



TAKING THE PACIFIC OCEAN BOND FORWARD

Pacific Ocean Bond report



THE PACIFIC OCEAN IMPACT

which proposes a Pacific sovereign bond issuer, has inherently higher risks related to transparency and accountability requirements



THE PACIFIC OCEAN RESILIENCE BOND

which proposes an MDB as the bond issuer, benefits from the MDB's strong corporate governance mechanisms, and long-standing track record on transparency, accountability, and delivery of results.



THE PACIFIC OCEAN MITIGATION BOND

which proposes a corporate bond structure, will follow corporate governance standards as they relate to sustainability.

The successful implementation of the three bond concepts requires an effective enabling environment, including policy relevance and a regulatory environment that provides certainty for markets to operate, governance arrangements, knowledge management, communication, capacity and skill development - all of which contribute to improving the success of the proposed activities and reducing risks to investors.



NEXT STEPS IN THE DEVELOPMENT OF THE THREE BOND STRUCTURES WILL NEED TO REFLECT:

- Local socio-economic and sectoral realities
- Capacity and experience in financing
- Country-specific considerations, including governance, policy, and legislative considerations
- Implementation modalities that generally apply across all bond structures
- Modalities specific to each bond structure and reflecting sector needs

GENERAL CONSIDERATIONS IN THE NEXT STEPS IN DEVELOPING A PACIFIC OCEAN BOND



RAISING REGIONAL AWARENESS

The limited awareness and understanding of bond finance in the region were a key learning point during initial regional consultations.

Further in-depth regional and national stakeholder consultations should be undertaken..



STRUCTURING GOVERNANCE ARRANGEMENTS

Good governance refers broadly to a set of qualitative characteristics relating to institutional arrangements, decision-making rules and values, transparency, accountability, and public access to information, all of which are of critical importance to prospective investors and the success of projects.



ALIGNING POLICY RELEVANCE & REGULATORY FRAMEWORK

Bond finance needs to be embedded in a broader investment strategy which targets global, regional, and national strategic priorities.



BUILDING PARTNERSHIPS & SUPPORTING ORGANIZATIONS

Partnerships between the bond issuer, regardless of the bond structure, and supporting organizations is vital.

Ultimately, there is a wide-ranging network of stakeholder relationships on-the-ground in the Pacific at present, and for bond finance to truly add value these existing networks must be leveraged into partnerships in bond finance.

In addition to these general considerations, the Guidance Notes for Implementing Pacific Ocean Bonds provides additional considerations under the following implementation modalities for each proposed bond concepts:

- Partnerships & Supporting Organizations
 - Governance arrangements
 - Stakeholder engagement
- Impact monitoring and evaluation
 - Research
 - Financial data modeling
- Standards and verification requirement
 - Capacity needs

CONCLUSION

Ultimately, the combination of ocean health needs and climate-related challenges facing the Pacific, particularly in terms of increased financial support, and the region's substantial and cross-sectoral economic, social, and environmental prioritization of the ocean, creates the right conditions for consideration of green/blue bond financing to support sustainable ocean outcomes in the region. Whilst this form of financing faces certain challenges both in terms of country capacity and investor confidence, there are some commercially viable economic activities across sectors that could successfully raise capital and benefit greatly from the introduction of bond finance.

This is clear and the growing interest in blue financing from the investor community and supporting organizations is clear. An effective bond instrument structure can leverage this interest and existing frameworks can safeguard the delivery of positive ocean impacts. While a bond is not a new financial instrument, it is relatively unused in the region. This creates a need for deeper regional and local engagement that can bring regional organizations and governments on board, aligning investor interests with local ocean health and development priorities.

Existing projects already under discussion with MDBs or other regional and bilateral organizations that fall within sector priorities can undergo reviews and be considered systematically for eligibility. Proper design of governance arrangements, and local capacity building for this purpose need to happen in-step to safeguard the delivery of ocean impacts, the local economic benefits of investments, and the financial returns to investors.

CONTACT:

www.ffa.int/prop



Forum Fisheries Agency, 1 FFA Road,
Koloale, Honiara, Solomon Islands



+677 21124

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