Feasibility of Sustainability Bonds in the Pacific
Overview

Funded Projects

ISSUER (Government or Corporate)

Investors
- Private sector investors
- Multilateral agencies
- Philanthropic organisations
- Other investors

External Manager / Microfinance Institution

Funded Projects

Green
Social
Sustainability
Blue
Sustainability-linked

= Funding
= Principal & Interest
Success factors for PSIDS

- Support at all levels for sustainable development, especially with COVID
- Bonds are trending in the sustainability financing space
- Significant institutional pool of funds exist
- Preference for “bricks & mortar”, cash and fixed income (e.g. bonds)
- Investment policies / trust deeds lean towards cash or fixed income
- “Weight of cash” from under-investment during pandemic
- Domestic experience with bond / fixed income issuance
- Regulatory frameworks generally neutral-to-conducive
- International technical assistance readily available
Importance of blended financing

- Contributions from govt, multi-lateral, philanthropic sources can catalyse private sector investment
  - Reduce risk
  - Support a competitive return for investors

Example – Seychelles blue bond
- Sovereign issuer with blended finance structure
- USD15m raised in 2018 from international investors for:
  - Expansion of marine protected areas
  - Improved governance of priority fisheries
  - Development of Blue economy
- Guaranteed by USD5m pledge from World Bank
- Concessional loan of USD5m from Global Environment Facility
- Rockefeller Foundation donation covered most of the transaction costs
- World Bank provided technical assistance
Bond structure – other considerations

- Counter negative perceptions of MSMEs and informal sector
- Bond must meet financial return objectives first and foremost
- Funded projects should be bankable
- Post-investment support for funded projects important
- Listing could enhance attractiveness
- Incentives for issuance can be very effective
- External technical expertise for issuers is available
Bond framework

- Strong governance and management
- 4 key areas
  - Use of Proceeds
  - Process for Project Evaluation & Selection
  - Management of Proceeds
  - Reporting
- Global guiding principals available
  - Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles issued by the International Capital Market Association (ICMA)
- Link to SDGs important
Thank You