Debt for Nature Swaps and Blue Bonds

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Ministry of Finance, Economic Planning and Trade
Seychelles
SEYCHELLES

- 115 Islands and population of 97,199
- Land mass of 452 km²
- Exclusive Economic Zone of approx. 1.4 million km², which is almost 3,000 times the size of its land area
- GDP per capita classify as High Income
WHY DO WE NEED A TRANSITION TO SUSTAINABLE FISHERIES

WE DEPEND ON OCEANS
Subsustainable fisheries will provide for our present and future needs

- The fisheries sector is a major pillar of Seychelles economy
- 17% of the total population is employed in the fisheries sector
- 96% of goods exported are fish and fish products
- Fish is critical to our diet with Seychelles consuming approximately 57 kg per person each year

OCEANS DEPEND ON US
Our ocean’s natural resources are being depleted as a result of unsustainable economic activity

- Fish stocks have declined by more than 80% in the last three decades, resulting in a loss of income for fishers
- Fishers now have to travel further and fish for longer to obtain good catches
- However, fishing fleets have continued to grow and now exceed sustainable levels
- Our local diet is shifting from fish to less healthy sources of protein, which can lead to nutrition and health issues, including obesity and diabetes
• Economic diversification – to reduce reliance on a small number of sectors and increase the percentage of GDP from marine sectors

• Jobs and share prosperity – creating high value jobs and building a skilled workforce

• Food Security – effective and sustainable utilization of marine resources

• Sustaining the ecological integrity of the marine environment to support present and future livelihoods
Design of the Debt Swaps

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

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

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

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

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

Seychelles committed to the creation of 400,000 square kilometers of new marine protected areas (MPAs) – the second largest such network in the Indian Ocean – to improve resiliency of coastal ecosystems.
Blue Financing; The Financing Structure

**GEF grant** $5.3m
- $2.65m
- $1.5m

**IBRD loan** $5m
- $2.65m
- $1.5m

**GEF credit** $5m
- $4m
- $12m

**IBRD guarantee** $5m
- $1m

**Blue Bond** $15m
- $1m

**Component 1:** Expansion of sustainable-use marine protected areas ($4.15m)
**Component 2:** Improved governance of priority fisheries ($4.15m)
**Component 3:** Sustainable development of the blue economy ($16m)
**Component 4:** Project management and coordination ($1m)

Total: $25.3m
SOURCE OF FUNDS

- Your business idea
- Feasibility study
- Business plan
- Project pilot
- Research
- Project initiative
- Marine Spatial Plan

Small - medium grants up to 100,000 SCR

Large grant between 100,000 to 1,000,000 SCR

DBS Blue investment Fund
12 million USD

SeyCCAT Blue Grants Fund
3 million USD

DBS maximum loan
42 million SCR
(Subject to exchange rate)

Interest rate
4% payback over 15 years
BENEFICIARIES

☑️ Our beneficiaries of the Blue Grants Fund will be:
- Locally-registered non-governmental organisations
- Businesses
- Parastatal organisations
- Government agencies, or
- Citizens of Seychelles

☑️ Other beneficiaries of the Blue Investment Fund will be Seychellois businesses with an interest in investment opportunities in the fisheries sector. This includes:
- Seychellois Individuals
- Locally registered civil society organizations
- Locally registered, Seychellois-majority owned firms, comprising
  • small and medium sized fisheries enterprises
  • larger public-private partnerships
  • local-foreign joint ventures (local shareholder must be the majority shareholder)
  • Legally existed and operational for a minimum of 2 years
EXAMPLES OF ELIGIBLE ACTIVITIES

- Promotion of sustainable practices
- Fisheries management plans
- Education awareness programs
- Stock rebuilding
- Improved value chains
- Aquaculture development
BLUE GRANT FUND
(BGF)
SEYCATT WILL...

Blue Grants Fund

Aims to distribute approximately US$700,000 per annum

Grow SEYCATT assets and support conservation and climate adaptation through online campaign; fisheries/impact fund; corporates/CSR tax; co-finance leverage; and bonds.

Implementation of the sustainable development goals (SDGs).

Be an example in innovative financing and share the experience for replication.
THE BLUE GRANT FUND (BGF)...

Small-medium grants up to SCR 100,000. Awarded on the basis of an approved concept note. The maximum duration of grant awards is 12 months for a small-medium grant.

Large grants between SCR 100,000 and SCR 1,000,000. These grants will be short-listed on the basis of the concept note (stage 1), and then awarded on the basis of a full proposal (stage 2). The maximum duration of grant awards is 24 months for a large grant.

Co-financing is not mandatory for small-medium grants, but in kind co-financing is encouraged.

Applicants for large grants are encouraged to provide co-financing to an amount equivalent to that being requested from SeyCCAT. Indicative co-financing must be provided at the concept stage, and an attestation of the available co-financing must be submitted with the full proposal.
A loan scheme to assist the progress of the implementation of fisheries management through economic diversification and sustainability.

Minimum loan: $50,000 (approx. SR 700,000)
Maximum loan: $3 m (approx. SR 42 million)
Interest: 4% p.a.
Repayment period: 15 years
Personal Contribution: 10%
Thanks!

Any questions?