

A scenic view of a rocky beach with turquoise water and a paved path leading into the distance. The path is on the right, leading away from the viewer towards a dense line of trees. The beach is composed of large, dark rocks and smaller pebbles. The water is clear and blue, with white foam from waves breaking against the rocks. In the background, a large, rounded island or headland is visible under a clear sky.

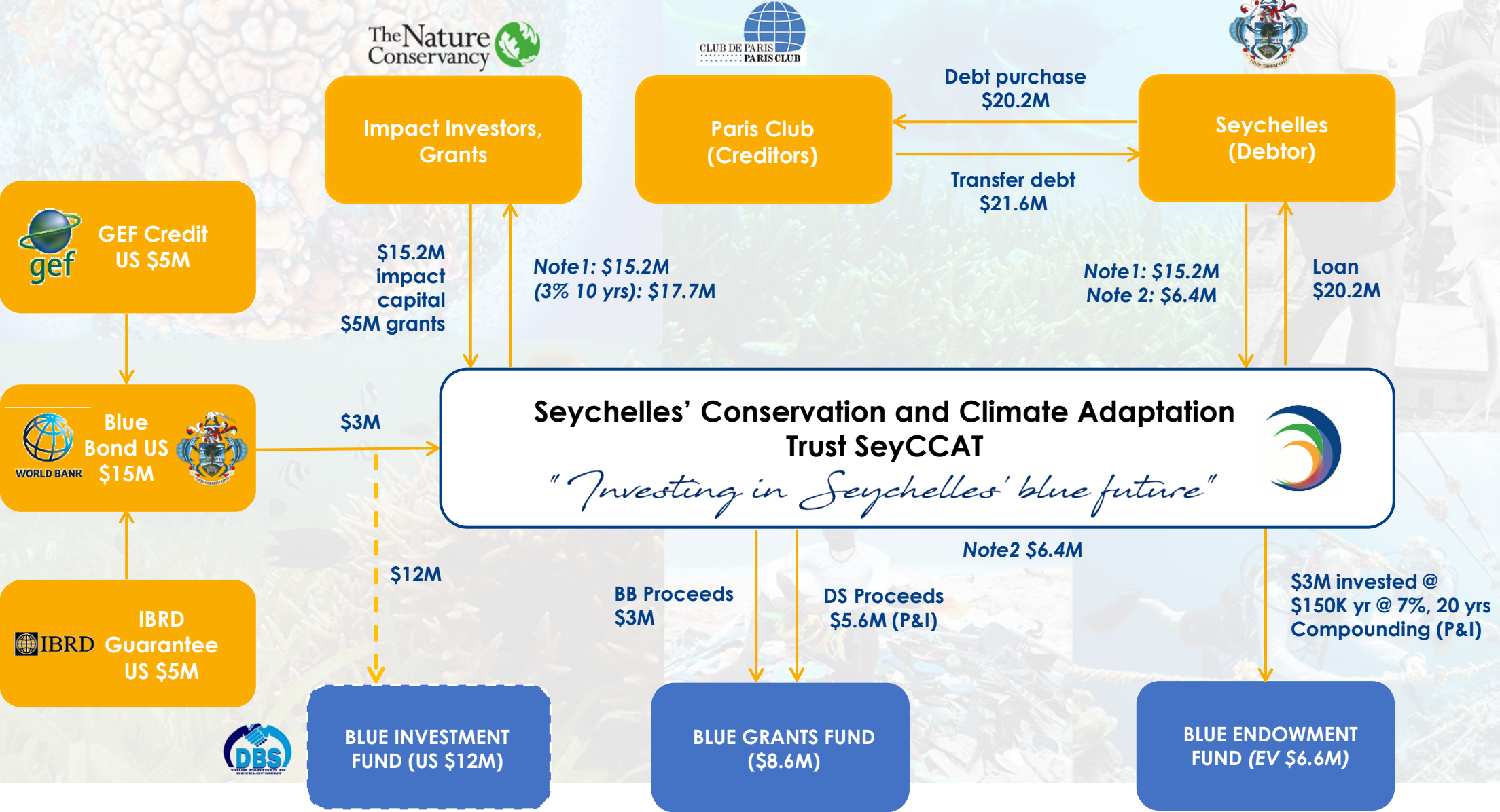
Applicability of innovative finance for addressing loss and damage

Lessons from the Seychelles

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Seychelles' debt-for-nature swap & Blue Bond



Benefits to Government

Summary of key benefits to the Government



Redirection of external debt service to investments in country: upwards of **US\$11 M (over 20 years)**

- With two thirds of this payable in local currency



Improved Fiscal Space

- Extended maturities on **\$21.6 M** of debt from 8 years to **13 year** average



Government entities eligible to apply for funding from SeyCCAT



Outcomes from Seychelles Swap

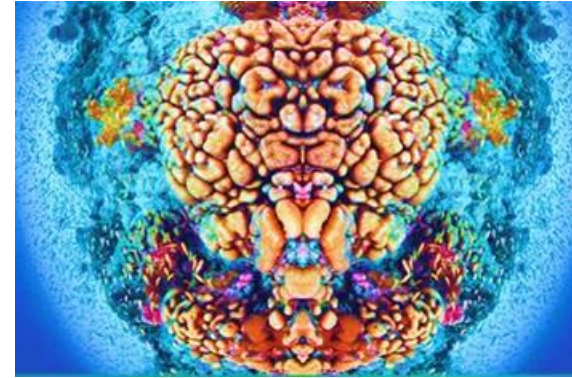
VIA LOAN OF US\$15.2 MILLION (IMPACT CAPITAL) AND US\$5 MILLION IN GRANTS:



400,000 sq. km of new MPAs in the Seychelles, half no-take fish replenishment reserves, based on MSP



New/ revised CZM, fisheries, and marine policies, based on MSP



\$8.6 million for marine and climate adaptation work (over 20 years)



Capitalize \$6.6 million endowment



Results of Blue Innovative financing

US\$
700, 000

available
ANNUALLY as
grants financing for
projects supporting
ocean
conservation and
climate adaptation
projects.
*(Administered by
SeyCCAT)*

US\$
12 million

available as loans
at 4% interest rates
compared to
commercial interest
rate is 12-13%
*(Administered by
the Development
Bank of Seychelles)*

THE
SEYCHELLES

Achieving
Marine Conservation
through a
Debt-for-Adaptation Swap



Strategic Objectives of the Blue Funds

SeyCCAT- Our Blue Funds

A. Blue Grants Fund

B. Blue Endowment Fund

A. Blue Challenge Fund

Our endowment matures
in 2036

*Under development

Support new and existing marine and coastal protected areas and sustainable use zones



Empower the fisheries sector with robust science and knowhow to improve governance, sustainability, value, and market options



Promote the rehabilitation of marine and coastal habitats and ecosystems that have been degraded by local and global impacts



Develop and implement risk reduction and social resilience plans to adapt to the effects of climate change



Trial and nurture business models to secure the sustainable development of the Seychelles blue economy



CROSS-CUTTING THEMES

Research and development | Management and implementation
Policy and advocacy | Education, training and outreach



Lessons Learned from the Seychelles' Experience

- Debt-for-nature swaps and blue bonds are debt instruments. So far, examples have included **debt buy-backs** and **debt restructuring** **not** the extinguishing of debt.
- Creditors must be willing to sell debt and sell debt at a discount.
- Risk reduction mechanisms were employed to drive interest costs down.
- May require partnership to support buy-back transaction.
- Must be at **scale**. Belize's 'super blue bond' is valued at more than US\$ 360 million.
- **Costing** exercise to meet the commitment and needs should not be an afterthought.
- Administrators (usually, public-private partnerships) of the proceeds are **nationally-based, efficient and responsive to the needs of local population**.
- Priorities are locally determined but unlocking funding may lead to some conditionality.

Innovative financing is not a silver bullet.