Ministers,

Excellencies,

Distinguished Participants,

I wish to thank you for the invitation and the opportunity to share Belize’s Debt for Marine Swap, or Blue Bond Debt Conversion, experience with you. I am Janine Felson, Special Advisor on Climate Finance to the Government of Belize, and I am very pleased to deliver these remarks on behalf of the Government.

Access to affordable finance has been a central platform of 30 years of SIDS advocacy. It has reached heightened urgency as the compounding impacts of climate change and other exogenous shocks relentlessly and disproportionately affect our small open and vulnerable economies. The recent IPCC reports underscore that finance is not keeping pace with our growing needs for adaptation or loss and damage nor are we able to access what is currently available. Moreover, even with all policies in play, exceeding 1.5°C within our lifetime is real, the loss of biodiversity will be unprecedented, and the carrying capacity of our ocean will have been breached. These imminent scenarios make it all the more imperative that international finance and support reach those who need it the most now.

It is our hope that all Small Island and low lying coastal Developing States can leverage our often-unrecognized contribution to the protection and preservation of our planet’s marine resources in order to access affordable finance not just for debt relief but to assist us pay for the costs of conservation, invest in enhancing our climate resilience and invest in the transformation of our economies to a more sustainable path.

As we have recounted on many occasions, the economic shock Belize experienced from COVID-19 brought our economy to its knees. Unemployment reached 30 percent, poverty increased to 60 percent. GDP declined by 17 percent, and our debt ballooned to 130 percent of GDP.

But even prior to Covid, Belize found itself already burdened with unsustainable debt. Our vulnerability, like other SIDS, to the increasingly more frequent and more costly impacts of climate change has always eroded the development gains we have achieved. Belize’s annual average losses from weather events during 1990-2008, for example, equaled on average close to 4 percent of Gross Domestic Product (GDP) per year, and coupled with that, our limited access to concessory financing forced us to borrow from private creditors to finance chronic and large trade and current account deficits, in part arising from post disaster reconstruction, and thus resulting in unsustainable debt to GDP ratios.

In short, as we well know, we pay the highest price of the impacts of climate change even though we contribute the least to the causes of climate change while also contributing more than our fair share to the preservation of our planet.

Belize, therefore welcomes, the global community’s recognition of our contribution and of the need to identify innovative financial mechanisms to assist us. The Nature Conservancy’s “Blue Bonds for Ocean Conservation” program which was launched in 2019 is one such mechanism.

My intention today is to briefly share with you:

A description of what makes the Bond Blue;

What we believe were some critical factors that brought us to the Blue Bond table and gave us leverage at the table;

More importantly, our commitment to protection of Belize’s marine resources and investing in a more sustainable economic pathway.

As noted earlier, even prior to experiencing the severe economic contraction that has resulted from the COVID-19 pandemic, Belize’s Debt to GDP ratio was already at unsustainable levels. COVID-19 simply brought us to the brink. One way or another we needed to do something about our debt.

So what is the Blue Bond and what did we achieve, how did we secure it and how do we intend to use the proceeds to build a more sustainable future.

The Belize Blue Bond program enables Belize to convert its existing foreign currency bonds issued on the international market into blue debt that it will use to implement its national marine conservation agenda.

Going into the program, Belize had some $553 billion in Eurobonds that were trading at a steep discount. Belize and nearly 85 percent of its bondholders agreed that Belize would repurchase the outstanding debt for about 55 cents on the dollar. This agreement allowed the government of Belize to reduce its total debt stock by a sizable twenty-five percentage points of GDP (from 133 percent to 108 percent) in effect setting the Government on a path toward long-term debt sustainability. To repay bondholders, The Nature Conservancy issued a blue bond and passed on the proceeds to Belize in the form of a blue loan. Critically important,
the U.S. Development Finance Corporation (DFC) then provided political risk insurance to enhance repayment prospects for the new
debt, which helped enable an investment grade rating for the TNC blue bond. The government of Belize then used the blue loans to
retire the Eurobond at a discount.

The government also agreed to use part of the fiscal savings from the bond restructuring to implement timebound coastal and marine
conservation measures, including increasing biodiversity protection zones from 15.9 percent of ocean area today to 30 percent by
2026. The government will also establish a Conservation Fund that will be capitalized by the government of Belize to the tune of
$180 million in payments over 20 years. The Conservation Fund will be an independent entity that is neither controlled by the
government of Belize nor by TNC. Both government and non-governmental organizations will be eligible to apply for funding for
coastal conservation projects.

The Belize blue bond program is the largest of its kind to date. A previous program executed with the Government of Seychelles
resulted in an $18 million program guaranteed by the World Bank. The big question is whether a blue bond program of this nature
can be scaled, because as long as debt for nature swaps have been available their uptake have reportedly been very limited in
close.

On this point there are a number of lessons that can be shared from the Belize experience. [Critical success factors that can be
replicated in SIDS]

The first is securing confidence across stakeholders. From the outset, the government demonstrated genuine commitment to repair
our fiscal house and embark on real fiscal management reform. The International Monetary Fund recognized these efforts. So did
the initial bond holders as well as Credit Suisse.

The second is maintaining genuine partnerships. The partnership between the Government of Belize and The Nature Conservancy
was fundamental to the Program.

Finally, we believe the most critical factor in being able to secure the blue bond, is our demonstrated commitment to being responsible
stewards of our ocean and natural resources in general. The success of the Belize Blue Bond program is an indication of global
recognition of our track record for good stewardship of our marine resources.

While much has been touted of the fiscal aspect of the Blue Bond, for Belize and for the world, it is more than debt refinancing. It
is a commitment to support marine conservation. It is an opportunity to keep our people and our economy healthy. It is a contribution
to the wider global efforts to tackle the triple crises we face in climate, ocean and biodiversity. It is important for us therefore that
this is not seen just as a Belize story, it is and should be the SIDS story. With some 30 percent of the world’s ocean within our
jurisdiction, the SIDS bear a global conservation responsibility that ultimately amounts to a global public good.

Going forward, rather than awaiting unsustainable debt to trigger a reaction, the international community should work with SIDS to
use the blue bond model more proactively and help us build our pathways to sustainable development. In so doing, it can move the
concept beyond the debt swap setting to a model that can be scaled to have systemic impact for vulnerable countries.