DEALHQ BLUEBOND PLAYBOOK:

PRACTICAL GUIDE FOR THE ISSUANCE OF BLUE BONDS

INTRODUCTION

This Blue Bond Playbook is a comprehensive guide for stakeholders seeking to understand and navigate the emerging blue bond market. Blue bonds are innovative financial instruments designed to raise capital for projects promoting sustainable use of ocean and water resources, advancing marine conservation, climate resilience, and the broader blue economy.

Prepared by DealHQ Partners, this playbook provides actionable insights into the legal, regulatory, and transactional frameworks required for issuing, structuring, and listing blue bonds. It draws on global best practices while addressing the unique opportunities and challenges within the Nigerian and African contexts.

Through this playbook, DealHQ aims to empower governments, corporations, financial institutions, regulators, and investors with the knowledge and tools needed to unlock the full potential of blue finance, fostering economic growth while safeguarding marine ecosystems for future generations.

The oceans and marine resources are critical to global sustainability, serving as a source of economic activity, food, energy, and climate regulation. However, these vital resources face increasing threats from overexploitation, pollution, and climate change. In response to this, innovative financing tools like blue bonds have emerged to provide much-needed capital for marine conservation and sustainable blue economy initiatives.

Recognizing the immense opportunities presented by blue bonds and the critical role they play in achieving global sustainability goals, particularly SDG 14 (Life Below Water) and SDG 6 (Clean Water and Sanitation), DealHQ Partners has prepared this playbook. This playbook serves as a comprehensive guide for stakeholders looking to participate in the blue bond market, offering clarity on the regulatory, legal, and transactional intricacies of issuing and investing in blue bonds.

The preparation of this playbook reflects DealHQ's commitment to driving the conversation around sustainability-focused financial instruments across Africa. By fostering knowledge, transparency, and confidence in blue bond transactions, this playbook aims to unlock the immense potential of Africa's blue economy while advancing environmental conservation and economic growth.

OBJECTIVES OF THE PLAYBOOK

The primary objectives of this playbook are as follows:

a. To Provide a Practical Guide for Blue Bond Issuance in Africa:

This playbook outlines a clear and detailed framework for the issuance, structuring, and listing of blue bonds, addressing key considerations for issuers, investors, and regulators. It provides actionable steps and insights into the eligibility, pricing, allocation, and governance of blue bonds, ensuring stakeholders have the tools needed to navigate the blue bond market successfully.

b. To Promote Awareness of the opportunities in Africa's Blue Economy:

The playbook highlights the significance of the blue economy in driving sustainable development. By emphasizing the economic and environmental benefits of blue bonds, it seeks to raise awareness among policymakers, financial institutions, and businesses about the opportunities that exist within the marine and ocean economy.

c. To Support Regulatory Development across Africa:

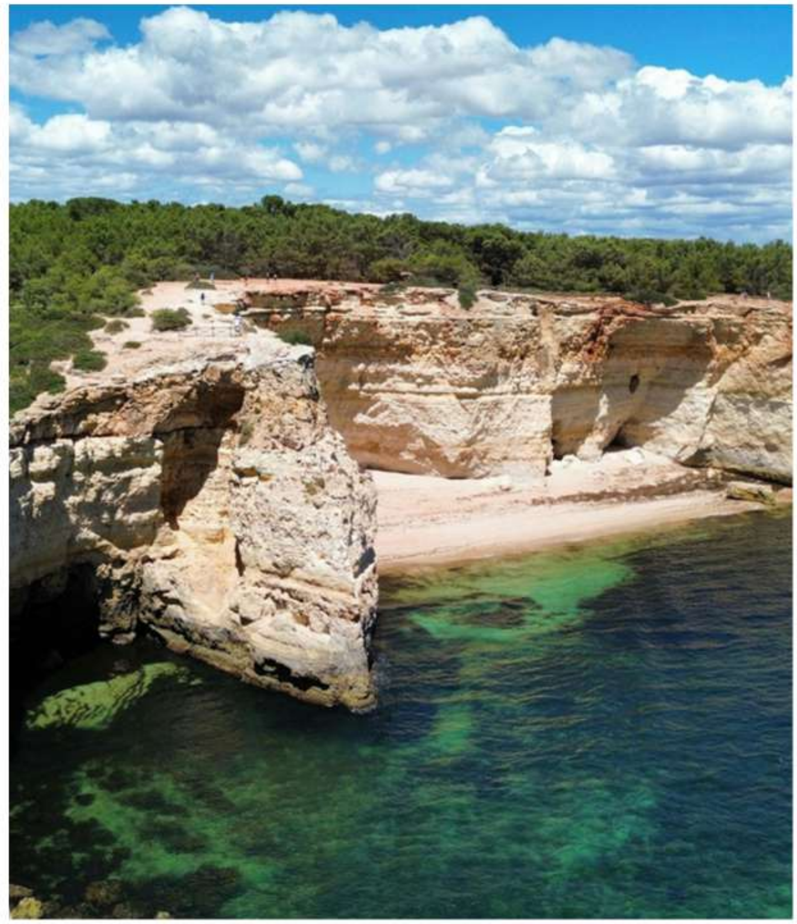
By referencing global best practices, the playbook serves as a foundational tool for African regulators and market participants in developing tailored guidelines and frameworks for the issuance of blue bonds. It seeks to align Africa's sustainable finance markets with international standards, while addressing the unique characteristics of Africa as a whole.

d. To Empower Key Stakeholders:

This playbook is addressed to a diverse range of stakeholders, including governments, multilateral development banks, financial institutions, corporates, investors, regulators, and environmental organizations. It aims to equip these parties with the knowledge and resources needed to effectively engage in blue bond transactions, drive investment in sustainable marine projects, and enhance collaboration across sectors.

e. To Foster Transparency and Accountability:

The playbook emphasizes the importance of robust governance, reporting, and disclosure requirements in blue bond issuance. By providing guidance on post-issuance reporting and impact measurement, it encourages issuers to maintain transparency and accountability to investors and the public.



2. THE BLUE ECONOMY

A. GLOBAL OVERVIEW OF THE BLUE ECONOMY

The World Bank defines the blue economy as "sustainable use of ocean resources to benefit economies, livelihoods and ocean ecosystem health". Its emergence as a global concept represents a paradigm shift in how the ocean and water bodies are now valued—not merely as a space for exploitation but as a vital resource requiring balanced and sustainable management.

The term gained global recognition during the **United Nations Conference on Sustainable Development (Rio+20)** in 2012, where the importance of oceans in fostering sustainable development was highlighted. Since then, the blue economy has become integral to global sustainability discussions, especially for coastal nations and island states whose livelihoods are intrinsically tied to marine resources.

The blue economy encompasses diverse economic activities tied to ocean health. These include:

a. Fisheries and Aquaculture: These are primary contributors to the blue economy, supporting food security and livelihoods. For instance, the Maine Aquaculture Innovation Center in the United States promotes sustainable aquaculture practices to reduce environmental impacts while ensuring economic returns. Similarly, in Africa, Kenya's Blue Economy Strategic Framework is revitalizing fisheries to combat illegal, unreported, and unregulated (IUU) fishing.

b. Renewable Ocean Energy: Offshore wind farms, tidal energy, and wave energy projects are central to reducing reliance on fossil fuels. Notable examples include the Hornsea Project in the UK, the world's largest offshore wind farm, and Portugal's Wave Roller project, which generates renewable energy from ocean waves.

c. Marine Conservation and Ecosystem Services: The preservation and restoration of vital marine ecosystems like coral reefs, mangroves, and seagrass beds are critical for maintaining biodiversity and mitigating climate impacts. Projects such as the Coral Triangle Initiative in Southeast Asia protect reefs that support millions of livelihoods while safeguarding biodiversity hotspots.

d. Maritime Transport and Ports: Shipping contributes significantly to global trade but is a major emitter of greenhouse gases. The Getting to Zero Coalition, an international alliance, is promoting zero-emission vessels powered by clean fuels by 2030, a transformative step for sustainable maritime transport.

e. Marine Biotechnology: The oceans are a frontier for biotechnology, offering resources for pharmaceuticals, biofuels, and enzymes. Norway's MABIT Programme exemplifies innovation in this sector, fostering collaboration between research institutions and businesses to develop marine-based products.

f. Coastal and Marine Tourism: Eco-friendly tourism initiatives leverage the beauty of marine and coastal ecosystems while ensuring their protection. Examples include the Great Barrier Reef Eco-Tourism Strategy in Australia, which integrates conservation with sustainable tourism, and Zanzibar's community-driven mangrove restoration projects, which promote eco-tourism while safeguarding habitats.

The blue economy plays a pivotal role in advancing global sustainability efforts, particularly through its alignment with the United Nations Sustainable Development Goals (SDGs). By emphasizing the sustainable use of ocean and marine resources, the blue economy directly supports SDG 14 (Life Below Water) and contributes significantly to SDG 6 (Clean Water and Sanitation). It addresses pressing challenges such as marine pollution, overfishing, and habitat destruction while fostering innovation in areas like renewable energy and ecosystem restoration. By integrating economic development with environmental stewardship, the blue economy provides a transformative framework for achieving the SDGs, ensuring that oceans remain a source of life, food, and prosperity for current and future generations.

i. SDG 6: Clean Water and Sanitation

The blue economy is integral to improving global water quality and supporting sustainable sanitation systems. Oceans and freshwater ecosystems are closely linked, and the health of marine environments often depends on mitigating land-based pollution.

One example is the Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities (GPA), which targets pollutants like agricultural runoff, plastics, and untreated wastewater. By addressing these sources of contamination, the GPA ensures cleaner waterways and healthier marine ecosystems, creating opportunities for businesses to align with global environmental standards while contributing to water security.

In South Africa, the Working for Water program exemplifies an innovative approach to protecting both coastal and freshwater resources. This initiative rehabilitates degraded catchments, improving water availability and ecosystem services, while generating employment opportunities in conservation. For business leaders, such models highlight the potential of integrating social impact with environmental stewardship to enhance brand value and long-term resilience.

ii. SDG 14: Life Below Water

At the core of the blue economy is SDG 14, which focuses on conserving and sustainably using marine resources to support biodiversity and economic livelihoods. Business leaders operating in marine-dependent industries must prioritize sustainable practices to align with this goal while ensuring resource longevity.

A notable case is Belize's Blue Bond for Conservation (2021), a groundbreaking initiative that restructured $553 million of sovereign debt to unlock funding for marine protection. The bond's terms require Belize to expand its marine protected areas (MPAs) to cover 30% of its waters by 2030, ensuring sustainable fisheries and ecotourism. This approach demonstrates how financial innovation can simultaneously address environmental priorities and reduce fiscal pressures on governments, creating investment opportunities for private sector partners.

In the United States, the Partnership for Interdisciplinary Studies of Coastal Oceans (PISCO) leverages cutting-edge marine science to guide the sustainable management of fisheries and marine reserves. By providing data-driven insights, PISCO supports more effective decision-making for stakeholders, including policymakers and businesses involved in seafood production and marine resource exploitation. For corporations, engaging with such initiatives can ensure compliance with emerging regulations and bolster their reputation as leaders in sustainability.

B. WHY IS THE BLUE ECONOMY BECOMING MORE IMPORTANT?

The blue economy, encompassing sustainable use of ocean resources for economic growth, improved livelihoods, and ocean ecosystem health, is gaining global prominence as nations grapple with the twin challenges of environmental conservation and economic development. With oceans covering over 70% of the Earth's surface, they are a critical source of food, transportation, energy, and climate regulation. However, overexploitation, pollution, and climate change have threatened these invaluable ecosystems, prompting a global shift towards sustainable practices. By prioritizing innovation and policies that balance economic gains with ecological preservation, the blue economy offers a pathway to resilient and inclusive development, particularly for coastal and maritime nations. The following are some of the factors behind the Blue Economy's rising prominence in recent years:

a. Economic Potential

The blue economy represents an estimated $3 trillion in annual economic value, driven by industries such as fisheries, shipping, and tourism. Coastal regions and island nations see the blue economy as a pathway to economic diversification. For instance, the Seychelles Blue Bond raised $15 million to fund sustainable fisheries and marine conservation projects, demonstrating how small economies can leverage international finance for sustainable development.

b. Environmental Imperatives

Marine ecosystems face threats from overfishing, habitat destruction, and pollution. For example, the world loses 13 million hectares of mangroves annually, which provide critical coastal protection and carbon sequestration. Initiatives like the Mangroves for the Future (MFF) partnership across the Indian Ocean are working to restore these vital habitats.

c. Food Security

Fisheries provide nearly 17% of global animal protein, with small-scale fisheries supporting millions of livelihoods in developing countries. The WorldFish Center in Malaysia is advancing sustainable aquaculture practices to address overfishing while ensuring food security.

d. Climate Mitigation

Oceans absorb 30% of atmospheric CO_2, making them critical for climate regulation. Projects like the Blue Carbon Initiative, which focuses on conserving and restoring coastal carbon sinks, highlight how the blue economy contributes to mitigating climate change impacts.

e. Innovation in Renewable Energy

Ocean-based renewable energy projects like Denmark's Kriegers Flak Offshore Wind Farm are reducing carbon footprints while meeting global energy demands. The potential of wave and tidal energy, as explored in Canada's Bay of Fundy Tidal Energy Project, is unlocking new sources of clean energy.

f. Global Commitments

The UN Decade of Ocean Science for Sustainable Development (2021-2030) is driving research and investment into sustainable marine activities, emphasizing the role of science in the blue economy.

The blue economy's growing significance lies in its dual promise: fostering economic growth while safeguarding marine ecosystems for future generations. Projects like Belize's Blue Bond, the Great Barrier Reef Eco-Tourism initiatives, and offshore wind farms exemplify the diverse ways the blue economy aligns human prosperity with ocean health.

C. GLOBAL REGULATORY FRAMEWORK FOR THE BLUE ECONOMY

The regulatory framework governing the blue economy is a combination of international agreements, national policies, and sector-specific guidelines aimed at promoting sustainable use and conservation of marine and coastal resources. These regulations provide a foundation for integrating economic development with ocean health and ensuring compliance with international environmental standards. Key frameworks include:

a. United Nations Convention on the Law of the Sea (UNCLOS): Known as the "Constitution for the Oceans," UNCLOS establishes the legal framework for marine resource management, maritime boundaries, and environmental protection. It mandates sustainable use of marine resources within Exclusive Economic Zones (EEZs) and governs activities like fishing, shipping, and seabed mining.

b. MARPOL (International Convention for the Prevention of Pollution from Ships): This treaty addresses pollution from vessels, including oil spills, hazardous substances, and waste, ensuring cleaner oceans and reducing maritime pollution.

c. Convention on Biological Diversity (CBD): The CBD's Aichi Biodiversity Targets and subsequent Post-2020 Global Biodiversity Framework emphasize protecting marine ecosystems and expanding marine protected areas (MPAs). These targets encourage nations to conserve at least 30% of their oceans by 2030, a goal supported by many blue economy projects.

d. Paris Agreement (2015): While primarily addressing climate change, this agreement also recognizes the ocean's role in carbon sequestration and climate mitigation. Countries are encouraged to integrate marine-based renewable energy and blue carbon initiatives into their Nationally Determined Contributions (NDCs).

e. Shipping and Maritime Transport (IMO Standards): The International Maritime Organization (IMO) develops regulations to reduce emissions from ships, improve energy efficiency, and manage ballast water to prevent the spread of invasive species.

f. The World Bank's Guidance on Sovereign Blue Bonds, which outlines principles for issuing blue bonds, ensuring funds are directed toward projects like sustainable fisheries, marine conservation, and renewable energy.

g. **The International Capital Market Association (ICMA)'s Green Bond Principles (GBP)** which lays the foundation for the issuance of sustainable debt instruments linked to eco-friendly and climate change mitigation projects. The GBP is now also being adopted in Blue Bond issuances and frameworks by developmental institutions and national regulators.

h. **European Union's Blue Economy Strategy:** The EU has adopted policies like the Marine Strategy Framework Directive (MSFD) and Common Fisheries Policy (CFP) to promote sustainable maritime activities and protect marine ecosystems.

i. **The High Level Panel for a Sustainable Ocean Economy:** Comprising 17 world leaders, this panel promotes evidence-based ocean governance, sustainable economic activities, and climate mitigation through ocean solutions.

j. **Deep-Sea Mining (International Seabed Authority—ISA):** The ISA oversees the exploration and exploitation of mineral resources in international seabed areas and ensures environmental safeguards are in place for these activities.

D. THE AFRICAN PERSPECTIVE

a. Historical Context of Africa's Blue Economy

Africa is uniquely positioned to harness the opportunities of the blue economy, with a coastline stretching over 30,000 kilometers and encompassing 38 coastal and island nations. The continent's oceans and seas offer significant potential for economic growth, yet they face challenges like overfishing, pollution, and climate change. Africa's blue economy has deep historical significance, with its coastal and island nations relying on maritime resources for centuries for trade, food security, and cultural practices. Over time, the continent's vast marine ecosystems, from the rich waters of the Atlantic and Indian Oceans to inland lakes and rivers, have been critical for sustainable livelihoods, particularly in fishing communities.

However, the relationship between Africa and its ocean resources was largely shaped by colonial exploitation, where marine resources were extracted without regard for long-term sustainability, leaving behind environmental degradation and economic dependency.

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In the post-independence era, many African nations began reclaiming control over their maritime territories, but the challenges of underinvestment, weak governance, and unsustainable practices continued to limit the blue economy's potential. As the global understanding of marine resource depletion grew, especially regarding overfishing, pollution, and climate change, African nations increasingly recognized the need for a more integrated, sustainable approach to managing their maritime resources.

The early 21st century saw a transformative shift, with the **blue economy** emerging as a new framework for sustainable growth. This approach not only emphasized environmental stewardship but also highlighted the vast economic potential of oceans, seas, and inland waters for sectors like fisheries, renewable energy, and coastal tourism. A key milestone in the development of Africa's blue economy came when **Seychelles** became the first country in the world to issue a **sovereign blue bond** in 2018.

The **Seychelles Blue Bond** was a groundbreaking financial instrument designed to fund marine conservation and sustainable fisheries projects. The bond, valued at $15 million, was used to refinance part of the nation's debt in exchange for commitments to expand its marine protected areas and adopt sustainable fisheries management practices. The Seychelles' initiative served as a model for other nations seeking innovative ways to finance the blue economy while addressing environmental challenges. By committing to conserve 30% of its exclusive economic zone (EEZ) by 2030, Seychelles positioned itself as a global leader in integrating environmental sustainability with economic development. This landmark bond not only demonstrated how financial innovation could be harnessed for conservation but also paved the way for other nations to explore blue finance solutions to support their marine protection and sustainable resource management efforts.

This historical move by Seychelles marked the beginning of a broader recognition across the continent of the value of the blue economy and the need for regulatory frameworks that could both protect marine ecosystems and drive economic growth. The launch of the blue bond was instrumental in shifting the focus of African nations toward leveraging their oceanic assets in a manner that prioritizes both sustainability and economic opportunity

b. The African Blue Economy Regulatory Framework

Africa is home to one of the most expansive and diverse marine environments in the world, with a coastline that stretches over 30,000 kilometers and includes 38 coastal and island nations. The continent's oceans and seas provide a wealth of resources, including fisheries, marine energy, and transport routes, all of which are essential to the region's economic development. However, managing these resources sustainably remains a critical challenge, necessitating strong regulatory frameworks that ensure the long-term viability of the blue economy. To address these challenges, African countries have developed a combination of continental strategies, regional agreements, and national policies aimed at fostering sustainable growth and protecting marine ecosystems.

Africa's blue economy is a vital component of its sustainable development agenda, and regulatory frameworks across the continent reflect an increasing focus on balancing economic growth with environmental stewardship. These frameworks integrate continental strategies, regional agreements, and national policies to address the challenges of marine resource management, foster regional cooperation, and promote innovation.

c. Continental Strategies and Initiatives

The African Union (AU) has led the way in establishing frameworks for ocean governance and blue economy development, providing guidance to member states. They include:

i. 2050 Africa's Integrated Maritime Strategy (2050 AIMS):

This strategy emphasizes the sustainable use of maritime resources, enhancing maritime security, and promoting economic growth through blue economy initiatives. It highlights key priorities such as combating illegal fishing, pollution control, and expanding scientific research in marine sectors.

ii. Agenda 2063 – The Africa We Want:

Agenda 2063 integrates the blue economy into its vision for Africa's sustainable development. It promotes initiatives in marine energy, fisheries, sustainable natural resource management and Biodiversity conservation, and eco-tourism, aligning with global sustainability goals and empowering local communities.

iii. The Abidjan Convention (1984):

Covering West, Central, and Southern Africa, this treaty provides a legal framework for protecting coastal and marine environments from land-based pollution and overexploitation. It also supports sustainable fisheries and marine biodiversity conservation.

iv. The Nairobi Convention (1985):

This treaty addresses marine and coastal challenges in Eastern and Southern Africa, with a focus on biodiversity preservation, marine protected areas (MPAs), and climate resilience.

v. SADC Protocol on Fisheries:

A key regional framework for sustainable fisheries management, promoting responsible fishing practices and combating illegal, unreported, and unregulated (IUU) fishing across Southern Africa.

Individual African nations have also made significant strides in crafting blue economy policies and programs to unlock the potential of their marine resources.

vi. Kenya's Blue Economy Strategy:

Kenya's focus on sustainable fisheries, marine transport, and renewable energy underscores its commitment to integrating the blue economy into its national development framework. The 2018 Sustainable Blue Economy Conference showcased the country's leadership in the sector. The Conference had in attendance over 18,000 participants from 184 countries, including heads of state, government officials, international organizations, private sector leaders, and civil society representatives.

The event highlighted the immense potential of oceans, seas, rivers, and lakes to drive sustainable development, particularly in line with the United Nations' Sustainable Development Goals (SDGs).

vii. South Africa's Operation Phakisa:

Operation Phakisa is a South African government initiative launched in 2014 to accelerate the implementation of critical development priorities through detailed planning and collaboration. The term "Phakisa," derived from the Sesotho word for "hurry up," reflects the initiative's focus on fast-tracking socio-economic growth and job creation. One of the key components of Operation Phakisa is its Oceans Economy initiative, which leverages South Africa's extensive maritime resources to unlock economic potential while ensuring environmental sustainability. This initiative targets rapid development in marine industries, including aquaculture, marine transport, and offshore oil and gas, while maintaining strong environmental safeguards.

E. THE NIGERIAN BLUE ECONOMY

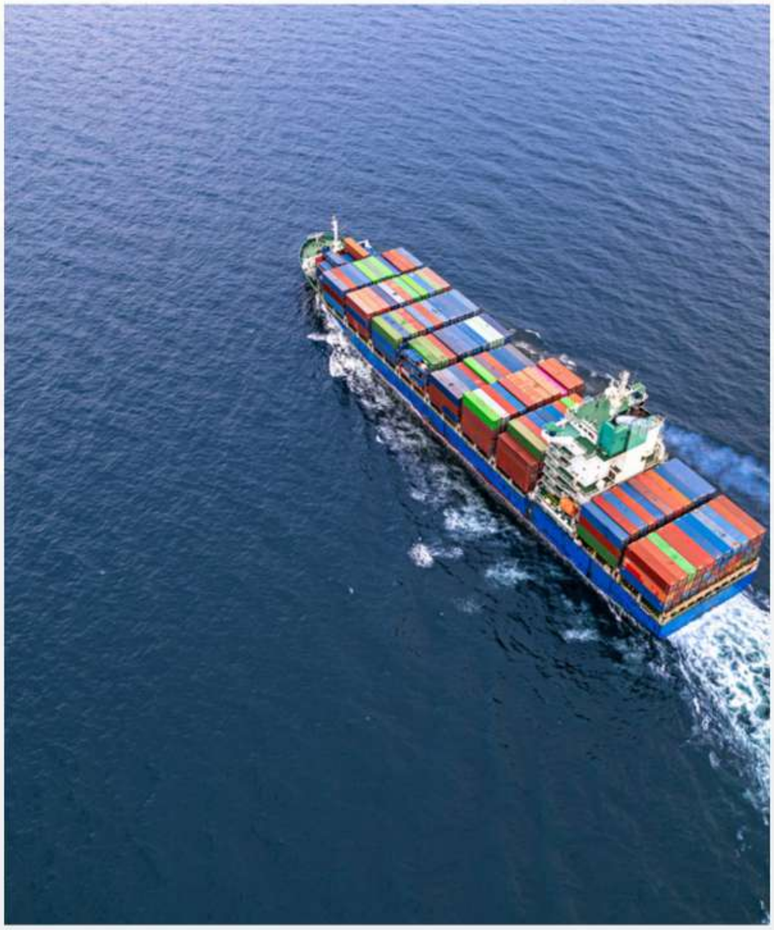
a. Historical Context and Maritime Landscape

Nigeria, blessed with an extensive 853-kilometer coastline along the Atlantic Ocean and a vast Exclusive Economic Zone (EEZ) of over 210,000 square kilometers, has historically relied on its maritime sector for trade, oil exploration, and fishing. However, for much of its history, the blue economy was overlooked as a distinct sector, with a lack of comprehensive policies to unlock its full potential. The focus was predominantly on the oil and gas industry, which dominated maritime activities. However, despite its resource abundance, the blue economy's potential remained largely untapped for decades due to insufficient governance structures, environmental degradation, and limited investment in sustainable practice.

During the colonial period, Nigeria's coastal regions were critical for exporting agricultural products like cocoa, palm oil, and rubber. Coastal towns like Lagos and Port Harcourt grew as trade hubs. Post-independence, attention shifted toward oil extraction, particularly offshore oil and gas, leaving other marine resources underdeveloped. The discovery of oil in the 1950s placed Nigeria on the global energy map but created an over-reliance on hydrocarbons. Offshore oil and gas became central to maritime activities, overshadowing fisheries, aquaculture, and other blue economy sectors. Environmental degradation, including oil spills and habitat destruction, became a significant issue, especially in the Niger Delta.

By the 2010s, Nigeria began exploring broader blue economy opportunities, recognizing the need to diversify its economy. Institutions like the Nigerian Maritime Administration and Safety Agency (NIMASA) and the Nigerian Navy emphasized combating illegal, unregulated, and unreported (IUU) fishing and improving maritime security. In 2023, Nigeria appointed its first-ever Minister of Marine and Blue Economy, signaling a renewed focus on unlocking the sector's potential.

Nigeria's coastline is home to unique ecosystems, including mangrove forests, seagrass meadows, and coral reefs, which support rich marine biodiversity. The Niger Delta is one of the world's largest wetlands, critical for fisheries and climate regulation. Nigeria's ports, such as the Lagos Port Complex, Tin Can Island Port, Onne Port, and Warri Port, serve as major trade gateways for West Africa. However, challenges like congestion, outdated infrastructure, and inefficiency limit their potential. The country's strategic location along the Gulf of Guinea makes it a critical node in global shipping routes. Nigeria has abundant fisheries resources, with the fisheries sector valued at over $1 billion annually. It also boasts substantial untapped potential in aquaculture, marine tourism, and renewable energy.



b. Potential Opportunities in the Nigerian Maritime Sector

The blue economy represents a transformative opportunity for Nigeria to diversify its oil-dependent economy, create jobs, and ensure sustainable development. Nigeria's extensive marine resources, strategic geographic location, and rich biodiversity provide a foundation for significant growth in various sectors.

i. Fisheries and Aquaculture:

Nigeria's fisheries and aquaculture sectors are integral to food security, employment, and trade. The country's waters are home to a diverse range of commercially valuable fish species, currently employs over 10 million Nigerians, primarily in artisanal fishing, and contributes significantly to rural livelihoods. Despite this potential, Nigeria imports an estimated $1 billion worth of fish annually due to a shortfall in local production. Expanding sustainable fishery activities could reduce import dependence while generating foreign exchange through exports.

Nigeria is the largest producer of aquaculture in Sub-Saharan Africa, with significant growth in species like catfish and tilapia. Business opportunities exist in establishing large-scale aquaculture farms, improving hatcheries, and adopting modern fish farming technologies. Investment in cold chain logistics and processing facilities is crucial to unlocking the sector's export potential.

Strengthening laws to combat illegal, unregulated, and unreported (IUU) fishing, which costs the economy over $70 million annually, is vital. Collaborations between regulators, such as NIMASA and the Federal Department of Fisheries, and private stakeholders can improve compliance and monitoring.

ii. Marine Renewable Energy

Marine renewable energy offers Nigeria an opportunity to transition toward cleaner energy sources while leveraging its vast coastline. Nigeria's coastal waters present high potential for offshore wind farms, particularly in areas with consistent wind patterns like Lagos and the Niger Delta. Developing wind energy infrastructure can complement the country's renewable energy targets. Though at a nascent stage, wave and tidal energy projects represent a long-term opportunity. Coastal states, such as Ondo and Bayelsa, could pilot small-scale projects to demonstrate feasibility.

Policies encouraging public-private partnerships (PPPs) and providing tax breaks for renewable energy developers such as those available under the Electricity Act could catalyze investments in marine energy projects. Partnerships with global organizations, such as the International Renewable Energy Agency (IRENA), can support technical and financial capacity.

iii. Shipping and Maritime Logistics

As a hub for trade in West Africa, Nigeria's shipping and logistics sector is poised for significant growth, driven by its ports and regional connectivity. Nigeria's ports, including Lagos Port Complex, Tin Can Island, and Onne Port, handle over 70% of the country's imports and exports. However, challenges like congestion and outdated infrastructure constrain growth. Expanding port capacities, automating cargo handling, and developing inland dry ports can enhance efficiency and reduce logistics costs.

Nigeria's location along the Gulf of Guinea positions it as a potential shipping hub for West Africa. Investments in transshipment terminals and free trade zones can attract international shipping lines. Adopting green shipping technologies, such as cleaner fuels and energy-efficient vessels, can align Nigeria's shipping sector with global sustainability trends. Streamlining regulatory procedures, such as customs clearance, and investing in single-window trade platforms can reduce bottlenecks and improve the ease of doing business.

iv. Marine Tourism and Coastal Recreation

Nigeria's rich cultural heritage, coastal beauty, and biodiversity offer immense potential for eco-tourism and marine recreation. Coastal destinations such as Lagos beaches, Cross River estuaries, and the mangrove forests of the Niger Delta can be developed into eco-tourism hotspots. Initiatives like boat cruises, underwater diving, and wildlife tours (e.g., manatees and sea turtles) can attract domestic and international tourists.

Expanding Marine Protected Areas (MPAs) to preserve marine biodiversity can boost eco-tourism while supporting conservation. Existing initiatives, such as mangrove restoration in Cross River, are examples of how conservation efforts can coexist with tourism. Encouraging private investment in tourism infrastructure, such as resorts and recreational facilities, will be critical. Public-private partnerships can ensure sustainable development that benefits local communities.

v. Blue Carbon Market

Nigeria's vast mangroves and seagrasses, particularly in the Niger Delta, provide an opportunity to participate in the growing global carbon credit market. Mangroves in Nigeria store large amounts of carbon, providing a natural solution for climate mitigation. Restoration and conservation projects can generate blue carbon credits, which can be sold to global companies seeking to offset their emissions. Engaging in blue carbon projects could provide Nigeria with new revenue streams under international frameworks such as the Paris Agreement. Partnerships with organizations like the World Bank and the African Development Bank (AfDB) can support these efforts. Involving local communities in mangrove conservation also ensures shared benefits and enhances the projects' success.

Nigeria's blue economy offers unparalleled opportunities across diverse sectors, from fisheries and renewable energy to tourism and logistics. By investing in sustainable practices, modernizing infrastructure, and implementing robust regulatory frameworks, the country can unlock the full potential of its maritime resources. For business leaders and regulators, the blue economy represents a strategic area for innovation, investment, and long-term growth that aligns with global sustainability objectives.

C. Regulatory Framework and key Challenges

Nigeria's regulatory framework for its maritime and blue economy sectors is built on a series of laws, policies, and institutional efforts aimed at ensuring sustainable resource management, maritime security, and economic development. Some of the key domestic regulatory frameworks include:

i. Nigerian Maritime Administration and Safety Agency (NIMASA) Act (2007)

The NIMASA Act established the Nigerian Maritime Administration and Safety Agency as the apex regulatory authority for maritime operations. The Act granted the agency the mandate and responsibility of overseeing maritime safety, security, and the protection of the marine environment. The Agency also regulates shipping operations by issuing licenses, ensuring vessel compliance with international safety standards, and maintaining port state control. NIMASA also has a responsibility to promote the growth of the Nigerian shipping industry through capacity-building initiatives, including the Nigerian Seafarers Development Programme (NSDP).

NIMASA plays a central role in combating piracy and armed robbery in the Gulf of Guinea through the implementation of the **Suppression of Piracy and Other Maritime Offenses Act (2019)** and its operational arm, the **Deep Blue Project (2021).** Additionally, NIMASA has the power to enforce international conventions such as the International Convention for the Prevention of Pollution from Ships **(MARPOL)** to regulate marine pollution from ships.

ii. Sea Fisheries Act (1992, as Amended)

The Sea Fisheries Act governs fishing operations within Nigeria's territorial waters and promotes sustainable fisheries management. The key provisions of the Sea Fisheries Act include:

i. Licensing requirements for both artisanal and industrial fishing activities.

ii. Guidelines for the protection of fish stocks, including regulations on fishing gear, permissible species, and seasonal restrictions.

iii. Penalties for illegal, unregulated, and unreported (IUU) fishing.

Despite its provisions, Nigeria loses an estimated **$70 million annually** to IUU fishing, primarily due to inadequate surveillance infrastructure and weak enforcement mechanisms. Addressing these gaps requires enhanced monitoring systems, such as satellite surveillance, and partnerships with international bodies like the **Food and Agriculture Organization (FAO).**

iii. Coastal and Inland Shipping (Cabotage) Act (2003)

The Cabotage Act aimed to localize Nigeria's maritime industry by restricting domestic coastal trade to vessels owned and operated by Nigerian citizens or companies. The objectives of the Act include reducing foreign dominance in Nigeria's coastal shipping industry and promoting local participation. The Cabotage Act also seeks to promote the development of indigenous shipbuilding, ownership, and management capabilities.

Despite the desire to increase local capacity in the Nigerian maritime industry, the Cabotage Act has faced several challenges including a lack of adequate infrastructure, financing, and technical expertise among Nigerian operators which has resulted in the continued dominance of foreign vessels in Nigerian coastal shipping trade. NIMASA has recently established the **Cabotage Vessel Financing Fund (CVFF)** to support local maritime operators with a view to realizing the potential of the Cabotage Act.

iv. The Oil in Navigable Waters Act (1968)

The Oil in Navigable Waters Act is one of Nigeria's oldest marine environmental laws, aimed at regulating and preventing oil pollution in the country's coastal and marine waters. The Act prohibits the discharge of oil or oily substances into navigable waters from ships or offshore facilities, and mandates operators to adopt spill containment measures and report incidents promptly.

Despite its early adoption, the enforcement of this Act has been inconsistent, particularly in the Niger Delta, where frequent oil spills devastate marine ecosystems. Strengthening regulatory oversight and integrating modern environmental management practices are critical to mitigating these challenges.

Establishment of the Ministry of Marine and Blue Economy (2023)

The creation of Nigeria's Ministry of Marine and Blue Economy signaled a renewed focus on maximizing the potential of the country's maritime resources. The Ministry's mandate includes overseeing the sustainable use of Nigeria's marine resources while promoting economic diversification. The ministry is also charged with the coordination of marine spatial planning to balance economic activities (e.g., oil exploration, fishing, and shipping) with environmental conservation.

Recent Initiatives by the Ministry towards entrenching Nigeria's Blue Economy include:

1. The development of a **Marine Spatial Planning (MSP)** framework to regulate the sustainable use of maritime resources and identify priority areas for conservation and economic activities.
2. Promoting investments in key sectors such as renewable energy (offshore wind), aquaculture, and marine tourism.
3. Enhancing Nigeria's capacity to combat IUU fishing through regional partnerships and technological upgrades.

By integrating policies across diverse maritime sectors, the ministry is expected to increase the blue economy's contribution to Nigeria's GDP, currently estimated at around **$1.5 billion annually.**

Nigeria's regulatory framework reflects an evolving commitment to leveraging its maritime resources sustainably. While foundational laws such as the NIMASA Act and Sea Fisheries Act have provided a starting point, recent developments like the **Petroleum Industry Act** and the establishment of the **Ministry of Marine and Blue Economy** highlight the government's resolve to address gaps and promote long-term growth in the sector. Continued focus on enforcement, capacity building, and stakeholder collaboration will be critical to unlocking the blue economy's full potential for national development.

Key Challenges with Nigeria's Maritime and Blue Economy Regulations

While Nigeria has made significant strides in developing a regulatory framework for its maritime and blue economy sectors, several challenges hinder effective governance, enforcement, and sectoral growth. Addressing these issues are critical to fully unlocking the potential of the blue economy.

a. Weak Enforcement of Existing Regulations

Many laws governing Nigeria's maritime and blue economy sectors, such as the Sea Fisheries Act (1992) and the Oil in Navigable Waters Act (1968), suffer from inadequate enforcement. Lack of modern surveillance technologies, such as satellite monitoring or drones, makes it difficult to enforce regulations effectively, especially in combating illegal, unregulated, and unreported (IUU) fishing and oil pollution. The limited patrol capacity of agencies like the Nigerian Maritime Administration and Safety Agency (NIMASA) and the Nigerian Navy exacerbates this issue. IUU fishing alone reportedly costs Nigeria approximately **$70 million annually,** as illegal operators exploit weak enforcement mechanisms.

b. Fragmented Institutional Framework

The blue economy spans multiple sectors, including shipping, fisheries, energy, and tourism, but Nigeria's regulatory landscape is fragmented across several agencies and ministries. Agencies such as NIMASA, the Nigerian Ports Authority (NPA), the Federal Department of Fisheries, and the Ministry of Marine and Blue Economy often have overlapping roles, leading to inefficiencies and jurisdictional conflicts. For example, both NIMASA and the Navy are involved in anti-piracy efforts, but coordination gaps often reduce the effectiveness of interventions.

The absence of a comprehensive policy framework to align these agencies continues to hamper the implementation of coherent long-term goals.

c. Inconsistent Policy Implementation

Regulatory frameworks are often undermined by inconsistent or delayed implementation. For instance, the Cabotage Act (2003) designed to promote local participation in the shipping industry, has been hindered by a lack of local capacity, financing, and technical expertise. Despite the establishment of the **Cabotage Vessel Financing Fund (CVFF)**, disbursement delays and bureaucratic bottlenecks have limited its impact. Similarly, the Petroleum Industry Act of 2021, despite its laudable provisions has suffered from uneven enforcement, particularly in managing environmental risks from oil exploration.

d. Inadequate Maritime Security

The Gulf of Guinea remains one of the world's most dangerous regions for piracy and maritime crime, posing significant challenges to Nigeria's regulatory agencies. Despite the implementation of the **Deep Blue Project (2021)** and the **Suppression of Piracy and Other Maritime Offenses Act (2019)**, piracy incidents persist due to insufficient enforcement and coordination. Persistent security risks deter foreign investment in Nigeria's blue economy sectors, particularly shipping and offshore energy.

e. Environmental Degradation and Pollution

Regulatory frameworks to manage environmental risks are often poorly enforced, resulting in significant ecological challenges. Despite the Oil in Navigable Waters Act (1968) and the Petroleum Industry Act (2021), oil spills and gas flaring remain prevalent, degrading marine ecosystems and affecting local communities. Offshore oil operations contribute to significant marine pollution, often with minimal penalties for offending companies. Lack of regulations on plastic waste and untreated wastewater discharge exacerbates pollution in coastal and marine ecosystems.

f. Limited of Stakeholder Engagement

There is insufficient involvement of key stakeholders, including local communities, private sector actors, and international partners, in regulatory decision-making. Many regulatory decisions are made without consulting coastal communities, who are directly affected by maritime activities. For example, fishing regulations often overlook the needs of artisanal fishermen, leading to conflicts and non-compliance. Limited collaboration between regulatory agencies and private companies reduces opportunities for innovation and investment in sustainable practices.

Addressing these challenges requires a coordinated, well-funded, and innovative approach. Enhancing enforcement mechanisms, fostering inter-agency collaboration, engaging stakeholders, and aligning with international standards are critical steps toward building a robust regulatory framework for Nigeria's burgeoning blue economy framework.

BLUEBONDS

Blue Finance is an emerging area in Climate Finance with increased interest from investors, financial institutions, and issuers globally. It offers tremendous opportunities and helps address pressing challenges by contributing to economic growth, improved livelihood, and the health of marine ecosystems. The ocean economy is expected to double to $3 trillion by 2030, employing 40 million people, as compared to 2010. Innovative financing solutions are key to enhancing ocean and coastal preservation and increasing clean water resources, and Blue Finance has a huge potential to help realize these goals.

Blue bond is a subset of blue finance, however on the debt side. Blue bonds are debt instruments which are issued by governments, financial institutions and companies to raise capital from investors to fund marine and ocean-related projects with positive environmental, climate and economic benefits. They are used to finance projects which ensure the sustainable use of ocean resources. They play a significant role in contributing to the financing of ocean-friendly projects.

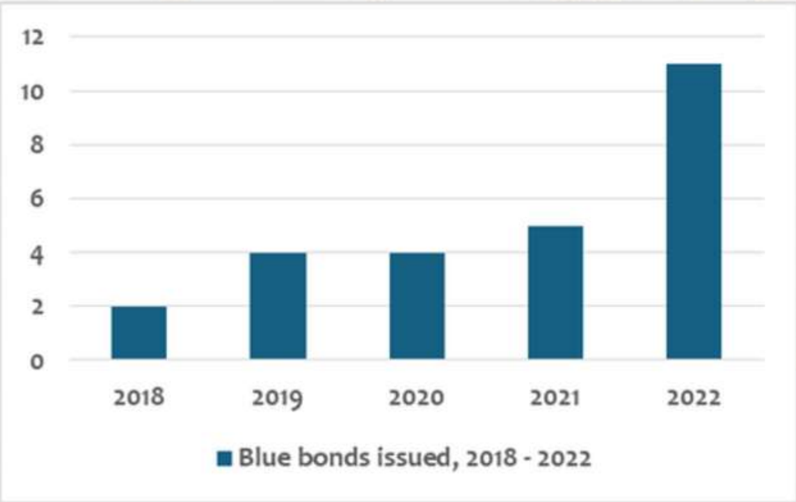


Fig 1.1: Blue bonds issued between 2018 - 2022

a. The blue bond market

Between 2018 and 2022, 26 blue bonds were issued. The first blue bond was issued in the Seychelles in 2018, which is considered as the first landmark issuance. The Seychelles launched a USD15 million 10-year bond designed and implemented with the support of the international community, the World Bank Group, and the Global Environment Facility. The proceeds are intended to support the expansion of marine protected areas to 30% of their Exclusive Economic Zones, improved governance for priority fisheries, and the development of the country's blue economy.

In 2019, the World Bank launched a Sustainable Development Bond to address marine plastic waste. The bond raised USD10 million and is sold by Morgan Stanley. The Nordic Investment Bank traded the 5-year SEK 2 billion bond which will focus on wastewater treatment, prevention of water pollution and water-related climate change adaptation in the region. The Nature Conservancy unveiled plans to launch Blue Bonds for Conservation, a plan to mobilise USD1.6 billion to protect 4 million square kilometres of the world's ocean over the next 5 years by supporting 20 island nations to refinance national debt. The Asian Development Bank's (ADB) Oceans Financing Initiative, part of its USD5 billion Healthy Oceans Action Plan, also aims to support developing countries through innovative instruments including blue bonds.

In 2020, Mowi issued in January 2020 a Euro 200 million 5-year, senior unsecured green bond, the first ever for a seafood company. The bond issue helps the company achieve their goal of producing more food from the ocean while respecting the planet and helping local communities to flourish. Similarly, Grieg Seafood issued a senior, unsecured green bond issue of NOK 1,000 million (EUR 92.3 million), 5-year maturity to finance environmental projects including sustainable aquaculture and pollution control.

In 2022, 11 bonds were issued, indicating significant growth in the blue bond market. The total value of bonds issued between 2018 and 2022 is approximately USD 5.0B. This represents a compound annual growth rate (CAGR) of 92% per annum over the four-year period. In 2020, blue bond issuances equaled 0.47% of the value of green bond issuances. The largest total value of issued blue bonds within a single year was in 2021 at USD 1.5B.

In January 2023, the Korea Eximbank issued a USD 1B blue bond to support sustainable shipbuilding and renewable energy, while Desarrollos Hidráulicos de Cancun issued Mexico's first blue bond worth MXN 1.4 billion (USD 74M) to improve drinking water supply to surrounding communities. The Central American Bank for Economic Integration, CABEI, also issued its second blue bond in the Japanese market worth JPY 7 billion (USD 53M) to support its blue taxonomy objectives.

The 26 blue bonds issued between 2018 and 2022 have varied significantly in size. The smallest two bonds issued were valued at USD 10M and were issued by the World Bank. The median value of blue bonds issued was USD 123M, while the average value was USD 193M. The largest bond issued so far is the Bank of China's USD 942.5M bond, which was issued as a dual-currency transaction.

Blue bonds have primarily consisted of international financial institutions, governments and corporations. The table below illustrates the entities that have issued blue bonds between 2018 – 2022.

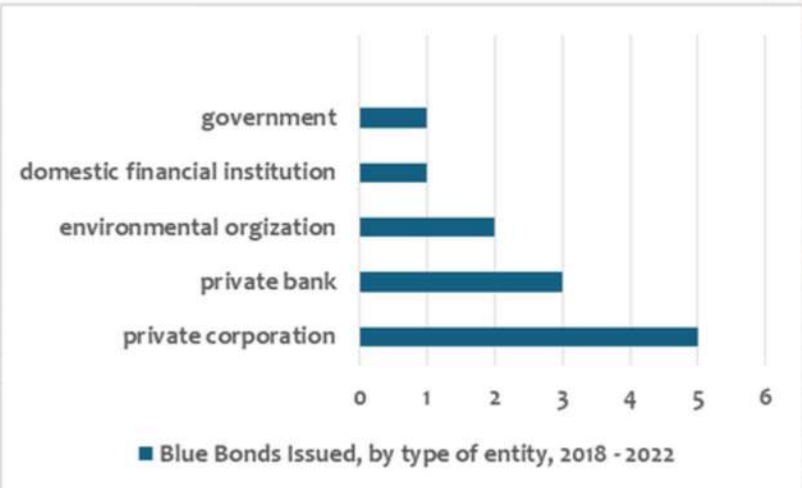


Fig 1.2: Blue Bonds issued by type of entity between 2018 - 2022

The blue bond market is still in its early stages, and various challenges must be overcome for it to grow to its full potential. Lack of standardized definitions and lack of expertise by issuers and investors are significant barriers to the blue bond market.

b. Global regulatory framework for BlueBonds

The blue bond regulatory framework is governed by a number of international regulatory standards established by several internationally recognized institutions.

In 2023, the International Capital Market Association (ICMA) together with the International Finance Corporation (IFC) - a member of the World Bank Group, United Nations Global Compact (UN Global Compact), United Nations Environment Programme Finance Initiative (UNEP FI), and the Asian Development Bank (ADB) developed a global practitioner's guide for bonds to finance the sustainable blue economy.

The global practitioner's guide for bonds to finance the sustainable blue economy creates requisite provisions to amongst other things:

1. Provide issuers with guidance on the key components involved in launching a credible "blue bond";
2. Aid investors by promoting availability of information to evaluate the environmental impact of their "blue bond" investments; and
3. Assist underwriters by offering vital steps that will facilitate transactions that preserve the integrity of the market.

The practitioner's guide sets out projects that will be deemed eligible as use of proceeds for a blue bond issuance. It outlines project categories under which blue bond project may fall under. They include: coastal climate adaptation and resilience, marine ecosystem management, conservation, and restoration, sustainable coastal and marine tourism, sustainable coastal and marine tourism, marine renewable energy, etc. The list is not exhaustive as it only gives issuers a better understanding of what could be financed and considered a blue project.

In addition to the provision for eligible blue projects, the guide also makes provision for alignment with the four core components as set out in the Green Bond Principles. The Components include:

- use of proceeds;
- process for project evaluation and selection;
- management of proceeds; and
- reporting (allocation and impact).

Thus, in setting out a country specific framework for the issuance of a blue bond, it is recommended that the framework sets out a guide in relation to the use of proceeds, the process for project evaluation and selection, the management of proceeds, and the mode of reporting in terms of allocation of the proceeds of the issuance and the impact of the issuance.

The guide also sets out the blue bond issuance process and divides it into the pre-issuance process and post-issuance process. In addition to the securities laws and regulators of a specific jurisdiction, the Guide, under the pre-issuance process, provides for the creation of a Bond Framework by the Issuer as a foundation for the bond issuance. The framework is typically developed jointly with the issuer's advisers, including the specialized team of its lead underwriting bank as well as environmental consultants when needed.

The framework should describe the issuer's overarching sustainability objectives, policies, and strategy. Investors will consider the bond framework when deciding to invest in a bond.

In addition to the issuer's framework, there should also be a clear definition of the project categories for the use of the proceeds of the blue bond. Finally, an external review is recommended to be carried out by an external review provider appointed to assess, through a pre-issuance external review, the alignment of the issuer's blue bond issuance and/or framework with the four core components of the Green Bond Principles. The external review may be in the form of a second party opinion and should be made publicly available on the issuer's website.

Under the post-issuance process, the issuer shall make provisions for the management of proceeds, particularly the tracking of proceeds. Issuers may use an external auditor, or a third party, to verify the internal tracking method and the allocation of funds derived from the net proceeds.

Additionally, there should be provision for annual reporting of both allocations to projects and their expected impact. Impact reporting is particularly important as investors want to be informed of the positive outcomes of their investments.

Finally, the guide makes recommendation for the issuer's management of proceeds to be supplemented using an external auditor, or a third party, to verify the internal tracking and the allocation of funds from the blue bond proceeds to eligible blue projects.

The Guidance builds on existing market standards that underpin the global sustainable bond markets such as the Green Bond Principles and also draws on pre-existing specific blue guidance: UNEP FI's Sustainable Blue Economy Finance Principles and associated Blue Finance Guidance, the UN Global Compact's Practical Guidance to Issue a Blue Bond and Sustainable Ocean Principles, the Asian Development Bank's Ocean Finance Framework and Green and Blue Bond Framework, and the IFC's Guidelines for Blue Finance.

a. Typical blue bond structure.

Blue bonds are like conventional bonds in structure. They are a fixed income instrument where bond investors lend money to the bond issuer, who agrees to repay a fixed interest rate (coupon) on a fixed schedule and return the initial investment (principal) upon maturity of the bond.

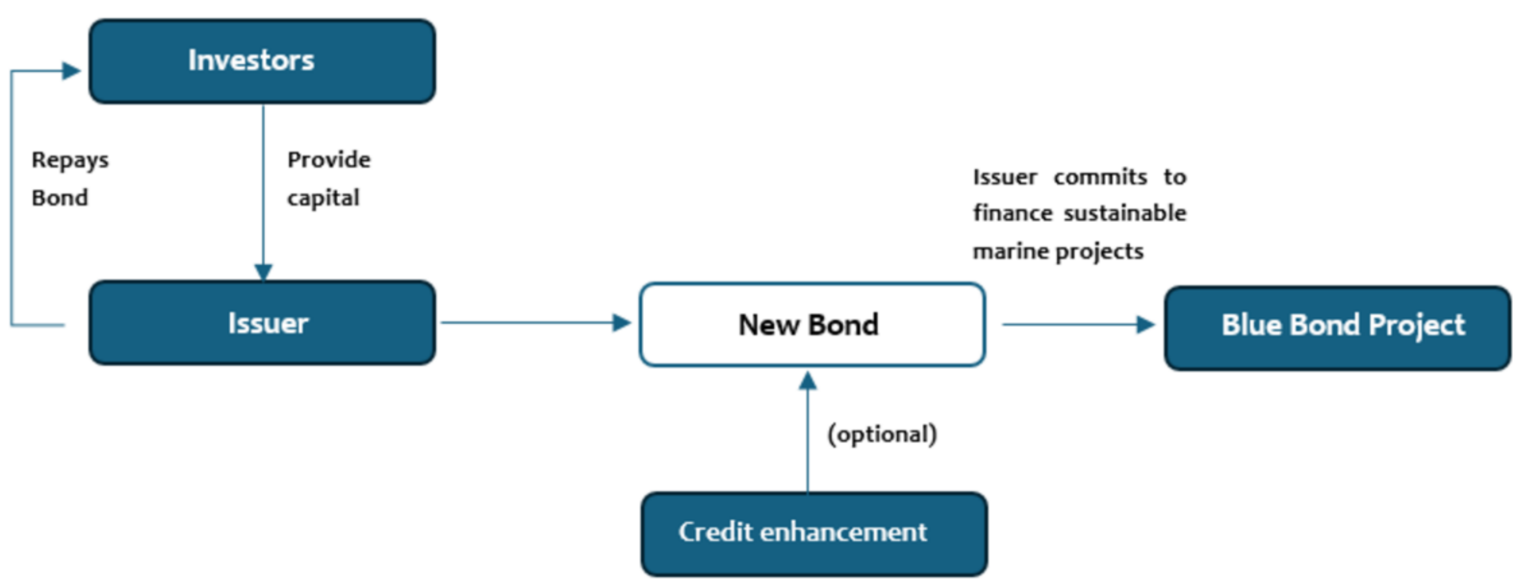


Fig1.3: Sample Blue Bond structure

Eligibility

A striking significance that differentiates blue bonds from conventional bonds is Eligibility. Eligibility begins with identifying suitable issuers and eligible projects. Blue bonds can be issued by sovereigns, sub-sovereigns, multilateral development banks (MDBs), private corporations, financial institutions, and, in some cases, non-profit organizations. Sovereign governments often lead blue bond initiatives, as seen in the case of the Seychelles Blue Bond, which was a pioneering effort to fund marine conservation. MDBs such as the World Bank play a significant role in issuing blue bonds, given their credibility and access to international investors. Similarly, corporations operating in marine industries, such as shipping, fisheries, and aquaculture, can access blue bond funding to promote sustainable practices.

Eligible projects for blue bond financing must be linked to sustainable ocean management and protection of marine ecosystems. These projects may include marine habitat conservation, sustainable fisheries, aquaculture, pollution prevention, renewable ocean energy (e.g., offshore wind farms), wastewater management, sustainable shipping, and port infrastructure. To ensure credibility, issuers often align their issuance framework with globally recognized standards.

Process

The issuance process for blue bond can be divided into three key stages: **pre-issuance, issuance, and post-issuance.**

In the pre-issuance stage, issuers begin by identifying eligible projects and establishing a Blue Bond Framework. This framework outlines the intended use of proceeds, project evaluation criteria, fund management processes, and reporting obligations. To ensure transparency and alignment with global standards, the issuer typically obtains a second-party opinion or independent verification from external reviewers. These assessments reassure investors that the bond meets established ESG (Environmental, Social, Governance) criteria. Following this, the issuer engages in roadshows and marketing efforts to attract investors, with a focus on the bond's environmental impact and alignment with sustainable development goals (SDGs).

The issuance stage involves the structuring, pricing, and distribution of the blue bond. Key terms such as tenor, size, and coupon rate are determined based on the issuer's credit rating, market conditions, and investor demand.

The bond's pricing is influenced by factors such as investor appetite for ESG assets, the issuer's risk profile, and the bond's anticipated environmental impact. Investment banks or underwriters assist in the issuance process by underwriting the bond and distributing it to ESG-focused investors (this is optional). Once issued, blue bonds may be listed on major stock exchanges. Exchanges like the Luxembourg Green Exchange (LGX) or the London Stock Exchange (LSE) have dedicated segments for sustainable bonds, which enhance the visibility and appeal of blue bonds to investors.

In the post-issuance stage, issuers typically deal with management of proceeds, report on allocation and impact, as well as independent assessments to verify certain assertions made by the issuer regarding the use of proceeds, management of proceeds, allocation and impact, etc.

Pricing and allocation

The pricing of blue bonds follows market-driven mechanisms, with premiums often reflecting the issuer's ESG commitments and the attractiveness of the environmental outcomes. Blue bonds are particularly appealing to institutional investors, such as pension funds, development banks, and asset managers with ESG mandates. Allocating proceeds requires transparency and traceability. Issuers typically ensure that funds are directed exclusively to eligible blue projects, maintaining rigorous internal controls and reporting mechanisms.

Compliance, Governance, and Post-Issuance Requirements

Maintaining credibility throughout the lifecycle of a blue bond requires robust governance and compliance measures. Issuers are expected to adhere to their Blue Bond Frameworks and relevant market standards, such as the ICMA GBP.

Establishing strong internal governance structures helps monitor the allocation of proceeds and the progress of funded projects. External assurance, such as third-party audits, is a critical requirement for verifying that funds are used as intended. These audits ensure alignment with the issuer's commitments and help mitigate risks, including reputational risks.

Post-issuance, issuers must provide comprehensive reporting on fund allocation and project impacts. Regular **allocation reports** disclose how proceeds have been used across eligible projects, while **impact reports** provide quantitative and qualitative measures of the environmental and social outcomes. Key performance indicators (KPIs) are often used to assess the success of funded projects, such as the area of marine habitat conserved, reduction in CO_2 emissions, or the prevention of marine pollution. These reports, typically published annually, are made publicly accessible to enhance transparency and accountability.

Reporting, Disclosures, and Investor Relations

Effective communication and transparency are essential for maintaining investor confidence and ensuring the success of a blue bond. Reporting plays a central role in this process. Issuers produce annual reports detailing fund allocation and environmental impacts, supported by measurable KPIs. Investors increasingly demand data-driven evidence to assess the effectiveness of their investments in achieving sustainable outcomes.

Investor relations strategies for blue bonds involve ongoing engagement with ESG-focused investors, roadshows, and updates on project performance. Issuers often leverage storytelling to showcase the positive environmental and social impacts of their blue bond initiatives.

CONCEPTUAL FRAMEWORK FOR THE ISSUANCE AND LISTING OF BLUE BONDS

a. Conceptual Rules for the issuance of blue bond

Explanatory note

The Rules on Blue Bonds section is designed to provide a conceptual framework for the development of regulations by the Securities and Exchange Commission of various states across Africa. The Rule may serve as a guideline for the issuance of blue bonds, ensuring alignment with international best practices while catering to the unique characteristics of the financial and environmental landscape of various African States.

This section is not intended to be exhaustive, but rather serves as a conceptual framework to initiate discussions and encourage contributions from key stakeholders. Feedback from market participants, environmental experts, and regulatory authorities will be integral to refining and finalizing the rules.

RULES ON BLUE BONDS

1. The Rule shall be cited as ***the Rule on Blue Bonds.***

2. Definition of terms

Blue Activities refer to more specific eligible activities that address sustainable water management and ocean protection as indicated under the United Nations Sustainable Development Goals 6 and 14, respectively. The list of eligible Blue Activities is not an exhaustive list.

Blue Bonds refer to a subset of sustainability bonds that comply with this Rule, and the SEC Rules in relation to bond issuance, where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Blue Projects and/or Blue Activities.

Blue Projects refer to the broad categories of eligible Blue Projects as listed in this Rule. The list of eligible Blue Projects is not an exhaustive list.

Green Bonds Principles (GBP) refers to the voluntary process guidelines issued by the International Capital Market Association (ICMA), as revised from time to time, that recommend transparency and disclosure and promote integrity in the development of the green bond market.

Issuer refers to a company, the Federal Government, State Governments, Local Governments, and Supra-national agencies that issue Blue Bonds in line with this Rule.

Look-back period refers to a maximum period in the past that an Issuer will look back to identify assets/earlier disbursements to such eligible Blue Projects and/or Blue Activities that will be included in the blue bond reporting.

Sustainable Development Goals (SDGs) refer to the seventeen (17) integrated objectives aimed at ending poverty, protecting the planet, and ensuring that by 2030 all people enjoy peace and prosperity.

REGISTRATION REQUIREMENTS

3. Requirements for Eligible Blue Projects

All designated Blue Projects and/or Blue Activities must provide clear benefits to ocean health and the blue economy and/or must contribute substantially to UN SDG 6 and/or 14, which will be assessed and, where feasible, quantified by the Issuer in the Prospectus.

4. Eligible Blue Project Categories

Project categories which shall be eligible for blue bond financing include:

1. Sustainable marine transport: This involves projects which improve the sustainability of maritime transportation.
2. Sustainable ports: These are projects geared towards enhancing the performance and sustainability of port infrastructure and functions.
3. Marine pollution prevention and control: These are projects that seek to prevent, control and reduce waste from entering the coastal and marine environments. They include wastewater management (The project must be within 100km of the coast), solid waste management (The project must be within 50km of the coast), non-point source pollution management (The project must be within 200km of the coast or within 50km of rivers (and their tributaries) that flow into the ocean), etc.
4. Sustainable marine value chains: These are projects that foster the environmental sustainability of marine value chains. Sub-categories involve sustainable marine fisheries management, seafood supply chain sustainability and sustainable aquaculture operations (seagrass, fish, bivalves and algae).
5. Marine ecosystem management, conservation and restoration: These are projects which seek to promote the management, conservation and restoration of the health of coastal and marine ecosystems. The project must be within 100km of the coast.
6. Sustainable coastal and maritime tourism services: These are projects which improve the environmental sustainability of marine and coastal tourism.
7. Offshore renewable energy production: These are projects focused on increasing the production of offshore and marine renewable energy. It also involves renewable energy projects that support other sustainable blue economy sectors while protecting the environment. These include wave, tidal, offshore wind (fixed and floating installations), floating solar, and ocean thermal energy conversion.

8. Coastal climate adaptation and resilience: This involves projects which support ecological and community adaptation and resilience to climate change including using nature-based solutions. These projects must be within the marine environment or within 50km of the coast.

5. Specific Blue Activities

Blue Activities are specific activities under eligible Blue Projects that may be financed by blue bonds including, but not limited to:

1. Sustainable waste management: investments in solid waste systems and infrastructure; investments in rehabilitation projects of coastal or riverside landfills or open dumps; investments in stormwater management system improvements; investments in design, development, and implementation of new or upgraded wastewater collection and treatment systems; investments in new technologies or systems to prevent wastewater pollutants from entering coastal and marine waters;
2. Water sanitation: investments in the research, design, development, and implementation of water treatment solutions;
3. Ocean-friendly and water-friendly products: investments in the value chain, including production, packaging, and distribution of environmentally-friendly products that avoid water or ocean pollution;
4. Sustainable tourism: licensed/ certified sustainable tourism in the vicinity of marine conservation areas with inclusive livelihood elements and business opportunities; Nature-based freshwater and marine visitor centers showcasing the environment and disseminating research and knowledge;
5. Resource efficiency and circular economy: investments in development of new business models that "design-out" plastic waste; investments in research, design, and implementation of green supply chain management programs to reduce plastic waste; investments in innovative technologies or approaches that reduce single-use plastic production and consumption.

6. Ineligible Blue Projects and/or Blue Activities

Projects and/or activities which pose significant harm to ocean health and water resources and which introduce material risk to other themes and priority environmental areas of the SDG themes are excluded from the eligible Blue Projects and/or Blue Activities under this Rule.

7. Eligibility of Issuer

An entity will be eligible to be an Issuer under this Rule where:

a. The Issuer is a company incorporated in such State;
b. The Issuer is the Federal Government of such State;
c. The Issuer is a State Government, Local Government, or Supra-national agency in such State;
d. The entity is not listed in (a) - (c) above, but the Blue Project intended to be financed is located in such State.

In (a) - (c) above, the Blue Project intended to be financed must be located in such State.

8. Registration of Blue Bonds

In addition to the general registration requirements for debt issuances, an Issuer shall file:

1. A letter from the Issuer committing to invest all the proceeds of the bond in projects that qualify as Blue Projects in line with this Rule.
2. The Issuer's Internal Sustainability Framework to be prepared in line with the provisions of (Issuer's Internal Sustainability Framework) of this playbook.
3. A feasibility Study and Report stating clearly, the measurable benefits of the proposed Blue Project.
4. A prospectus which shall include; an extract of the Issuer's sustainability framework, project categories, project selection criteria, decision-making procedures, environmental benefits, use and management of the proceeds.
5. An independent assessment or certification issued by an external reviewer approved or recognized by the Commission.
6. Any other documents that may be required by the Commission

STANDARDS FOR THE ISSUANCE OF BLUE BONDS

9. Use of Proceeds

a. Utilisation of the proceeds should be appropriately described in the offer documents.
b. The net proceeds shall only be utilized for the purpose stated in the approved offer documents and shall be tracked as stated in the approved Internal Sustainability Framework of the Issuer which shall be disclosed in the offer documents.
c. Proceeds may be used for new financing or refinancing Blue Projects.
d. Where all or a portion of the proceeds is or may be used for refinancing, it is recommended that the Issuer:

- Provides an estimate of the share of financing and refinancing;
- Clarifies which investments or project portfolios may be refinanced;
- State the expected look-back period for refinanced Blue Projects.

10. Management of Proceeds

1. An escrow account shall be opened specifically for the net proceeds of the offer.
2. The proceeds shall be domiciled with the Custodian and the Trustees shall ensure that the proceeds are used for the purpose stated in the prospectus.
3. The Issuer and the Trustees shall be the signatories to the escrow account.
4. The Issuer shall invest proceeds in Blue projects within the given timeframe prescribed in the prospectus.
5. Unallocated proceeds shall be invested by the Trustees in money market instruments with investment grade rating that do not include ineligible Blue Projects and/or Blue Activities in this Rule.

11. Reporting requirements

The issuer shall provide to the Commission and Stock Exchange (where listed), at least annually, a Blue Bond Report containing the list of the projects and assets to which proceeds have been allocated, for the duration of the bond. The reporting process and authority shall be documented and maintained as part of the Issuer's Internal Sustainability Framework. The Blue Bond Report shall include:

a. A brief description of the projects and the amounts disbursed, including (where possible) the percentage of proceeds that have been allocated to different Blue Projects and to financing and refinancing. Where confidentiality agreements or competition considerations limit the amount of detail that can be disclosed, the information may be presented in generic terms;
b. The expected impact of the project and assets;
c. Qualitative performance indicators and, where feasible, quantitative performance measures of the impact of the projects;
d. The methodology and underlying assumptions used to prepare performance indicators and metrics shall be disclosed.

The Issuer must report to investors on an annual basis, throughout the tenure of the issuance, the following:

1. A list of the projects to which the proceeds of the issuance have been allocated;
2. A brief description of the projects;
3. The amounts allocated and their expected impact.

12. Form of annual reporting and external review

The Issuer must provide investors and the Commission and Stock Exchange (where listed) with the reports mentioned in Rule 11 above, together with an external review on the reports.

EXTERNAL REVIEW

13. Qualification of External review providers

1. The external reviewer shall have the relevant expertise and experience in the issuance of Sustainability Bonds.
2. The external reviewer shall be Independent of the entity issuing the blue bond.
3. The external reviewer shall be remunerated in a way that prevents any conflicts of interest arising.
4. The external reviewer's credentials in (a) above and the scope of review conducted shall be made publicly accessible on the Issuer's website.

14. Scope of review

The scope of review shall be as follows:

- The Issuer's process for project evaluation and selection shall be supported by an external review.
- The Issuer's management of proceeds shall be supported by an external review to verify the internal tracking method, conformity with this Rule, and the allocation of proceeds.
- The Issuer's annual reporting shall be supported by an external review to assess conformity with this Rule.

15. External Review Report

1. The external review provider shall disclose their relevant credentials and expertise, and the scope of review conducted in the external review report.
2. The report shall contain the findings of the external reviewer on the process of project evaluation, the Issuer's management of proceeds, and the Issuer's annual report.

Conceptual securities exchange listing requirements

Explanatory note

The conceptual Stock Exchange Listing Rules for Blue Bonds aims to establish a framework to guide the admission, trading, and ongoing compliance of blue bonds on stock exchanges in States across Africa. These rules are designed to align with international standards while incorporating the specific regulatory, market, and environmental considerations of such State.

This subsection focuses on ensuring that blue bonds listed on stock exchanges are credible, transparent, and sustainable, thereby fostering investor confidence and promoting the growth of the State's sustainable finance market.

Proposed Securities Exchange Listing Rules for Blue Bonds

In addition to the general requirements for the listing of bonds, including green bonds, the admission of Blue bonds for listing shall be conditional on the following:

1. Submission of a completed Declaration and Application Form which shall include:

- Description of the blue bond sought to be admitted, clearly stating the use of proceeds, compliance with the Rules on Blue bonds, the SEC rules and regulations, and the exchange's requirements for listing and issuance of bonds, the project to be undertaken, eligibility criteria, the risks associated with the project and the mitigation strategies, etc.
- Disclosure of mandatory sustainability related documents as applicable, such as the Issuer's Internal Sustainability Framework, etc.

2. Acknowledgement and commitment to ongoing post-issuance reporting obligations, which shall include:

- readily available up to date information on the use of proceeds on an annual basis including a list of all Projects being financed with the proceeds and their potential impact to be provided by the Issuer.
- an annual assessment report to be published and retained on the issuer's website throughout the tenor of the blue bond.
- continuous filing with the exchange, a report on its compliance with the relevant rules and principles. The report shall include a list of all projects and its environmental impact. The first report shall be due twelve (12) months from the issue date.

Internal Sustainability Framework

This gives an overview of the issuer. It contains information such as:

a. Company Overview: This consists of basic information about the issuer. It gives a background on the issuer and contains relevant information on the profile of the issuer.

b. Sustainability Commitment: This outlines the issuer's commitment to promoting sustainability. It also outlines the issuer's mission, objectives, targets, roadmap in respect of achieving sustainability.

c. Governance Approach: This entails the company's approach to adhering to the principles of corporate governance. It reiterates the issuer's commitment to maintaining such principles. The issuer is also expected to highlight its corporate governance structure.

d. Approach to Environmental and Social Risk Management: This entails a description of the issuer's approach to promoting positive environmental and social conditions.

Sustainability Finance Framework: This gives an insight into the issuer's sustainability framework. It highlights the issuer's intention for issuing a sustainability framework which is to use the framework to issue blue, green, social or sustainability bonds, loans or other debt instruments (Sustainable finance instruments). It also states the sustainable finance principles the framework is built on. The framework should be structured in accordance with the following:

a. Use of Proceeds: This highlights the projects or purposes the net proceeds of the issued sustainable financial instrument will be used to fund. It points out the eligible project categories for each sustainability instrument, for instance, blue project categories, green project categories and social project categories. In addition to the project categories, it lists out the eligible activities under each project category. For instance:

Eligible green project categories

Blue Project Category	Eligible Activities
Renewable Energy	Investments and expenses into processes and facilities that allow or increase the use of renewable energy. Examples include, but are not limited to: 1. Bio-gas facilities Installation and maintenance of biogas units at the dairy sites. Manure and other organic material are gathered from the farm after which they are processed to extract the biogas. Residual material is returned to the farmers to be used as fertilizer. 2. Biomass boilers Installation and maintenance of biomass boilers. These boilers run exclusively on residual material such as branches and scrap wood from FSC-certified forests. 3. Development, construction, installation and maintenance of renewable energy projects, from the following sources: ◦ Wind (onshore and offshore) ◦ Solar (including floating) ◦ Hydropower under 25 MW or if above 25MW, only projects which have either a lifecycle carbon intensity of less than 100gCO_2/kWh or power density above 5W/m2 ◦ Geothermal projects with a direct emissions intensity threshold below 100g CO_2/kWh ◦ Biofuels where the feedstock is from sustainable sources of local raw material that is sourced from agricultural residues or forestry residue and does not deplete existing terrestrial carbon pools or compete with food production

b. Process for Project Evaluation and Selection: This outlines the issuer's procedure for assessing and selecting projects. Projects must be selected in accordance with the criteria set out in Paragraph 8.2.1. This part also includes how the issuer aims to ensure that projects are properly reviewed and selected. Additionally, it names the entity responsible for the review and selection of eligible projects.

c. Management of Proceeds: This lists out how the issuer seeks to manage the proceeds of the issued finance instrument. It contains information on where the proceeds will be deposited and how the allocation of the net proceeds will be allocated and tracked. It also contains information on the reallocation of proceeds where a project ceases to comply with this Framework. A detailed description of the use of unallocated proceeds is also required.

d. Reporting: This contains details of the issuer's schedule of publishing reports on the allocation of net proceeds. It provides information on material developments in respect of the net proceeds and how the report will be made available to the concerned parties. It specifically outlines reports on the allocation of net proceeds and reports on the environmental and/or social impacts of the issued bonds (Allocation Reporting and Impact Reporting under different sub-headings). Additionally, it highlights the reporting metrics for each project category. For instance:

Eligible Blue, Green and Social Project Categories	Impact Reporting Metrics
Renewable Energy	◦ Capacity of renewable energy plant(s) constructed or rehabilitated in MW ◦ Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) ◦ Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent (where possible)
Clean Transportation	◦ Number of trains/vehicles financed ◦ CO2 equivalent saved

External Review: This is focused on:

1. Second party opinion: Here, the issuer is required to provide information on the entity appointed to assess its sustainability finance framework.
2. Post issuance external verification: For the purpose of transparency, the issuer is expected to engage a third-party review to provide an annual assessment on the conformity of the allocation and impact of the proceeds from the sustainable finance instrument with the framework's criteria.

Amendments to the framework: The issuer is to make provisions for the amendment of the framework when necessary. The framework is expected to always conform with updated versions of relevant sustainability principles.

Case Study

a. Seychelles Blue Bond

Overview

Seychelles is a Small Island Developing State whose economy and livelihood is highly dependent on the ocean, its resources and other blue economy sectors. Tourism and the fisheries sector are the two most important sectors, whch significantly contribute to their GDP and provide employment to 17 percent of the population. Fish products make up 95 percent of the Seychelles total value of domestic exports.

As the economy grew and fisheries became more exploited, the Seychelles recognized the need to rebuild and sustainably utilize fish stocks through improved governance and management of the sector. However, the costs of transitioning to sustainable fisheries can be substantial for a small island state, both in terms of management costs and the socioeconomic losses as fish stocks are recovering. The potential for a sovereign blue bond to finance this transition was first identified during discussions between Seychelles, the Prince of Wales' Charities International Sustainability Unit, and the World Bank. Seychelles was keen to explore innovative financial instruments for its development agenda, particularly since its graduation to a high-income country, which limits its access to grants and donor aid.

Structure of the Seychelles sovereign blue bond

The sovereign blue bond was issued with a ceiling value of US$15 million, with a maturity of 10 years. The blue bond, as well as the program of marine and ocean-related activities it will support, was prepared with assistance from the World Bank and the Global Environment Facility. This support includes a partial World Bank guarantee (US$5 million) and a concessional loan from the Global Environment Facility (US$5 million), which will partially subsidize payment of the bond coupons. These credit enhancement mechanisms played a crucial role in making the bond attractive to investors by reducing risk and lowering the effective interest rate for Seychelles.

While the structure of the Seychelles Blue Bond showcases financial innovation, certain areas could have been improved.

The heavy reliance on credit enhancement raises concerns about the bond's commercial viability without external institutional support. This suggests that replicating this model in other developing economies without similar backing might be challenging. Additionally, the bond was privately placed with three U.S.-based impact investors, ensuring a smooth issuance. However, a broader investor base, including regional investors, could have further strengthened market development and local ownership, promoting wider adoption of sustainable finance in the region.

Investor

Since the total amount of the blue bond is of relatively low volume in market terms, it was privately placed with three socially responsible impact investors based in the United States, namely Calvert Impact Capital, Nuveen, and Prudential. The placement agent was Standard Chartered Bank, and the trustee was the Bank of New York.

Use of the proceeds

The proceeds were used to capitalize a Blue Grants Fund ($3 million) and a Blue Investment Fund (US$12 million), each of which will provide financing for marine and ocean-related activities that contribute to the transition to sustainable fisheries. These proceeds will be managed by the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT), which will administer grants from the Blue Grants Fund, and the Development Bank of Seychelles (DBS), which will administer loans from the Blue Investment Fund. The two funds are designed to complement each other.

Benefits of the bond to the Republic of Seychelles

The main beneficiaries are Seychellois whose livelihoods depend on marine resources and the ocean. This includes artisanal and semi-industrial fishers, operators in tourism and seafood value chains, including aquaculture; national and local institutions engaged in the management of marine resources, including fishers' associations and government entities. Ultimately, the general population will benefit from a healthier marine environment and increased food security.

Impact on Seychelles' overall debt portfolio

The aggregate debt from the blue bond is a mere fraction of the current debt portfolio of the country and the impact of the blue bond placement on the sustainability of the debt of Seychelles is not material. The blue bond is a general obligation of the Republic and its repayment is not dependent on the receivables derivable from the use of the proceeds.

Contribution to climate change adaptation

The bond will strengthen Seychelles' resilience to the impacts of climate change. This will be made possible with the expansion of the marine protected areas network to 30 percent of their Exclusive Economic Zone (EEZ) and the promotion of sustainable fisheries through proper control and management, based on the project's ecosystem-based adaptation approach.

The blue bond also complemented the debt-for-nature swap that Seychelles undertook in 2015 with The Nature Conservancy. In this case, an exchange for greater ocean protection and climate change adaptation. The blue bond initiative will also help Seychelles to diversify its economy and reduce its vulnerability to climate change by adopting climate-smart ocean economies. This will be through the expansion of seafood value chains.

Economic impact

The Seychelles Blue Bond has played a pivotal role in advancing the country's blue economy aspirations, driving economic resilience, environmental sustainability, and job creation. Managed in part by the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT), which oversees $3 million (20%) of the bond proceeds, the funding has been strategically deployed to support marine conservation, fisheries management, and economic diversification.

A key impact of the Blue Bond has been its contribution to sustainable fisheries and marine resource management. Projects such as the pilot integration of tracking, logbook, and market traceability tools for Seychelles' small-scale fisheries have enhanced fisheries governance and strengthened seafood value chains, ensuring long-term sustainability. Additionally, the voluntary fisheries zone closure project on Praslin Island has helped prevent overfishing, safeguarding marine resources that are vital to Seychelles' economy.

Beyond fisheries, the bond proceeds have also been instrumental in enhancing environmental resilience. The community-based ecological wetland rehabilitation project in Pasquiere, Praslin, has supported terrestrial restoration, benefiting both the marine ecosystem and the broader tourism and fisheries sectors, which are highly dependent on a healthy environment. Furthermore, the expansion of Seychelles' Marine Spatial Plan, overseen by SeyCCAT, has improved the long-term planning and management of marine resources, ensuring balanced economic and environmental objectives.

The bond has also contributed to job creation and capacity building, particularly through the Blue Economy Internship Programme. Now in its fourth edition, the program has provided young people with training and employment opportunities in the marine economy, ensuring that Seychelles cultivates a skilled workforce capable of sustaining and expanding its blue economy.

Additionally, the bond has attracted investment and scaled economic impact by facilitating private sector engagement. The SWIOFish3-funded Environmental and Social Impact Assessment (ESIA) for the fish processing area at Zone 14, Ile Du Port, has made it easier for potential investors to secure Blue Investment Fund (BIF) loans, fostering business growth and sectoral expansion.

Overall, the Seychelles Blue Bond has proven to be a transformative financial instrument, mobilizing funds for conservation, fisheries reforms, and economic diversification. By financing 48 projects under the Blue Grants Fund (BGF), while also supporting internship programs and fisheries reforms, the bond has strengthened economic sustainability, empowered local communities, and positioned Seychelles as a global leader in sustainable blue finance. Through these initiatives, Seychelles has successfully leveraged innovative financing to ensure that its marine resources remain a pillar of economic growth and environmental protection for future generations.

b. Maynilad Blue Bonds
Overview
Maynilad is the water and wastewater services provider for the West Zone of the Greater Metro Manila area. It is the largest water concessionaire in the Philippines by customer base. The West Zone is composed of 17 cities and municipalities which include Caloocan, Malabon, Navotas, Valenzuela, parts of Quezon City, parts of Manila, parts of Makati, Pasay, Parañaque, Las Piñas, Muntinlupa, Bacoor, Imus, Kawit, Rosario, Noveleta, and Cavite City.

In terms of its water supply infrastructure, Maynilad currently operates and maintains 8 water treatment plants, 23 wastewater treatment plants (including 20 sewage treatment plants, 2 joint sewage & septage treatment facilities, and 1 septage treatment facility), 129 wastewater pumping stations/lift stations, 32 pump stations and reservoirs, 8 pump stations, 4 reservoirs, 21 deep-well pumping stations, 3 in-line boosters and reservoirs, 33 in-line boosters and 7,596 kilometers of water pipelines (inclusive of 309 km for hydrotesting).

On 15 May 2024, Maynilad Water Services, Inc. received confirmation from the Securities and Exchange Commission ("SEC") that its proposed Series A Blue Bonds due 2029 and Series B Blue Bonds due 2034 to be issued in accordance with its Sustainable Finance Framework comply with the requirements of the ASEAN Green Bond Standards, SEC MC No. 12, series of 2018 (Guidelines on the Issuance of Green Bonds under the ASEAN Green Bonds Standards in the Philippines), and SEC MC No. 15, series of 2023 (Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines), subject to compliance with all applicable regulatory requirements and the issuance by the SEC of the requisite Permit to Offer Securities for Sale covering the bond issuance.

Maynilad offered up to ₱12 Billion fixed-rate Blue Bonds with an oversubscription option of up to ₱3 Billion, to be issued in up to two (2) series at 100% face value with tenors of 5 years and/or 10 years indicatively from 27 May 2024 to 31 May 2024, subject to securing the required regulatory approvals. This is the first Blue Bond public offering in the Philippines. Maynilad's Blue Bonds have been rated PRS Aaa with a Stable Outlook by the Philippine Rating Services Corporation ("PhilRatings") on 15 March 2024.

BPI Capital Corporation ("BPI Capital") as the Sole Issue Manager, and together with, BDO Capital & Investment Corporation ("BDO Capital"), First Metro Investment Corporation ("First Metro"), and East West Banking Corporation ("East West") are the joint lead underwriters and joint bookrunners of the Offer.

The Blue Bonds are constituted by a Trust Agreement executed on 26 June 2024 (the "Trust Agreement") between the Issuer and BPI Asset Management and Trust Corporation (the "Trustee", which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement).

Regulatory framework for the Maynilad blue bond issuance
The Maynilad Series A Blue Bonds due 2029 and Series B Blue Bonds due 2034 were issued in accordance with its Sustainable Finance Framework and are in compliance with the requirements of the ASEAN Green Bond Standards, SEC MC No. 12, series of 2018 (Guidelines on the Issuance of Green Bonds under the ASEAN Green Bonds Standards in the Philippines), and SEC MC No. 15, series of 2023 (Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines), subject to compliance with all applicable regulatory requirements and the issuance by the SEC of the requisite Permit to Offer Securities for Sale covering the bond issuance.

The ASEAN Green Bond Standards are a set of guidelines formulated by the ASEAN Capital Markets Forum based on the International Capital Market Association (ICMA)'s Green Bond Principles (GBP). The ASEAN GBS aims to enhance transparency, consistency and uniformity of ASEAN Green Bonds which will also contribute to the development of a new asset class, reduce due diligence cost and help investors to make informed investment decisions.

The ASEAN GBS sets specific guidance on how the GBP are to be applied across ASEAN for green bonds to be labelled as ASEAN Green Bonds. The ASEAN GBS sets out the criteria for an issuer and the issuance. It also sets out the components for a green bond issuance, which includes the use of proceeds, process for Project Evaluation and Selection, Management of Proceeds, reporting, and the considerations for carrying out an external review.

The **SEC MC No. 12, series of 2018 (Guidelines on the Issuance of Green Bonds under the ASEAN Green Bonds Standards in the Philippines)** sets out the provisions that govern the issuance of ASEAN Green Bonds. It sets out eligibility requirements for an issuer, and makes key provisions around the use of proceeds, eligible green project categories, ineligible green projects, disclosures to be included in the offer documents, process for Project Evaluation and Selection, Management of Proceeds, reporting, external review, content of the review report, etc.

The SEC MC No. 15, series of 2023 (Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines) is applicable specifically to Blue Bonds, but however incorporates the provisions of the SEC MC No. 12, series of 2018 by noting that this guideline must be read and applied in conjunction with SEC MC No. 12, series of 2018. The guideline also builds on the ASEAN Green Bond Standards (GBS) and the ICMA Green Bond Principles (GBP). The Guideline specifically sets out the project and activities that would qualify for blue projects or blue activities. It also makes provision for quantitative performance measures to be employed by an Issuer when reporting on the use of proceeds.

The sustainable finance framework outlines Maynilad's approach to issuing Green, Social, and/or Sustainability Bonds and/or Loans (each a Sustainable Finance Transaction ("SFT") and collectively Sustainable Finance Transactions ("SFTs").

Thus, the framework for the issuance of Blue Bonds in the Philippines is constituted by the following; the Sustainable Finance Framework[1], the ASEAN Green Bond Standards[2], SEC MC No. 12, series of 2018 (Guidelines on the Issuance of Green Bonds under the ASEAN Green Bonds Standards in the Philippines)[3], and SEC MC No. 15, series of 2023 (Guidelines on Eligible Blue Projects and Activities for the Issuance of Blue Bonds in the Philippines).

Maynilad Water Services, Inc.'s issuance of Blue Bonds represents a significant development in sustainable finance within the Philippines. It is important to examine the process flow and structure of the issuance, highlighting the role of regulators in supporting market development, and assessing the potential impact on the broader Philippine economy.

Process Flow and Structure

Maynilad's Blue Bond issuance was meticulously structured to align with established sustainable finance frameworks. The company developed a Sustainable Finance Framework in February 2024, outlining its approach to issuing Green, Social, and Sustainability Bonds and Loans. This framework ensures that proceeds are allocated to projects meeting specific environmental and social criteria.

The issuance process involved several key steps:

i. Regulatory Approval: On May 15, 2024, Maynilad received confirmation from the Securities and Exchange Commission (SEC) that its proposed Series A and Series B Blue Bonds complied with the ASEAN Green Bond Standards and relevant SEC guidelines, subject to regulatory requirements and the issuance of the Permit to Offer Securities for Sale.

ii. Credit Rating: The Blue Bonds were rated PRS Aaa with a Stable Outlook by the Philippine Rating Services Corporation (PhilRatings) on March 15, 2024, indicating a high level of creditworthiness.

iii. Offering and Issuance: Maynilad proposed offering up to ₱12 billion in fixed-rate Blue Bonds, with an oversubscription option of up to ₱3 billion, to be issued in up to two series at 100% face value with tenors of 5 and/or 10 years. The offer period was scheduled from May 27 to 31, 2024, with the issuance date set for July 12, 2024.

iv. Underwriting and Trust Agreement: BPI Capital Corporation served as the Sole Issue Manager, with BDO Capital & Investment Corporation, First Metro Investment Corporation, and East West Banking Corporation acting as joint lead underwriters and joint bookrunners. A Trust Agreement was executed on June 26, 2024, between Maynilad and BPI Asset Management and Trust Corporation, constituting the Blue Bonds.

Role of Regulators in Supporting Market Development

The Philippine SEC played a pivotal role in facilitating the development of the Blue Bond market. In September 2023, the SEC launched new guidelines on blue bond issuances, encouraging companies to raise funds through capital markets by fostering transparency and standardization. This initiative represents a major step toward developing a sustainable blue economy and robust capital market in the Philippines.

Additionally, the SEC's confirmation of Maynilad's Blue Bonds' compliance with ASEAN Green Bond Standards and relevant SEC guidelines provided the necessary regulatory support for the issuance. This regulatory framework ensures that Blue Bonds adhere to established environmental and social criteria, promoting investor confidence and market integrity.

Impact on the Broader Philippines Economy

Maynilad's Blue Bond issuance is poised to have several positive impacts on the Philippine economy:

i. Infrastructure Development: The proceeds from the Blue Bonds are earmarked for projects that enhance water and wastewater infrastructure, contributing to improved public health and environmental sustainability.

ii. Market Confidence: As the first public offering of a Blue Bond in the Philippines, this issuance sets a precedent for future sustainable finance initiatives, potentially attracting both domestic and international investors interested in environmental projects.

iii. Improved Regulatory Framework: The successful issuance under the SEC's guidelines may encourage other companies to pursue similar financing avenues, thereby deepening the capital market and promoting sustainable economic growth.

Maynilad's Blue Bond issuance exemplifies a well-structured approach to sustainable financing, with strong regulatory support playing a crucial role in its execution. The initiative not only advances Maynilad's infrastructure goals but also contributes to the broader development of the Philippine economy by fostering a sustainable and robust capital market.

Potential Blue Bond Issuers in Africa

Africa's diverse coastline, inland freshwater ecosystems, and ocean-based economic sectors provide an enormous opportunity to mobilize sustainable finance through blue bonds. With growing threats from climate change, overfishing, pollution, and rising sea levels, African governments and private entities must explore innovative financing tools to fund marine conservation, resilient infrastructure, and sustainable livelihoods. Blue bonds offer a practical solution to align development finance with ocean stewardship and inclusive growth.

Across Africa, a wide range of issuers - from sovereigns to corporates - are well-positioned to access blue bond markets and channel investments into transformative ocean-related projects. To ensure successful implementation, it is crucial to identify key issuers and impactful projects that should be financed.

1. National Issuer – Sovereign Governments

Sovereign blue bonds are an effective way for national governments to raise capital for large-scale marine and coastal development projects, while also signaling climate leadership and leveraging concessional financing. Africa's first and only sovereign blue bond was issued by Seychelles in 2018, paving the way for replication.

A sovereign blue bond could be structured similar to past sovereign green bond issuances, leveraging concessional financing and credit enhancements from the World Bank, African Development Bank (AfDB), Green Climate Fund (GCF), and other impact investors. They are a powerful financing tool which can be used to fund:

1. Coastal Protection and Erosion Control: Funding for erosion control projects in states that are experiencing severe land loss due to rising sea levels.
2. Sustainable Fisheries Development: Investments in marine protected areas (MPAs), eco-friendly fishing technology, and fish stock restoration programs.
3. Marine Renewable Energy Development: Financing offshore wind and tidal energy projects to expand the clean energy mix.
4. Plastic Waste Management and Ocean Cleanup Initiatives: Nationwide expansion of marine waste collection and recycling programs to reduce pollution.

By issuing a sovereign blue bond, Sovereign Governments will demonstrate leadership in sustainable finance, encourage private sector participation, and improve access to climate and sustainability-linked investments.

2. Subnational Issuers – State Governments, local governments, provinces, etc.

Subnational governments across Africa are increasingly recognized as critical actors in addressing the challenges and opportunities of the blue economy. Many coastal and freshwater-facing regions manage essential infrastructure and environmental assets that can be financed through blue bonds. These issuers are suitable due to their jurisdiction over local development planning, climate adaptation needs, and potential to leverage revenue-generating public services or public-private partnerships.

Western Cape Province, South Africa

With Cape Town as its capital, the Western Cape is highly exposed to water stress, sea-level rise, and marine biodiversity loss. It also has a mature municipal finance structure, experience with climate-related projects, and a proactive provincial government. The Western Cape province is well positioned to issue a sub-national blue bond to fund:

- **Integrated Coastal Protection System:** Construction of seawalls, dune rehabilitation, and early warning systems along vulnerable zones like False Bay and the West Coast.
- **Blue Waste Innovation Hubs**: Establishment of marine plastic recycling facilities and community waste banks near coastal settlements.
- **Fisheries Livelihood Diversification:** Programmes that train and equip artisanal fishing communities to shift towards sustainable, certified practices, including seaweed farming and aquaculture.

Lagos State, Nigeria

Lagos, Nigeria's economic powerhouse, faces rising sea levels, coastal flooding, and marine pollution. Given its previous issuance of a green bond, Lagos is well-positioned to issue a subnational blue bond to fund:

- Mangrove Restoration and Flood Defense Projects to protect coastal communities.
- Eco-Friendly Water Transportation Development (e.g., solar-powered ferries to reduce carbon emissions from marine transport).
- Blue Economy Innovation Hubs to support marine biotechnology, fisheries research, and ocean-based start-ups.

Mombasa County, Kenya

As Kenya's key maritime hub, Mombasa plays a central role in regional trade, tourism, and fisheries. It also faces threats from sea-level rise, pollution, and overfishing, and is well-integrated into Kenya's national Blue Economy Strategy. The Mombasa County can utilize blue bonds to finance:

- Green Portside Infrastructure: Installation of stormwater management systems, sustainable drainage, and shoreline stabilization structures in the Mombasa Port area.
- Solar-Powered Water Transport Network: Rollout of eco-friendly ferries and development of docking infrastructure to reduce emissions and improve coastal mobility.
- Coastal Aquaculture and Fisherfolk Empowerment Centres: Community-managed facilities offering hatcheries, cold storage, market access, and training on sustainable fishing techniques.

3. Corporate Issuers – Private Sector Blue Bonds

Private sector actors play a pivotal role in advancing Africa's blue economy. Corporations operating in fisheries, maritime logistics, coastal infrastructure, water utilities, and renewable ocean energy can tap into blue bonds to finance sustainable, innovation-driven projects. These companies are often at the center of resource use and service delivery, making them both contributors to and potential mitigators of marine environmental degradation.

Renewable Ocean Energy Sector

Companies engaged in the development of offshore wind, tidal, wave, and hybrid marine energy systems are positioned to issue blue bonds to fund:

- Offshore Wind and Tidal Energy Projects in Nigeria's coastal regions.
- Marine Biofuel Research and Development for cleaner shipping solutions.
- Hybrid Solar and Wave Energy Projects for island and riverine communities.

Maritime Transport and Shipping Sector

Companies involved in regional shipping, port operations, and coastal freight services can access blue bonds to fund key Blue Bond Projects, including:

- Fleet Transition to LNG or Hybrid Propulsion: Retrofit or replace aging vessels to reduce emissions and improve fuel efficiency on intra-African shipping routes.
- Portside Air Quality Monitoring and Mitigation Infrastructure: Install scrubbers, pollution sensors, and green charging systems at docking sites in Durban and Maputo.
- Marine Waste Recovery Partnerships: Collaborate with coastal communities to collect and recycle plastic waste from ports and shipping lanes.

Fisheries and Coastal Agribusiness Sector

Agri-food and logistics companies with operations in aquaculture, seafood processing, and delta farming can leverage blue bonds to:

- Scale sustainable aquaculture systems, such as cage or integrated multi-trophic farming, to reduce pressure on wild fisheries.
- Build eco-friendly seafood processing zones with efficient water use, renewable energy, and zero-waste goals.
- Invest in mangrove restoration linked to community-based agriculture, integrating climate resilience, biodiversity, and food security in coastal zones.

Africa's blue economy is vast and underutilized. Blue bond issuance presents a strategic pathway to unlocking capital for sustainable marine and freshwater development across the continent. Whether through sovereign, subnational, or corporate channels, blue bonds offer a promising tool for financing climate resilience, conservation, and ocean-driven growth. With proper frameworks, credit enhancements, and project pipelines, Africa can lead the next wave of blue finance innovation.

OPPORTUNITIES OF BLUE BONDS IN AFRICA

Blue bonds offer African nations and institutions a strategic opportunity to unlock climate-aligned capital for the sustainable development of ocean and freshwater economies. By aligning financial instruments with marine conservation and blue economy goals, Africa can drive inclusive growth, enhance climate resilience, and protect vital aquatic ecosystems that underpin millions of livelihoods across the continent. The following outlines a number of opportunities that blue bonds present:

1. Unlocking Climate-Aligned Capital

Blue bonds represent a unique and strategic financial instrument that can unlock significant climate-aligned capital for Africa. With the growing emphasis on environmental, social, and governance (ESG) criteria, blue bonds offer African issuers an opportunity to tap into a rapidly expanding pool of institutional investors, climate funds, and green finance platforms that are increasingly seeking impactful investment opportunities.

Institutional investors, including pension funds, sovereign wealth funds, and insurance companies, are progressively allocating more capital to ESG-focused initiatives. Climate-conscious investors view blue bonds as an avenue to contribute to the protection and restoration of aquatic ecosystems, which play a crucial role in maintaining global biodiversity and addressing climate change. Blue bonds create a direct link between the financing of ocean-related projects and environmental conservation, providing investors with a clear path to align their capital with both their financial and ethical goals.

2. Driving innovation in ocean-based technology

The utilization of blue bonds as a financing tool presents a major opportunity to engender development in ocean-based technologies across Africa. With dedicated capital, the private sector and research institutions can develop and scale solutions such as marine biofuels, waste-to-energy systems for ports, and sustainable fishing technologies. These innovations not only address environmental challenges like marine pollution and overfishing but also improve operational efficiency and support the transition to a low-carbon blue economy.

Additionally, blue bond proceeds can be used to support the deployment of satellite-based ocean monitoring systems, which are essential for tracking illegal fishing, coastal degradation, and marine ecosystem health. By driving technological advancement and adoption, blue bonds position Africa to lead in blue tech innovation tailored to its local context, while opening up new economic opportunities, enhancing resource governance, and attracting further sustainable investment.

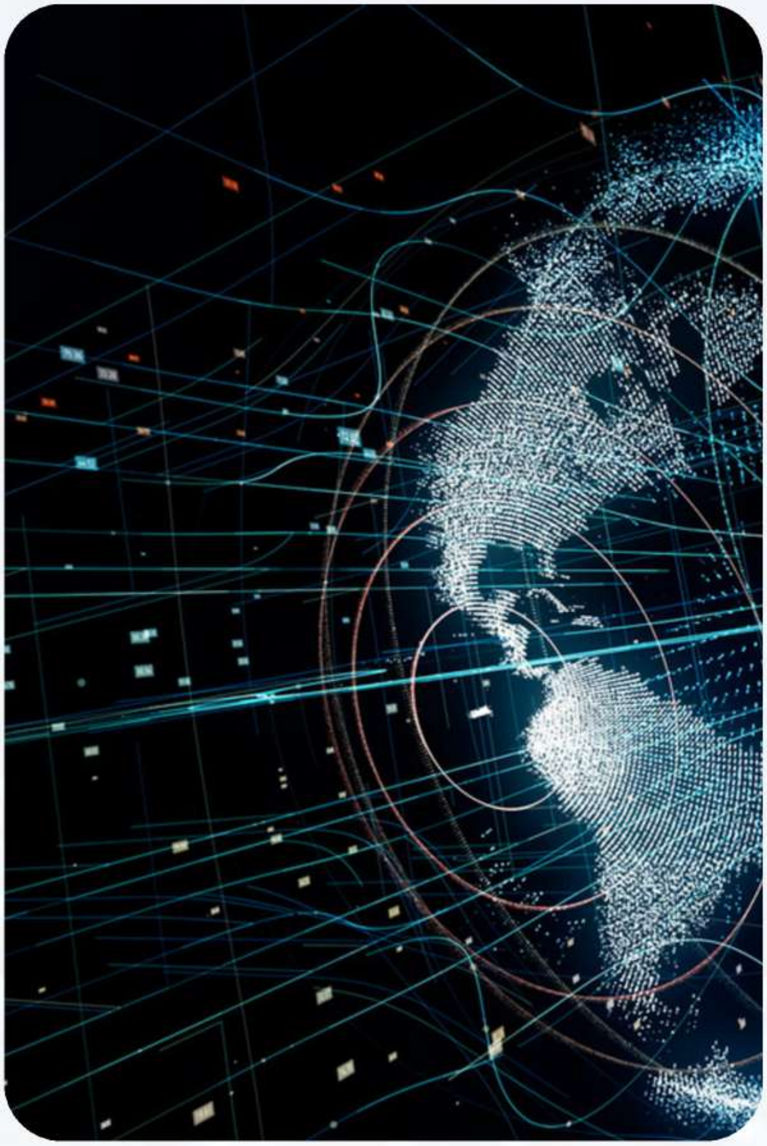
3. Positioning African financial markets for sustainable finance leadership

Blue bonds present a strategic opportunity for African financial markets to deepen their role in the global sustainable finance ecosystem. By developing robust blue finance frameworks, financial regulators, development finance institutions, commercial banks, and investment managers can establish clear criteria for blue bond issuance, verification, and monitoring and position Africa as a credible destination for climate-aligned capital and become a regional leader in financing nature-based solutions and marine sustainability. This leadership would not only unlock new sources of funding but also build institutional capacity, deepen financial innovation, and support long-term economic resilience tied to the continent's vast aquatic resources.

4. Regional collaboration

The use of blue bonds creates a unique opportunity to foster and deepen regional collaboration among African countries. By serving as a financing mechanism for multi-country marine and freshwater projects, blue bonds encourage joint planning, investment, and governance of shared aquatic resources. Projects such as transboundary marine protected areas, regional marine pollution control programs, and cross-border shipping and port efficiency upgrades require coordinated action, something that blue bonds can catalyze by providing a shared financial structure and common environmental objectives. This financial collaboration can help harmonize regulatory approaches, encourage data sharing, and align sustainability targets across borders.

Beyond individual projects, blue bonds can also serve as a platform for African countries to operationalize continental and regional blue economy strategies.



CHALLENGES OF BLUE BONDS IN AFRICA

While blue bonds hold significant promise for financing Africa's marine and freshwater sustainability goals, their adoption across the continent faces critical challenges. These include limited project pipelines, weak regulatory frameworks and institutional gaps, and high perceived risk and limited credit worthiness, all of which must be addressed to unlock the full potential of blue finance in Africa.

1. Limited Pipeline of Bankable Blue Projects
A major challenge in scaling the blue bond market in Africa is the limited pipeline of bankable, investment-ready blue economy projects. While there is no shortage of environmental needs, many of these initiatives remain underdeveloped or poorly structured from a financing perspective.

Potential issuers, including governments, municipalities, and local enterprises, often lack the technical expertise to identify viable projects, conduct feasibility studies, structure financial models, and incorporate the ESG metrics investors now require. As a result, projects fail to meet the risk, return, and impact expectations of institutional investors or development finance institutions.

2. Regulatory and Institutional Gaps
In many African countries, the development of blue bonds is hindered by the absence of clear legal and regulatory frameworks that define, certify, and govern their issuance. Unlike green bonds, which benefit from more established international guidelines and emerging national policies, blue bonds are still a relatively new and evolving instrument.

This regulatory gap creates uncertainty in several areas. For investors, this uncertainty undermines confidence in the credibility and impact of blue bond issuances. For issuers, it complicates the structuring process, making it harder to attract capital or ensure alignment with investor expectations.

3. High Perceived Risk and Limited Creditworthiness
African sovereigns and corporates often face heightened credit risk perceptions from global investors, which can significantly limit their ability to issue blue bonds on competitive terms. Factors such as currency volatility, political instability, inconsistent policy environments, and generally low or non-investment-grade credit ratings contribute to investor caution. These risks increase the cost of capital and reduce the appetite for long-term investments in emerging blue economy sectors.

RECOMMENDATIONS FOR ADVANCING BLUE BONDS IN AFRICA
To unlock the full potential of blue bonds and address existing barriers, coordinated efforts across policy, finance, capacity building, and market development are needed. Several key actions are recommended to lay the foundation for a robust and sustainable blue bond ecosystem.

1. African countries should prioritize the development of clear blue bond frameworks. These frameworks would provide standardized definitions of what qualifies as a "blue" project and outline disclosure, impact reporting, and requirements for the issuance of Blue Bonds. National securities regulators and stock exchanges should collaborate with global standard-setting bodies to craft frameworks that are tailored to African realities but aligned with international best practices.

2. Encouraging domestic investor participation is essential to advancing the blue bond ecosystem in Africa. This can be achieved by supporting local institutional investors such as pension funds and insurance companies in integrating ESG criteria into their investment mandates and by offering incentives for investing in sustainability-linked instruments.

3. Raising public awareness and strengthening stakeholder engagement is also vital. Public campaigns and educational initiatives targeted at policymakers, investors, and communities can help demystify blue bonds, build trust, and increase participation.

4. African governments and partners should focus on driving the blue bond ecosystem by actively participating in the issuance of blue bonds across different regions of the continent. These initial transactions, whether sovereign or subnational can serve as proof-of-concept deals to showcase impact and build market confidence.

5. Regional coordination should also be leveraged to scale issuance.

Why DealHQ Partners?

As Africa's blue economy gains strategic relevance, DealHQ is positioned to guide the market through the practical steps, legal compliance, and stakeholder engagement required to structure credible and investible Blue Bonds. Our cross-sectoral understanding of sustainability, law, finance, and innovation ensures that our clients are equipped to unlock capital in service of climate-resilient and ocean-positive outcomes.

At DealHQ, we bring deep expertise and practical guidance to support issuers, investors, and intermediaries across the full lifecycle of Blue Bond issuance. Our Capital Markets practice is designed to help stakeholders navigate the regulatory, transactional, and sustainability-related complexities of sustainable finance instruments, including Blue Bonds.

End-to-End Capital Markets Support for Blue Bonds

Our team offers comprehensive legal and strategic advisory across capital market offerings, with tailored capabilities to structure and support Blue Bonds – debt instruments that raise capital for marine and ocean-based projects with positive environmental, economic, and climate impacts. We provide:

- Structuring & Regulatory Advisory: Tailored support in designing Blue Bond frameworks aligned with international standards (ICMA, UN SDG 14) and Nigerian regulatory guidelines (e.g., SEC Sustainable Finance Framework).
- Drafting and Negotiation: Full documentation support, including term sheets, trust deeds, Blue Bond frameworks, vending and subscription agreements, and reporting templates for environmental impact disclosures.
- Prospectus and Disclosure Review: Review and compliance checks for prospectuses and offering circulars, ensuring alignment with capital market rules and ESG disclosure obligations.
- Stakeholder Engagement: Engagement with regulators, trustees, impact assessors, and institutional investors to support credibility and investor confidence in sustainable bond structures.
- Post-Issuance Reporting: Guidance on ESG impact reporting, verification, and investor updates in compliance with sustainable bond principles.

Blue Bond Issuance Related Service Offerings

Debt Offerings (including Blue Bonds):
We advise on the issuance of public, sovereign, sub-sovereign, and corporate bonds – including innovative thematic bonds such as Green, Social, and Blue Bonds. Our team provides support across:

- Sovereign and Municipal Blue Bond Issuance
- Project-specific Blue Bonds for Ocean Economy Projects
- Blended Finance Instruments Combining Concessional and Market-rate Debt
- Sukuk and Shariah-compliant Blue Bonds

Equity Offerings:
While Blue Bonds are primarily debt instruments, hybrid models may involve equity-linked structures or convertible instruments. We offer structuring insights and documentation for:

- Private placements and dual financing rounds
- Green IPOs or equity offerings for marine-focused entities

Derivatives & Risk Management:
We assist clients in designing hedging strategies for currency, interest rate, or commodity risks associated with Blue Bond projects. This includes:

- OTC and exchange-traded derivatives
- Sustainability-linked derivatives
- Impact risk transfer mechanisms

about us

DEAL HQ
PARTNERS

DEALHQ is a Pan-African transactional advisory firm dedicated to enabling businesses operate efficiently within Africa's dynamic market. We provide stellar business solutions which help businesses navigate the unique challenges and opportunities in the African business landscape whilst enabling them to operate efficiently within their market sphere.

Committed to driving a connected Africa by providing premium advisory and concierge services by thinking beyond borders, rigorously executing our deliverables, and simplifying business processes for optimal efficiency. We are changing the face of legal services with our combination offering of legal advisory blended with management consulting and global concierge support - enabling us to bring the best of Africa to the World and connect the World to Africa.

Our service offering includes: - mergers & acquisitions, finance, corporate commercial, infrastructure and projects, capital markets & derivatives, climate/clean energy & sustainable finance, private equity, construction, technovation and data governance, corporate & concierge services, business formations & start-up support amongst others.

Arguably, the fastest growing Firm in Africa - our team is young, dynamic and innovative with an uncommon understanding of Africa’s nuanced deal making culture making us the go-to firm for bespoke, innovative deal advisory in Africa.

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