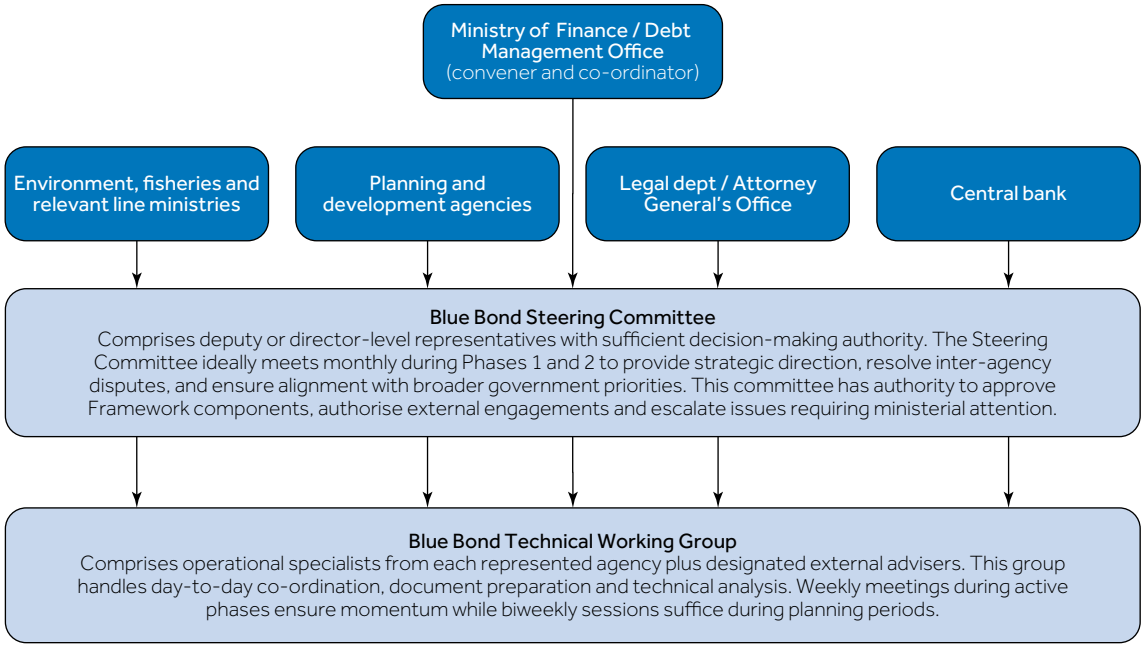


Figure 9.2. illustrates the sequential flow of pre-issuance activities, each building on previous work while involving an expanding circle of stakeholders. Early activities focus on internal government co-ordination, while later stages bring in specialised external expertise. Understanding this progression helps governments plan resource allocation and stakeholder engagement effectively.

The six core activities in Phase 1 build sequentially, though some overlap is both necessary and beneficial. Strategic decisions must precede framework development, but stakeholder co-ordination begins immediately and continues throughout. Legal analysis informs framework design, while capacity building occurs continuously as needs are identified. Multiple Cabinet or parliamentary approvals may be required. High-level political endorsements during the pre-issuance phase provide important comfort to investors concerned about policy continuity risks, particularly for bonds with multi-year environmental commitments. A checklist of key activities in Phase 1 is included in Annex B (see B.1).

9.1 Strategic decision and internal preparation

The process begins with a government's strategic decision to explore a blue bond as a potential financing mechanism. The exploration must be grounded in analysis of debt sustainability (see 4.3), strategic policy alignment and implementation capacity. The text box on *Strategic decision-making for blue bond issuance* provides an example approach for conducting a preliminary assessment.

Key stakeholders

Ministry of finance, central bank, line ministries, cabinet/parliment, development planning agencies

Key steps for the strategic decision.

- Month 1–3. Complete policy alignment assessment using existing documents.
- Month 2–6. Conduct ministerial consultations on political feasibility.
- Month 4–9. Prepare Cabinet paper with preliminary cost–benefit analysis.
- Month 6–12. Secure Cabinet approval for feasibility study phase.

The timeline for achieving strategic approval varies significantly based on prior experience: the Seychelles case study demonstrates that first-time issuers require 12–18 months from initial concept to strategic approval, while Indonesia's experience shows that countries with established sustainable finance frameworks can complete this phase in 6–9 months by leveraging existing institutional capacity.

Box 9.1 Strategic decision-making for blue bond issuance

Conducting a preliminary three-question assessment using the following approach can help to assess strategic policy alignment, capacity and cost–benefit analysis to better understand the case for, or against, blue bond issuance in a given context.

Question 1: Strategic alignment – Does blue bond issuance align with national priorities?

- Review existing policies for ocean/marine priorities, for example, National Blue Economy Strategy or Ocean Policy, Nationally Determined Contributions (NDCs), UN Sustainable Development Goal (SDG) National Action Plans or National Development Plans, National Biodiversity Strategic Action Plans (NBSAPs).
- Consult with environmental and other relevant line ministries on existing project pipelines.
- Assess political appetite through ministerial consultations.

Question 2: Implementation capacity – Can the government manage the additional complexity of issuing and managing a blue bond?

- Carry out an inventory of existing project management capabilities in relevant ministries.
- Assess current debt management systems and reporting capacity.
- Evaluate co-ordination mechanisms between finance and relevant project implementation agencies.

Question 3: Cost–benefit analysis – Will the benefits justify the costs?

- Estimate preliminary issuance costs.[75]
- Compare against potential interest rate savings and reputational benefits.
- Consider opportunity costs to evaluate the appropriateness of blue bond issuance versus other financing mechanisms.

From an investor standpoint, the cost–benefit analysis should also consider reputational value and market differentiation, as blue bonds can attract ESG-mandated capital that may not be accessible through conventional sovereign issuances, potentially expanding the investor base beyond traditional sovereign debt buyers.

Box 9.2 Practical tips: Tools to support decision-making

The following tools can be used to support the preliminary assessment and inform the strategic decision.

- **Policy alignment matrix.** A table may be used to compare blue bond eligible categories (for example, MPAs, sustainable fisheries, coastal adaptation) against national policy commitments, strategies and sectoral plans to identify alignment.[76], [77]
- **Capacity assessment checklist.** A high-level checklist can help to evaluate whether the issuing government has the institutional, technical and financial capacity to manage the additional complexity of a blue bond. A more detailed capacity assessment will be conducted before developing the Blue Bond Framework (see 9.5).
- **Cost–benefit analysis.** At this point, a high-level cost–benefit analysis is sufficient to establish if a blue bond issuance is worth further investigation. A more detailed analysis will be conducted as part of the feasibility assessment (see 9.2).

75 Pre-issuance expenses can vary significantly; for example, a range of $300,000 to $800,000 may be reasonable for smaller issuances, while larger or more complex deals may incur higher costs.

76 UN Global Compact (2023), *Practical Guidance to Issue a Blue Bond*.

77 UNEP FI (2021), *Turning the Tide: Guidance for Blue Finance*.

First-time Commonwealth issuers should therefore plan for 6–18 months to complete the strategic decision phase, depending on their institutional readiness and prior sustainable finance experience. Investors often view longer preparation periods favourably for first-time blue bond issuers, as rushed processes can signal weak institutional capacity – as it can possibly mean inadequate due diligence, poor strategic planning or insufficient transparency – and raise concerns about the issuer's commitment to environmental objectives and ability to manage obligations effectively.

To secure high-level political endorsement, it may be helpful to develop a policy brief or Cabinet paper that outlines the strategic rationale (emphasising alignment with existing policy priorities), preliminary cost estimates and the proposed governance structure.

In **Indonesia (Case Study 3),** the existing SDG Government Securities Framework and experience with green sukuk (see Annex A, Case Study 5) were used to position the blue bond as a natural evolution, leveraging strategic alignment to reduce both political resistance and technical complexity.

9.2 Feasibility assessment and business case development

Key stakeholders

Ministry of finance, relevant line ministries, MDBs, underwriters, legal, financial and technical advisers, development partners

Once the strategic decision has been made to explore blue bonds, the feasibility assessment moves beyond preliminary policy alignment to conduct detailed financial, market and structural analysis. While the strategic decision (3.1) answers whether a blue bond could align with national priorities, the feasibility assessment determines whether the bond represents a financially viable and practically implementable option.

Activities conducted as part of the feasibility assessment and business case development include the following.

- Debt sustainability analysis (DSA)
- Market viability assessment
- Credit rating analysis and enhancement options
- Legal and structural feasibility assessment
- Detailed cost–benefit analysis

These activities are explained in more detail in the following section.

Box 9.3 Practical tips: Extend stakeholder engagement

The feasibility assessment may require new stakeholder engagement, with, for example, MDBs, underwriters and legal advisers, to fill capacity gaps and provide specialised expertise. Early engagement with potential lead managers during feasibility assessment provides valuable market intelligence on investor appetite, optimal timing and structural preferences that can significantly influence transaction success.

Debt sustainability analysis

Feasibility assessment deepens the debt sustainability analysis (DSA) beyond preliminary estimates. Rather than high-level cost projections, the feasibility assessment requires comprehensive DSA modelling using established International Monetary Fund (IMF) frameworks.[78] The Ministry of Finance/DMO must incorporate the specific blue bond parameters – size, maturity, currency – into detailed debt projections and stress test scenarios, including climate-related fiscal shocks that could affect ocean-dependent revenues. Investors are placing greater emphasis on the integration of climate resilience into debt sustainability analyses. This is especially pertinent for countries with economies that are heavily reliant on marine resources, where environmental degradation can have significant fiscal implications.

Market viability assessment

A market viability assessment introduces external validation of government assumptions about investor demand and pricing. Market soundings should occur well before formal launch, as

78 IMF (2025), 'Resilience and Sustainability Facility – Updated Operational Guidance Note'.

Box 9.4 Understanding the IMF's Debt Sustainability Analysis frameworks

The IMF employs debt sustainability analysis (DSA) frameworks to assess a country's capacity to manage its debt without compromising economic stability. This tool is particularly vital for LICs and SIDS considering blue bonds, as it helps determine whether such borrowing aligns with their long-term fiscal health.

There are two IMF DSA frameworks:

- **Debt Sustainability Framework for Low-Income Countries (LIC-DSF):**[79] Developed jointly with the World Bank, this framework evaluates the debt sustainability of LICs by analysing debt indicators against established thresholds.
- **Sovereign Risk and Debt Sustainability Framework (SRDSF):**[80] This framework is tailored for countries with access to international capital markets, assessing their debt sustainability by considering a broader range of risk factors.

Both frameworks involve projecting a country's debt burden over a horizon that typically spans at least 10 years for market-access countries under the SRDSF, and 20 years or more for low-income countries under the LIC-DSF, to adequately capture long-term debt dynamics and risks, while considering factors such as gross domestic product (GDP) growth, export performance and fiscal policies. They categorise countries' debt-carrying capacities as strong, medium, or weak, each with corresponding thresholds for debt indicators. For instance, a country with a strong capacity might have a higher acceptable debt-to-GDP ratio compared to one with less.

Applying DSA to assess blue bond sustainability

For countries contemplating the issuance of blue bonds, the DSA framework serves as a critical evaluative tool that can help to:

- **Assess debt impact:** By incorporating the prospective blue bond into the DSA, countries can simulate its impact on overall debt sustainability, ensuring that the new debt does not push indicators beyond safe thresholds.
- **Evaluate fiscal space:** The analysis helps determine whether the country has sufficient fiscal space to accommodate the additional debt without jeopardising essential public spending or economic stability.
- **Inform bond structure:** Insights from the DSA can guide policy-makers in structuring the bond (for example, maturity, interest rates) and in implementing complementary fiscal measures to maintain debt sustainability.

Utilising the DSA framework, countries can make informed decisions about issuing blue bonds, balancing the need for environmental investment with the imperative of maintaining fiscal health.

ESG investor decision-making processes are typically longer than those for conventional bond investments, requiring additional due diligence on environmental impact and governance frameworks.

External stakeholders can provide important support at this stage of the feasibility assessment. For example, engaging two or three investment banks for detailed market soundings can provide the following.

- Current pricing estimates based on credit profile.
- Assessment of investor appetite for sovereign blue bonds.
- Recommended transaction size and structure; and
- Optimal timing given market conditions and competing issuances.

MDB relationship managers can support concrete assessments of credit enhancement availability, technical assistance programmes and blended finance structures (see related section on credit rating analysis).

79 IMF, 'World Bank Debt Sustainability Framework for LICs'.
80 IMF (2023), 'Sovereign Risk and Debt Sustainability Analysis for Market Access Countries'.

Box 9.5 Practical tip: Managing debt sustainability

The following approaches and tools should be considered to manage debt sustainability.

- **Embed blue bonds in the Medium-Term Debt Management Strategy (MTDS)**. That is, integrate bond issuance and repayment into the MTDS. This means aligning maturities, currency and amounts with borrowing limits and liquidity forecasts.[81]
- **Leverage concessional financing.** Blended finance structures can improve debt sustainability metrics. For example, concessional loans and grants from development partners can reduce effective borrowing costs and support sustainability thresholds (see Chapter 5, Concessional finance and third party intermediaries. **Commonwealth Meridian** is a public debt management information system currently used by around 40 Commonwealth countries to project and manage their public debt. The system should be used pre-issuance, to help simulate how a blue bond might impact debt risk and sustainability, and post-issuance to track and report on your use of proceeds.

Credit rating analysis and enhancement options

Credit ratings play a key role in determining how blue bonds are priced and who can invest in them, though their impact varies across Commonwealth countries.[82] For countries with investment-grade credit ratings, these ratings directly affect how much it costs to borrow and whether certain investors can buy their bonds. Many large institutional investors, such as pension funds or insurance companies, are only allowed to invest in debt that meets specific credit rating standards. For countries with lower credit ratings or no ratings at all, especially SIDS and LICs, credit ratings can determine whether they can access conventional financial markets at all. Without a rating, countries may need to explore alternative financing options.

When no credit rating is available, investors lack clear, trusted information about the risks involved. This creates uncertainty, which can lead investors to demand much higher interest rates, or to avoid investing entirely. In such cases, securing a credit enhancement (like a guarantee) is not just about reducing borrowing costs, but can be essential to access the market (see text box on *Credit enhancement options* box).

Blue bonds do not receive separate ratings from the issuing of normal sovereign debt; they carry the same credit rating as the government's other debt obligations. However, the environmental commitments and use of proceeds tied to a blue bond issuance can influence rating agency assessments of sovereign creditworthiness, both positively and negatively.

Legal and structural feasibility assessment

This assessment moves from high-level regulatory review to detailed compliance analysis. The engagement of specialised counsel to evaluate specific legal requirements for the proposed blue bond structure helps to identify required legislative or regulatory approvals, to assess cross-border compliance for international issuances, and to recommend optimal legal frameworks.

Cost–benefit analysis

A thorough cost–benefit analysis is essential to determine whether issuing a sovereign blue bond is fiscally sound, especially for countries with limited fiscal space or high debt risk.

Key components to consider in the cost–benefit analysis include the following.

- **Direct costs.** Coupon rates, issuance and legal fees, SPOs and reporting.
- **Indirect costs.** Foreign exchange risk (for foreign currency bonds), administrative burdens and opportunity costs.

81 Lindner and Chung (2023). See Footnote 20.

82 A credit rating is an assessment of a country's ability and willingness to repay its debt obligations. Credit rating agencies like Moody's, Standard & Poor's, and Fitch evaluate a nation's economic and political stability to assign a rating that reflects the risk associated with investing in that country's debt. Agencies use their own specific rating scales, typically ranging from AAA (highest quality) to D (in default).

Box 9.6 Credit enhancement options

Credit enhancement can often determine basic market access rather than just pricing for SIDS and LICs. Credit enhancement mechanisms for blue bonds include the following.

- **MDB guarantees.** These are the most common enhancement mechanism. Partial or full guarantees from institutions like the World Bank, ADB or regional development banks can improve bond ratings and access to investors. Seychelles' blue bond used a World Bank partial credit guarantee combined with Global Environment Facility (GEF) concessional financing, reducing effective borrowing costs from an estimated market rate of 6.5 per cent to approximately 2.8 per cent. Negotiation processes for MDB guarantees typically require 6–9 months from initial engagement to agreeing final terms.
- **Political risk insurance.** This protects against government non-payment, currency inconvertibility and political events. The Belize blue bond demonstrated how political risk insurance from the US International Development Finance Corporation elevated the bond rating to Aa2 from Moody's, 16 notches above the sovereign's Caa3 rating at the time.
- **Blended finance structures.** These combine concessional financing from climate funds or donor agencies with market-rate bonds to improve overall transaction economics. These structures often include grants for technical assistance and concessional loans for interest rate subsidies, as demonstrated in the Seychelles case.

Securing credit enhancement

Governments seeking credit enhancement should begin engagement with potential providers at least 6–12 months before planned issuance, as negotiation and documentation processes are lengthy. When approaching enhancement providers, governments should prepare compelling arguments emphasising:

- economic protection of critical sectors like tourism and fisheries that depend on marine health;
- risk mitigation through improved climate resilience and reduced disaster recovery costs; and
- institutional capacity development that demonstrates governance improvements.

Documentation requirements typically include detailed project implementation plans, environmental and social impact assessments, fiscal sustainability analysis, and Blue Bond Frameworks aligned with provider environmental standards. From an investor perspective, MDB involvement signals not just financial guarantees but also implementation oversight and technical support that reduces execution risk.

- **Financial and economic benefits.** Potential access to lower-cost capital ('bluemium'), reputational gains, broader investor base and funding for strategic priorities.
- **Environmental and social benefits.** Projects like coastal protection can enhance climate resilience and long-term economic stability; however, benefits must be credible and measurable.

The IMF stresses that benefits must be additional and material – not just relabelled spending – and should reasonably justify any added fiscal risks. This includes recognising that some blue economy investments deliver broader economic benefits such as enhanced climate resilience, ecosystem services and sustainable livelihoods that contribute to long-term fiscal stability, even if they are not immediately quantifiable in traditional financial terms.

For high-risk or first-time issuers, the cost–benefit analysis should also compare alternative financing options, including concessional or blended finance. Institutional investors often view blended finance structures favourably as they demonstrate multilateral support and risk mitigation, potentially enabling market access for issuers who might otherwise struggle to attract ESG-focused capital.

Box 9.7 Practical tips: Feasibility assessment outcome

The feasibility assessment concludes with a detailed recommendation that either confirms viability for proceeding to internal co-ordination or identifies modifications needed to make the transaction feasible. Investors scrutinise the feasibility assessment quality as a key indicator of execution risk. Thorough market viability analysis and realistic implementation timelines signal strong project management capabilities, while overly optimistic assessments can raise red flags about government capacity to deliver on environmental commitments.

9.3 Co-ordination and governance

Key stakeholders

Ministry of finance/DMO line ministries, legal advisors, planning agencies, central bank

Once feasibility is confirmed and Cabinet approval secured, strong co-ordination becomes critical due to the cross-sectoral nature of blue bonds, which involve both financial and environmental mandates. The stakeholder mapping in 8.3 highlights how co-ordination spans across the Ministry of Finance/DMO, relevant line ministries, legal advisers, planning agencies and the central bank, where relevant. This requires formal co-ordination structures that can bridge institutional boundaries while maintaining clear accountability and decision-making authority.

To manage this complexity:

- **establish a blue bond steering committee** supported by a **technical working group** to balance strategic oversight and operational execution (see Figure 9.2);
- **agree clear terms of reference** to define roles, decision-making authority, communication protocols and conflict resolution mechanisms with firm timelines; and
- **avoid duplicating existing structures** by adapting current co-ordination bodies where possible to prevent inefficiency and reduce administrative burden.

Formalising the governance structure through official documentation is essential to establish the committee's authority and operational procedures. Investors may request details of governance structures during due diligence, as well-defined co-ordination mechanisms signal institutional capacity and reduce execution risk. Clear accountability frameworks provide comfort that environmental commitments will be delivered as promised. The documentation may specify committee composition and appointment processes, define decision-making authority and escalation procedures, establish meeting frequencies and documentation requirements, and create accountability mechanisms for tracking progress and outcomes.

CASE STUDY

Indonesia's Blue Finance Advisory Committee, chaired by the Ministry of National Development Planning, is a useful example of effective co-ordination. This committee provided strategic guidance while facilitating collaboration among the Ministeries of Finance, Maritime Affairs, and the Financial Services Authority. The committee's success stemmed from a strong mandate, regular meeting schedules, and high-level political backing.

CASE STUDY

Belize's Marine Spatial Planning (MSP) Steering Committee was established under the Blue Loan Agreement and Conservation Funding Agreement and plays a key role in delivering Belize's blue bond use of proceeds commitments. The committee's Terms of Reference[83] detail its composition, including senior-level officers from governmental and non-governmental stakeholders across sectors such as fisheries, coastal zone management, tourism, the environment, finance, academia and energy. The document outlines the committee's purpose, roles, responsibilities, procedures and communications, serving as a comprehensive guide for its operations.

83 Belize Coastal Zone Management Authority and Institute (2022), 'Terms of Reference Marine Spatial Plan Steering Committee'.

Box 9.8 Practical tips: Co-ordination structures

Based on experiences from other countries that have issued blue bonds, effective governance structures typically include the following.

- A blue bond steering committee with high-level representation from relevant ministries.
- A technical working group handling day-to-day co-ordination and preparation.
- Clear reporting lines to the Minister of Finance and cabinet.
- Formal processes for project selection and approval.
- Transparent decision-making mechanisms; and
- Single point(s) of contact for external stakeholders to prevent duplicated effort.

9.4 Legal analysis and institutional capacity review

Key stakeholders

Attorney general's office, legal advisors, ministry of finance/DMO, MDBs, other technical assistance partners

A robust ocean governance system is essential for blue bond success and credibility, requiring strong institutions, clear regulations, and effective monitoring to manage and report on project activities. Building on the preliminary capacity assessment conducted to inform the strategic decision (see 9.1), and the legal feasibility assessment (see 9.2), a more comprehensive legal analysis and institutional capacity assessment is critical before proceeding with framework development. This identifies regulatory requirements, potential legal constraints and capacity gaps that could affect successful issuance and implementation.

Legal analysis

Legal analysis for blue bonds extends beyond standard sovereign debt issuance requirements to encompass the specific regulatory framework for use of proceeds bonds. Constitutional and statutory authority for issuing bonds with earmarked proceeds may differ from general borrowing powers. Budget law provisions regarding fund segregation or tracking require careful evaluation, particularly where public financial management systems lack mechanisms for monitoring thematic bond proceeds. Legal considerations for sovereign blue bond issuers are outlined in Table 9.1.

While many Commonwealth countries share common legal traditions, requirements can vary. For instance, parliamentary approval may be needed in some jurisdictions to authorise thematic bonds. Smaller countries may need to adapt general debt management laws to accommodate ESG or blue bond provisions.

Belize's National Assembly enacted specific legislation authorising the blue bond transaction, establishing legal frameworks for conservation commitments and providing necessary regulatory exemptions (Case Study 2). Additionally, Belize ratified the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards to ensure enforceability of insurance provisions. This legal foundation was essential for the debt conversion structure.[84], [85]

Institutional capacity assessment

Alongside the legal analysis, capacity assessment identifies institutional gaps that could undermine successful issuance and implementation. The assessment evaluates existing capabilities across critical functions and determines where external support or capacity building is required (Table 9.2).

Technical capacity for marine data collection and impact measurement presents particular challenges. Many governments require capacity building to develop effective monitoring systems for blue economy projects. They should consider

84 Government of Belize (2021a), Belize Blue Bonds Loan Bill 2021. Government of Belize.

85 UN Commission on International Trade Law (2021), 'Belize accedes to Convention on the Recognition and Enforcement of Foreign Arbitral Awards'.

Table 9.1 High-level example of a legal assessment framework for blue bond issuance[84]

Legal area	Requirements	Potential issues	Action required
Constitutional/ legislative authority	Authority to issue use of proceeds bonds; parliamentary approval for environmental commitments; capacity to establish governance structures; authority for international agreements	May require new legislation; complex approval processes; limited precedent	Review constitution and borrowing laws; engage parliamentary counsel; prepare enabling legislation if needed
Public financial management (PFM)	Fund earmarking/ tracking provisions; treasury management regulations; audit requirements for thematic expenditures; integration with existing systems	Incompatible with current systems; complex compliance requirements; audit trail challenges	Review PFM laws; assess treasury capabilities; design tracking mechanisms; engage audit authorities
Securities/ market regulations	Domestic thematic bond requirements; cross-border compliance; exchange listing requirements; ESG disclosure obligations	Multiple jurisdiction compliance; new regulatory territory; ongoing obligations	Engage securities lawyers; review target market regulations; assess listing requirements; plan disclosure mechanisms

Table 9.2 High-level example of a capacity assessment matrix for blue bond issuance

Function	Current capacity	Gap level	Recommended action
Project selection and evaluation	Strong	High	Technical assistance
	Medium	Medium	Training
	Weak	Low	External support
Proceeds management and tracking	Strong	High	System upgrades
	Medium	Medium	Staff training
	Weak	Low	External audit
Impact measurement and reporting	Strong	High	Consultant support
	Medium	Medium	Capacity building
	Weak	Low	External verification
Legal and regulatory compliance	Strong	High	Legal counsel
	Medium	Medium	Training
	Weak	Low	Ongoing advisory

whether existing environmental agencies have the expertise needed for marine ecosystem assessment and impact verification.

If legal or institutional gaps are identified, governments should assess the feasibility of addressing these gaps within available resources and timeframes, then take the following steps early in the pre-issuance phase.

- Develop a realistic action plan to address priority gaps – this might include technical assistance, staff training, system upgrades or external advisory support. Some gaps may require longer-term capacity building that could influence the timing or structure of the blue bond issuance.

86 ICMA (2023b), See Footnote 65.

- Use technical assistance from MDBs, other technical assistance partners or non-governmental organisations (NGOs) where available and consider engaging consultants for specialised or complex requirements.
- Document findings from the legal analysis and capacity assessment.
- Ensure that a legal memorandum outlines compliance requirements, necessary legislative or regulatory approvals, proposed legal structures, and risks.
- Ensure that a capacity assessment identifies institutional strengths and weaknesses, recommends measures to build capacity, estimates resource needs, and provides a timeline for implementation. Transparent acknowledgment of capacity constraints and realistic remediation plans often enhance investor confidence more than overstating capabilities.

9.5 Blue Bond Framework development

Key stakeholders

Ministry of finance/DMO, line ministries, MDBs and technical assistance partners, legal, financial and sustainability advisors, SPO provider

The Blue Bond Framework is a foundational document that outlines the issuer's approach to blue bond issuance, including eligible project categories, selection criteria, proceeds management and reporting commitments. With the legal foundations established and capacity gaps identified, developing the Blue Bond Framework becomes the central technical activity of the pre-issuance phase. The Framework serves as a foundation for the environmental credentials of the bond and is a critical document for investor due diligence.

Framework development represents a shift from internal preparation to market-facing documentation that will be scrutinised by investors, rating agencies and external reviewers. Unlike internal feasibility studies, the Framework must balance technical precision with market accessibility, ensuring environmental integrity and investor confidence. This audience creates unique drafting demands, requiring co-ordination between technical specialists and market-oriented advisers. Overly technical language can obscure commitments, while oversimplified frameworks may signal weak environmental standards – striking this balance is crucial for market credibility.

The Blue Bond Framework should align with international principles and is typically structured around the four core components of the Green Bond Principles, though the specific implementation may need to be adapted to national legal frameworks and institutional contexts.

1. **Use of proceeds**. Defining eligible project categories, including marine conservation, sustainable fisheries and pollution prevention.
2. **Project evaluation and selection**. Establishing governance mechanisms, selection criteria and decision-making processes.
3. **Management of proceeds**. Outlining tracking procedures, account management and internal controls.

Box 9.9 Practical tips: Framework development

When developing a Blue Bond Framework:

- Engage early with legal advisers, placement agents or arrangers who can guide the appropriate framework structure for your specific issuance and target markets.
- Review existing frameworks from similar issuers (for example, Seychelles, Belize, Indonesia) where relevant to your country context and issuance structure. However, recognise that each framework should be tailored to specific national circumstances.
- Engage early with potential SPO providers to understand their expectations.
- Consider how the Framework aligns with national policies and NDCs.
- Be specific about eligible project categories while maintaining some flexibility.
- Ensure the Framework is realistic in terms of resources and capacity.

4. **Reporting**. Committing to allocation and impact disclosure with regular transparent communication.

The four core components of the Blue Bond Framework

Use of proceeds

The use of proceeds component lays the foundation for determining which marine and ocean-related projects qualify for funding. This section must clearly define eligible project categories that deliver positive environmental impact on the marine environment, while reflecting the government's implementation capacity.

The eligible categories should balance two requirements: 1) credible environmental impact; and 2) realistic implementation capacity.

Eligible project categories

Both IFC[87] and ICMA emphasise the prioritisation of projects that contribute to SDGs 6 (Clean water and sanitation) and 14 (Life below water) for blue bond financing, focusing on areas such as marine ecosystem conservation, sustainable fisheries, pollution control, coastal climate adaptation and sustainable marine infrastructure.

Eligible project categories that are aligned with ICMA GBP, the IFC *Blue Finance Guidelines*, and the *Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide,*[88] includes:

- **Marine ecosystem conservation**

  Support expansion of MPAs, restoration and biodiversity monitoring using established conservation systems. Projects must deliver measurable ecological outcomes.

- **Sustainable fisheries**

  Finance initiatives that improve fisheries management and community livelihoods, such as aquaculture, value chain improvements or regulatory upgrades – as seen in Seychelles' Blue Investment Fund.

- **Marine pollution control**

  Target pollution sources with clear environmental impact – for example, wastewater treatment, marine debris removal or land-based pollution prevention – with robust monitoring systems.

- **Coastal adaptation and resilience**

  Invest in infrastructure and nature-based solutions like mangrove restoration or storm surge defences that reduce risk and support local economies.

- **Sustainable marine infrastructure and transport**

  Fund clean port upgrades, green shipping technologies and efficient coastal infrastructure to reduce maritime emissions and improve operational performance.

- **Offshore renewable energy**

  Support development of ocean-based renewable energy (for example, offshore wind, tidal, wave) that expands clean energy access, lowers emissions and supports blue economy transitions.

Box 9.10 Practical tips: Defining eligible projects

The following resources provide useful guidance on defining eligibility criteria for blue bond projects.

Primary guidance

- *Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide* – ADB, ICMA, IFC, UNEP FI, UN Global Compact[89]

Supporting guidance

- Practical Guidance to Issue a Blue Bond – UN Global Compac
- Blue Finance Guidelines – IF
- Green and Blue Bond Framework – Annex C

87 IFC (2022), *Guidelines for Blue Finance*.

88 For detailed project category definitions and eligibility criteria, see: ICMA, ADB, IFC, UNEP FI and UN Global Compact (2023), *Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide*.

89 This is the primary guidance document for ensuring blue bond recognition as 'blue' by ICMA and should be prioritised by issuers seeking market credibility and investor acceptance.

Establishing clear exclusions

Defining exclusions is also critical as they prevent investor concerns about environmental integrity and programme credibility. The Blue Bond Framework must clearly exclude activities that could undermine environmental sustainability credentials or conflict with the marine conservation objectives of the blue bond, outlined in the use of proceeds component.

The UNEP FI recommends the following exclusions.

- deep-sea mining operations and extractive activities that pose significant environmental risks;
- unsustainable fishing practices that conflict with conservation objectives, including overfishing or destructive fishing methods;
- activities that demonstrably conflict with marine conservation goals or existing protected area designations; and
- projects that could result in significant negative environmental impacts on marine ecosystems.

The exclusions address investor concerns about 'blue washing' and ensure alignment with internationally recognised environmental standards. Comprehensive exclusion lists are important for institutional investors subject to fiduciary duties and ESG screening requirements, as investing in bonds that finance environmentally harmful activities can create legal and reputational risks for fund managers. Clear exclusions also provide implementation guidance for project selection committees, reducing ambiguity in decision-making processes.

Process for project evaluation and selection

Blue bond issuers must clearly outline how projects will be selected and evaluated, ensuring alignment with SDGs 6 and 14 and national priorities, and should be informed by the policy alignment exercise conducted to inform the strategic decision (see 9.1). This process must establish transparent criteria that ensure projects deliver genuine and additional marine environmental benefits and align with existing institutional capacity. Projects should focus on measurable outcomes in marine conservation, sustainable fisheries, pollution control, coastal adaptation and blue economy growth.

The selection of projects should be based on an assessment of already existing government programmes to avoid creating new institutional arrangements that may fail. It should consider the following:

- What marine conservation or blue economy programmes does your government already operate successfully?
- Which ministries have verified track records in project implementation and environmental monitoring?
- What regulatory frameworks already exist that can support blue bond project oversight?

Investors typically favour leveraging existing institutional capacity over creating new structures, as established systems demonstrate verified implementation capability and reduce execution risk associated with untested governance arrangements.

Seychelles' blue bond built on its existing protected area management systems and worked through established agencies like the Development Bank of Seychelles rather than creating new institutions (Case Study 1).

The Government of Indonesia used its existing budget tagging process, which had been developed for climate expenditures since 2016, extending this system to blue expenditures rather than creating separate tracking mechanisms for the blue bond use of proceeds (Case Study 3).

Projects must demonstrate clear environmental benefits with quantifiable outcomes, technical feasibility and should be embedded in national blue economy strategies. Issuers should establish comprehensive processes to identify and manage perceived social and environmental risks associated with relevant projects. This includes:

- conducting environmental assessments;
- engaging with affected coastal communities;
- establishing monitoring systems to ensure projects enhance marine ecosystems and coastal livelihoods; and

- integrating risk mitigation measures throughout project design and implementation phases.

Transparent project selection criteria and risk management processes are essential for investor confidence, as they provide assurance that environmental and social commitments will be delivered consistently across the project portfolio. Issuers are encouraged to contextualise this selection framework within their broader sustainability strategy and demonstrate alignment with recognised blue finance standards or taxonomies where applicable.

Metrics

Project outcomes must be measurable, aligned with national priorities, and backed by strong governance and monitoring systems. Investors prioritise project categories with established measurement methodologies and clear additionality – projects that demonstrably would not occur without blue bond financing. Marine ecosystem conservation and particularly pollution control have historically received stronger investor support due to more straightforward impact quantification compared to complex socio-economic outcomes.

A strong monitoring system aligned with international best practices and approaches and underpinned by robust data provides confidence to markets. The development of bespoke MRV systems for each new issuance increases transaction costs and reduces transparency. As such, if practicable, blue bond MRV systems should focus on available data systems as a first step to defining and measuring performance metrics that will support impact reporting in post-issuance (see 11.3).

Metrics provide information that is needed to determine capital allocation. Wherever possible therefore, this section should define the key performance indicators (KPIs) and sustainability performance targets (SPTs) which the blue bond will achieve. These metrics should be measurable, ambitious and aligned with the issuer's overarching sustainability strategy. Identifying metrics and KPIs prior to issuance also helps when defining projects that would be excluded from the blue bond as they do not meet the KPIs.

Management of proceeds

The management of proceeds section of the Framework should describe how bond funds will be tracked, allocated and temporarily invested before disbursement. This will form the basis of allocation reporting, post-issuance (see 11.3). For sovereign issuers, this entails unique challenges as many countries have legal restrictions on earmarking funds.

This section should cover:

- **Tracking proceeds:** Most sovereign issuers adopt a proceeds tracking approach rather than complete segregation of funds. Under a tracking approach, the funds raised by the bond are deposited and identified in the general treasury account(s), and the corresponding expenditures tracked. The Framework should provide a detailed explanation of this tracking method, including the role of the treasury, the accounting methodology and internal controls.
- **Temporary investment of unallocated funds:** It is critical to be specific about any temporary investment of unallocated proceeds. Investors expect these funds to be held in low-risk instruments that don't contradict the environmental objectives of the blue bond. Investment of unallocated proceeds in fossil fuel companies or environmentally harmful sectors can create reputational risks for ESG-focused investors and may violate their investment mandates, making clear temporary investment policies essential. Management of proceeds should include an explanation of how these investments will be tracked and reported until they are fully allocated.
- **Disbursement timeline:** Issuers should also specify a disbursement timeline – typically 24–36 months – and include contingency plans for delays or non-compliant projects to reassure investors.

Reporting

Blue bond issuers must commit to annual allocation reports (until all proceeds are spent) and impact reports (for the duration of the bond).

Allocation reports should detail:

- projects funded and amounts disbursed;
- implementation status; and

- any remaining unallocated proceeds and expected timelines for their use.

Impact reporting should focus on a small number of measurable indicators per project type – three to five per category is typical. Unlike green bonds, where carbon emissions are commonly used as a measurement standard, blue bonds lack universally accepted metrics for marine health. Measurable indicators are typically preferred over ambitious but unverifiable claims or complex ecosystem outcomes that are difficult to attribute to specific interventions. Credible impact reporting builds trust for future issuances while overstated benefits can damage market reputation and access. Such reporting should be based on existing monitoring systems where available, to minimise additional cost and implementation burden, and may include:

- Protected area extent: hectares designated using GIS (Geographic Information System) data
- Fisheries: data from existing catch tracking
- Ecosystem health: coastal monitoring protocols already in use

Consistent reporting formats and standardised metrics facilitate investor comparison across blue bond issuances and integration into ESG portfolio monitoring systems, making bonds more attractive to institutional investors.

Box 9.11 Practical tips: Technical assistance

Governments need to identify technical assistance needs early in the Framework development process, for example:

- UNDP provides capacity building for national monitoring systems, while UNEP offers marine environment monitoring expertise;
- regional development banks or NGOs can provide country-specific support for establishing monitoring, reporting and verification frameworks; and
- partnerships with academic institutions can strengthen scientific measurement capabilities.

9.6 Second party opinion (SPO)

Pre-issuance review of the Blue Bond Framework by an external third party is a key recommendation of the ICMA GBP. An SPO is an independent review of a Blue Bond Framework to assess its alignment with the four core components of the ICMA GBP and the credibility of its marine sustainability claims. Although not mandatory, an SPO is considered a market standard and widely expected by investors as a minimum assurance of the bond's environmental integrity and market credibility.

Most investors view a positive SPO as a prerequisite before conducting their analysis. A negative or qualified SPO can effectively exclude a bond from consideration by many ESG-mandated investors, while top-tier ratings like 'Dark Green' from CICERO or 'Aligned' from other providers significantly enhance marketability, possibly contributing to pricing benefits. The SPO provider reviews the draft Blue Bond Framework, engages with relevant ministries for clarification, and issues a formal opinion on its alignment with international standards.

The SPO evaluates:

- alignment with ICMA GBP (use of proceeds, project evaluation, proceeds management and reporting);
- the environmental and/or social features of the type of projects intended for the use of proceeds;
- the environmental and/or social benefits and impact targeted by the blue bond; and
- the potential environmental and/or social risks associated with the projects (where relevant).

SPOs do not rate the bond or issuer but verify the quality and transparency of the Blue Bond Framework. The final opinion should be concise, clear and include the completed ICMA Use of Proceeds Bonds External Review Form, which should also be publicly disclosed via the issuer's website and/or platforms like the ICMA LGX DataHub.

SPOs typically take 4–6 weeks to complete for corporate issuers; sovereign assessments may take 8–12 weeks. The complexity and long-term nature of marine conservation projects can create verification challenges for SPO providers. Blue Bond Frameworks should include realistic timelines and

Box 9.12 Appointing an SPO provider

Governments can engage a provider either before or after finalising their framework. Providers must be independent, qualified and have expertise in blue finance and marine sustainability. To select a provider, refer to ICMA's External Review Guidelines[90] and assess:

- independence and track record;
- methodology and scope of work;
- sector-specific expertise (for example, blue economy, environmental risk); and
- cost and timeline.

ICMA does not endorse external review providers, but it does provide a database where external reviewers can provide an overview of their services: the ICMA External Review Service Mapping. SPO providers with experience in blue finance and marine conservation include:

- Sustainalytics (MSCI): strong blue finance credentials;
- VE (Moody's): sovereign bond focus;
- ISS ESG: wide ESG coverage; and
- CICERO Shades of Green: environmental expertise.

measurable indicators that can be assessed within typical review periods. A single SPO can be reused for future issuances provided they remain in line with the initial Blue Bond Framework and there is confidence in the original SPO.

Disclosure

Public disclosure is encouraged to foster transparency and credibility of the blue bond market. For example:

- **SPO providers** should include a completed ICMA Use of Proceeds Bonds External Review Form as a standard feature of their reports; and
- **issuers** should make the SPO and the completed ICMA Use of Proceeds Bonds External Review Form publicly available online and/or through any other accessible communication channel as appropriate before or at the time of the blue bond issuance (see 10.3).

A database of labelled bonds that comply with the ICMA GBP, hosted by LGX DataHub, is available on ICMA's website. Issuers wishing to be listed in the database are invited to complete and forward to ICMA a completed ICMA Green Bond Information Template and/or the completed ICMA Use of Proceeds Bonds External Review Form.

90 ICMA (2022b), 'Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews'.

Alternative external review methods

While SPOs are the most common, other recognised pre-issuance reviews include:

- verification: against internal/external criteria (for example, Climate Bonds Initiative);
- certification: from accredited bodies using recognised sustainability standards;
- scoring or ratings: by ESG research firms based on fixed criteria;
- single transaction evaluations: one-off reviews for specific projects (less common); and

Box 9.13 Practical Tips: Second party opinions

- Timescales to develop an SPO differ depending on complexity and ease of communication with relevant authorities, but take on average around four to six weeks, with sovereign bond assessments taking around 8-12 weeks.
- Make the SPO publicly available on online and via other appropriate channels and disclose the findings on the ICMA website to promote bond credibility.
- An SPO can be reused for future issuances provided they remain in line with the initial Blue Bond Framework and there is confidence in the original SPO.

- corporate ESG ratings: issuer-level assessments that can support issuance credibility.

9.7 Phase 1: Summary

Phase 1 establishes the critical strategic, legal, and institutional foundations for a credible and effective blue bond issuance. By aligning national priorities, assessing feasibility, and developing a robust Blue Bond Framework supported by a second party opinion, the groundwork has been laid for market engagement and transaction structuring. With these preparatory steps complete, the process now moves into the issuance phase, where the bond is brought to market and investor engagement is operationalised.

10. Phase 2: Issuance

The issuance phase represents the culmination of the preparatory work, resulting in the actual blue bond transaction. This phase typically takes 4–8 weeks from launch to settlement and involves engaging with investors, finalising transaction documentation, executing the pricing and allocation process, and completing settlement and listing (see Figure 10.1). A checklist of key activities in Phase 2 is included in Annex B (see B.2).

10.1 Market engagement and investor outreach

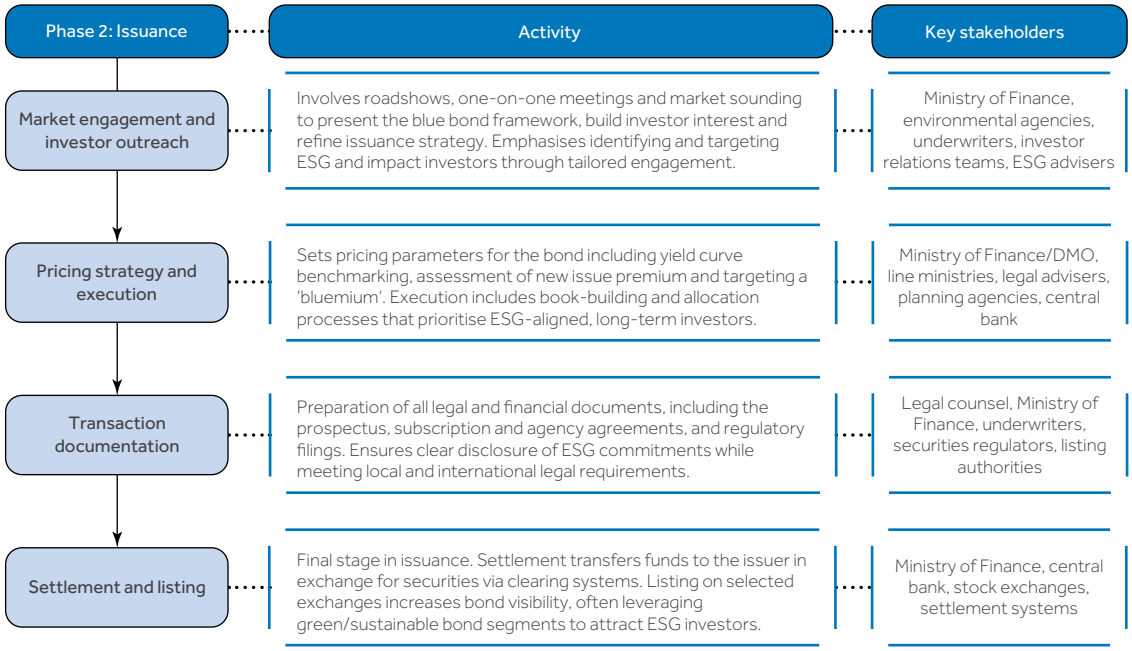
Key stakeholders

Ministry of finance, environmental agencies, underwriters, investor relations teams, ESG advisors

Effective investor engagement is critical to blue bond issuance, helping to gauge market appetite, refine issuance parameters and build demand. For sovereign issuers with established market access, this involves a co-ordinated sequence of market sounding, investor mapping and roadshows, typically managed by underwriters with DMO oversight. First-time or infrequent issuers may need to build these relationships and processes with additional support from technical assistance providers:

- **Market sounding**: (6–8 weeks before launch) gathers initial feedback on demand, pricing expectations and investor concerns to refine the issuance strategy and address potential barriers to investor participation. The DMO co-ordinates government input while underwriters leverage their investor networks to gather market intelligence.
- **Investor mapping**: led by underwriters with DMO oversight, identifies potential target investors based on their investment mandates, ESG policies and historical participation in similar transactions. External advisers typically maintain proprietary databases of ESG-focused investors, while government teams provide input on strategic investor priorities. For blue bonds, target investors may include impact investors, ESG-focused funds and traditional fixed-income investors with sustainability mandates.

Figure 10.1 Overview of the activities in Phase 2: Issuance and the key stakeholders involved.



- **Roadshows**: (2–4 weeks before launch) the bond and Framework are presented to investors via one-to-one or group sessions. External event management handles logistics, while senior government representatives from the Ministry of Finance and environmental agencies present alongside underwriter teams. A clear, coherent narrative is essential, requiring co-ordinated messaging between government and advisory teams. Roadshow presentations for blue bonds should incorporate technical environmental expertise alongside finance officials, as investors may emphasise marine science considerations, conservation methodologies and impact attribution – areas that standard debt presentations may not comprehensively cover.

10.2 Pricing strategy and execution

Key stakeholders

Ministry of finance/DMO line ministries, legal advisors, planning agencies, central bank

Pricing and execution are led by underwriters working closely with the DMO to position the blue bond relative to the sovereign yield curve, manage the book-building process and recommend final pricing. Government officials approve pricing,

Box 10.1 Guidance for Commonwealth governments on credit ratings

Credit ratings have a fundamental role in blue bond pricing and investor access, with their importance varying across Commonwealth nations. For investment-grade sovereigns, ratings directly influence borrowing costs and investor eligibility requirements, as many institutional investors operate under mandates that restrict them from purchasing unrated debt or debt falling below certain credit rating thresholds.[91] For lower-rated or unrated sovereigns, particularly SIDS and LDCs, credit ratings may determine whether conventional market access is viable or whether alternative structures become necessary.

Investment-grade sovereigns should:

- integrate blue bond considerations into existing rating surveillance processes;
- prepare comprehensive briefing materials demonstrating alignment between environmental commitments and fiscal capacity; and
- emphasise governance frameworks and institutional capacity development as credit-positive factors.

Sub-investment grade sovereigns should:

- consider whether blue bond issuance timing aligns with potential rating trajectory improvements;
- evaluate credit enhancement options early in the process; and
- prepare detailed implementation capacity assessments to address rating agency concerns about execution risk.

Frontier Market Economies (FMEs) have experienced alarming increases in external debt service obligations, with external interest payments surging by 42 per cent and principal repayments rising by 31 per cent in 2023.[92]

Unrated or distressed sovereigns should:

- explore alternative structures before pursuing conventional blue bond issuance;
- engage with MDBs and development finance institutions to assess guarantee availability and terms; and
- consider regional co-ordination mechanisms that may provide better access to sustainable finance.

Many large institutional investors are restricted by law or internal policy from investing in non-investment grade debt instruments creating barriers that go beyond higher-risk premiums to outright exclusion from substantial portions of the global institutional investor base.[93]

91 Luitel, P and R Vanpée (2018), 'How do sovereign credit ratings help to financially develop low-developed countries?' European Capital Markets Institute (ECMI).

92 UN Trade and Development (UNCTAD) (2024). 'External Debt Sustainability' https://unctad.org/system/files/official-document/a79d209_en.pdf

93 Ibid.

Universal recommendations:

- Begin rating agency engagement early to identify potential concerns and required documentation.
- Develop comprehensive governance frameworks addressing both environmental and fiscal management concerns.
- Maintain realistic environmental targets aligning with demonstrated implementation capacity.
- Integrate blue bond considerations into the broader debt management strategy rather than treating them as standalone transactions.

guide allocation strategy (how newly issued bonds are distributed to investors) and balance cost savings with long-term investor engagement.

Blue bond pricing

Blue bond pricing is fundamentally anchored to the sovereign's credit rating, with thematic features providing potential but not guaranteed pricing improvements. For investment-grade sovereigns, blue bonds may price at a modest discount to conventional bonds, while sub-investment grade issuers may see limited or no pricing advantage. Unrated sovereigns typically require credit enhancement mechanisms to achieve viable market access, as demonstrated in the Belize case study where political risk insurance elevated the bond rating significantly above the sovereign level.

The underwriting syndicate provides support, with independent financial advisers offering guidance on pricing and investor targeting. Key advisory functions include market sounding and investor mapping during the pre-launch phase, real-time market feedback during book-building, post-issuance investor relationship management and secondary market development, and strategic advice on future issuance timing and structure. For first-time issuers, MDBs can provide technical assistance but execution lies with market professionals.

Understanding blue bond pricing dynamics

It has been argued that blue bonds may achieve 'bluemium' (also known as 'greenium' in relation to green bonds) – a pricing advantage reflecting strong ESG investor demand – though this phenomenon remains inconsistent and market-dependent.[94], [95] There is some evidence that this pricing advantage typically ranges from 2–10 basis points for investment-grade issuers, but may be negligible or absent for sub-investment grade sovereigns where credit risk concerns outweigh ESG considerations. Factors influencing 'bluemium' include: issuer credit quality, framework credibility and SPO assessment, market timing and ESG investor demand cycles, issue size and liquidity expectations, and competitive supply of similar ESG instruments. Fiji's 2023 blue bond demonstrated this potential, achieving 6 basis points of savings compared to conventional bonds through effective positioning and investor engagement.[96] However, as demonstrated in the Indonesia case study, explicit pricing benefits from thematic bonds remain limited for emerging market issuers, and should be viewed as part of broader sustainable finance commitment rather than immediate financial benefit.

Overall, any pricing advantage for blue bonds may be modest and is by no means guaranteed for future issuance.

The book-building and pricing process

During the Phase 2 of the blue bond issuance process, the issuer works closely with the managers who undertake the book-building process and the underwriting syndicate. The process typically follows a structured timeline, over a few days or 1–2 weeks prior to settlement, which could be:

- Day 1: Launch with initial pricing guidance (IPG) set wide of expected final pricing.
- Day 2: Narrow guidance based on investor feedback and order momentum.
- Day 3: Final pricing and allocation decisions.

Throughout this process, underwriters provide real-time market feedback on investor demand, pricing

94 T Rowe Price (2024), 'Blue bonds: The next wave of sustainable finance?'

95 ICMA and IFC (2022), *Guidelines for Blue finance: Guidance for financing the Blue Economy, building on the Green Bond Principles and the Green Loan Principles*.

96 Fiji Times (2023), 'Fiji's sovereign blue bond oversubscribed'.

sensitivity, and allocation preferences. DMOs must balance achieving the tightest possible pricing[97] with building a high-quality, diversified investor base that supports the issuer's long-term sustainable finance objectives.[98]

Government decision-making framework

Government decisions on blue bonds centre on three areas:[99]

- **Approving final pricing recommendations from underwriters**: This involves assessing whether the proposed spread over the sovereign yield curve reflects fair value given market conditions, comparable transactions and investor demand quality.
- **Ensuring allocation strategy aligns with broader policy objectives**: This may include prioritising long-term investors over short-term traders, ensuring geographic diversification, and targeting investors with genuine ESG mandates rather than opportunistic participants.
- **Balancing cost optimisation against building a diverse, long-term investor base**: While achieving the tightest pricing is important for fiscal efficiency, building relationships with committed ESG investors supports future market access and demonstrates credible commitment to blue economy objectives.

Critical decision points for pricing and allocation and their associated consequences are outlined in Table 10.1.

DMOs should prioritise ESG-focused, long-term investors, particularly those comfortable with buy-and-hold strategies given the limited secondary market liquidity typical of blue bonds. ESG investors often have longer evaluation timelines than conventional bond buyers, requiring earlier engagement and more detailed sustainability due diligence, which can extend the marketing period but typically results in more stable, committed investor bases. Typical target investor categories are outlined in Table 10.2.[100]

Table 10.1 Pricing and allocation decisions and their consequences

Decision area	Trade-off	Consequences
Pricing level	Aggressive pricing (tight spread) vs conservative pricing (widespread)	**Too aggressive:** Failed transaction, market embarrassment, damaged reputation, potential withdrawal and re-launch **Too conservative:** Unnecessarily high borrowing costs, fiscal inefficiency, oversight criticism
Allocation priority	Accepting highest bids vs building quality investor base	**Pure price focus:** Short-term trading, poor long-term relationships, limited future support **Ignoring price:** Unnecessarily expensive financing, fiscal criticism, parliamentary scrutiny
Transaction timing	Market windows vs domestic political timing	**Poor timing:** Volatile pricing, reduced demand, competing issuances, higher spreads **Political delays:** Missing optimal conditions, increased costs, shift in ESG sentiment
Issue size	Optimal scale vs debt sustainability limits	**Too small:** Limited liquidity, higher costs, insufficient blue economy impact **Too large:** Debt sustainability risks, insufficient market demand, potential fiscal rule breaches

97 'Tight pricing' refers to a situation in financial markets where the difference between the buying price and the selling price of an asset is very small.

98 ADB (2022), *Sovereign blue bonds: A start guide*.

99 World Bank (2018b), 'Sovereign blue bond issuance: Frequently asked questions'.

100 T Rowe Price (2024). See Footnote 94.

Table 10.2 Priority investor categories for blue bonds

Investor type	Rationale	Considerations
Asset managers with ESG/ impact mandates	Dedicated focus on sustainability outcomes	Assess genuine commitment vs opportunistic participation
Pension funds and insurance companies	Long-term investment horizons, sustainability commitments	Match with blue bond maturity profiles
Development finance institutions and MDBs	Mission alignment, patient capital	May provide additional technical support
Central banks with ESG criteria	Reserve management diversification	Limited allocation capacity but high credibility
Sovereign wealth funds with sustainability policies	Large scale, long-term focus	Selective participation, high due diligence requirements

The allocation strategy should balance multiple objectives: achieving optimal pricing, building quality investor relationships and establishing sufficient secondary market liquidity where feasible. For smaller blue bonds (under US$200–300 million), such as the Seychelles and Belize structures, secondary market activity is typically minimal due to issue size constraints, making buy-and-hold investor relationships the primary focus. For larger blue bond issuances approaching benchmark size (US$500 million+), the allocation strategy should also consider building a diversified investor base that can support some secondary market activity, including a mix of long-term holders and institutions that may trade periodically to manage portfolio allocations. This can be challenging, however, as most blue bonds issued to date fall below the threshold required for meaningful secondary market liquidity, requiring issuers to prioritise investor quality and commitment over pure price optimisation, while still maintaining realistic expectations about post-issuance trading activity.

Box 10.2 Practical tips: Pricing and allocation

For sovereign issuers, considerations in pricing and allocation include:

- balancing favourable pricing with building a diverse, high-quality investor base;
- managing the potential trade-off between maximising 'bluemium' and ensuring sufficient demand;
- aligning allocation strategy with longer-term investor relations objectives; and
- considering the implications for future conventional and thematic bond issuances.

CASE STUDY

The Indonesia example (Case Study 3) shows how tighter issuance spreads were achieved compared to previous years, demonstrating the growing investor confidence in the country's blue bond programme.

10.3 Transaction documentation

Key stakeholders

Legal counsel, ministry of finance, underwriters, securities regulators, listing authorities

Transaction documentation is the formal legal foundation for the blue bond issuance, building on outputs from previous phases and co-ordinated by legal counsel with DMO oversight. The documents serve regulatory compliance and investor transparency purposes (see Table 10.3).

Core documentation preparation begins during framework development but finalises after pricing, with listing documentation completed post-execution. The prospectus must integrate the Blue Bond Framework content while describing use of proceeds commitments as intentions rather than legally binding obligations, clarifying that environmental non-compliance does not constitute default.

For international issuances, legal counsel with expertise in the issuer's jurisdiction and the offering jurisdiction should be engaged early to ensure

Table 10.3 Core documentation requirements

Document	Prepared by	Core content	Builds on	Public/private documentation
Prospectus/ offering memorandum	Legal counsel + underwriters	Blue Bond Framework integration, eligible projects, reporting commitments	Framework (Phase 1), project pipeline	**Public** – key investor document[101]
Subscription agreement	Legal counsel + underwriters	Terms, conditions, underwriter commitments	Pricing and terms	Private
Agency agreement	Legal counsel	Payment, listing, trustee arrangements	Listing requirements	Private
Legal opinions	Government + external counsel	Regulatory compliance, authorisation	Legal analysis (Phase 1)	Private
External review/SPO	Third-party reviewer	Framework assessment, compliance verification	Blue Bond Framework	**Public** – essential for credibility

regulatory compliance. Commonwealth countries face varying requirements across major markets:

- US Securities and Exchange Commission requirements[102] for offerings to US investors.
- European Union regulations, particularly for offerings[103] in EU member states.
- UK Financial Conduct Authority requirements[104] for London-listed bonds.
- Specific requirements of Asian financial centres for offerings[105] in those markets.

Each jurisdiction has distinct disclosure and compliance obligations that must be incorporated into the transaction from the outset.

10.4 Listing and settlement

Settlement involves the exchange of funds for securities through established clearing systems. International issuances typically settle through international securities depositories, such as Euroclear[106] or Clearstream,[107] while domestic issuances use local central securities depositories.[108]

Key stakeholders

Ministry of finance, central bank, stock exchanges, settlement systems

Listing venues serve as regulated marketplaces for bond trading. Selecting the right platform involves considering investor preferences, disclosure requirements, ongoing obligations and associated costs. Many platforms now feature dedicated sustainable finance segments, including the Luxembourg Green Exchange,[109] London Stock Exchange Sustainable Bond Market[110] and Singapore Exchange Sustainability Bond Segment,[111] which enhance visibility and appeal for ESG-focused investors. Institutional ESG mandates may require listing on recognised sustainable finance platforms, making a prestigious exchange listing essential for accessing certain investor segments, despite higher costs.

However, for LIC issuers – including some SIDS – these prestigious listing venues often deliver symbolic rather than substantive market access and converting market visibility into genuine market access and liquidity remains difficult without tailored solutions. Despite successful listing, secondary

101 Example prospectus from the Government of Fiji: 'Government of Fiji – Blue bonds Prospectus Reserve Bank of Fiji'.
102 Securities and Exchange Commission (2025), 'Private Placements – Rule 506(b)'.
103 European Commission (2025), *EU Green Bond Standard*.
104 Financial Conduct Authority (2025), 'Listing Rules'.
105 ADB (2025), 'ADB Green and Blue Bonds'.
106 Euroclear (2025), 'Settlement'. Euroclear
107 Clearstream (2025), 'Settlement overview'. Clearstream.
108 ICMA Primary market handbook, Home – 'Recommendations for debt securities issues'.
109 Luxembourg Stock Exchange, 'Luxembourg Green Exchange (LGX)'.
110 London Stock Exchange, 'Sustainable Bond Market'.
111 Singapore Exchange, 'Sustainable Fixed Income Initiative'.

market activity is often minimal due to small issuance sizes (US$50–200 million), lack of market-makers, and high listing and compliance costs (often 2–3 per cent of issuance).[112, 113] Investors often accept limited secondary market liquidity for blue bonds in exchange for direct issuer engagement and transparent impact reporting, but this requires clear communication of liquidity expectations during the marketing process to avoid post-issuance disappointment.

For smaller sovereigns, local or regional exchanges – with simpler disclosure rules and lower costs – may offer a more viable platform, even if international exposure is reduced. Regional development bank platforms can serve as useful intermediaries, combining credibility with affordability.

Innovative models – such as tiered listing structures or dedicated market-making arrangements – may help balance credibility with practical functionality for blue bond issuers in developing economies.

10.5 Phase 2: Summary

The issuance phase translates preparation into execution, successfully bringing the blue bond to market through co-ordinated investor outreach, pricing and settlement. Activities in this phase demonstrate the issuers' capacity to engage the market credibly and transparently. With funds now raised, activities shift to the critical work of managing proceeds, delivering environmental impact and fulfilling post-issuance commitments under Phase 3.

112 Bosmans, P and F de Mariz (2023), 'The blue bond market: A catalyst for ocean and water financing'. *Journal of Risk and Financial Management*, Vol. 16 No. 3, 184.

113 Internal Revenue Service (2022), 'Excess costs of issuance for private activity bonds'. US Department of the Treasury.

11. Phase 3: Post-issuance

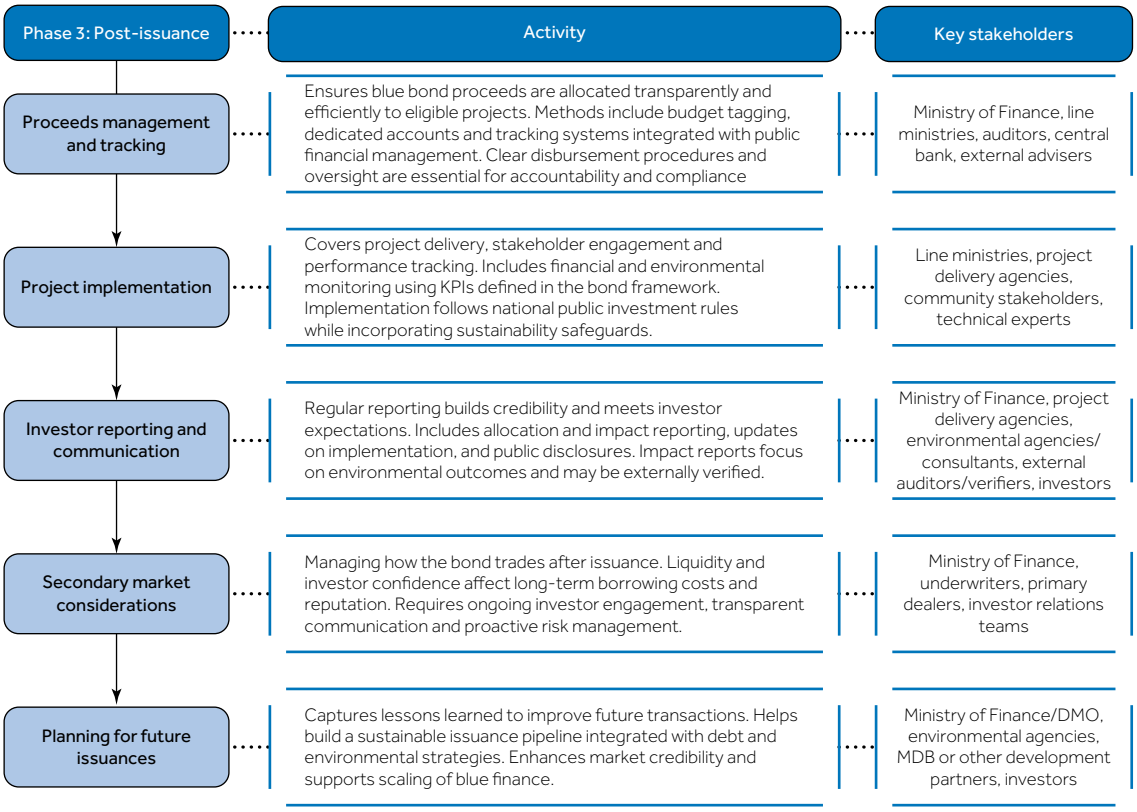
The post-issuance phase represents a critical period for establishing credibility in sustainable finance markets and building the foundation for future blue bond issuances. This phase requires systematic execution of proceeds tracking and project monitoring and reporting frameworks established during Phase 1, while maintaining strong investor relationships and ensuring transparent project implementation (see Figure 11.1). A checklist of key activities in Phase 2 is included in Annex B (see B.2).

Success in this phase directly impacts the government's ability to access sustainable finance markets in the future and influences pricing for subsequent issuances.

11.1 Proceeds management and tracking

Effective proceeds management ensures funds from blue bonds are allocated to eligible projects, as outlined in the Blue Bond Framework. For sovereign

Figure 11.1 Overview of the activities in the post-issuance phase and the key stakeholders involved.



Box 11.1 Practical tips: Moving from issuance to post-issuance

After successful issuance, focus on the core elements of the post-issuance phase:

- communicating issuance outcomes to stakeholders;
- implementing the project;
- establishing post-issuance monitoring and reporting processes;
- implementing proceeds management mechanisms; and
- maintaining relationships with investors.

issuers, this requires integration with existing public PFM systems while maintaining transparency and accountability.

Key stakeholders

Ministry of finance, line ministries, auditors, central bank, external advisors

Options for proceeds tracking include:

- dedicated accounts or sub-accounts within the treasury system;
- budget tagging or marking to identify eligible expenditures;
- parallel tracking systems that reconcile with the budget system; and
- special purpose vehicles or trust funds (as in the Seychelles case).

The management of unallocated proceeds should follow the approach outlined in the Blue Bond Framework. Unallocated proceeds should be temporarily invested in low-risk, liquid instruments aligned with national investment policies. For sovereigns, this is typically treasury accounts or short-term securities.

Disbursement procedures must be clearly defined and embedded in existing budget execution processes, supported by governance mechanisms that ensure compliance with the Framework and enable accurate reporting.

As demonstrated in Indonesia (Case Study 3), the integration of blue bond proceeds management with existing budget tagging processes for climate change expenditures can enhance efficiency and effectiveness.

11.2 Project implementation and monitoring

Project implementation during Phase 3 involves delivering blue bond-financed projects while maintaining the stakeholder engagement and monitoring systems established in Phase 1. For sovereign issuers, this means co-ordinating delivery through established government systems, while meeting enhanced environmental standards and the reporting requirements committed to in the Blue Bond Framework.

Line ministries and delivery agencies lead project execution, applying national project management rules alongside the additional sustainability safeguards from the Blue Bond Framework. Success depends on clear institutional roles and consistent application of both standard procedures and blue bond-specific requirements. Investors monitor implementation progress closely as project delivery challenges can affect their own ESG performance reporting and regulatory compliance.

Ongoing engagement with coastal communities, fishers and tourism operators is essential, using the consultation mechanisms created in Phase 1. This engagement provides essential feedback for project management, while maintaining the social license and community support that many blue economy projects require for successful outcomes. Technical experts contribute to environmental monitoring and ensure compliance alongside traditional project managers.

Performance tracking measures financial and environmental progress using the KPIs in the Framework. The data collected support both adaptive project management and transparent investor reporting, reinforcing accountability and trust throughout implementation. Regular

Box 11.2 Practical tips: Proceeds management

Practical approaches to proceeds management include:

- leveraging existing budget classification systems to tag or mark blue bond expenditures;
- establishing clear documentation requirements for eligible expenditures;
- implementing periodic reconciliation processes to ensure accurate tracking; and
- developing simple, user-friendly reporting templates for line agencies.

Clear audit trails and reconciliation processes are essential as external auditors and verification providers will scrutinise proceeds management systems during post-issuance reviews, with any discrepancies potentially affecting future market access.

implementation updates between formal annual reports help manage investor expectations and can prevent minor setbacks from becoming major credibility issues that affect future market access.

11.3 Investor reporting and communication

Key stakeholders

Ministry of finance, project delivery agencies, environmental agencies/ consultants, external auditors/verifiers, investors

Transparent, timely reporting is essential to the credibility of a blue bond. It includes allocation reporting (how proceeds were used) and impact reporting (environmental results), both as outlined in the Blue Bond Framework (see 9.5). For sovereign issuers, reporting can be aligned with existing public disclosure systems while meeting investor expectations.

- **Allocation reports** detail which projects received funding, amounts allocated and implementation progress. These reports are required annually until all proceeds are fully allocated.
- **Impact reports** are more complex and assess sustainability outcomes using defined methodologies appropriate to the issuer's monitoring capacity. Indicators may include expanded biodiversity zones (as in Belize), reduced marine pollution, improved fisheries management (Seychelles) or enhanced coastal resilience. While standardised metrics support comparability across issuances, issuers should balance international best practices with practical measurement capabilities and existing data systems. External verification by auditors, environmental consultants or other qualified providers adds credibility.

Marine ecosystem outcomes can require years or decades to materialise, creating potential temporal mismatches with annual reporting cycles. It is important to be transparent about measurement limitations and acknowledge when meaningful environmental changes may not be immediately visible in annual reports. Investors focused on ESG outcomes generally prefer transparent acknowledgment of measurement limitations and realistic timelines over overstated short-term claims, as credible reporting builds long-term trust essential for repeated market access.

The Blue Bond Framework should specify the scope and frequency of these reports (see Table 11.1).

All reports should be published online, submitted to relevant global databases and – where possible – integrated into existing national sustainability reports. Local language versions and executive summaries improve accessibility and help communicate progress to domestic stakeholders.

Belize's blue bond structure ties marine conservation outcomes to its repayment terms (Case Study 2). These include expanding MPAs and finalising a marine spatial plan. Progress is tracked through the Conservation Funding Agreement, and failure to meet milestones triggers predefined financial penalties. This approach links

Table 11.1 Key reporting elements for sovereign blue bonds

Reporting type	Frequency	Content	Audience
Allocation reporting	Annual until full allocation	Projects financed, amounts allocated, implementation status	Investors, external reviewers
Impact reporting	Annual throughout bond life	Environmental outcomes, performance against targets, case studies	Investors, general public
Investor updates	As needed (frequency varies by issuer and market conditions)	Recent developments, implementation progress, challenges encountered	Existing investors
Public disclosure	Annual	Integration with broader sustainability reporting	General public, civil society

Box 11.3 Practical Tips: Impact measurement and reporting

Practical approaches to impact measurement include:

- assessing data collection capabilities during framework design and setting realistic reporting commitments based on institutional capacity;
- focusing on a limited set of core indicators that can be reliably measured;
- leveraging existing data collection systems where possible;
- combining quantitative metrics with qualitative case studies;
- engaging scientific partners for technical aspects of measurement; and
- being transparent about measurement limitations.

transparent impact reporting with enforceable incentives and is monitored by independent experts and The Nature Conservancy.[114]

Seychelles' blue bond structure integrates its reporting requirements into established institutions (Case Study 1). Allocation reporting is handled by the Development Bank of Seychelles, while impact reporting is managed by the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT), using indicators like fisheries stock recovery and marine biodiversity protection. Public annual reports include quantitative outcomes and qualitative impact narratives.[115]

11.4 Post-issuance external verification

Following bond issuance and initial reporting, a post-issuance external review can enhance the credibility and integrity of a blue bond. While not mandatory, it is increasingly expected by ESG-focused investors, while conducting a review can help build investor confidence, mitigate reputational risk, and enhance transparency and future market access.

This review verifies that proceeds have been allocated according to the Blue Bond Framework and confirms the environmental impact claims made in reporting, which include the following.

- **Allocation review.** This confirms that disbursements align with the defined eligible project categories and use of proceeds commitments.
- **Impact verification.** This assesses whether reported environmental outcomes are accurate, measurable and attributable to funded projects.
- **Compliance check.** This identifies any deviations from the Framework and evaluates the issuer's corrective actions.

The external review is typically conducted by independent auditors, environmental consultants or the original SPO provider (if qualified), depending on the technical nature of the projects. Annual or biennial reviews are recommended, aligned with reporting cycles, especially for multi-year implementation or follow-on issuances.

Managing non-compliance

Compliance with the ICMA GBP is voluntary, and failure to meet environmental or reporting commitments in the Blue Bond Framework does not constitute legal default. The bond prospectus typically clarifies that such commitments are not binding.

However, non-compliance carries reputational risks. Falling short on use of proceeds or impact reporting can damage the issuer's credibility, reduce investor confidence, and hinder future access to sustainable or even conventional capital markets. Major institutional investors may view poor performance as a signal of weak governance or execution capacity, negatively affecting future issuances.

114 The Nature Conservancy (2022). See Footnote 67.
115 World Bank (2018c), 'Seychelles launches world's first sovereign blue bond'.

11.5 Secondary market strategy

Key stakeholders

Ministry of finance, underwriters, primary dealers, investor relations teams

For sovereign bond issuers, secondary markets are crucial as they provide price discovery,[116] allow refinancing at market-determined rates and ensure investor confidence through liquidity. This directly impacts the bond's performance and an issuer's reputation and future borrowing costs, as investors consider their ability to sell their bonds when making investments.

Smaller sovereign issuers, like SIDS and LICs, often face structural barriers in accessing active secondary markets due to the small size of typical blue bond issuances (US$50–200 million), which can make it challenging to attract market-makers.[117] As a result, trading may be limited, despite high-profile listings. Successful examples demonstrate that focused investor relations and innovative structuring can help build a sustainable investor base even with smaller issuances.

Box 11.4 Practical Tips: Developing a long-term sustainable finance landscape

Long-term success requires building sustainable financing ecosystems rather than pursuing individual transaction optimisation. This means developing local expertise, strengthening environmental monitoring systems, and creating institutional frameworks that support ongoing access to sustainable finance across multiple instruments and time horizons.

Domestic market development, while requiring longer-term commitment, can provide more sustainable financing access. Building local institutional investor capacity through regulatory reform, capacity-building programmes and gradual market development can eventually support local currency blue bond issuances that avoid many international market access challenges.

11.6 Planning for future issuances

Key stakeholders

Ministry of Finance/DMO, environmental agencies, MDB or other development partners, investors

The post-issuance review provides valuable lessons for future issuances. A formal process for capturing lessons learned, and incorporating feedback and planning for future issuances, helps build on success and address challenges.

Building a track record of successful blue bond issuance and implementation enhances credibility with investors and supports more favourable terms for future issuances. Such a track record includes not only financial performance but also environmental impact achievement and transparent reporting.

Creating an issuance pipeline helps investors anticipate future opportunities and supports market development. The pipeline should be integrated with a country's broader debt management strategy and environmental policy.

11.7 Phase 3: Summary

Phase 3 completes the blue bond issuance cycle by ensuring that proceeds are allocated transparently, projects are implemented effectively, and impact is monitored and reported with integrity. External verification and continued investor communication help maintain trust and accountability. With systems now in place, governments are well-positioned to assess lessons learned and prepare for future issuances.

116 'Price discovery' refers to the process by which market prices are determined between buyers and sellers.

117 A 'market-maker' is a financial institution that ensures market liquidity by continuously buying and selling assets.

12. Conclusion

The blue bond issuance process represents a transformative journey, not only in how governments mobilise financing but also in terms of government co-ordination, environmental management and engagement with capital markets. While the process can be complex, particularly for first-time issuers, its potential to fund sustainable ocean-based activities, diversify investor bases and demonstrate environmental leadership makes it a powerful addition to a sovereign's financing strategy.

Experience from countries such as Seychelles, Belize and Indonesia illustrate that issuers of varying sizes and capacities can successfully navigate the blue bond process by tailoring it to their unique contexts and development goals. Key success factors include high-level political commitment, strong inter-ministerial co-ordination, alignment with international frameworks, and clear, transparent reporting mechanisms, underpinned by a long-term commitment to effective ocean and environmental policies.

Importantly, blue bonds offer a pathway to tap into new sources of concessional and impact-driven capital. However, these instruments must be integrated into broader debt sustainability strategies. Careful structuring, including blended finance approaches and credit enhancement mechanisms, can help mitigate risks of debt distress while improving the affordability of financing.

As the blue bond market continues to evolve – with increasing standardisation, expanding investor appetite and greater technical support from multilateral organisations – there is growing opportunity for sovereign issuers. By following the structured process outlined in this *Toolkit* and drawing lessons from early adopters, governments can effectively leverage blue bonds to advance their blue economy objectives, while maintaining fiscal discipline and long-term debt sustainability.

Box 12.1 Final takeaways for government officials

- Blue bonds need to be part of a long-term sustainable blue economy strategy with clear policies that have cross-government commitment and support.
- A long-term sustainable blue economy framework should underpin a long-term pipeline of standardised blue bond issuances to attract investors.
- Blue bond issuance requires significant preparation but delivers benefits beyond financing, including institutional strengthening and environmental visibility.
- Strong political leadership and inter-ministerial co-ordination are essential for a successful issuance process.
- Alignment with international standards enhances credibility and attracts a broader investor base.
- Transparent, timely reporting is critical to maintaining investor confidence.
- SIDS and LICs must carefully assess blue bonds within the context of overall debt sustainability, employing innovative structures where needed.
- Technical assistance from multilateral partners plays a pivotal role in addressing capacity gaps and reducing transaction complexity.
- Each country should adapt the issuance process to its specific context, while leveraging the experiences and lessons learned from peer issuers.

Annex A: Blue bonds in practice: case studies

Seychelles became the first country in the world to issue a sovereign blue bond in 2018.This issuance propelled global interest in blue bonds, and several other countries have followed Seychelles in issuing their own blue bonds. Belize has since undertaken a debt restructuring exercise that included issuing of a blue bond, and Indonesia has demonstrated how to adapt the blue bond approach to different cultural and religious contexts. Each of these contexts is explored in detail in this chapter, investigating the specific and unique design and issuance process and country framing for these instruments.
The examples provide lessons learned across a range of contexts relevant to Commonwealth countries. Together, these case studies provide practical examples of how different countries have approached key challenges associated with the implementation of a blue bond in practice.

- **Seychelles** (Case Study 1) for small island state innovation and blended finance.
- **Belize** (Case Study 2) for debt restructuring, private placement of blue bonds combined with conservation commitments.
- **Indonesia** (Case Study 3) for large-scale institutional co-ordination and budget integration.

Case Study 1: Seychelles

In October 2018, the Republic of Seychelles made history by issuing the world's first sovereign blue bond – a US$15 million debt instrument designed to support sustainable marine projects. This financial innovation enabled a small island nation of just 95,000 people to attract international capital for ocean conservation and sustainable fisheries development, while establishing itself as a global leader in blue economy initiatives.

The Seychelles blue bond showcases how innovative financing can address environmental challenges while supporting sustainable economic development. Through a blended finance approach, Seychelles overcame the constraints of its small size and relatively high-income status to secure favourable financing terms. The bond's structure combined a US$5 million World Bank partial credit guarantee with a US$5 million concessional loan from the GEF, reducing borrowing costs by over 5 per cent and saving approximately US$8 million in interest payments over the bond's life.[118]

The bond's dual allocation structure – channelling funds through grants for community and conservation initiatives and loans for sustainable business development – has created a balanced approach to marine resource management. Today, this financial instrument continues to support Seychelles' transition to sustainable fisheries management, while providing valuable lessons for other nations considering similar approaches to blue finance.

The Seychelles context: necessity drives innovation

The story of the Seychelles blue bond begins with the nation's unique relationship with its ocean territory. With 115 islands scattered across its exclusive economic zone (EEZ) of 1.37 million square kilometres – nearly 3,000 times its land area – Seychelles' economic identity is deeply linked to its marine resources.[119] Tourism and fisheries form the two pillars of the economy, together accounting for over 40 per cent of GDP and employment. This dependence on ocean resources created vulnerability and motivation for innovative conservation financing.

By the mid-2010s, Seychelles faced mounting evidence that its marine ecosystems were under significant pressure. Assessments indicated overfishing in critical areas, particularly on the Mahé Plateau, where the critical demersal fisheries are located. According to the World Bank-supported Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3) documentation, several species of demersal fish were subject to overfishing or at risk from overfishing, with declining catch rates

118 World Bank (2025). See Footnote 68.
119 Republic of Seychelles (2018), *Seychelles' Blue Economy: Strategic Policy Framework and Roadmap 2018–2030*.

symptomatic of worsening conditions.[120] Climate change impacts, including coral bleaching events, further threatened the nation's marine biodiversity and the economic activities dependent on it.

As a newly classified high-income country since 2015, Seychelles was no longer eligible for several concessional funding sources, yet it still faced resource constraints for marine conservation.

In 2016, the country had already undertaken a debt-for-nature swap (DfNS) facilitated by The Nature Conservancy (TNC), which created the SeyCCAT and initiated a marine special planning (MSP) process with the commitment to protect 30 per cent of its waters by 2020.[121] The blue bond emerged as a complementary financing mechanism to further support marine protection goals while addressing sustainable fisheries development.

Box A1 Insight: building political consensus

Research on Seychelles' experience suggests that success began with strong political commitment at the highest levels. According to March et al. 2024, the blue bond development benefited from Seychelles' proactive approach to economic reform and debt restructuring, commitment to innovation, early advocacy in the blue economy sector, and sustained political will. [122] These factors collectively contributed to the blue bond's success.

Structuring the bond: from concept to reality

The journey from initial concept to successful issuance took approximately three years, reflecting the innovative nature of the instrument and the careful preparation required.[123] The groundwork began in 2015–2016, when Seychelles was exploring ways to finance its ambitious marine protection goals while developing the national blue economy vision.[124]

Early conceptual support came from the Prince of Wales's International Sustainability Unit, which helped identify the business case for the blue bond.[125] This initial concept development phase demonstrated the importance of building partnerships beyond traditional development finance channels to access specialised expertise in innovative financing.

The World Bank became a key partner in 2016, providing technical expertise in bond structuring and facilitating connections between Seychelles, potential investors and support agencies. According to the World Bank,[126] the breakthrough in achieving financial viability for the bond was realised through a blended finance structure comprising the following elements:

- a **US$5 million partial credit guarantee** from the International Bank for Reconstruction and Development (IBRD), which reduced the risk profile for investors;
- a **US$5 million concessional loan** from the GEF to subsidise interest payments; and
- a **US$425,000 grant** from the Rockefeller Foundation to cover transaction costs, including legal, advisory and placement fees.

The blended finance structure allowed Seychelles to access international capital markets on favourable terms, resulting in the issuance of a 10-year sovereign bond with a 6.5 per cent coupon rate. Investor risk was significantly reduced through a partial credit guarantee from the IBRD, while a concessional loan from the GEF helped subsidise interest payments. Although the bond had a 6.5 per cent coupon, the effective interest rate for Seychelles was reduced to approximately 2.8 per cent after accounting for the interest subsidy and guarantee. This reflects a borrowing cost reduction of over 5 percentage points compared to the estimated 8–9 per cent Seychelles might have otherwise faced on the market. Importantly, this 5 per cent figure refers to the reduction from the market rate to the effective rate, and does not include transaction costs, which were externally funded.[127]

120 SeyCCAT (2019), 'Case Study: Seychelles Blue Bond'. Case study_Blue-Bond-Seychelles_final 6.7.2019
121 March, A, P Failler and M Bennett (2024), 'Evaluating the world's first sovereign blue bond: Lessons for operationalising blue finance', *Commodities*, Vol. 3 No. 2, 151–167.
122 Ibid.
123 World Bank (2017), 'Project Appraisal Document: SWIOFish3'.
124 Republic of Seychelles (2018). See Footnote 119.
125 SeyCCAT (2019). See Footnote 120.
126 World Bank (2017). See Footnote 123.
127 Labonte, D (2021), 'Blue Bond: The Seychelles Experience'.

The bond was privately placed with three impact investors based in the United States: Calvert Impact Capital, Nuveen and Prudential. These investors were attracted not only by the financial terms but also by the opportunity to participate in a first-of-its-kind sustainable finance instrument with clear conservation impacts. The private placement approach, rather than a public offering, reduced regulatory complexities and allowed for direct engagement with investors committed to the environmental objectives.

Implementation architecture: balancing conservation and development

A defining feature of the Seychelles blue bond was its dual-track implementation structure, designed to address short-term conservation priorities and longer-term sustainable development objectives. According to the World Bank,[128] the US$15 million in proceeds was allocated through two complementary financing mechanisms:

- **The Blue Grants Fund (US$3 million).** This was managed by SeyCCAT and provides grants of up to approximately US$148,000 to support marine conservation, MPA development, sustainable fisheries management and other blue economy initiatives.[129]
- **The Blue Investment Fund (US$12 million).** This was administered by the Development Bank of Seychelles (DBS). The facility extends loans ranging from US$10,000 to US$3 million to support sustainable fisheries value chains, including:[130]
  - aquaculture;
  - cold storage;
  - food processing;
  - scientific research; and
  - logistics.

Seychelles' financing structure was grounded in the understanding that sustainable ocean management demands co-ordinated investment in public and private goods. Grants were directed toward non-revenue generating priorities such as marine research, conservation and spatial planning. In contrast, loans targeted commercially viable activities across the blue economy, including sustainable fisheries and related value chains. Seychelles originally considered using revenue from sustainable fisheries loans to fund interest payments, but this was not possible as the first loans were only issued in 2023 and the first interest payment is due in 2028.

The structure also responded to the socio-economic risks of transition. Recognising that reforms in fisheries management could impose short-term costs on fishing communities, it included dedicated investment to support alternative or enhanced livelihoods, helping to mitigate disruption and foster local buy-in for long-term sustainability goals.

Implementation of the blue bond was also integrated within the broader framework of the SWIOFish3, which provided technical assistance and institutional support for the transition to sustainable fisheries management.[131]

Implementation challenges and adaptations

While the Seychelles blue bond has been widely recognised as a success, implementation has not been without challenges, providing valuable lessons for other nations. A notable challenge emerged with the Blue Investment Fund, which initially saw slower uptake than anticipated. By 2021, only a single primary loan of US$3 million had been approved,[132] with several factors contributing to this limited disbursement.

- **Complex application requirements.** March et al. (2024)[133] found that the environmental and social safeguards, while essential for ensuring sustainability, introduced a level of complexity in the application process that proved challenging for many potential applicants, particularly smaller-scale entrepreneurs. Rigorous requirements could be prohibitive for some stakeholders, such as local fishers and small businesses.
- **Competition from other funding sources.** The Fisheries Development Fund, also managed by the DBS as part of a collaborative

128 World Bank (2017). See Footnote 123.
129 March et al. (2024). See Footnote 121.
130 World Bank (2017). See Footnote 123.
131 Ibid.
132 March et al. (2024). See Footnote 121.
133 Ibid.

framework between the Seychelles Fishing Authority and DBS, offered loans with less stringent environmental requirements and more favourable terms for fishers, creating unintended competition between funding sources.[134]

- **Limited institutional capacity.** DBS required capacity building to evaluate and process blue economy projects, an entirely new sector for the development bank. The technical systems and expertise necessary for assessing projects were not fully in place at the bond's inception.
- **Land constraints.** Many potential projects required access to coastal land, which is extremely limited in Seychelles, creating a practical barrier to implementation.

Conversely, the Blue Grants Fund has seen more consistent uptake, with 69 projects funded by 2022. The grant mechanism proved effective in supporting research, conservation and community initiatives. However, some stakeholders noted a disconnect between the grant and loan mechanisms, with limited pathways for promising grant-funded initiatives to transition to commercial scale with loan support.[135]

Box A2 Insight: Implementation architecture

Research on Seychelles' experience demonstrates the importance of designing implementation mechanisms that reflect local realities and institutional capacities. March et al. (2024) found that the separation of grant and loan facilities under different implementing agencies created specialised expertise but also co-ordination challenges. They note that 'There has been no horizontal thinking in the setup of this bond scheme. The starting point between disbursements from DBS and SeyCCAT should not be aligned, because timelines clash.'[136]

Impacts and outcomes

Despite implementation challenges, the Seychelles blue bond has delivered impacts across environmental, economic and institutional dimensions.

On the environmental dimension, the bond has supported Seychelles in achieving its target of protecting 30 per cent of its marine territory by 2020 – a critical achievement that places Seychelles among global leaders in marine conservation.[137] Bond proceeds have funded scientific research to inform fisheries management, including studies on commercial species, ecosystem health assessments and exploration of sustainable aquaculture potential.

Through the Blue Grants Fund, several community-led initiatives have received support, including:

- a project monitoring the movement of giant trevally in the outer islands to inform protection measures;
- assessment of juvenile shark habitats to guide MPA boundaries;
- baseline marine biodiversity surveys around key islands;
- feasibility studies for sustainable mariculture, including rock oyster and seaweed farming; and
- high-resolution 2D and 3D coastal mapping to support strategic coastal zone decision making.

The Blue Investment Fund has supported the development of improved fish processing facilities, enhancing food safety standards and increasing the value of locally caught fish. The investments complement the conservation measures and demonstrate how sustainable fisheries management can deliver economic benefits.[138]

Perhaps most significantly, the blue bond has shaped Seychelles' position as a global leader in blue economy innovation, attracting partner support and recognition. The bond's issuance helped accelerate the implementation of Seychelles' Blue Economy Strategic Policy Framework and Roadmap (2018–2030),[139] which aims to develop the blue economy as a means of realising the nation's development potential through innovation and knowledge-led approaches.[140]

134 Ibid.
135 Ibid
136 Ibid.
137 Labonte (2021). See Footnote 127.
138 March et al. (2024). See Footnote 121.
139 Commonwealth Secretariat (2018a), *A Blue Economy Roadmap: The Commonwealth Blue Charter*. Commonwealth Secretariat, London.
140 Commonwealth Secretariat (2018b), *A Blue Economy Roadmap: The Commonwealth Blue Charter*. Commonwealth Secretariat, London.

At the institutional level, the bond has strengthened capacity within key agencies, including the Ministry of Finance, DBS and SeyCCAT, building skills in sustainable finance, project evaluation and impact monitoring. The institutional capabilities represent a long-term legacy of the bond initiative, positioning Seychelles to develop further innovative financing mechanisms.

Lessons and implications for other Commonwealth nations

The initiative provides lessons for Commonwealth countries considering similar initiatives:

- **Size is not a barrier to innovation.** Despite its small population and economy, Seychelles pioneered a new financial instrument that has influenced global sustainable finance practices. The key was leveraging partnerships and blended finance approaches to overcome the limitations of scale.
- **Blended finance can unlock affordable capital.** The structured combination of guarantees, concessional financing and grants made the bond financially viable. Other nations can similarly work with MDBs and climate funds to develop blended structures that reduce borrowing costs.
- **Implementation architecture matters as much as financial structure.** The design of fund disbursement mechanisms, implementing agencies and co-ordination structures has had a significant impact on effectiveness. Countries should carefully assess existing institutional capacities and design implementation arrangements accordingly.
- **Integration with broader policy frameworks enhances impact.** The blue bond's integration with Seychelles' Blue Economy Roadmap, MSP process and fisheries management plans created mutually reinforcing initiatives. Future blue bonds should similarly align with and support national blue economy strategies.
- **A balance between environmental rigour and accessibility should be struck.** While strong environmental standards are essential for credibility, overly complex requirements can limit participation, particularly by smaller enterprises. The process of applying for funding can make it extremely difficult to access funding and limit the time available to implement projects. Donors who are more flexible have a greater impact.

Box A3 Insight: Investor engagement

Research on Seychelles' experience highlights the importance of early and ongoing engagement with potential investors. The private placement approach allowed for direct dialogue with the impact investors who understood and valued the conservation objectives. A review of the bond structure by the World Bank[141] showed that working with financial advisers who have existing relationships with impact investors proved crucial in identifying appropriate investment partners.

Conclusion

Since Seychelles issued the first sovereign blue bond in 2018, the market has grown, with 26 blue bond transactions totalling approximately US$9 billion by the end of 2022. Despite this momentum, blue bonds still account for less than 0.5 per cent of the global sustainable debt market.[142]

Seychelles' experience shows that SIDS can lead on innovative ocean finance. The bond has strengthened national institutions and continues to inform marine conservation and blue economy initiatives at the global level.

As climate change heightens pressure on marine ecosystems, blue bonds provide a tool for Commonwealth countries to fund sustainable ocean management. However, as Labonte (2021) cautions, 'all countries are unique... and what worked for the Seychelles might not work the same way for all other countries'. [143] Tailoring such instruments to national contexts is critical.

Still, Seychelles offers a valuable reference for others designing blue financing instruments aligned with their own priorities and capacities.

141 World Bank (2017). See Footnote 123.
142 Bosmans, L., and de Mariz, F (2023).
143 Labonte (2021), 11. See Footnote 127.

Case Study 2: Belize

The Belize context

In November 2021, TNC and the Government of Belize completed a US$364 million debt conversion for marine conservation. The transaction enabled Belize to repurchase its entire US$553 million 'Superbond' (representing a quarter of the country's total public debt) at a significant discount compared to the outstanding principal amount, while generating approximately US$180 million for marine conservation funding over 20 years.[144] Specifically, Belize was able to retire US$553 million in face value debt by paying approximately US$364 million – a discount of roughly 34 per cent to par value. This significant discount reflected the distressed nature of the original debt, which was trading below par value in secondary markets due to Belize's weak credit profile (CC/Caa3 ratings) and high default risk. The transaction reduced Belize's debt burden by 12 per cent of GDP and established binding commitments to protect 30 per cent of Belize's ocean, in addition to other conservation measures.[145]

This case study focuses on the design and implementation of Belize's blue bond, examining how the transaction mobilised capital for marine protection while achieving debt relief. It draws out elements of the structure that may inform similar blue finance strategies in other Commonwealth nations.

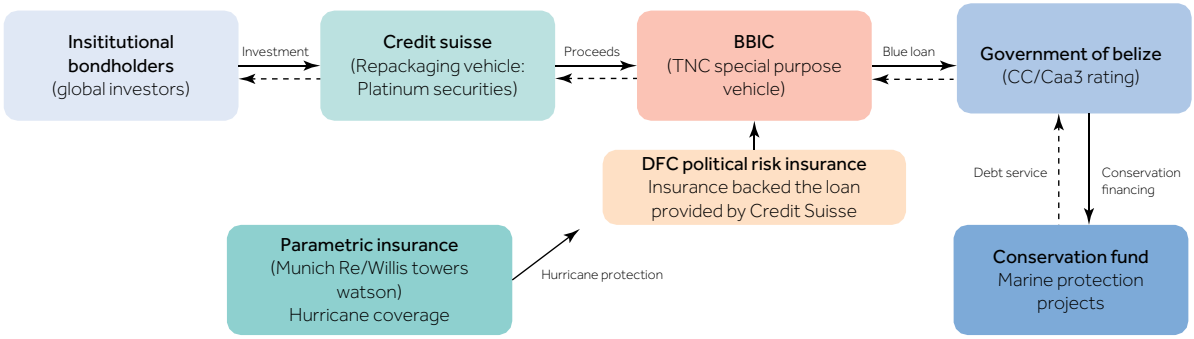
Structuring the bond: Transaction structure and financial innovation

Belize's blue bond transaction introduced several innovations that transformed what could have been a standard debt restructuring into a conservation financing mechanism. The transaction's success hinged on its ability to attract investment-grade financing despite Belize's weak fiscal position. At the time, Belize held a sovereign credit rating of CC from S&P and Caa3 from Moody's, reflecting a high risk of default and limited access to conventional capital markets.

The financial structure (Figure A1) involved a series of back-to-back transactions operationalised by TNC. At its core, TNC established a special purpose vehicle (SPV) – the Belize Blue Investment Company, LLC (BBIC), a wholly owned subsidiary of TNC – to act as an intermediary between investors and the Government of Belize. This structure enabled participation from a broader investor base than would typically consider Belize's sovereign debt.[146]

The most significant innovation was securing political risk insurance from the US Development Finance Corporation (DFC). The insurance provided coverage of up to US$610 million against the risk of non-payment by Belize, transforming the credit quality of the transaction.[147] As a result, the Belizean blue bonds received an Aa2 rating from Moody's – a remarkable 16 notches above its sovereign rating at the time.[148] The credit enhancement was a

Figure A1. Financial structure of the Belize Blue Bond.



144 The Nature Conservancy (2022). See Footnote 67.
145 Green Finance Institute (2023), 'Government of Belize Debt Conversion for Marine Conservation'.
146 Ibid.
147 US International Development Finance Corporation (2021), 'DFC Provides $610 Million in Political Risk Insurance for Innovative Debt Conversion in Support of Marine Conservation in Belize'.
148 The Nature Conservancy (2022). See Footnote 67.

critical part in enabling the transaction to access mainstream capital markets rather than relying solely on specialised impact investors.

The blue bond structure also incorporated the world's first commercial sovereign debt catastrophe insurance. A parametric insurance policy designed by Willis Towers Watson and underwritten by a Munich Re subsidiary was embedded in the transaction to provide coverage for blue loan debt service payments following a qualifying hurricane event in Belize.[149]

Credit Suisse facilitated the transaction by issuing the blue bonds through a repackaging vehicle (Platinum Securities Cayman SPC Limited), which Credit Suisse subsequently syndicated to institutional investors globally. According to TNC, the syndication received high interest from investors and was multiple times oversubscribed, demonstrating the strong market appetite for well-structured blue bond instruments.[150]

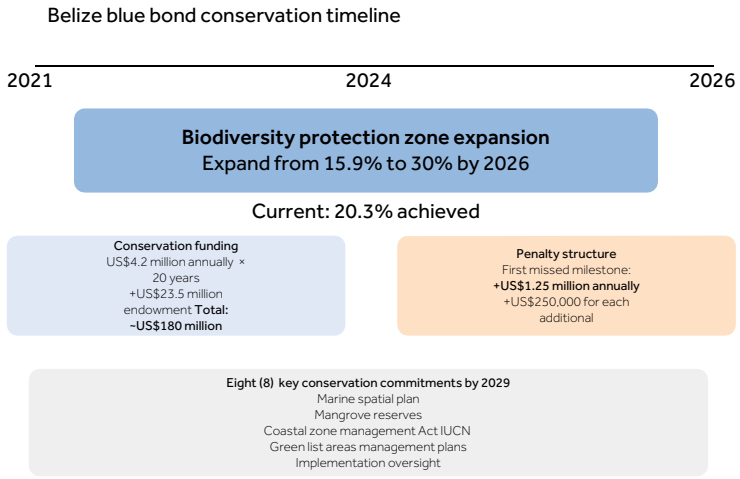
Conservation commitments and financing

What distinguishes Belize's blue bond from conventional debt restructuring is the binding conservation commitments integrated into the transaction (Figure A2). Under the Conservation Funding Agreement signed with TNC, Belize committed to implementing eight specific, time-bound conservation milestones, including:

- expanding biodiversity protection zones from 15.9 per cent to 30 per cent of Belize's ocean by 2026;
- developing and implementing a comprehensive marine spatial plan through a stakeholder-driven process;
- designating public lands within the Belize Barrier Reef Reserve System as mangrove reserves;
- approving and implementing a revised Coastal Zone Management Act and integrated coastal zone management plan;
- applying for at least three marine protected areas to be listed as IUCN Green List Areas; and
- developing and approving management plans for biodiversity protection zones.[151]

The commitments include financial consequences for non-compliance. If Belize fails to achieve a conservation milestone within the applicable grace period, its annual conservation payment increases by US$1.25 million for the first missed milestone, with an additional US$250,000 for each additional missed milestone.[152] The graduated penalty structure creates a strong financial incentive for implementation but maintains flexibility through reasonable grace periods.

Figure A2. Belize blue bond conservation commitments timeline.



149 WTW (2022), 'WTW-designed parametric solution protects Belize's blue bond debt servicing from climate disasters'.

150 The Nature Conservancy (2022). See Footnote 67.

151 Government of Belize (2021a). See Footnote 85.

152 Government of Belize (2021b), Act No. 28 of 2021: Blue Bonds Loan. Government of Belize.

The transaction established dual funding sources for conservation activities. First, Belize committed to quarterly conservation payments averaging US$4.2 million annually for 20 years enabled through the increased fiscal space of the debt reduction. Second, the transaction established a US$23.5 million pre-funded endowment that is projected to grow to over US$90 million by the end of the 20-year period.[153] Together, these funding mechanisms are expected to generate approximately US$180 million for marine conservation.

To manage the resources, the transaction established the Belize Fund for a Sustainable Future (BFSF), an independent conservation fund structured as a nonprofit entity. The fund operates a competitive grants programme to support marine conservation projects in Belize. According to the Conservation Funding Agreement, at least 40 per cent of the funds must be allocated to technical assistance programmes supporting the Government of Belize and its agencies in implementing the conservation commitments. Administrative expenses are capped at 20 per cent of the fund's annual budget, ensuring that the majority of resources flow to conservation activities.[154]

Governance and implementation framework

The successful implementation of Belize's blue bond commitments required robust governance mechanisms. As an indication of the Government's highest commitment to fulfilling these obligations, the Prime Minister established the Blue Bond and Finance Permanence Unit within the Office of the Prime Minister. This unit serves as the principal co-ordinating body for implementing the conservation commitments.[155]

The MSP process, which is central to achieving the 30 per cent ocean protection target, is guided by a multi-sectoral steering committee comprising representatives from various government agencies and non-governmental stakeholders. According to the Government of Belize, the Steering Committee includes senior level officers or employees from governmental and non-governmental stakeholders from sectors/areas including fisheries, coastal zone management, tourism, water resources, shipping, environment, finance, academia and energy.[156]

The BFSF, which manages the conservation funding, has a governance structure designed to balance government oversight with independent management. According to the Conservation Funding Agreement, the fund must 'at all times be an independent legal entity with a majority non-government representation' on its board.[157] The fund's board includes representatives from government, NGOs, academia and economic sectors.

The Blue Bond and Finance Permanence Unit co-ordinates the implementation of government strategic allocation projects through key government agencies. This allocation, amounting to approximately 11.7 million Belizean dollars (Bz$) for the 2023–2025 period, focuses on establishing an enabling environment for the development of MSP through strengthened governance, improved management, and enhanced monitoring of Belize's coastal and marine resources.[158]

Pre-issuance requirements and preparations

The completion of Belize's blue bond transaction required legal and regulatory preparations. The National Assembly of Belize enacted legislation to:

- authorise the government to enter into the Blue Loan Agreement and the Conservation Funding Agreement;
- ensure all payments contemplated under these agreements are charged on the consolidated revenue fund;
- provide exemptions from various taxes and regulatory requirements for parties to the agreements; and
- establish the legal framework for conservation commitments.

Additionally, Belize ratified the New York Convention on the Recognition and Enforcement of Foreign

153 The Nature Conservancy (2022). See Footnote 67.
154 Ibid.
155 Government of Belize (2021a). See Footnote 85.
156 Government of Belize (2024), 'Terms of Reference: Project Manager – Belize Blue Bond and Finance Permanence Project'.
157 Fontana-Raina, M and J Grund (2023), Blue bonds: Lessons from Belize's debt conversion for marine conservation, Green Finance Institute.
158 Government of Belize (2021b). See Footnote 152.

Arbitral Awards in March 2021, which was necessary to ensure the enforceability of any arbitral award under the DFC insurance policy.[159]

TNC's long-standing relationship with Belize played a crucial role in preparing for the transaction. TNC has been operating in Belize for three decades, working with the country on its ocean conservation goals, and was aware of their need for a debt solution.[160]

Impacts and outcomes: Implementation progress and early results

The implementation of the commitments under the blue bond has shown encouraging progress in the first years following the transaction. According to DFC,[161] the Government of Belize and the BFSF have accomplished several milestones:

- expanded biodiversity protection zones to encompass 20.3 per cent of Belize's ocean;
- designated public lands within the Belize Barrier Reef Reserve System as mangrove reserves;
- begun developing a marine spatial plan for Belize's ocean; and
- approved more than US$7 million in grants for various conservation projects.

These steps are part of the long-term goal to ultimately designate 30 per cent of Belize's ocean as Biodiversity Protection Zones. The MSP process will provide a data-driven system for determining where to expand ocean protection and improve ocean management.

The grants provided by the BFSF support a diverse range of conservation initiatives, focusing on four main areas: biodiversity protection, sustainable fisheries, climate resilience and blue business innovation. According to DFC,[162] projects funded to date include protecting the manatee, safeguarding a wildlife sanctuary, improving management of a marine reserve, restoring endangered coral species, strengthening fisheries governance and enhancing mangrove monitoring.

159 Fontana-Raina and Grund (2023). See Footnote 157.
160 The Nature Conservancy (2022). See Footnote 67.
161 US International Development Finance Corporation (2021). See Footnote 147.
162 Ibid.

Lessons and considerations for Commonwealth nations

There are several lessons for other Commonwealth nations from the Belize blue bond example:

- **Innovative credit enhancement mechanisms** can transform the creditworthiness of a transaction, enabling access to mainstream capital markets despite sovereign credit constraints.
- **Binding conservation commitments with financial consequences** creates credible incentives for implementation, while maintaining flexibility through appropriate grace periods and remediation options.
- **Independent fund governance**, with balanced representation from government and non-government stakeholders, ensures government engagement and independent oversight.
- **Integration with existing conservation frameworks** enhances implementation efficiency and builds on established priorities.
- **Parametric insurance** can provide valuable protection against climate-related disasters, particularly for vulnerable small island and coastal states.

Belize's approach may not be directly replicable in all Commonwealth contexts; however, the core principles and innovations can be adapted to diverse circumstances.

Conclusion

Belize's blue bond represents one of the most innovative approaches to linking debt management with marine conservation. Through the combination of debt restructuring with binding conservation commitments and establishing sustainable financing mechanisms, Belize has created a model that addresses both fiscal challenges and environmental imperatives. As noted by DFC,[163] this transaction offers an effective model for raising money for conservation that has already influenced similar debt-for-nature transactions in other countries. While the specific structure may not be directly transferable to all contexts, the principles, innovations and lessons from Belize's experience offer valuable guidance for other nations seeking to harness capital markets for blue economy objectives.

163 Ibid.

Case Study 3: Indonesia

In May 2023, the Republic of Indonesia issued the world's first publicly offered sovereign blue bond aligned with ICMA Green Bond Principles. This Japanese yen (JPY) denominated 20.7 billion (approximately US$150 million) issuance in the Japanese capital market represented a significant evolution in the country's sustainable finance journey. It demonstrated a firm commitment to ocean conservation and sustainable marine resource management.[164]

As the world's largest archipelagic nation, comprising more than 17,500 islands and approximately 108,000 kilometres of coastline, the relationship with the ocean is fundamental to Indonesia's identity, economy and development. The nation holds 51 per cent of Southeast Asia's coral reefs, spanning over 24,000 square kilometres, and possesses the world's largest mangrove ecosystem, covering 3.31 million hectares – approximately 20 per cent of the global mangrove area. The marine ecosystems are critical and provide substantial economic value, with coral reef tourism alone generating more than US$3 billion annually, and mangroves contributing approximately US$1.5 billion to the national economy yearly through fisheries support.[165]

The Indonesia blue bond represents a sophisticated approach to mobilising capital for ocean conservation and sustainable marine resource management, building upon previous experiences with green sukuk and SDG bonds. The approach is notably different from the Seychelles and Belize models, as Indonesia's strategy leverages established capital markets and governmental financial infrastructure rather than debt conversion mechanisms or conservation trust funds.

Box A4 Insight: Building on existing sustainable finance experience

Indonesia's approach demonstrates how countries can leverage prior experience with green bonds to enter the blue finance market. The foundation began in 2016 with the establishment of a climate budget tagging system, which became crucial for identifying and quantifying sustainable projects across government ministries. Notable practices included:

- using established frameworks and expanding them to include blue categories;
- applying similar verification and impact reporting methodologies;
- engaging with the same technical partners and external reviewers;
- building on institutional knowledge from previous issuances; and
- utilising existing relationships with investors to introduce the blue concept.

Importantly, Indonesia embedded a 'blue focus' into its SDG Government Securities Framework before formal ICMA principles were in place, demonstrating proactive leadership in defining blue finance standards. Capitalising on Indonesia's existing sustainable finance experience reduced transaction costs and shortened the timeframe for the blue bond.

The Indonesia context: Evolution of sustainable finance in Indonesia

The blue bond issuance emerged from a deliberate and strategic evolution in the national approach to sustainable finance. The journey began in 2014 when the Indonesian Financial Services Authority (OJK) published its Roadmap for Sustainable Finance in Indonesia (2015–2019),[166] formalising the government's commitment to sustainable finance. This was strengthened in 2017 by OJK Regulation No. 51/POJK.03/2017 on Sustainable Finance and OJK Regulation No. 60/POJK.04/2017 on Green Bonds.[167]

A critical milestone came in 2018, with it being the first country globally to issue a sovereign green sukuk, raising US$1.25 billion. The *sukuk*, an Islamic

164 Japan Bank for International Cooperation (2023), 'Partial acquisition of publicly offered Samurai blue bonds issued by Government of Indonesia'.

165 Indonesia Climate Change Trust Fund (ICCTF) and Ministry of National Development Planning/BAPPENAS (2022), 'Indonesia blue finance policy note (Ver. 3.0)'.

166 Otoritas Jasa Keuangan (2015), 'Sustainable finance roadmap phase I (2015–2019)'.

167 Schneider, E (2024), 'Indonesia: Bridging the SDG financing gap with the support of innovative financing instruments', UNDP.

finance instrument, demonstrated the capacity to adapt financial innovations to cultural and religious contexts. By 2023, several more sovereign green sukuk had been issued, including retail offerings in the domestic market, raising a cumulative total of nearly US$5 billion.[168]

Further expansion of sustainable finance offerings occurred in 2021, when the first SDG bond in Southeast Asia was issued, raising 500 million euros. This issuance was based on the SDG Government Securities Framework, which established the foundation for future thematic bonds, including the blue bond.[169] The strategic progression was designed to complete the portfolio of sustainable financing instruments while accessing different investor bases and currency denominations – US dollar markets through green sukuk, euro markets through SDG bonds, and Japanese yen markets through the blue bond.

Institutional framework and co-ordination

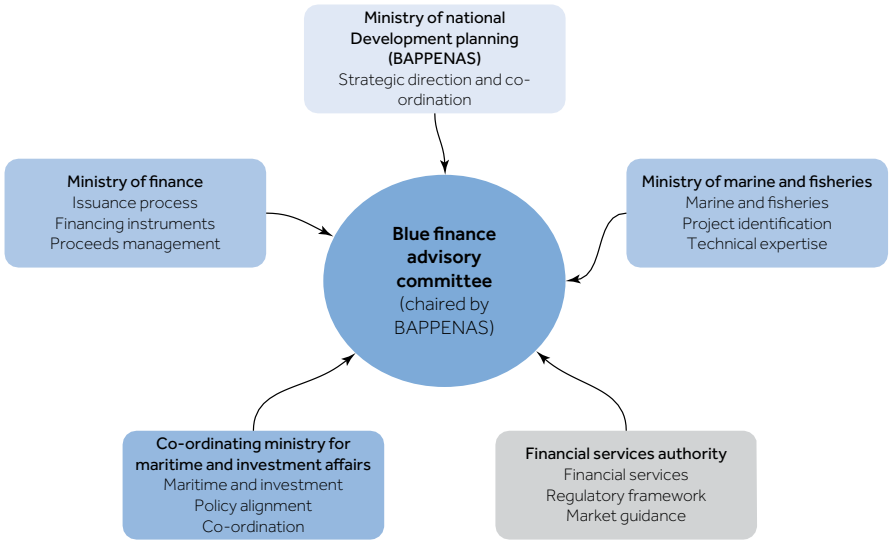
A distinguishing feature of the approach to blue finance in Indonesia has been the institutional framework for cross-agency co-ordination (Figure A3). The development and implementation of the blue bond involved multiple government agencies, each with distinct but complementary roles:

- the Ministry of National Development Planning (BAPPENAS) provided strategic direction, aligned the blue bond with national development priorities and co-ordinated across stakeholders;
- the Ministry of Finance (MoF) led the issuance process, determined appropriate financing instruments and managed proceeds;
- the Ministry of Marine Affairs and Fisheries (MMAF) identified eligible marine and coastal projects and provided technical expertise;
- the Coordinating Ministry for Maritime and Investment Affairs (CMMAI) ensured alignment with broader maritime policies; and
- the Financial Services Authority (OJK) provided the regulatory framework and market guidance.[170]

Box A5 Insight: Cross-agency co-ordination

Indonesia's Blue Finance Advisory Committee illustrates a strong model for governance of blue finance initiatives while

Figure A3. Institutional co-ordination framework.



168 Ibid.

169 CICERO Shades of Green (2021), 'Second opinion on the Republic of Indonesia's SDGs framework'.

170 Ministry of National Development Planning (BAPPENAS) and UNDP Indonesia (2022), 'Indonesia Blue Finance Policy Note: Unlocking Blue Finance Opportunities to Support Sustainable Marine and Fisheries Development', Jakarta, Indonesia.

respecting the distinct mandates of different government agencies:

- Establish clear leadership under a co-ordinating ministry.
- Define specific roles for each participating agency based on their mandates.
- Create formal mechanisms for regular consultation.
- Develop joint decision-making processes for project selection.
- Implement shared monitoring and reporting frameworks.

Co-ordination challenges emerged, however, particularly around expectation management, as line ministries initially assumed blue bond issuance would provide additional budget allocations. This required extensive clarification that it represented general budget financing rather than new project funding.

To facilitate co-ordination among the agencies, a Blue Finance Advisory Committee was established in 2022, chaired by BAPPENAS. The committee served as a hub for cross-sectoral collaboration and provided strategic guidance for the development and implementation of blue finance instruments. The committee's role extended beyond co-ordination to include strategic planning, policy formulation, stakeholder engagement and monitoring. It also served as a platform for engagement with development partners, international organisations and the private sector.[171]

The outlined institutional approach was rooted in Presidential Decree No. 111/2022, which concerns the implementation of achieving the Sustainable Development Goals (SDGs). This decree provided the mandate for co-ordinated action on the SDGS, including SDG14.

Structuring the bond: Framework development and structure

The blue bond was issued under the country's SDG Government Securities Framework, developed in 2021. The Framework, which received a 'Medium Green' rating and a 'Good' governance score from CICERO and the International Institute for Sustainable Development (IISD), established categories of eligible expenditures with green, blue and social focuses.[172]

Specifically targeting projects with a 'blue focus' within this framework, the bond included sustainable management of natural resources on oceans, marine and coastal protection and restoration of biodiversity and ecosystems, and sustainable fisheries. The Framework established a process for project selection and evaluation based on the budget tagging process, which utilises existing projects already allocated within the state budget rather than creating new project financing vehicles. This process, first introduced in 2016 for climate change mitigation expenditures, was expanded to include adaptation in 2018 and involved 17 line ministries. The system enabled BAPPENAS to conduct budget tagging in accordance with outputs aligned with the SDGs action plan and roadmap.[173]

For the blue bond specifically, projects were identified and developed through close collaboration between BAPPENAS, CMMAI and UNDP. UNDP played a crucial role in project screening, applying exclusion criteria, and developing compelling narratives and impact metrics for selected projects. Selected projects focused on protecting and developing marine ecosystems against threats such as plastic waste, to enhance carbon capture, social impact and economic development in sectors such as fisheries and tourism.[174]

In terms of structure (Figure A4), the blue bond was issued as a samurai bond – a Japanese yen-denominated bond issued by a non-Japanese entity. The issuance consisted of two tranches with different maturities: a 7-year tranche of JPY14.7 billion (approximately US$106 million) with a coupon rate of 1.2 per cent, and a 10-year tranche of JPY6 billion (approximately U$43 million) with a coupon rate of 1.43 per cent.[175] In comparison to other sovereign blue bonds, the low coupon rates reflect various factors: Japan's ultra-low interest rate environment,[176] the strong

171 Ibid.

172 Schneider (2024). See Footnote 167.

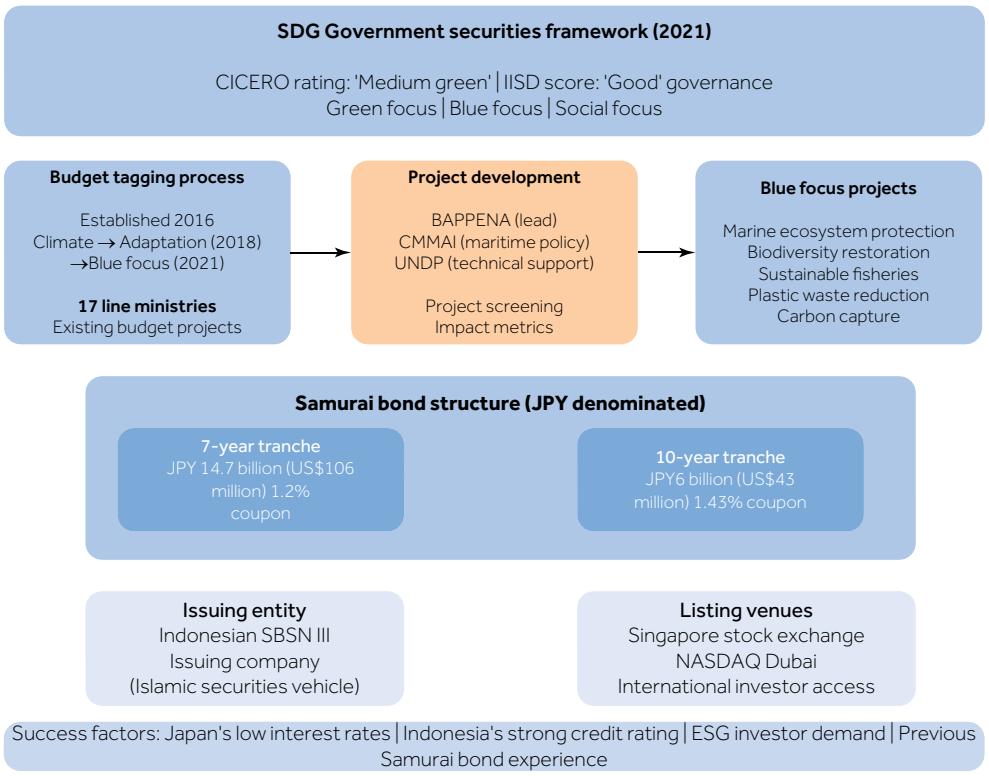
173 Ibid.

174 Ministry of National Development Planning (BAPPENAS) and UNDP Indonesia (2022). See Footnote 170.

175 Republic of Indonesia Ministry of Finance (2023), 'Republic of Indonesia issues JPY 104.8 billion and inaugural blue bonds'.

176 At the time of issuance in May 2023, Japan's benchmark interest rate was at 0.50 per cent, reflecting the country's prolonged period of low interest rates aimed at stimulating economic growth (Trading Economics (2023), *Japan interest rate*)

Figure A4. Sustainable finance ecosystem.



credit ratings of the Republic of Indonesia[177] and the high investor demand for JPY-denominated ESG-aligned instruments among international investors. The structure also benefited from the Government of Indonesia's previous experience with Samurai bonds and the credibility provided by its SDGs Framework and CICERO's SPO, all of which helped reduce perceived risk and attract pricing advantages from ESG-focused investors.[178]

The bond was issued through the Indonesian SBSN III Issuing Company, a legal entity explicitly formed for issuing Surat Berharga Syariah Negara (SBSN) or sovereign Islamic securities. It was listed on the Singapore Stock Exchange and NASDAQ Dubai, making it accessible to international investors.[179]

177 Indonesia maintained solid investment-grade credit ratings from major agencies, including a 'BBB' rating with a stable outlook from Fitch Ratings, a 'Baa2' rating with a stable outlook from Moody's, and a 'BBB' rating with a stable outlook from Standard & Poor's (Moody's Investors Service (2024), 'Credit opinion: Government of Indonesia – Baa2 stable'; S&P Global Ratings (2024), 'Indonesia sovereign rating report – "BBB" stable outlook')

178 CICERO Shades of Green (2021). See Footnote 169.

179 Nasdaq Dubai (2024), 'Nasdaq Dubai Welcomes Three Sukuk Issuances by the Republic of Indonesia Totalling US$2.75 Billion'.

Innovative features of the approach

Several aspects of the blue bond issuance stand out as particularly innovative, as discussed below.

Strategic focus on domestic markets

While the initial blue bond was issued in the Japanese market, the broader sustainable finance strategy emphasises an eventual transition toward greater domestic issuance. The approach aims to mitigate exchange rate risks and reduce dependency on international markets. As noted in the Blue Finance Policy Note[180] the plan is to 'concentrate its thematic bonds to domestic markets...in order to mitigate budget deficit and exchange rate risks'.

This approach acknowledges that while international markets may offer advantages for innovative issuances, a sustainable long-term strategy must incorporate domestic market development where the country is of sufficient size to enable this. This is particularly important given that domestic currency issuances represent less than 10 per cent of the total sustainable bond

180 Ministry of National Development Planning (BAPPENAS), and UNDP Indonesia (2022). See Footnote 170.

market, despite the benefits they offer in terms of mitigating foreign currency risk.[181]

Pricing and credit considerations

Indonesia's Ministry of Finance secured favourable pricing for its 2023 sovereign blue bond issuance, reflecting improved investor confidence and market conditions. The 7-year tranche was priced at a 1.2 per cent coupon with a spread of Yen Mid Swap rate (YMS) +80 basis points, while the 10-year tranche was issued at 1.43 per cent with a spread of YMS +85 basis points. Both represented tighter pricing compared to the 2022 issuance, which had YMS spreads of +105 and +110 basis points for the 7- and 10-year tenors respectively.[182]

The tighter pricing compared to previous issuances demonstrated improved investor confidence in Indonesia's sustainable finance programme and institutional capacity. However, Indonesian officials noted that the explicit pricing benefits or 'bluemium' remain limited for emerging market issuers. While there is increasing demand for thematic bonds, the primary benefits are access to a more diversified investor base and alignment with the government's commitment to sustainable finance and climate change goals rather than immediate cost savings.

Box A6 Insight: Lessons for large economies

Indonesia's experience offers valuable insights for larger Commonwealth economies:

- Leverage existing capital market infrastructure and relationships.
- Align blue bonds with national development priorities and climate commitments.
- Integrate with established budget processes and monitoring systems.
- Co-ordinate across multiple government agencies with distinct mandates.
- Consider both international and domestic issuance strategies.
- Develop specialised institutional capacity for sustainable finance.

This may help larger economies effectively mobilise capital to achieve blue economy objectives.

Integration with budget tagging systems

Indonesia leveraged its established budget tagging system, which had been developed initially for climate expenditures. The system, implemented with support from UNDP, allows for tracking and monitoring of government spending on climate change mitigation and adaptation activities.[183]

Extending this system to blue expenditures created a transparent and accountable mechanism for identifying eligible projects and tracking the impact of blue bond proceeds, though it also meant that projects were essentially 'labelled' rather than directly financed by bond proceeds. The approach enhanced credibility with investors and facilitated co-ordination among government agencies, aligning with national development priorities. The integration of the blue bond with the budget tagging system represents an innovation in ensuring the integrity and effectiveness of blue finance initiatives.

Cultural and religious context

The broader sustainable finance initiatives, including blue finance efforts, have been attentive to the country's religious and cultural context. The nation has successfully implemented Islamic finance instruments, such as green sukuk, which comply with Sharia principles that prohibit interest and require investment in tangible assets. It's second ranking in the Islamic Finance Development Indicator[184] showcases leadership in this domain.

Box A7 Insight: Integrating religious and cultural context

Currently, sukuk instruments focus exclusively on green themes, while conventional bonds address blue and social themes. This division addresses several practical challenges: sukuk

181 Schneider (2024). See Footnote 167.
182 Republic of Indonesia Ministry of Finance (2023). See Footnote 175.
183 Ibid.
184 Hardiana, MD, D Roy Chowdhury and R Haroen (2024), 'Opportunities to advance thematic bonds and sukuk in Indonesia: A knowledge brief', UNDP.

requires underlying asset management, making it less flexible than conventional bonds; it prevents project overlap to avoid investor confusion and ensures projects aren't double counted across instruments; and it enables operational efficiency through specialisation, allowing teams to develop deeper expertise in specific instrument types. Indonesia's experience offers valuable insights for countries seeking to align sustainable finance with religious and cultural contexts:

- Develop frameworks that accommodate conventional and Islamic financial principles.
- Engage religious authorities in the design and verification process.
- Ensure that project selection criteria align with international standards and religious principles.
- Use familiar financial structures that investors understand while incorporating sustainability criteria.
- Consider cultural attitudes towards debt, charity and environmental stewardship.

While the initial blue bond was not structured as a sukuk, experience with Islamic finance instruments suggests the potential for future blue sukuk issuances. A Green Waqf Framework[185] has been developed that guides leveraging charitable giving for environmental projects, including marine conservation. Additionally, exploration of integrating *zakat* funds (Islamic almsgiving) through the National Board of Zakat for the Republic of Indonesia (BAZNAS) to support marine and coastal sustainability initiatives has occurred.[186] The OJK has also worked to ensure that sustainable finance regulations are compatible with conventional and Islamic financial principles to broaden the potential investor base for sustainable finance instruments and ensures alignment with cultural and religious values.

185 Badan Wakaf Indonesia (2022), 'Green Waqf Framework'.
186 Ministry of National Development Planning (BAPPENAS) and UNDP Indonesia (2022). See Footnote 170.

Impact and outcomes: reporting areas and approach

The blue bond's proceeds were directed toward projects focused on three primary impact areas: marine biodiversity conservation, sustainable fisheries management and marine pollution reduction. The focus areas align with the National Oceans Policy (2017)[187] and commitments under SDG14.[188]

An impact reporting framework was designed to track and report on KPIs related to these objectives, requiring annual confirmation processes with project-owning ministries through formal letter exchanges and focus group discussions to validate project details and impact achievements. Similar to the reporting approach for green sukuk and SDG bonds, there is a commitment to annual reporting on the allocation of proceeds and environmental impact achieved, although these are not yet reported on.[189] This comprehensive process enhances transparency and investor confidence while creating operational complexity that requires dedicated resources and co-ordination mechanisms across government agencies.

Lessons learned for Commonwealth nations

The Indonesian blue bond case study reinforces many of the lessons from the earlier case studies. Indonesia demonstrates that institutional frameworks and enabling environments are key, with the establishment of the comprehensive roadmap and Blue Finance Committee providing an institutional base for cross-sector collaboration. In particular, Indonesia demonstrates:

- **Institutional ownership and enabling environment are key**. The establishment of the comprehensive roadmap and Blue Finance Committee provided an institutional base for cross sector collaboration.
- **Working with current systems can reduce learning and transaction costs**. Through the use of, and adaptations to, the existing reporting systems to tag provincial and national budget allocations, the blue finance approach

187 https://leap.unep.org/en/countries/id/national-legislation/presidential-decree-no-16-2017-concerning-indonesian-ocean-policy
188 CICERO Shades of Green (2021). See Footnote 169.
189 Ibid.

was aligned with existing systems in Indonesia. However, this approach also requires extensive expectation management across ministries regarding the nature of general budget financing versus new project funding.

- **Developing investor confidence** reduces the spread of the bonds, but preferential pricing – because of the blue nature of the bond – has not really materialised. Officials note that thematic bonds should be viewed as a commitment rather than providing immediate financial benefit.
- **Robust and transparent monitoring, reporting and verification frameworks** are crucial to building investor confidence and demonstrating impact. Blue bonds must provide transparency in fund allocation and impact areas.

Conclusion

The development and implementation of the blue bond encountered several challenges, as documented in the Blue Finance Policy Note.[190] These included enabling environment and policy constraints, pipeline development difficulties, capacity constraints, and limited market awareness.

To address these challenges, a comprehensive roadmap for blue finance was developed, which included establishing the Blue Finance Advisory Committee to provide leadership and foster cross-sectoral collaboration, co-ordinating blue frameworks and budget tagging at the national and provincial levels, reconciling policy requirements to maximise environmental values for MPAs, and developing a robust monitoring, reporting and verification framework.

The challenges encountered in the blue bond issuance are not unique and reflect the broader challenges faced by the blue finance sector globally. These challenges are particularly around inter-ministry co-ordination, where line ministries may view participation as additional work without direct financial benefit to their operations. However, Indonesia's systematic approach to addressing these challenges provides valuable insights for other countries contemplating similar initiatives.

190 Indonesia Climate Change Trust Fund (ICCTF) and Ministry of National Development Planning/ BAPPENAS (2022). See Footnote 165.

Summary

Appropriate lessons will be unique to each country's individual circumstances and the application of a blue bond approach will need to be designed to match these, as demonstrated by the religious context in Indonesia. However, there are some general lessons that can be drawn and all three case studies demonstrated significant innovation in their blue bond process. Each country will need to challenge current constraints and take an experimental approach to solving complex and challenging problems. The case studies clearly demonstrate this approach drives success. However, these case studies also demonstrate that aligning the blue bond targets, the MRV system, development aspirations and policies, and institutional arrangements to those currently present is effective and efficient, as is complying with current supporting international mechanisms. Therefore, innovation needs to be targeted where systems or approaches may not already exist.

Blue bonds are not unique in investors' minds and have no special features that allow below market terms, with Indonesian officials confirming that explicit pricing benefits or 'bluemium' remain limited for emerging market issuers. However, the structuring of the bond and implementation specifics, such as the MRV system, can reduce the risk premium attached to them. Belize's insurance approach is a powerful example of how innovation and bond structuring can work together to lower risk premium. To reinforce the transparency, reduce transaction costs and thus lower the premiums attached to blue bonds, it is important to bring together a wide range of stakeholders to enable co-ordination and co-operation. Likewise, these stakeholders can both hold the funding body to account but also provide advice on barriers to implementation to ensure that smaller enterprises can take advantage of the available financing.

The case studies offer critical insights for Commonwealth nations navigating the blue bond issuance process described in this Toolkit:

- **Pre-issuance phase**: All case studies demonstrate the importance of thorough legal and regulatory preparation, including obtaining necessary legislative approvals and establishing appropriate governance structures. Countries should establish robust project identification systems before

considering bond issuance, develop clear inter-agency co-ordination mechanisms with defined roles and responsibilities, and build internal capacity for thematic bond framework development, while engaging technical partners early for international standard alignment.

- **Stakeholder co-ordination**: The establishment of the Blue Bond and Finance Permanence Unit in Belize and Indonesia's Blue Finance Committee illustrates the value of a dedicated co-ordination mechanism and fund that spans multiple government agencies and incorporates diverse stakeholders. However, Indonesia's experience also shows that co-ordination requires planning for ongoing co-ordination costs and resource requirements across government agencies, developing clear communication strategies to manage expectations across participating ministries, and establishing formal co-ordination structures rather than relying on ad-hoc collaboration.
- **Project selection**: Belize's approach to developing a marine spatial plan through a participatory process provides a model for science-based, stakeholder-inclusive project identification and selection. The slow disbursement of the SeyCCAT funds demonstrates the need to develop a participatory process.
- **Risk management**: The integration of parametric insurance was a unique element of Belize's blue bond and highlights the importance of incorporating climate risk management into blue bond structures, particularly for climate-vulnerable nations.

Annex B. Checklist for blue bond issuance

The following checklist provides a high-level overview of the key activities under each phase of the blue bond issuance process. This checklist is not intended as a linear process guide; many of these activities will run in parallel and there may be interdependencies between some activities that are not captured here. It is important to consult the relevant sections in the *Toolkit* and other international guidance and principles (for example, ICMA GBP and the *Blue Bond Practitioner's Guide*) to ensure activities and outputs meet market and investor expectations.

Phase 1: Pre-issuance

Checklist – Phase 1: Pre-issuance	
Strategic decision and internal preparation (see 9.1)	
Key stakeholders • Internal: Ministry of Finance (MOF), Debt Management Office (DMO), relevant line ministries, central bank, Cabinet/Parliament	
Activity	**Complete**
Assess strategic alignment of blue bond outcomes with national policies and priorities (for example, blue economy, NDCs, SDGs).	☐
Conduct initial institutional capacity analysis to assess the institutional, technical and financial capacity to manage a blue bond issuance.	☐
Conduct initial cost–benefit analysis to establish if a blue bond issuance is worth further investigation.	☐
Secure high-level political endorsement for blue bond issuance exploration (that is, Cabinet or parliamentary approval).	☐
Designate lead agency to steer delivery and cross-government co-ordination.	☐
Feasibility assessment and business case (see 9.2)	
Key stakeholders: • Internal: Ministry of Finance (MOF), Debt Management Office (DMO), relevant line ministries, legal department/Attorney General, central bank, Cabinet/Parliament • External: MDBs, underwriters, and legal, financial or technical advisers *(many of these activities may require external stakeholder engagement to fill capacity gaps and provide specialised expertise. Engagement with potential lead managers provides valuable market intelligence on investor appetite, timing and structural preferences that can significantly influence success)*	
Conduct full debt sustainability analysis (DSA) and integrate blue bond issuance into Medium-Term Debt Management Strategy.	☐
Conduct a market viability assessment to assess market appetite and potential investor base, plus the scale and volume of the issuance needed to attract investors.	☐
Conduct credit rating analysis and explore enhancement options where needed.	☐
Review legal authority and institutional mandates to evaluate specific legal requirements for the proposed blue bond structure.	☐
Perform full cost–benefit analysis and assess alternative finance options.	☐

Checklist – Phase 1: Pre-issuance	
Internal co-ordination and governance (see 9.3)	
Key stakeholders: • Internal: MOF, DMO, relevant line ministries and agencies, central bank	
Establish new or mandate existing cross-government mechanism(s) for blue bond co-ordination and delivery and formalise terms of reference (ToRs).	☐
Agree reporting and decision protocols, including reporting lines to Cabinet/Parliament.	☐
Identify single point(s) of contact for internal and external stakeholders, and agency focal points where appropriate.	☐
Legal analysis and capacity review (see 9.4)	
Key stakeholders: • Internal: Attorney General's Office/legal department, MOF/DMO, relevant line ministries and agencies • External: MDBs, technical assistance partners	
Conduct legal analysis and develop a legal memorandum outlining compliance requirements, necessary legislative or regulatory approvals, proposed legal structures, and risks.	☐
Conduct in-depth capacity assessment across critical functions (for example, project selection and delivery, proceeds use and tracking, monitoring and reporting, compliance) and determine where external support or capacity building is required.	☐
Blue Bond Framework development (see 9.5)	
Key stakeholders: • Internal: Attorney General's Office/legal department, MOF/DMO, relevant line ministries and agencies • External: MDBs, technical assistance partners *(governments should identify technical assistance needs early in the Framework development process)*	
Define eligible project categories and exclusions for use of proceeds, aligned with established principles (for example, ICMA GBP and the *Blue Bond Guidance*).	☐
Define project evaluation and selection process, aligned with established blue finance standards, and develop risk management processes.	☐
Define relevant and manageable metrics, such as KPIs or sustainability performance targets (SPTs), to support capital allocation and impact reporting.	☐
Establish management of proceeds processes, including proceeds tracking (to support allocation reporting), temporary investment of allocated funds, and disbursement timeline.	☐
Define allocation and impact reporting frameworks and processes to support post-issuance investor reporting.	☐
Second party opinion (see 9.6)	
Key stakeholders: • Internal: MOF/DMO • External: SPO provider	
Obtain a second party opinion (SPO) on the Blue Bond Framework.	☐
Secure Cabinet/Parliamentary approval for Blue Bond Framework and issuance, once SPO review is complete.	☐

Phase 2: Issuance

Checklist – Phase 2: Issuance	
Market engagement (see 10.1)	
Key stakeholders • Internal: MOF/DMO, central bank, Attorney General's Office, relevant line ministries and agencies, Cabinet/ Parliament • External: Investment banks, lead managers, underwriters, legal advisers, SPO providers, MDBs, credit rating agencies, securities regulators, stock exchanges, settlement systems	
Activity	**Complete**
Conduct structured market sounding 6–8 weeks before launch to gather feedback on potential demand, pricing expectations and investor concerns.	☐
Identify and map priority ESG and impact-focused investors based on their mandates and past participation in similar transactions.	☐
Plan and execute investor roadshows, including presentations by senior MOF officials on the bond's strategic rationale and eligible blue projects.	☐
Pricing strategy and execution (see 10.2)	
Work with lead managers to develop initial pricing guidance and open the book-building process to gauge investor appetite.	☐
Approve final pricing and determine the appropriate bond size, investor allocation strategy and transaction timing.	☐
Transaction documents (see 10.3)	
Draft and finalise the bond prospectus, including legal disclosures, use of proceeds and terms of issuance.	☐
Finalise subscription, agency and underwriting agreements; co-ordinate signing and closing processes.	☐
Obtain final required legal opinions and statements of compliance to ensure regulatory alignment.	☐
Secure Cabinet/Parliamentary approval of issuance terms.	☐
Publish relevant transaction documents, including the second party opinion and all supporting framework documents, for investor transparency.	☐
Listing and settlement (see 10.4)	
Confirm and execute bond settlement through international or domestic clearing systems (for example, Euroclear, local CSD).	☐
Select listing venue and complete listing process, ensuring compliance with ongoing disclosure and ESG reporting requirements.	☐

Phase 3: Post-issuance

Checklist – Phase 3: Post-issuance
Proceeds management and tracking (see 11.1)
Key stakeholders • Internal: MOF/DMO, relevant line ministries and agencies, Auditor General's Office, national statistics agency • External: Environmental consultants, third-party verifiers, MDBs and other technical assistance partners, ESG analysts, local community and sectoral representatives, civil society organisations, NGOs

Checklist – Phase 3: Post-issuance	
Activity	**Complete**
Establish clear disbursement protocols, internal controls and accounting practices for managing and tracking bond proceeds.	☐
Implement a system to tag/track and monitor expenditure against eligible projects to support future reporting.	
Ensure that any unallocated funds are temporarily invested in low-risk instruments in line with framework guidelines.	☐
Project implementation and monitoring (see 11.2)	
Oversee execution of funded projects through existing public investment systems while incorporating additional environmental and reporting standards.	☐
Maintain stakeholder engagement, especially with local communities, through regular updates and inclusive consultation processes.	☐
Track environmental indicators using pre-defined KPIs and monitoring systems to evaluate outcomes and course-correct as necessary.	☐
Investor reporting and communication (see 11.3)	
Prepare and publish annual allocation reports showing which projects received funding and how much was disbursed.	☐
Prepare and publish annual impact reports demonstrating measurable environmental outcomes from funded projects.	☐
Post-issuance external verification (see 11.4)	
Commission external verification of allocation and impact reports to validate use of proceeds and publish reports to enhance credibility.	☐
Secondary market strategy (see 11.5)	
Monitor secondary market performance and investor sentiment to guide future issuances and improve bond liquidity.	☐
Conduct follow-up communication with investors to maintain confidence and support repeat issuance opportunities.	☐
Planning for future issuances (see 11.6)	
Review and assess outcomes from the current bond to identify lessons learned and opportunities for improving future blue finance efforts.	☐
Prepare for future issuances by updating pipeline development plans and refining the Blue Bond Framework if needed.	☐

Annex C: Useful references and tools

C1 Key guidance and standards

The following table provides an overview of key guidelines and resources to support the blue bond issuance process. The ICMA Green Bond Principles are the recognised voluntary global standard for blue bond issuance, with the *Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide* providing the most up-to-date consolidation of best practice, drawing on previous publications and guidelines included in this table.

Title – published by	Target audience	Description	Alignment with other guidance
Green Bond Principles (GBP) – ICMA	Issuers	Primary voluntary global standard for use of proceeds green and blue bonds; sets recommendations for transparency, disclosure and reporting.	Foundation for all other green/blue bond frameworks; referenced by ADB, IFC, UNEP, IMF.
Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide – ICMA, ADB, IFC, UNEP FI, UN Global Compact	Issuers, investors and underwriters	Technical voluntary guidance for issuing blue bonds; includes definitions, taxonomies and reporting metrics.	Consolidates best practices; cross-references ICMA, IFC and UN standards.
Sovereign ESG Bond Issuance: A Guidance Note for Debt Managers – International Monetary Fund (IMF)	Sovereign debt managers	Technical advice on managing sovereign ESG bond issuance within debt sustainability frameworks.	Complements ICMA and MDB frameworks with macro-fiscal focus; tailored to public debt managers.
Blue Finance Guidelines – IFC	Development finance institutions	Provides recommendations for eligible blue projects and reporting practices; supports commercial and development institutions in issuing blue bonds.	Aligned with ICMA GBP and complements UN Global Compact and ADB frameworks.
'Sustainable Blue Economy Finance Principles' – UNEP FI	Banks, insurers and investors	Sets voluntary principles for ocean-related sustainable finance, emphasising environmental and social responsibility.	Referenced by ADB and UNGC guidance; broader than just bond instruments.
Practical Guidance to Issue a Blue Bond – UN Global Compact (UNGC)	Corporates	Provides step-by-step advice for corporates and governments on preparing and issuing credible blue bonds.	Aligned with ICMA GBP and complements IFC Blue Finance Guidelines.
Climate Bonds Standard Version 4.2 – International Best Practice for Labelling Green Investments – Climate Bonds Initiative	Issuers	The Climate Bonds Standard and Certification Scheme is a voluntary labelling scheme for investments that tackle climate change.	Complements ICMA principles; supports harmonisation with other market standards including those from ICMA, IFC and the UN.
Guidelines for the Issuance of Thematic Labelled Instruments – Latinex, CBI, IDB	Issuers	Outlines good practice for issuing ESG bonds. Covers transparency, reporting, taxonomy alignment and impact verification to strengthen market integrity.	Complements ICMA principles; supports harmonisation with other market standards including those from ICMA, IFC and the UN.

C2 Document examples from past blue bond issuances

The table below provides examples of publicly available documents from past blue bond issuances. There is no standardised template for how these documents should be presented and some elements will be subject to contextual considerations and requirements.

Document type	Link to example	Chapter
Blue Bond Framework (or comparable alternative)	Fiji Sustainable Blue Bond Framework Republic of Indonesia's SDG Government Securities Framework	9.5
Second party opinion	Fiji Sustainable Bond Framework SPO Republic of Indonesia's SDG Government Securities Framework SPO Honduras' Framework for Green, Social and Sustainable Thematic Bonds	9.6
Prospectus/Offering Memorandum	Fiji Sovereign Blue Bond Prospectus	10.3
Investor reporting	Republic of Indonesia SDG Bond and Blue Bond Allocation and Impact Report 2024 IDB Invest Sustainable Bond Program Allocation and Impact Report 2023	11.3

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