



## **Seychelles: Introducing the World’s First Sovereign Blue Bond - Mobilizing Private Sector Investment to Support the Ocean Economy**

The World Bank helped the government of Seychelles issue the world’s first Blue Bond (2018).

The World Bank Treasury put together an innovative financing package that mobilized US\$15 million of private sector investment to support the ocean economy and helped the Seychelles’ government save over US\$8 million in interest charges over the next ten years.

### **Background**

Seychelles is a small island country with an economy that is highly dependent on the ocean. After tourism, the fisheries sector is the most important industry, employing about 17 percent of the population.

The World Bank is supporting Seychelles’ efforts to build a diversified blue economy with the “Third South West Indian Ocean Fisheries Governance and Shared Growth Project” (SWIOFish3), a project that supports countries in the region as they transition their fisheries sectors to sustainable practices, governance, and management.

Seychelles wanted the most attractive financing available in the market, and the World Bank was prepared to provide credit enhancement support through a guarantee.

### **Financing Objectives/ Considerations**

- Protect Create a model to support Seychelles’ blue economy through the capital markets, using an approach similar to the Green Bond financing, which the World Bank pioneered with the first Green Bond issuance in 2008
- Achieve better financing terms and market access
- Mobilize and enhance an additional US\$15 million needed to support the SWIOFish3 Project and provide Seychelles with a custom product that aligns with long-term fiscal needs

### **World Bank Treasury’s Role**

#### **Structuring the Financial Package and Facilitating Market Access**

- Structured a Blue Bond with a custom ten-year maturity schedule that aligned with project funding needs and Seychelles’ liability profile
- Integrated a World Bank partial credit guarantee of US\$5 million into the Blue Bond, which lowered Seychelles’ borrowing cost by at least 2.0 percent per year
- Helped arrange US\$5 million in concessional financing from the Global Environmental Facility, which further lowered Seychelles’ net borrowing cost by over 3 percent per year
- Secured a donation from Rockefeller Foundation to cover most of the transaction costs
- Engaged with investment banks to find a top tier placement agent and a trustee for the Blue Bond issuance. Standard Chartered Bank and Bank of New York Mellon were brought in to help manage the process and payments
- Connected Seychelles with investors who purchased the Blue Bond issue: Calvert Impact Capital, Nuveen, and Prudential Investments

## Outcome

On October 29, 2018, the Government of Seychelles announced the issuance of the world's first sovereign Blue Bond. The proceeds from the bond will help pay for marine protection, fishery management and other projects to safeguard the ocean economy that the country depends on. Grants and loans for the individual projects will be channeled through the Blue Grants Fund and Blue Investment Fund, managed respectively by the Seychelles' Conservation and Climate Adaptation Trust (SeyCCAT) and the Development Bank of Seychelles (DBS).

The Blue Bond has the potential to serve as a model for other small island developing states and coastal countries. Like the World Bank's first green bond 10 years ago, the Blue Bond is another example of the powerful role that capital markets can play in supporting the sustainable objectives.

Supporting issuance of sustainable development bonds (thematic bonds such as green bonds, blue bonds etc.) is one of the many ways the World Bank helps member countries become more resilient to economic shocks. IBRD's AAA credit rating, market presence, and convening power enables Treasury's Banking Products team to develop innovative products that help clients maximize financing and mitigate many kinds of macro-financial risks.



### World Bank Treasury Thematic Bond (Sustainable Development Bond) Advisory

- Support for issuing Blue Bonds is available to World Bank member countries that wish to build diversified blue economies, including coastal nations, small island states, and others.
- Treasury leverages more than a decade of Green Bond experience, having issued more than US\$13 billion to date since it pioneered the world's first Green Bond in 2008.
- Advisory can also be provided to governments on the development of standards, frameworks, national regulations, and other requirements issuing Green Bonds.



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