

CAPE

Coalition pour des Accords de Pêche Équitables

CFFA

Coalition for Fair Fisheries Arrangements



Meet Bond...Blue Bond **Saving your fish or bankrupting the oceans?**

CFFA Working Paper: April 2018

Scenes

Ah, Mr Bond, we've been expecting you...	3
From the World Bank, with love...	7
For your eyes only... Mozambique's secret 'tuna bonds'	12
He loves only gold...	17
A view to a kill...responding to the blue bond market	28

Ah, Mr Bond, we've been expecting you...

Last year the Seychelles announced its intention to issue the world's first *blue bond*. This was reported as an exciting development by many news agencies. The announcement of a new blue bond puts the Seychelles at the forefront of global initiatives to develop the 'blue economy' concept. In 2015, Seychelles was also given positive international coverage for arranging a debt-for-nature swap deal, an initiative that was proposed, brokered and then implemented by the US based *NatureVest* - an organisation set up by the world's largest conservation organisation, The Nature Conservancy, and one of the world's largest investment banks, JP Morgan. NatureVest was specifically designed to leverage private financial capital to fund conservation.

The Seychelles has yet to issue the world's first blue bond. We therefore have to wait to see how much funds this will generate, how these funds will be used and then whether the concept will catch on. Seychelles is intended as 'proof of concept'. However, the concept is well established and very popular already, if we see blue bonds as an extension of the green bond market - which it surely is. NatureVest were reported in *the Economist* as being bullish about the prospect of blue bonds - they envisage selling a billion USD of these in the next ten years.¹ If the green bond market is the anything to go by, these projections ought to be taken seriously.

From billions to trillions

The arrival of the first blue bond has been anticipated for a number of years. It forms part of a wider effort by many organisations, including international development banks, to establish 'ethical bonds'. These are debt instruments that are defined by their positive social or environmental impacts. The core argument justifying the need for these bonds, as well as the expansion of related private-public partnerships for development, is that traditional sources of development aid are woefully insufficient. Estimates of this financing gap for achieving the Sustainable Development Goals put the figure at about 2 to 3 trillion dollars a year.

The World Bank was one of the first development banks to recognise this situation, and has subsequently increased its efforts to enhance the role of private capital markets in its work. The strategic approach culminated in a landmark policy in 2015, entitled 'from billions to trillions', co-authored by the World Bank Group, the IMF and other development banks, including the African Development Bank, the European Investment Bank and the European Bank for Reconstruction and Development.² The logic was not simply that private capital can bridge the funding gap, but also blending private capital with development aid could help transition the private sector into a more responsive force for good. Development has to be good for business and *vice versa*.

At the heart of the *billions to trillions* vision is a so-called *cascading approach* to development, where the overall objective is to help developing countries move

from being dependent on aid to being able to attract increasing levels of private investments, depicted by the Bank as a process of *leaping up waterfalls*. Work by the World Bank has therefore been directed at building country capacities to access credit from international financial markets, preferably in their own currencies, and to manage the resulting funds. As a World Bank review of this strategy explained:

“Bond issuance by MDBs [Multilateral development banks], of itself, cannot create a viable local capital market unless a country is fully committed to a broad range of reforms. When these conditions are in place, together with investor confidence, the need for local currency bond issues by MDBs diminishes, and the role of IFIs [International Financial Institutes] bond issues will be genuinely catalytic.”³

The global shift to conservation finance

The same arguments have been put forward for nature conservation. In 2014, WWF, Credit Suisse and McKinsey and Co published a study that established an annual shortfall of funding for nature conservation of about *350 billion USD*. This finding was used as a call to arms by the world’s largest conservation organisations to intensify efforts to collaborate with the private sector. Several public private partnerships have therefore been launched, including the creation of NatureVest as a joint initiative by the world’s largest conservation organisation, The Nature Conservancy, and JP Morgan. One of the first reports by NatureVest described how public funds for conservation have stagnated and in places is in decline, but that there is an exciting opportunity to work with so-called ‘impact investors’⁴ and generate capital that blends environmental benefit and financial return. WWF, Credit Suisse and McKinsey identified the enormous opportunity of tapping into the wealth of the ultra-high rich, whose combined assets were valued then at 46 trillion USD; ‘If 1% of these new assets...were allocated to conservation finance, around USD 85 billion per year would become available’.⁵

The same thinking influenced debates on marine conservation and fisheries reforms. An important event was held in 2012, when *the Economist* hosted the first “World Ocean Summit”. The event, held in Thailand, brought together a global network comprising heads of states, development banks, senior representatives of investment banks and hedge funds, and conservation organisations. The overall focus was to explore the business case for saving the oceans, and how private capital can bridge the financing gap. As a result, a coalition was formed among many powerful organisations such as WWF, JP Morgan, IUCN, the World Bank, the Environmental Defense Fund and Credit Suisse. They called themselves *50in10*, based on responding to the objective of reducing overfished stocks by 50% in 10 years. The World Bank also launched another network in 2012 called the Global Ocean Partnership, containing a similar mix of governments, NGOs, multinational companies and bankers.

The GOP lasted for about 3 years and *50in10* lasted until 2016. But the legacy has lived on. The relationships forged between conservation organisations and banks has flourished and has now become the dominant theme in global discussions on saving the oceans. *The Economist* has continued to bring a network of NGOs and

bankers together on an annual basis at some of the best hotels and resorts across the world, where the theme remains constant: how can private finance be leveraged to save the oceans and turn fisheries into a more profitable business. For the past four years, Credit Suisse has also hosted an annual 'Conservation finance conference' at its New York office, where fisheries has become a key theme of interest. In fact, Credit Suisse seems to have done more than any other investment bank to promote conservation finance, and has produced regular reports and events on this theme.⁶

At the heart of this mission to save the oceans is the claim that transitioning to sustainable fisheries also requires an enormous injection of private capital. The shortfall in fisheries and marine conservation has been set at about 200 billion USD, a figure that was provided by academics at the University of British Columbia. The basic question that was asked by 50in10 and the GPO was who can pay for this and how can they be convinced? As a report published by the Prince of Wales Trust, the Environmental Defence Fund and 50in10 partners described:

“Because the transition to sustainable fisheries will inevitably require investments, the question of how the transition will be financed, and by whom, must be answered...To date, the transition to more sustainable, profitable fisheries has been largely funded by philanthropic and public sources of money. However, these types of capital alone cannot support the rate and scale of fisheries reform that is required on a global level. At the same time, past and current investments in fisheries have, in some instances, undermined the underlying resilience of natural and social capital. It is now time to explore a new approach to investing in the transition...”⁷

The answer was a range of innovative financing instruments and vehicles, of which blue bond was considered a viable addition. As with all missions to save the world, 50in10 realised that the risks were high, but there is no alternative.

“If we are to meet the needs of our fast-expanding population, we must find a way to survive and thrive on the sustainable dividends that natural systems provide...we must act quickly to put them on a more sustainable path before it is too late...”

One of the challenges facing organisations to leverage new private capital for ethical objectives is finding the economic imperative. Thus, as the case for private finance was being made, numerous studies from the same organisations described how the wealth of marine ecosystems was under-appreciated and was being squandered. There is an enormous potential for growth that can combine with conservation. WWF, in collaboration with the US based Boston Consulting Group, for example, calculated that the total assets of the world's oceans are worth 24 *trillion dollars*. In the West Indian Ocean region, WWF and Boston Consulting estimated the 'ocean asset base', or 'shared wealth fund', could conservatively be valued at least US\$334 billion.⁸ Organisations, such as US based 'entourage capital' - an investment fund manager specialising in social and environmental issues, claims that restoring fisheries can provide remarkable profits for investors, with

returns ranging from 11-35% from some of its research into developing country fisheries.

Licensed to kill?

Organisations promoting this turn to financial markets to save fisheries and marine ecosystems claim financial instruments like blue bonds are essential. Without them the planet and the people depending on marine resources are on a path to destruction. Yet the risk of these moves, and the vested interests at stake, are almost entirely overlooked. The prospect of these financial instruments, such as blue bonds, saving ecosystems and supporting sustainable coastal communities seems unlikely.

The aim of this report is to first set out the background and context of blue bonds, and describe what they are and how they operate, as well as the prospect for their growth in Africa. The report will then consider why blue bonds may not be so attractive, beginning with a tale of the devastation caused by the first ‘tuna bonds’ from Mozambique. Proponents of blue bonds may argue that Mozambique’s tuna bonds have nothing in common with blue bonds, but they face similar problems and involve many of the same players. At the centre of this scandal is Credit Suisse and other European banks, who are simultaneously leading international debates on conservation finance for fisheries.

The third part of the report list many of the risks facing bonds, with further examples. Here we arrange the risks into four categories:

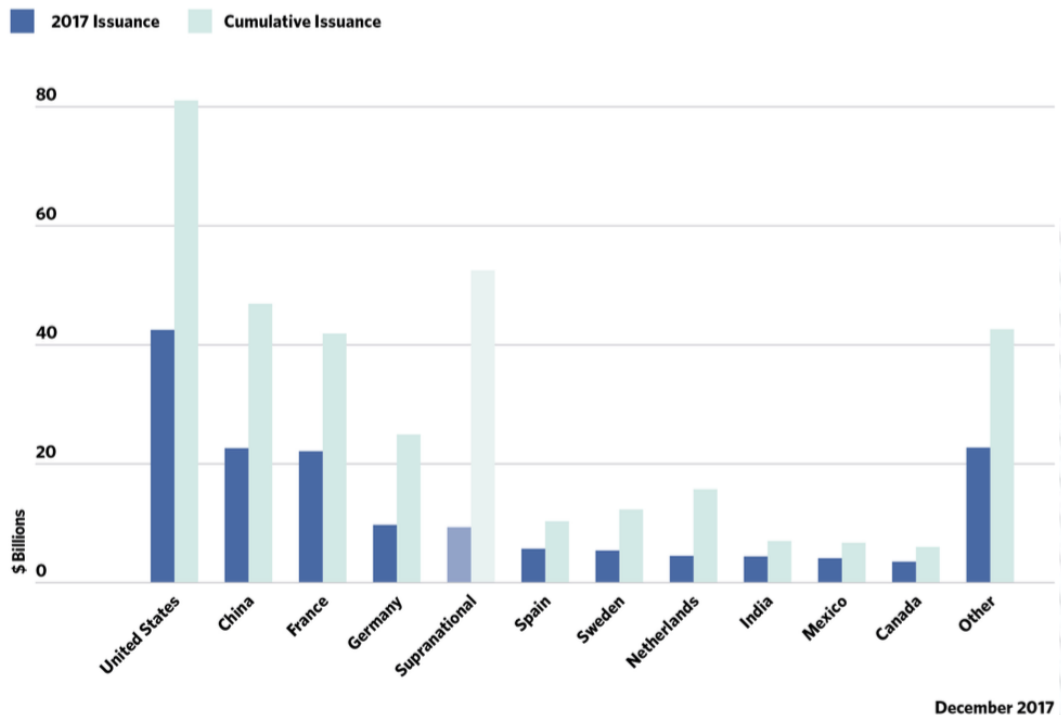
- ▶ The problem of indebtedness and overvaluation
- ▶ The risks of corruption and fraud
- ▶ The implications of ensuring conservation and fisheries reforms are wedded to ‘profit maximisation’
- ▶ The spectre of ‘blue washing’

In conclusion, we consider whether these risks could be mitigated against. It is possible, but unlikely. More fundamental questions need to be asked about conservation finance: Is the problem facing sustainable fisheries best seen as a financing gap? If so, does it make sense to turn to private capital markets to bridge this gap? Is there really so much money to be made from creating sustainable fisheries and conserving marine ecosystems? We argue that the turn to financial markets to finance marine conservation and fisheries reforms is not a universal policy worth supporting for achieving sustainable fisheries in Africa. Organisations working for sustainable small-scale fisheries in particular need a different approach; one less likely to bankrupt them.

From the World Bank, with love...

The growth of ethical bonds has been attributed to the World Bank Group, who pioneered the concept of a green bond during the early 2000s. This was in response to a request made by Swedish and Norwegian Pension funds who wanted to invest money that supported efforts to reduce climate change. The first green bond was in fact issued by the European Investment Bank in 2007, with the first issued by the World Bank in 2008. However, the World Bank subsequently launched its Green Bond Programme, and has used funds generated by green bonds to finance over 220 projects. The amount of money raised by the Bank through these green bonds has reached over 16 billion USD. Several other development banks have followed the World Bank's example, including the African Development Bank (AfDB) that has established its own green bond portfolio and has raised about 3 billion USD in green bonds itself.

While the World Bank Group has become the largest issuer of green bonds among development banks, the Bank inspired a much larger global market, including green bonds issued by corporations, other multinational development banks, investment banks, and public authorities; both at a national and sub-national level. Growth is described in some reports as 'spectacular'. In 2016, the total of new 'labeled green bonds' issued in that year was reported to be worth 82 billion USD, and in 2017 new issues were valued at over 130 billion USD, 78% more than the previous year. However, market analysis suggests there are many bonds that would probably meet the definitions of green bonds if they chose to, so there is in fact a much larger market if we include 'unlabelled green bonds', estimated in 2017 to be three times as large as the labeled bonds.⁹



Source: ICMA, *Green and social market update, 2018*.

Predominantly the issuers of these green bonds have been either supranational organisations or public authorities and companies located in the US and Europe. However, in 2016 the People's Bank of China issued its first green bond, and momentarily topped the charts for being the largest national issuer,¹⁰ although in 2017 US green bonds, primarily for sustainable housing, pushed it up to top spot. As the World Bank describe, because of their work, green bonds have gone from 'niche to mainstream'.¹¹

The success of the green bond market has also led to a range of other so-called 'ethical bonds' or 'sustainable bonds', such as 'social housing bonds' and 'vaccine bonds'. The UK government has attempted to pioneer Social Impact Bonds as a way to close the funding gap for social services, for youth employment training and urban crime initiatives. In May 2017 the World Bank took the concept further and issued the first 'Sustainable Development Goals bond', which raised 163 million Euros.¹² The Financial Times report that the social bond market, although small, is expected to see impressive growths in the next few years.¹³

Modus Operandi

Ethical bonds work in exactly the same way as any other bond. A bond is a loan agreement entered into between the issuer and an investor. The bond contract sets out the interest rate payment (the coupon), which is usually payable to the investor on an annual or semi-annual basis, and then sets out the duration of the loan and the date by which the full amount (the principle) is to be repaid (the maturity date). The coupon rate is influenced by two main variables: credit rating (i.e. the likelihood that the issuer will be able to pay on time) and the duration of the bond.

Issuers of bonds can be corporations, public authorities, government state-owned organisations, or supranational organisations, including development banks. Bonds that are issued by a government authority are referred to as 'sovereign bonds'. These can be issued either in local currencies or a foreign currency. If a country issues a bond in a foreign currency, the bond is usually referred to as a Eurobond (irrespective of whether the bond is in Euros or another currency, such as USD).

Investment banks play the role of the managers of bond issues, charging a fee for the service to the issuer. At times banks also act as the underwriter, whereby they (working alone or with a group of banks) buy all or part of the bond and then sell this on at a higher rate. Investors in bonds can also sell on their investment, meaning there is a secondary bond market. In the event that an issuer fails to make a bond repayment, they are declared at default and bonds may be sold at a highly discounted rate to so-called vulture funds that specialise in recouping the losses, and by means that are considered unsavoury by many.

Bonds are further classified in terms of how the money raised will be used. A simple distinction can be made between 'use of proceeds' bonds, and 'project' bonds. For the former, funds raised through the bond are credited to a specific account or sub-account of the issuer, and can be used at their discretion. In this case the credit rating for the bond will reflect the credit rating of the issuer (i.e. the country's

credit rating for a national sovereign bond). A project bond raises money for a specific project that is described upfront in the bond prospectus, and the credit rating for the bond will also consider the likely success of the underlying venture to which funds will be used.

In theory, any issuer of a bond can define their bond as green or social. There are no national or international laws that regulate how bonds are labeled. However, the advent of green bonds has given rise to third party initiatives that establish voluntary criteria or standards that can be used to assure investors that a green bond is actually a green bond and not something else. For 'use of proceeds' green or social bonds, the issuer commits to funding green or social projects and initiatives, and usually the issuer develops their own eligibility criteria; guiding principles for making decisions on how funds will be used.

The most influential global standards for green bonds were finalised in 2015 by the International Capital Market Association, when it released its 'Green Bond Principles'.¹⁴ These provide a voluntary reference for the classification of bonds to be considered green. These principles include the need for issuers of the bond to be able to demonstrate that proceeds will be used for green purposes and that issuers should outline how the project and use of funds will be evaluated, disclosed and monitored. However, the Green Bond Principles do not offer any definition for what is green or not, and leaves this up to other organisations to decide.

Major investment banks, including Barclays and Merrill Lynch, have developed their own green indices (listings of bonds that met their criteria for being green for investors), although based on methods that are yet to be harmonised. More detailed and sector specific guidelines are provided by the Climate Bond Initiative, which provides a certification system for providing a green label for investors. These standards are further sub-divided into different green sectors, such as solar, wind, water, land use etc. Alternative certification schemes have been launched, such as that provided by the Luxembourg Finance Labelling Organisation (LuxFlag), which has its own Green Bond label, finalised in 2017.

There are then national level schemes, such as the green bonds issued by the People's Bank of China. However, again, definitions and interpretation of what is green in these national schemes can be controversial, with China issuing green bonds to include investments in 'clean coal'. It is reported that China is coming in line with global expectations, including the Green Bond Principles.

However, lack of common definitions was raised as a market barrier for the growth of green bonds by the European Banking Federation in its report, 'Towards a Green Finance Mechanism' published in 2016.¹⁵ Subsequently, a study commissioned by the European Commission, DG-Environment in 2017 advocated for measures to be adopted by the European Union to clarify standards and processes for the creation of European green bonds, but this has yet to happen.¹⁶

Ultimately, the credibility of green bonds is decided by third party assessors, either working through a more formalised system provided by the Climate Bond Initiative's certification scheme, or simply providing their assessment (second

opinions) as part of the issuer's respect for due diligence and investor relations. There are four organisations that have achieved international recognition for this service: Sustainalytics, Oekom, CICERO (Center for International Climate and Environmental Research - Oslo) and Vigeo Eiris. Each has its own methodologies. CICERO, for example, has developed an approach referred to as *shades of green*, meaning it classifies bonds as either being dark green, green or light green, with the dark representing the best of all three.

The role of multinational development banks and the green bond market.

The role of MDBs in the green bond market, and now the emerging blue bond market, may be a source of some confusion. They have three principle roles:

Issuers of their own green bonds to raise capital. These 'use of proceed bonds' are then used to fund eligible projects. Development banks typically issue several bond offerings, which provide funds for a combined and growing portfolio of projects. The African development Bank has so far obtained funds for its green bond portfolio through 7 separate bond issues, and in different currencies, with each bond offering its own coupon repayment rates and maturity timeframe.

Providers of technical and financial support to governments on setting up their own sovereign green/social bonds. Development banks provide a strategic role in the growth of sovereign bonds, although their role does not extend to managing the resulting funds. Thus, in the case of the Seychelles, the AfDB funds a water management project financed through its own green bond, but the proposal for the blue bond is this is to work as a sovereign bond, albeit with financial assistance from the World Bank and the AfDB to undertake preparatory work to set it up.

Provider of technical and financial support for the development and review of voluntary standards and assessments. Development banks have played an important role in supporting the market for standards and evaluations, and have played an active role in the development of the Green Bond Principles, for example. Many development banks, with the participation of UN organisations, have also set up an *advisory group* to harmonise green bond standards and reporting.

From the perspective of developing countries, funds stemming from green bonds issued by development banks work the same way as concessional loans. There is very little difference, including in terms of interest rate repayments or obligations for reporting. The World Bank describes that green bonds have exactly the same terms and financial risks as other bonds. In fact the difference between green bonds and normal bonds is largely symbolic; they follow the same rules of credit rating and access. The main difference is that the proceeds of green bonds are ring-fenced for specific projects that support green themes, or in the case of sustainable development goals bonds, that support the SDGs. The anomaly of this is that there are bonds issued by development banks that are not labeled green or social or considered working to support the SDGs, and there are projects that receive financing that presumably would not meet eligibility criteria. How ethical bonds differ from other bonds is an awkward question for MDBs. However, it is possible that over the next few years, all bonds issued by the World Bank Group may become ethical ones. Why wouldn't they?!

The prospects for African bonds

The growth of the ethical bond market has been concentrated in developed countries and among supranational organisations. This merely reflects the skewed nature of private investments in debt financing, whereby the global value of bonds in play in 2017 was estimated at 93 trillion dollars, while the total value issued in African countries was just over 600 billion. African countries have historically struggled to attract foreign investors for new sovereign and corporate bond offerings. This may point to difficulties in raising home grown green or social bonds as well, and doubts over the growth of blue bonds beyond the Seychelles. However, the trend is changing, and at pace.

The IMF report that African sovereign bond issues started to grow in late 2006, almost doubling as a percentage of GDP in four years - from 1 to 2%.¹⁷ Before 2006, South Africa was the only sub-Saharan country to issue a sovereign Eurobond, but by 2014 a further 14 African governments (beginning with the Seychelles), had followed, raising total sovereign bond issues to over 26 billion USD.¹⁸ By 2017 this figure was over 40 billion USD, meaning capital raised through sovereign bonds was reaching parity with official development aid to the continent (which is roughly 50 billion USD).

This increase in bond issues is explained by several interrelated factors. The demand for African bonds by investors is driven partly by low interest rates in developed countries, while many Sub-Saharan African countries are growing at well beyond global averages, driven largely by increased public revenues from commodity markets, such as oil, gas and mineral mining. Although African countries still receive low international credit ratings, they represent potentially lucrative 'frontier markets'. Bloomberg report that in 2018, Sub-Saharan African countries, on average, offered the highest yields to investors on sovereign bonds compared to all other regions.¹⁹

There is also a push by African governments for private foreign credit given that public sector finance has historically relied on concessional loans and aid disbursements, but these are stagnating or being reduced, particularly after the financial crisis in 2008. Debt relief in the mid 2000s also meant many African states had lower overall debts, meaning they were in a stronger position to raise private finance.

Through assistance from development partners, several African governments are therefore seeing the bond market as attractive, and are gearing up to issue ethical bonds as well. South Africa was the first, as the municipality of Johannesburg issued a green bond in 2014, which raised 143 million USD. Cape Town subsequently followed. However, the first African country to issue a national Sovereign bond was Nigeria; in 2017 it launched its Federal Nigerian Government Green Bond. The first issue was set for 10.6 billion NGN (30 million USD), and is set for repayment over a short time frame of 5 years. But this was launched as a test, with the intention to raise a further 150 billion NGN later with a longer maturity rate.²⁰

Beyond Africa, the first small-island developing state to issue a national ethical bond was Fiji, who in 2017 announced their national sovereign green bond, which raised 50 million USD. It was also issued with support by the World Bank, as well as the Australian government.

The prospect of new green bonds in Africa should be considered likely, with Ghana and Kenya planning to issue green bonds in 2018. Seychelles is therefore joining an emerging trend by announcing its intention to launch the blue variant. All evidence suggests ethical bonds will become more familiar on the continent. Projections made by NatureVest of being able to sell a billion dollars of blue bonds in 10 years may be optimistic, but in this context, it is not unreasonable.

For your eyes only... Mozambique's secret 'tuna bonds'

If we are to accept the arguments made by proponents of conservation finance, transitioning to a sustainable 'blue economy' requires substantial increase in private sector financing, for which bond issues can play a strategic role. However, the advocacy campaigns for this, and other innovative financing mechanisms, assume that bond issuers and financial institutions operate to high ethical standards.

The case of Mozambique's sovereign eurobond for the launch of its national tuna fisheries company represent a spectacular example of the risk of corruption and criminality in the emerging bond markets, and the damages that are caused as a result. The case study is relevant to the emerging ethical bond market in Africa. One of the *villains* of the story is Credit Suisse, who not only has been advocating for the increase in private finances for conservation - hosting the annual conference on 'conservation finance' in New York for the past 5 years - but is also a lead manager on several green bonds issued by the World Bank.

Super-yachts, middle east arms dealer, Suisse and Russian bankers...how bond bankrupted a country.²¹

In 2013 a group of senior Mozambique government and security officials signed deals to raise millions of dollars for the launch of a tuna fishing company, EMATUM. This was established as a private company, but whose shareholders were all state owned bodies. The initiative was instigated by a group of foreign companies all sharing a single beneficial owner, Iskandar Safa. Safa is a French citizen born in Lebanon who established the company Privinvest. Privinvest is the parent company of Abu Dhabi Mar, which has acquired ship building companies in the Middle East and Europe, including sites in Germany, the UK, Greece, and France. The Privinvest group of companies specialises in the supply of super-yachts, military vessels and surveillance equipment, regularly winning EU military contracts. Iskander Safa is infamous in France, having been accused, although never found guilty, of illegal arms dealing and embezzling government funds destined to release terrorist hostages or fund right wing militia, such as in Angola.²²

The Privinvest group worked with Mozambique government officials to develop the proposal for EMATUM and then subsequently presented the business proposition to Credit Suisse. EMATUM was described as a project to develop a domestic tuna fishing and processing company, which required 26 fishing vessels and 4 additional vessels that would provide protection against piracy and illegal fishing. In August 2013, EMATUM signed a contract with Abu Dhabi Mar to provide the vessels and equipment, with the tuna fishing vessels being built at its ship building plant in Cherbourg, France. The announcement of the deal was received positively in France, with Iskandar Safa being joined at the site by the President of France.

The request was for Credit Suisse to finance the initiative, which it agreed to do if certain conditions were met. Chief among these was that the funds raised for the tuna company would be provided a Mozambique government guarantee, which would enable Credit Suisse to act as the lead manager of a sovereign Eurobond offering. Credit Suisse subsequently established a syndicate for the loan, including French bank BNP Paribas, among other banks that remain unknown. In 2013, the syndicate agreed to provide 500 million Euros in credit to EMATUM, which it raised in a matter of weeks of making the eurobond available to investors. The terms of the eurobond followed other sovereign eurobonds issued in Africa, thereby providing high rates of return; the annual coupon rate was set at 8.5%, and the eurobond came with a maturity rate of only 5 years.

The fact that the eurobond arranged by Credit Suisse sold so quickly meant that the Privinvest Group approached another bank for a follow up issue. This was handled by Russian bank VTB Capital, who managed to raise a further 350 million USD, bring the total financing package for EMATUM to 850 million USD, to be paid back over five years at 8.5% interest.

The two eurobond offerings were concluded with remarkable lack of publicity in Mozambique - few people knew about the deals until after the contracts were signed. It took nearly two years before media reports emerged that EMATUM was in fact just one of three new companies established with the support of Privinvest and financed with the help of Credit Suisse and other banks. The other two were:

ProIndicus: Set up to provide security and monitoring of Mozambique's Exclusive Economic Zone, with all vessels and equipment to be provided by Privinvest. This raised 622 million USD through a separate eurobond issued by Credit Suisse.

Mozambique Asset Management: To provide support and repairs to vessels owned by EMATUM and ProIndicus, as well as the rights to build and sell vessels. This raised 535 million USD through a separate eurobond issued by Credit Suisse and VTB Capital.

In total, Privinvest raised just over 2 billion USD through Eurobonds established by Credit Suisse and VTB Capital to finance three state owned Mozambique companies, for which it was the sole contractor to supply goods and services.

A Junk investment

For reasons that remain unclear, news of the EMATUM eurobond issue broke first. It was met by disbelief in Mozambique and among Mozambique's foreign donors as the Eurobond issue increased Mozambique's national debt liabilities by 60%. A key problem with the deal was that, despite Mozambique law that requires parliamentary approval for new sovereign debt, parliament had not been made aware of the deal nor had it been approached for consent. EMATUM shareholders, the Privinvest Group and the bank managers had all worked in total secrecy and illegally.

Fears that the EMATUM 'tuna bond' would lead to default in payments were initially put to rest by the new CEO of EMATUM. The company issued statements saying that EMATUM had been subject to a careful feasibility study and market analysis. This analysis showed that Mozambique licensed 130 commercial fishing vessels in the tuna fisheries sector, but only one of these was flagged to the country. There was also very high levels of illegal fishing taking place. EMATUM was launched on the prediction that with 24 tuna fishing vessels, the company could generate annual profits of over 200 million USD, including through value addition by having its own processing factories. This was more than enough to finance the debt. In 2014, the then Mozambique fisheries minister spoke to the Mozambique parliament and claimed all fiscal risks had been taken care of.

However, the EMATUM project has been a disaster. The fishing vessels were delivered by Abu Dhabi Mar, as contracted, through 2014 and early 2015. But catches were low, the company struggled to obtain fishing and export licenses, and the vessel captains and crews were poorly trained. The fishing revenues achieved by EMATUM for 2014 were little more than 14,000 USD. The feasibility study for EMATUM remains unpublished, but there was clearly a mistake in the calculations as the vessels supplied (mostly long line vessels) could not possibly catch enough fish to generate 200 million USD profits. Indeed, EMATUM later confirmed that the majority of the 850 million USD had been spent on equipment and services not directly related to fishing, but on surveillance and monitoring activities, including the four high tech patrol vessels, which were fitted with guns. As it was, EMATUM was running at a massive loss.

By the end of 2015, the new government, under President Filipe Nyusi, were forced to transfer part of EMATUM's debt into the national budget. The IMF and international donors threatened to freeze aid disbursements if Mozambique failed to provide more details of the deal and take measures to pursue those responsible through the courts. The Mozambique government agreed to an independent audit, to be administered by Kroll Associates, which was completed in 2017.

In 2016, efforts were started to restructure Mozambique debts, with the assistance of the IMF and other donors. This led to the discovery that Credit Suisse and VTB had issued the two other eurobond offerings, and therefore the financial crisis facing Mozambique was much bigger than had previously been understood. Clearly the bank managers had deceived investors. It has been speculated that if all three bond issues were made public at the same time, investors and credit rating

agencies would have been so alarmed at the risk exposure, the eurobonds may have been a flop.

With this new information, the IMF withdrew its offer for debt restructuring, given lack of progress by the Mozambique government in responding to the crisis. Indeed, prospect of ‘justice’ increasingly looked slim as the senior Mozambique officials involved in the deal are politically and legally protected from criminal investigations, on account of their standing in government.

In 2016, with international news of the hidden debts and default on the bonds looking almost certain, international credit agencies reduced Mozambique’s rating to ‘junk’ status. The World Bank’s end of year report for Mozambique set out the scale of the problems: In that year, the national currency had lost over 40% of its value to the USD, inflation had risen to 25%, with some basic food items almost doubling in price. This was causing food insecurity for millions of citizens. About 50% of existing government income would be needed to finance the loans, meaning unavoidable further cuts to budgets in social services.²³

Getting rich at the Casino Royale

The independent audit report on the debt crisis undertaken by Kroll described that a lot of information has been withheld from the public and that its auditors failed to receive clarification on many issues. However, what information it did receive seemed to give weight to many anecdotal reports that the 2 billion USD bond issues were part of an elaborate money making scheme that provided fabulous wealth to those involved, and then continued to pay them additional money after the scale of the scam had become public. Some of the highlights are as follows:

Unusual banking fees

A sizeable portion of the original debt was spent as fees to third parties. Fees paid to the two lead banks for the 2 billion debt totalled just under 59 million USD. However an additional 141 million USD was accounted for as a ‘contractor fee’. This was unusual. It was a fee retained by the banks but apparently used to offer the bond debts at a discounted rate to other investors and syndicate bank members. However this is explained, about 10% of the value of Mozambique’s bond debt (over 200 million USD) went directly to paying foreign financial institutions for buying the debt.

Inflated prices for goods and services

The contracts between Prinvest Group of companies and the three Mozambique firms, provided good and services at way higher than market value. Kroll estimated that about 40% (just over 700 million USD) of the total value of money allocated to the three firms represented inflated expenditures on goods and services. For example, Abu Dhabi Mar charged over 22 million USD for each tuna long line vessel, whereas an independent expert confirmed the price should have been about 2 million USD per vessel.

The aftermarket in advisory fees

When it was decided in 2016 that EMATUM’s debts needed restructuring, third parties managed to earn about 32 million USD in ‘advisory fees’. Just over 17

million went to a consortium headed by Ernst and Young, acting as the firm's auditor. 850,000 USD was paid to two international law firms, both of which count relatives of Mozambique's political elite as directors or associates. Credit Suisse earned an additional 4 million USD, with VTB receiving 2 million USD. Just under 4 million USD went to a firm called Palomar, which was set up after the issuing of the first Eurobond for EMATUM as a subsidiary firm of the Privinvest Group. In other words, the need to restructure the debt due to its overvaluation and then mismanagement became a process in which the bank managers, auditors and lead contractor received further millions in advisory fees.

Palomar was also the company chosen in 2016 to lead negotiations to restructure the debts of the ProIndicus company, whereby the debts were increased from 622 million USD by Credit Suisse to 900 million USD, but with a longer maturity rate. For this service Palomar received an additional contract of 30 million USD as 'running fees' to be paid over the course of the new debt period. The Kroll auditors were unable to establish what services the company was providing, as there was no contract produced.

Conflicts of interests

The Kroll report raised concerns over the role of various parties to the projects, and its report gives evidence that conflicts of interests were characteristic of the deals. Privinvest's group of companies played the role of advising the Mozambique government, pitching the projects to investment banks Credit Suisse and VTB, and supplying almost all of the goods and services, and then providing financial advice at a fee to restructure the debt. Almost all of the money raised as bonds for the three Mozambique companies was paid directly to the bank accounts of the Privinvest group, which in turn transferred various payments to Mozambique companies and banks, many of which had no accompanying contracts or invoices. In addition, the lead person in Credit Suisse working on the Mozambique eurobonds left Credit Suisse in 2015 to jointly establish the Palomar company, which then received millions in payments to provide advisory services to the three Mozambique companies.

Palomar company was liquidated in 2016, and taken over by VR Capital, who now owns the contract for running cost fees. VR Capital is a multinational hedge fund, set up by a former Credit Suisse employee, specialising in buying distressed sovereign bonds at a discounted price. It is registered in the Cayman Islands.

The plot thickens

From the outset it was clear that the risk involved of providing 2 billion USD in debt financing for the three new companies was to be taken care of through future revenues in offshore gas. Mozambique was predicted, and still is, to become one of the world's largest liquid gas suppliers. However, the date of this gas windfall is getting pushed back, meaning the debt crisis will continue for many years, and the Mozambique companies are in need of further investment.

In 2018, a new company circled over the remains of EMATUM. Erik Prince, the founder of the controversial Blackwater security company, is now the Chairperson

of Hong Kong based 'Frontier Services Group'. He visited Mozambique in early 2018 to announce that his company was in the final stages of agreeing a joint venture with EMATUM to take over the running of the fishing vessels, with the intention to take over the running of the other two Mozambique companies established by Prinvest as well. The Chinese government is a majority shareholder in the Frontier Services Group, which is set up to advance China's trade opportunities in emerging markets and provide Chinese companies with security protection.

He loves only gold...

For those advocating blue bonds, the Mozambique example is no doubt an advert for how not to do it. However, the financial problems with Mozambique's tuna bonds are not unique, and merely highlight a number of risks that are inherent to sovereign bonds, and could undermine the success of the emerging blue bond market.

Campaigns advocating for the use of sovereign bonds for conservation do recognise there are risks involved. But almost exclusively risks are considered from the perspective of investors. For example, 50in10 identify the following risks of investing in marine conservation and fisheries for private investors:

- *Project execution risk*: the danger to investors if people implementing the project lack expertise and skills.
- *Environmental risks*: the danger that the outcome of the investment is undermined by external environmental changes, such as climate change or natural disasters.
- *Market risks*: the danger that expected price increase of seafood products is not as high as hoped for, or that other products come to the market at lower prices.
- *Political risks*: dangers that governments may change and new authorities lack political will to follow through on investments.
- *Country risks*: dangers of macro-economic changes in countries, such as exchange rate fluctuations and changes to credit ratings.

Here the interest is not in the risks of blue bonds for investors, but rather the risks for everyone else posed by these bonds, including coastal communities that rely on fishing for their livelihoods.

1. Overvaluation and indebtedness

Mozambique's tuna bonds were massively overvalued; the business proposal required far too much capital than was needed to launch a tuna company, and the projections on income derived from the venture to pay back the bond was incredulous. The result of getting this wrong was to rapidly increase the country's debt to an unsustainable limit, which had a disastrous *cascading* effect on the economy.

All bonds are vulnerable to overvaluation and for creating an unsustainable rise in debt. Most bonds are a gamble that the money raised will either work as a multiplier for the economy, or alternatively, they are borrowing instruments based on the expectation that growth in other sectors will be more than enough to pay them back. They are also at risk of being neither of these things; merely designed to enrich investment bankers, political and military elites or to help win the next election.

Bonds can be more risky than traditional development loans as they tend to have higher rates of repayment. Use of proceeds bonds issued by development banks achieve higher credit ratings than those issued by African governments or corporations, and therefore provide lower returns to investors, and lower rates of repayments. Consider for instance, the African Development Bank (which has a modest international credit rating score, lower than the World Bank for example) has achieved a coupon rate on its green bond issues ranging from 3.5% to 0.375%. The Nigerian Green Bond has a coupon rate of 13.48%.

Added to this are the higher fees charged by commercial banks. The World Bank charges 0.25% of loans as a management fee. Commercial banks charge much more. The fee charged by Credit Suisse for arranging the secret bonds in Mozambique was about 1.6%. For its role in arranging 1.47 billion USD debt, it received just under 24 million USD. However, VTB bank charged more, about 6.5%, meaning for arranging 535 million USD in debt, it received 35 million in fee payments. It should be noted that information on fees charged by commercial banks on sovereign bonds are normally kept confidential; what we know is based on external audit reports that were undertaken amid fears of corruption.

Thus, the overall effect of the growth in African debt through bonds, but particularly sovereign bonds, is raising fears of a new debt crisis on the continent. Ghana, for example, raised 750 million USD in 2007 through a sovereign bond, which was due for final repayment in 2017. However, by 2015 the country was struggling to pay annual returns to investors and was forecast to be heading for a default on the final repayment. This was partly because projections of future income made at the time of issuing the bonds were overly optimistic. Ghana was therefore forced to seek a bailout from the IMF. This came with IMF directed restructuring, requiring the country to follow policies of austerity and deregulation.

The Republic of Congo also failed to make repayments to investors on its Eurobond, which raised 363 million USD, and was rated by international credit rating agencies in 2017 as in default. The problem was caused by a construction company that opened a legal case against the government for not paying it for work under government contract dating back to 1992. The company commenced a legal case against the government and issued a restraining order to the holders of the debt on the basis that the money used to finance coupon repayments should be directed at the company instead. As is was the case in Mozambique, the IMF accused the government of the Republic of Congo of hiding evidence of the extent of their debt to deceive credit rating agencies.²⁴

Both the IMF and the World Bank have warned African governments to slow down the rate at which they are issuing bonds; advice that counterbalances their enthusiasm for the policy of turning billions into trillions. Yet now the experiences of Ghana, the Republic of Congo and Mozambique are leading to fears for other countries, with African eurobond debt being described by some as a ‘ticking time bomb’.²⁵

The risk that the wealth of the oceans is overvalued

The development of blue bonds is dependent on studies and evidence of the potential wealth that can be generated from reforms to marine conservation and fisheries. Indeed, the financialisation of marine conservation is premised on the vast potential wealth that can be generated for impact investors. However, the credibility of existing studies on this is questionable.

In the case of Mozambique, one of the justifications used by those involved in issuing the bond was that many millions of dollars was being lost to the country through illegal fishing and unfair foreign tuna access agreements. Sums quoted by the government in justifying the bond came from international studies, such as the one that claimed Africa was losing a billion dollars a year from IUU fishing, which included the figure of 200 million USD losses for Mozambique - the exact same figure that was used in presentations to establish the income for EMATUM.²⁶ But the study was based on anecdotal evidence and overstated the likely returns to African states if illegal fishing was reduced. The figure of 200 million was the value of fish obtained illegally by foreign fishing fleets, and has little bearing on increases in government and domestic income if illegal fishing is reduced. The same error was repeated in more recent research on illegal fishing in West Africa, which reported economic losses at 2.3 billion USD a year, and then further highlighted the wealth potential for West African states if these losses could be recovered through fines and penalties.²⁷

More recently WWF has published several studies that have claimed the blue economy is much more valuable than has previously been thought. These sums are designed for advocacy purposes; to convince public authorities to do more to protect the ecosystems upon which these economies depend. However, the calculations on the value of the blue economy may be misleading. For example, WWF’s estimates on the shared wealth fund of the oceans (over 300 billion USD for the West Indian Ocean), include the value of carbon sequestration (24 billion). However, there is no market to pay for this ecosystem service. Likewise, the wealth of fisheries is estimated on the basis of the market value of the catch taken by commercial and subsistence fishers, but the report fails to adequately explain that the majority of this wealth is retained by foreign fishing fleets who pay flat rate fees for fishing licenses. More generally, the report fails to articulate that growth in some aspects of the blue economy will inevitably come with reductions in the wealth of other parts.

The risk of financing blue bond repayments through other income streams or savings

Ethical bonds, such as blue bonds, may be openly sold on the basis that they will not derive increased income on the scale needed to repay the loans, but that raising levels of debt now is needed because not investing could lead to much larger costs in the future i.e. due to further impacts caused by increased climate change or loss of biodiversity. The problem, however, is if levels of debt are unsustainable then the costs of repaying these debts may require cuts in public sector budgets or require economic restructuring to increase income from other more valuable, albeit polluting industries, such as the extractive industries and mining, large scale agriculture (and mariculture) or tourism.

For many African countries, raising levels of debt through bonds could cause further dependence on the export of natural resources, including oil, gas and minerals, or fish. Africa is no more blessed than any other country with natural resources; the defining feature of Africa is the high levels of dependence on these resources to earn foreign currency.

Herein lies a fundamental challenge to the organisations who claim a massive shortfall in funding for nature conservation, and then argue that a viable way to bridge this gap is through engaging financial markets and impact investors, which results in financing through debt. This policy plays directly to the financial interests of those advocating it, given that the same organisations making these claims are the ones offering to manage and implement the funds. However, the implications facing developing and small-island states of increasing debts through financialisation to improve marine conservation and support local fishing communities are not adequately recognised, including the implications if these debts are overvalued.

2. Fraud and Corruption

One of the risks attached to bonds is the inherent temptation to raise too much money. For sovereign 'use of proceeds' bonds the relationship between expected returns for the issuer and the bond value may not be assessed in great detail. Indeed, the value of the bond issued can be affected by many other variables, including market demand. Thus, in the case of EMATUM, the eurobond issue was originally for 500 million Euros, but this was extended by a further 350 million Euros, not based on careful economic analysis, but simply because the first issue was oversubscribed, so the issuer and managers realised they could raise more money.

This aspect of bonds is one reason that makes them vulnerable to forms of fraud and corruption. In Mozambique much points to the gross overvaluation being deliberate; overvaluation provided money for corrupt ends. The blame is equally shared by the bond issuers, the contractors, the bank managers, as well as the various legal advisors that generated fees for services. Indeed, concerns regarding overvalued bonds have identified the role of investment banks and other companies, due in part to their substantial fees. Yet, investment banks that have

been proven to be engaged in facilitating corruption, such as Credit Suisse, continue to be used for managing billions of dollars of funds, including green and other ethical bonds.

In Tanzania, kick-backs and bribes were revealed in relation to a 600 million USD sovereign bond issued in 2013, which led to a UK court case brought by the Serious Fraud Office. This revealed that Standard Bank, the lead manager for the bond, had initially charged 1.4% of the net proceeds of the bond as fees, but later this was raised by the Tanzanian authorities to 2.4%. It was found that the increase in fees was done as part of an agreement to choose Standard Bank as the lead manager, and that the manager would use the additional profit (6 million USD) to pay a Tanzanian firm that was employed by the government to broker the deal, although the firm was found to have provided no services, and the benefactors were Tanzanian politicians.²⁸ The managers of the bond had consented to this deal, and pleaded guilty to paying a kick-back in court. In 2014, before news of the scandal had broken, GlobalCapital awarded the Tanzanian sovereign bond with their 'Deal of the Year' award.

Corruption is also risk with the spending of funds raised through bonds, particularly use of proceed bonds. This is not a unique problem to bonds. However, just as is the case in government procurement contracts, the allocation of bond proceeds is likely to be a source of conflicts of interests and fraud, which is vividly shown in Mozambique. Yet so far organisations engaged in advocacy for the growth of sovereign ethical bonds in Africa have shown very limited interest in promoting due diligence. Anti-corruption policies are not found in eligibility criteria, nor is risk of corruption an issue that is considered in third party assessments.

Corruption linked to bonds may be facilitated by the lack of transparency characterising these deals. Mozambique illustrates that the bond prospectus need not be very long, or shared publicly, to attract investors. The details of the financial arrangements, including fees, remain confidential. The expenditure of use of proceeds bonds may also lack ongoing publicity, meaning the public is unable to adequately track these funds. One of the remarkable features of the Mozambique case is that the independent auditors were unable to access many documents and contracts, even though the audit was requested by parliament and international donors.

Ideally commitment to international standards such as the Green Bond Principles means proceeds will be traceable and transparent, however it is not clear how a commitment to these principles is monitored beyond self-reporting by the bond issuer.

3. Aligning marine conservation to profit maximisation

If one of the risks facing blue bonds is overvaluation, a contrasting risk stems from designing these bonds to ensure that investment is repayable and defaults are avoided. This will likely mean that activities funded through blue bonds are selected for their profit potential, or ensuring returns for 'impact investors'.

This emphasis on profitability is potentially threatening for small-scale fisheries and poorer members of coastal communities. Their contribution to the 'Gross Marine Product', as WWF conceptualise, is small in comparison to other groups and business interests. WWF and the Boston Consulting Group reported that of the fishing sector value of the GMP, industrial fisheries accounted for 87%, and small-scale fisheries and subsistence fisheries only 13%. The report wasn't able to adequately capture the fact that small-scale fisheries provide vital food security and income to poor communities, whereas the local contribution made by industrial fisheries is often negligible.

If blue bonds become a focus of blue economy financing in Africa then capital intensive projects, almost certainly run by foreign companies, could be favoured. This includes, for example, commercial aquaculture/mariculture, ocean energy and 'sustainable tourism'. This in turn, raises further risks of enclosure of the commons and limits to fishing grounds. As CFFA has noted elsewhere,²⁹ the vision for blue growth promoted by the European Commission, for example, does not include fisheries at all, and other studies highlight that investment in these other sectors could negatively impact on fisheries. Fisheries, for the EC at least, is not a sector that is considered a growth prospect.

Underlying these problems is the fact that financialisation strongly encourages 'value' to be accounted in only one way; profits. With financing through foreign debt instruments, non-monetary values are likely to have a diminishing chance of being accounted for. They do not translate well to financial instruments. Taken to its logical end, a beach that is free and open to the public has no value to financial markets; one that is sold off to investors represents millions of dollars for the government. As such, the billions to trillions vision has been criticised for encouraging privatisation of public goods, which directly contributes to growing inequality.

A report on sustainable development published by a group of civil society organisations in 2017 reviewed case studies where increased private investment, facilitated with 'blended aid' by development banks, had been used to reform public services in developing countries, and argued that:

"Instead of helping countries to fight tax evasion and mobilize domestic resources for social protection, World Bank president Jim Yong Kim wants "to find a way for a pension fund in the United Kingdom to be able to invest in building roads in Dar es Salaam, get a reasonable return on that investment, and do a lot of good in the process'...(however) this push to mobilise "trillions" is actually motivated by the needs of investment funds (including pension funds) in developed countries that face very low or even negative interest rates at home and not by the needs of people living in poverty, that will end up paying more".³⁰

A further dimension to this risk is that ethical or green projects developed for impact investing are likely to be those that are attractive to investors. As a source of funds, private capital will therefore be used in an uneven way; concentrated in areas that are more investor friendly. This has been noted as a problem emerging in

forest carbon trading projects in Africa. Project developers tend to favour places which are less risky and more secure. Poorer areas and those suffering conflicts are less likely to be chosen. Impact investing can therefore exacerbate inequalities in several ways; between groups and between geographical areas.

Will debts replace grants?

The risks of aligning conservation and fisheries reform with profit maximisation may be offset by traditional funding sources, which are more amenable to funding projects in risky areas or where returns on investment may be ambiguous. However, recent studies on the growth of blended finance point out that rather than build on existing official development assistance to developing countries, the effect of blended aid and the turn to financial markets is to undermine levels of grants, and ensure that a growing proportion of aid is assigned to public private projects.³¹ Ultimately, the financialisation of aid could end up reducing transfers of funds that are truly aid and not loans.

The risk of not safeguarding human rights

Reports on the development of innovative financing instruments, such as ethical bonds, highlight that the role of development banks should be one of facilitation. The World Bank states that in playing this role, a ‘country must be fully committed to a broad range of reforms’. However, these reforms are generally based on establishing financial institutions that can access international finances and manage the resulting funds. It is unclear whether safeguarding human rights is given as much importance in these range of reforms. However, one of the key risks in the development of these financing instruments is that they will be encouraged and picked up in countries that have demonstrated very little commitment to safeguarding human rights, nor anti-corruption. This is a crucial aspect in marine fisheries, as in many countries tenure rights of fishers are weakly, if at all, codified in law.

For development banks, green bonds are subject to their own social safeguards, which are intended to acknowledge risks and mitigate negative outcomes on human rights and for poorer communities. The extent to which development banks adhere to these guidelines has been regularly contested; the AfDB for instance has recently funded wind turbine installations in Kenya through its green bond portfolio, but local indigenous groups have gone to court due to complaints regarding forced resettlement and lack of adequate compensation.³² A criticism facing the AfDB is that these impacts should have been easily identified at the start of the project.

However, sovereign ethical bonds may well have weaker safeguards, including those managed by third parties like NatureVest. So far, concern about these safeguards has not featured prominently, if at all, in the various reports advocating for transitioning marine conservation and fisheries financing. The human rights based approach has been sidelined, or simply overlooked.

4. The spectre of blue washing

The emergence of the green bond market has led to common concerns with the prospect of ‘green washing’. We should therefore consider the risks of ‘blue washing’.

It is difficult to know what will distinguish a blue bond from a green one. The emerging interest in blue bonds has yet to be joined with a precise definition of how these bonds differ from any others. It may be assumed that blue bonds are a sub-category of green bonds. This would make matters more straightforward. The Green Bond Principles list two categories that include ‘blue’ themes: ‘Sustainable management of living natural resources’ (including sustainable fishery and aquaculture) and ‘terrestrial and aquatic biodiversity conservation’, (including the protection of coastal, marine and watershed environments).

The World Bank also list fisheries related work in its portfolio of green bonds. The World Bank Group provided a 60 million USD loan in China through its green bond programme for the upgrading of 6 fishing ports to help fishers be better protected from typhoons.³³ Green bond financing also contributed to a World Bank project in Indonesia for reducing destructive fishing and conserving coral reefs through the expansion of marine protected areas.³⁴ However, because neither the Seychelles government or its international partners, including the World Bank, announced the Seychelles blue bond as a green bond, they have created a new ‘asset class’, which requires its own definition and standards.

The interpretation of ‘blue’ is gaining its own definitional ambiguities. Thus, the EU’s definition of the blue economy used for its ‘blue growth strategy’, includes sectors that are not inherently green, such as mining, shipping and coastal tourism, as well as mariculture. However, we should expect that the Seychelles will develop a clearer definition that likely incorporates green ideals, which in turn will form part of the eligibility criteria for the use of the proceeds.

Nevertheless, green-washing happens in several ways and each could be applicable to future blue bonds.

Weak standards and eligibility criteria

Since the late 2000s numerous efforts have been made to establish a regulatory framework for green bonds. However, the result is confusing. It has been speculated that this confusion deters investors. Stricter standards are needed. However, investors are partly to blame for this not happening. The European Banking Federation, for example, supports a Common EU Standard for green bonds, but only if this is not too strict otherwise it may deter ‘innovation and growth’.³⁵

For the time being, the decision on whether a bond is green or not is largely left up to the market to decide. Some improvements may have come from third party assessors. However the companies offering these assessments adopt their own

interpretations. Moreover, even in these assessments there is ambiguity on the extent to how the concepts of sustainability are interpreted and adhered to. The view of third party assessors is often ambiguous. This is evident where decisions on investments are assessed according to a spectrum of green, with some investment choices being considered to have moderately positive impact on the environment, making them ‘light green’, and others receiving a stronger ‘dark green’ assessment. The problem with shades of green is that it is open to differing interpretations, and therefore slippage. And is light green good enough?

Arguably the most profound criticism of the credentials of green bonds relates to the avoidance of seeing growth in the financial markets as ultimately unsustainable for the environment. Indeed, CICERO, through its ‘second opinions’ regularly acknowledge that growth in green funded projects might not be sustainable, given the likelihood for a ‘rebound effect’. In its second opinion on the AfDB Green Bond portfolio, CICERO write:

“A pitfall is associated with the so-called rebound effect. This may occur in projects that aims at improving the efficiency for a single unit activity, but which then in turn may lead to a higher overall activity level. Thus, for instance investments in transport infrastructure may make every trip more climate efficient (lower emissions), but may invite to a larger number of trips.”

The rebound effect may be much more profound than this, and has been subject to extensive academic debate. It is at the centre of arguments that doubt continued economic growth can be considered compatible with achieving green outcomes; at some stage overall consumption and a slowing of economic growth is needed.³⁶ However, in the assessment of green bonds these issues are highlighted then ignored. CICERO therefore mentions this dilemma, but fails to establish whether the AfDB is able and willing to factor in rebound effects in making decisions on how to use the green bond proceeds. In fact, the level of monitoring and analysis to do this well is likely to be beyond the capabilities of a development bank, and therefore likely to be missing from sovereign bond issues as well. Voluntary standards and eligibility criteria therefore avoid rigorous assessments of impact, and merely communicate that the proceeds of bonds could have positive impact, but might not do.

Conflicts of interests in the assessment of green/blue credentials

The ethical bond market has developed a system of evaluation that relies entirely on consulting firms who are selected for assessments by the issuer of the bond. Assessors therefore compete for business. All assessors stress that they are diligent to avoid conflicts of interests. However, comparative evidence, such as from the Marine Stewardship Council or the Forest Stewardship Council, or REDD+ projects, show that if assessments are left to market forces, there is a strong tendency for assessments to be ‘investor friendly’.

In each of these examples, third party assessments have become the focus of rival research and advocacy campaigns, with claims that these initiatives have regularly

certified companies or sectors despite problems. In addition, it has been argued that certifying and labelling bodies have shown reluctance to de-certify or un-label companies and projects. This is exacerbated where the certifying body or label issuer receives a fee for this service, as their business model relies on payments from clients to sustain staff salaries, but also a larger market coverage to demonstrate impact, which in turn is essential to attract more paying clients.

So far third party assessments of green bonds have not shown steps to remedy these problems, which requires measures to ensure companies do not pay for assessors, that assessments are subject to rigorous anonymous peer reviews, and that there is a strong grievance mechanism made available. If blue bonds follow the same path, it is highly likely that third party assessments will be challenged on their credibility.

Policy (in)coherence

At a national or sub-national level, the risk of green/blue washing also comes with policy incoherence. Seychelles may be challenged on these grounds. Thus, while launching its national blue bond and finalising its new marine protected areas, critics from the local fishing industry pointed out that the enlarged marine protected areas, which established substantial new 'no fishing zones', allowed exploration for petroleum almost everywhere, which was a policy lobbied for by the national petroleum industry³⁷. Moreover, the government was also reported to have signed an agreement with India to allow the Indian Navy to establish a new naval base within a World Heritage site, which would almost certainly have a direct negative impact on marine bio-diversity.

Issues of policy incoherence may become more apparent for other African states seeking to raise green/blue bonds but who are also rapidly growing and remain highly dependent on polluting industries, such as Nigeria and Kenya. Funds to lower emissions for public transport, for instance, may be exposed as pointless if the go-ahead is given for another oil well or coal plant.

Incoherence is also a feature of so-called 'impact investors'. A claim about green bonds is that these are attractive to those investors who want to demonstrate their commitment to good causes. It is difficult to know how serious this commitment is, largely because green bonds have performed just as well (in terms of providing returns to investors), if not better, than non-green bonds. There is no evidence that supporters of green or blue bonds think investors will buy green bonds that offer low returns, simply because they want to support the good cause. Moreover, while banks such as JP Morgan and Credit Suisse support green bonds and conservation finance in general, they invest more heavily in polluting industries, such as fracking and the extraction of oil sands.³⁸

These problems also persist for the World Bank Group, and other multinational development banks. The IFC, the private investment arm of the World Bank Group, has faced continuing criticism over its support for extractive industries, and in particular the financing it has provided for the development of new coal mines.

The IFC committed to ban financing for such mines in 2013, but investigations by Inclusive Development International published in late 2016 revealed IFC financing for 41 new coal mines around the world, which represents far larger investments than was being arranged by the Bank for green bonds to address climate change.³⁹

The risk of misuse of funds

Most green bonds that have been issued in African countries are the ‘green use of proceeds’ type. The risk of ‘use of proceeds’ bonds is that issuers are provided with flexibility in deciding on how to use the proceeds.

Ideally green (or blue) bond issuers will formulate a detailed and transparent policy for the allocation of these funds, ensuring the funds are consistent with an overall objective. However, it is recognised by development banks that fund allocations can be issued to those that only *partially* meet eligibility criteria.⁴⁰ It is difficult to understand what this means, and how it can be justified. However, this flexibility means the distribution of funds may drift from principles and the fund becomes dissipated among a wide range of activities, some of which could be allocated to projects and uses that may not fit well with the initial prospectus and eligibility criteria.

Bonds lack discipline

Many national, sub-national or corporate green bonds are not subject to any ongoing or final monitoring or evaluation, in terms of their environmental achievements. There is a lack of credible research on the net impact of the growth in green bonds, including if the growth has come at the expense of financing for non-green sectors. Independent assessments of the green bond market have been done, but these review the performance of green bonds on narrow criteria, and depend to a large extent on reports issued by companies and bond issuers themselves.⁴¹

Initiatives that label bonds green do not require evidence of impact. For those who have signed up to the Climate Bonds Initiative, they are required to employ a third party assessor to evaluate the ‘greenness’ of the bond at the beginning of the issue. They are expected to report on an annual basis regarding the use of proceeds, but are under no strict obligation to demonstrate the net environmental impact of their activities at any stage.

The problem with bonds is that once the funds have been raised, the fact that the use of proceeds may not be as successful as originally hoped for, will not in itself have any prospect for returning the funds or stopping the underlying activities. This contrast with other green financing mechanisms supported by development banks and donors. For example, financing for Reducing Emissions from Deforestation and Forest Degradation or carbon trading, involves performance based payments, which is one reason why these schemes have faced difficulties. Green bonds provide funds upfront with the trust that these funds will be used for green ends. Indeed, due to the nature of green bonds, it is not possible to know precisely how the funds will

be used at the point of financing. Given that bonds can have a long maturity period (10 years or more), it is impossible that a negative ex-post assessment could have any redeeming impact. It is unlikely that investors will agree to not being paid if the outcome was not quite as green or blue as hoped for.

A view to a kill...responding to the blue bond market

A great number of organisations are backing financial markets to bridge the funding gap for marine conservation and fisheries reforms. The idea of assisting developing countries in issuing a 'blue bond' forms one part of this strategy. Risks have been highlighted in some of the promotional material provided by development banks and big conservation NGOs, but only the risks that might put off investors. However, the growth of the blue bond market has many other risks, including the impact this could have on small-scale fisheries in developing countries.

The reality is that those interested in financing fisheries reforms and marine conservation through 'impact investors' are sufficiently powerful to ensure this is what will happen. Those who disagree with the enthusiasm face a dilemma. In the short to medium term small-scale fisheries organisations may have no option other than engaging with these developments to try and mitigate the risks they pose. The risks outlined in this report provide a possible framework to think about this strategy. Organisations worried about bonds could pursue some of the following:

- ▶ **Undertake independent and critical analysis of the principle in bond issues:** organisations may consider the need to challenge authorities on how much they are raising through international financial markets, and whether this amount corresponds to underlying needs in the country. Such work could have disrupted Proinvest in Mozambique, for example. One would need to ensure that bond issuers are transparent in sharing their business proposals, and allow for sufficient time for public review. However, the difficulty here is that it may be impossible to assess how 'use of proceeds' bonds will be used at the point of issuing the bonds. Organisations should demand access to any plans, including details of how bond repayments will be met. Even then, it is unlikely that local independent organisations will have the resources and expertise to undertake independent financial assessments, or be taken seriously. They would need external support.
- ▶ **Demand eligibility criteria that favours projects and sectors that have positive outcomes for coastal communities:** Organisations could demand that sovereign bonds have a clear eligibility criteria that favours the local small-scale sector, for example. Representatives from small-scale fishing organisations could be included on the panel that decides on the allocation of funds.
- ▶ **Undertake independent reviews of third party assessments.** Organisations could undertake their own reviews of third party assessments, and point out any obvious flaws and inconsistencies. They could also demand that social and environmental risks are included in reviews, or provide their own.

- ▶ **Insist that authorities put in place social and environmental safeguards:** Organisations could campaign for their governments to establish social and environmental safeguards, and lobby investors and foreign countries to avoid countries that do not have these or are unlikely to respect them. Organisations could also campaign to have formal grievance mechanisms in place. The problem is whether initial promises by authorities will be respected, and what happens if they are not?
- ▶ **Insist on high levels of transparency:** Organisations could campaign to insure investors and issuers of blue bonds commit to full transparency, including publishing the bond prospectus and disclosing financial information, such as the payment of fees to bankers and law firms, and on the disbursement of proceeds etc. A difficulty will be verifying if this information is accurate, and then undertaking independent research if problems are suspected. Local organisations may not have the capacities to do much with this information, or have much prospect to use the information to achieve accountability and justice.
- ▶ **Monitoring policy coherence.** Organisations could undertake their own assessments to ensure authorities are not guilty of blue-washing, particularly through policy-incoherence, such as investing in polluting and damaging sectors outside of blue financing. The problem here is that this information may not have much chance of stopping the bond issue in the first place, and investors are unlikely to disinvest if policy in-coherence is shown to exist. It is also an activity that requires expertise and funding; but who will fund this?

The above list needs careful consideration. A common problem is that responding to risks requires enormous effort, time and resources. Because of the money involved, independent organisations may find it impossible to change investment decisions or hold authorities to account. Indeed, organisations known to be skeptical of these sort of financial arrangements are unlikely to be invited to meetings or get access to information. Financialisation of conservation brings with it the prospect of diminishing democratic accountability; dissenting voices are easily ignored. This is particularly worrying given that over the past decade, the world's largest conservation organisations have become partners with the world's largest financial investors and multinationals, meaning their role in supporting local struggles against investment decisions has been largely lost.

Yet should the approach be one of mitigation, with hope that somehow the risks can be averted? The alternative is to expose the vested interested interests behind the move towards financialisation and see the risks involved as sufficiently high to warrant an alternative approach. Indeed, the marketing campaign behind blue bonds and their derivatives is based on highly dubious and potentially reckless assumptions. These need to be challenged.

Exposing the flawed logic behind blue bonds

The advance of the blue bond concept is based on simple arguments. Proponents claim the evidence for these arguments is abundant and beyond question. But they are not.

The primary argument is that transforming society away from its current polluting and unsustainable tendencies is impossible without huge amounts of investment. There is a funding gap. The causes of marine ecosystem loss in general and unsustainable fishing in particular, are an outcome of insufficient financing. This is a message that is almost always presented at the start of marketing material for impact investing in fisheries. The funding gap is thought to be huge, but so too are the opportunities for bridging the gap.

For fisheries, one study, above all, has been used as evidence of this funding gap. This was produced by academics from the University of British Columbia and was based on fairly rudimentary calculations on how much governments would need to spend in compensation payments if they were to reduce fisheries capacity by up to 60%.⁴² Yet the idea that this amount can be translated into the ‘financing gap’ for marine conservation and fisheries reforms is ridiculous, unless we accept that the only route to reform involves governments using private financial capital to remove over half of the world’s fishers from the sea. This is not what any of the organisations marketing private investment in marine conservation are advocating. If it was, then difficult questions would need to be asked, such as who should we ask impact investors to make redundant first? Is this industrial fishing companies?

The idea that private financial capital is needed to pay for a mass removal of fishers from the sea is of course a fiction. None of the organisations promoting private financial investment are leading a global campaign to wipe out over half of commercial fishing. So what other costs justify the need for private financing? The report of *50in10* partners ‘Towards investment in sustainable fisheries’ isolate three core ‘enablers’ of sustainable fishing:

- Secure tenure rights
- Scientific data on what is sustainable harvest limits
- Robust monitoring and enforcement of sustainable harvest limits

In 2018 a report produced by EDF and the Duke University on ‘financing fisheries reforms’ also identified the exact same pillars of sustainable fishing.⁴³ It is then claimed that public and philanthropic funding for these things to happen is far too small, meaning we face no other option than to ask private financial markets to make up the considerable short fall.

“Fisheries governance reform often carries significant economic costs that exceed traditionally-available public and philanthropic funds, and creates a finance gap that can stall or prevent reform efforts. While such a financing gap is not the only reason reforms fail or are not attempted, it is certainly one obstacle that experience in other sectors has shown can be addressed and removed. A number of recent efforts have proposed frameworks or blueprints for the role that private capital could play in filling this gap and accelerating reforms.”

Governments are therefore incapable of affording the costs of providing tenure rights, scientific data or law enforcement, without borrowing money from private

financial markets. The excerpt above tells us that there is experience from other sectors that proves this, although this is never substantiated. What examples are there to show that private financial capital has rescued under-resourced governments to achieve sustainable use of ecosystems?

The argument for private investment in fisheries depends on a remarkably naive story of why governments fail to restrain unsustainable fishing and the use of marine ecosystems. It is beyond the scope of this report to elaborate much further, but countless references could be given to show that the problems faced in fisheries are an outcome of political processes, policy failures and power imbalances, none of which need loans from private financial markets to be resolved, while the availability of these funds may in fact make matters worse.

Speculating on the funding gap for fisheries reform is ideological. It establishes the need for investment finance, while saying almost nothing on a range of other strategies that could be used by authorities and civil society to change how people and businesses exploit and consume marine resources, and how public authorities ought to generate funds to cover certain costs of management. If public authorities are genuinely struggling to fund their efforts to provide secure tenure, or scientific data and law enforcement, then surely the responsible approach would be to explore opportunities to generate more sustainable sources of funding, such as an increase in tax for polluting companies, or a reduction in government expenditure on other areas, such as the military. Instead, governments are being encouraged to raise funds through innovative debt instruments, which as we have established, have a range of inherent and serious economic, social and environmental risks. The potential for these risks to be mitigated is slim.

The irony of this push for increased use of private capital is that experience has shown - in several African countries - that governments issuing sovereign bonds have often raised unsustainable debts, which have led to the need for further borrowing, and then cuts to vital social services, and most likely further dependence on primary commodity exports, which cause pollution and displacement of people from land and at sea. They are therefore not instruments guaranteed to bridge the funding gap, but become a reason why the gap might be getting bigger. Mozambique is not the only example of this.

Confronting the contradiction of conservation finance

The arguments for blue bonds and private finance for conservation requires blind faith that somehow the world can achieve sustainable marine ecosystems, while making money in the process and allowing growth in financial markets, for ever. We should not rule out examples where some extra funding may be needed to finance a project that could have long term and sustainable benefits for ocean ecosystems. But as a general idea, it is clearly threatening. Yet, the sales pitch made by conservation organisations, financial institutions and development banks avoids recognising the inherent contradiction between economic growth and the demise of the planet's ecosystems and natural resources, which has generated growing material inequalities at the same time.

The question that needs to be asked is why so many organisations, including the world's largest conservation organisations, are making these dangerous proposals? Sadly, there is a distinct possibility that the push for increased private financing is being made by a coalition of organisations that all have vested interests; investors seeking to display their social and environmental credentials, NGOs looking to increase their own funding, banks that charge lucrative fees, and governments looking for additional short-term cash.

Blue bonds are less likely to save our fish, and far more likely to bankrupt the oceans.

Notes:

- ¹ The Economist September 7th, 'Debt relief for dolphins', available at: <https://www.economist.com/news/middle-east-and-africa/21728653-archipelago-nation-will-create-one-biggest-marine-reserves>
- ² World Bank Group, 2015, 'From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance', available at: [http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002\(E\)FinancingforDevelopment.pdf](http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf)
- ³ See World Bank Group, 2016, 'The World Bank Group's Support to Capital Market Development', available at: <https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/wbgsupporttocapitalmarketdev-full.pdf>
- ⁴ Impact investors is a concept used to refer to investors that are interested in funding projects or companies based on social or environmental concerns.
- ⁵ Credit Suisse, WWF, and McKinsey & Company, 2014. 'Conservation Finance – Moving beyond donor funding toward an investor-driven approach' Available at: <https://www.cbd.int/financial/privatesector/g-private-wwf.pdf>
- ⁶ See for example, 'Conservation finance: From niche to mainstream - the building of an institutional assist class', available at: <http://assets.rockefellerfoundation.org/app/uploads/20160121144045/conservation-finance-en.pdf>
- ⁷ Environmental Defense Fund, The Prince of Wales' International Sustainability Unit and 50in10, 2014, 'Towards investment in sustainable fisheries', available at: <https://www.pcfisu.org/wp-content/uploads/2014/07/Towards-Investment-in-Sustainable-Fisheries.pdf>
- ⁸ Obura, D. et al. 2017. Reviving the Western Indian Ocean Economy: Actions for a Sustainable Future. WWF International, Gland, Switzerland, available at: <https://sustainabledevelopment.un.org/content/documents/13692WWF2.pdf>
- ⁹ The Climate Bonds Initiative, 2017, 'Bonds and climate change: the state of the market', available at: https://www.climatebonds.net/files/files/CBI-SotM_2017-Bonds%26ClimateChange.pdf
- ¹⁰ Figures from CNBC, 26th December, 2017 'Trying to fight pollution, China is now the world's largest issuer of 'green' bonds', available at: <https://www.cnbc.com/2017/12/26/climate-change-china-is-the-worlds-biggest-green-bond-issuer.html>
- ¹¹ World Bank, 2017, 'Green bonds', available at: <http://www.worldbank.org/en/results/2017/12/01/green-bonds>
- ¹² Hurly, G. 2017, 'The pros and cons of ethical debt instruments', UNDP 'our perspectives' blog, <http://www.undp.org/content/undp/en/home/blog/2017/9/12/The-pros-and-cons-of-ethical-debt-instruments.html>
- ¹³ Kate Allen, July 17th, 2017, The Financial Times, 'Green not the only colour for ethical bond investors', available at: <https://www.ft.com/content/e94902da-6704-11e7-9a66-93fb352ba1fe>
- ¹⁴ These can be accessed at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

¹⁵ European Banking Federation, 2016, 'Towards a Green Finance Mechanism', available at: <https://www.ebf.eu/wp-content/uploads/2017/09/Geen-finance-complete.pdf>

¹⁶ EC DG-Environment, 2017, 'Defining Green in the Context of Green Financing: Final Report', available at: <https://publications.europa.eu/en/publication-detail/-/publication/0d44530d-d972-11e7-a506-01aa75ed71a1/language-en>

¹⁷ Mu, Y., Phelps, P., and Stotcky, J., 2013, 'Bond markets in Africa', IMF Working Paper. available at:

¹⁸ Amadou, N, 2015. 'Trends and developments in Africa's frontier bond markets', Brookings Institute, Policy Papers, 2015-01. available at: https://www.brookings.edu/wp-content/uploads/2015/03/global_20160810_african_frontier_bond_markets.pdf

¹⁹ Wallace, P., March 7th 2018, 'Africa's Eurobond Love Fest set to continue as issuers line up', *Bloomberg*, available at: <https://www.bloomberg.com/news/articles/2018-03-07/africa-s-eurobond-love-fest-set-to-continue-as-issuers-line-up>

²⁰ Climate Bonds Initiative, Dec 19, 2017, 'Nigeria Issues Climate Bonds Certified Sovereign Green Bond: Signals 'more to come' as part of Paris NDC objectives', available at: <https://www.climatebonds.net/2017/12/nigeria-issues-climate-bonds-certified-sovereign-green-bond-signals-'more-come'-part-paris>

²¹ The following case study is based on research undertaken by CFFA and relies on several reports provided to subscribers of an electronic newsletter on Mozambique authored by Joseph Hanlon, as well the audit report undertaken by Kroll Auditors, available at: [https://www.open.ac.uk/technology/mozambique/sites/www.open.ac.uk.technology.mozambique/files/files/2017-06-23_Project%20Montague%20-%20Independent%20Audit%20Executive%20Summary%20English%20\(REDACTED%20FOR%20PUBLISHING\).pdf](https://www.open.ac.uk/technology/mozambique/sites/www.open.ac.uk.technology.mozambique/files/files/2017-06-23_Project%20Montague%20-%20Independent%20Audit%20Executive%20Summary%20English%20(REDACTED%20FOR%20PUBLISHING).pdf)

²² It is important to make clear that CFFA is not accusing Iskandar Safa of having engaged in any criminal activities or corruption. If accounts of his business activities are to be believed, he is someone that is probably best not to upset. For evidence, see: Media Monitors, 31st March, 2002, 'Business hostages Safa Dossier', available at: <https://www.mediamonitors.net/perspectives/business-hostages-safa-dossier/>, and Y-Net News, 12th May, 2016, 'Meet the Lebanese businessman building Israeli's warships', available at: <https://www.ynetnews.com/articles/0,7340,L-4888611,00.html> and Energy Daily, August 7th, 2006, 'Nine to stand trial in France over corrupt arms deal', available at: <http://www.energy-daily.com/reports/060807161903.54lig5vb.html>

²³ World Bank, 2016, 'Mozambique Economic Update: Facing hard choices', available at: <http://www.worldbank.org/en/country/mozambique/publication/mozambique-economic-update-facing-hard-choices>

²⁴ [africanews.com](http://www.africanews.com), 5/8 2017, 'Congo republic fights ratings downgrades as IMF reports hidden debts' <http://www.africanews.com/2017/08/05/congo-republic-fights-ratings-downgrades-as-imf-reports-hidden-debts/>

²⁵ <https://www.faiobserver.com/region/africa/mozambique-news-gambia-latest-africa-news-43450/>

²⁶ MRAG (2005). Review of Impacts of Illegal, Unreported and Unregulated Fishing on Developing Countries. London: MRAG

- ²⁷ Doumbouya, A, et al, 2017, Assessing the Effectiveness of Monitoring Control and Surveillance of Illegal Fishing: The Case of West Africa', *Frontiers in Marine Conservation*, <https://www.frontiersin.org/articles/10.3389/fmars.2017.00050/full>
- ²⁸ The Daily Nation, December 6th, 2015. 'Tanzania's Eurobond deal ended in deep controversy', available at: <https://www.nation.co.ke/news/Similar-deal-in-Tanzania-lands-bank-in-trouble/1056-2985466-15ejq5m/index.html>
- ²⁹ See, CFFA 2018, 'Is the European Commission's blue growth strategy a model for Africa', available at: www.cape-cffa.org
- ³⁰ See Press release, "World Bank plan to mobilize "trillions" will not help the poor", available at: <https://www.globalpolicywatch.org/wp-content/uploads/2017/07/Spotlight-Report-2017-press-release-11-07-2017a.pdf>
- ³¹ <https://www.oxfam.org/sites/www.oxfam.org/files/bp-private-finance-blending-for-development-130217-en.pdf>
- ³² See, DanWatch, 2016, 'Storm ahead for Vestas as giant Kenyan wind power project is in court', available at: <https://old.danwatch.dk/en/undersogelseskapitel/storm-ahead-for-vestas-as-giant-kenyan-wind-power-project-is-in-court/>
- ³³ See project summary on Fujian Fishing Port project, available at: http://treasury.worldbank.org/cmd/pdf/ProjectExampleinChina_FujianFishingPorts.pdf
- ³⁴ See project summary on Coral Reef Rehabilitation and Management, available at: http://treasury.worldbank.org/cmd/pdf/ProjectExampleinIndonesia_CoralReefRehabilitationandManagement.pdf
- ³⁵ European Banking Federation, 2016, 'Towards a Green Finance Mechanism', available at: <https://www.ebf.eu/wp-content/uploads/2017/09/Geen-finance-complete.pdf>
- ³⁶ See, Santarius, T. 2012. 'Green Growth Unravelling: How rebound effects baffle sustainability targets when the economy keeps growing', Heinrich Boell Foundation and Wuppertal Institute for Climate, Environment and Energy, available at: https://www.boell.de/sites/default/files/WEB_121022_The_Rebound_Effect_Green_Growth_Unraveled_TSantarius_V101.pdf
- ³⁷ *Today in Seychelles*, letter to the Editor, 21st of February, 2018.
- ³⁸ See for example the report 'Funding Tar Sands: Private Banks vs. the Paris Agreement' co-published by a consortium of environmental NGOs and human rights organisations, available at: https://www.ran.org/funding_tar_sands
- ³⁹ See Inclusive Development International, 'World Bank secretly funding coal explosion in Asia despite President Kim warning, "We are finished"', available at: <https://www.inclusivedevelopment.net/world-bank-secretly-funding-coal-explosion-in-asia-despite-president-kim-warning-we-are-finished/>
- ⁴⁰ see the report entitled 'Green Bonds: Working towards a harmonised framework for impact reporting', summarising the work of a multi-donor working group on green bonds: available at: <https://www.ifc.org/wps/wcm/connect/f932dc004ad996538a1fea4fb4720a61/Updated+logo+FINALPROPOSALIRH+CLEAN.pdf?MOD=AJPERES>
- ⁴¹ See for example, S&P Global Ratings, 2017, 'How do Labelled Green Bonds Measure Up?' <https://www.spratings.com/documents/20184/1634005/How+Do+Labeled+Green+Bonds+Measure+Up+Nov+8+2017/ca8d5e96-619f-429b-b94b-ecb94b6c3f99>

⁴²Sumaila, U.R., Cheung, W., Dyck, A., Gueye, K., Huang, L., Lam, V., Pauly, D., Srinivasan, T., Swartz, W., Watson, R. and D. Zeller. (2012). Benefits of Rebuilding Global Marine Fisheries Outweigh Costs. PLoS ONE 7(7):e40542.doi:10.1371/journal.pone.0040542

⁴³ Environmental Defense Fund and Nicholas Institute for Environmental Policy Solutions at Duke University. 2018. 'Financing fisheries reform: Blended capital approaches in support of sustainable wild-capture fisheries'. Available at: edf.org/blendedcapita

About CFFA

The coalition for fair fisheries arrangements is an initiative established in 1992. CFFA has evolved into platform of NGOs based in Brussels that documents the development and environmental impacts of EU-ACP (European Union - African, Caribbean and Pacific states) fisheries relations on small-scale fishing communities. The core objective of CFFA is promote the livelihoods and food security of costal fishing communities, through information sharing, advocacy and supporting dialogue between organisations in ACP countries and decision makers and the private sector in the EU. Our work now goes beyond the issue of fisheries agreements, and CFFA plays an active role in monitoring and influencing decisions on trade, investments and political reforms in fisheries relations, including promoting economic, political and social rights for small-scale fishers and fish processors

For more information, visit: www.cape-cffa.org