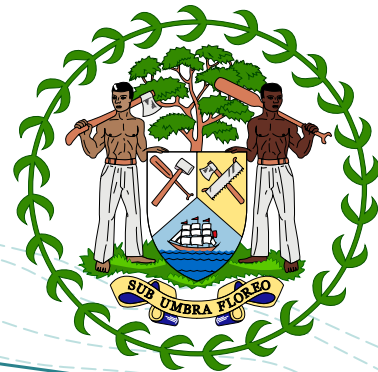




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BELIZE BLUE BOND

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Blue Bond and Finance Permanence Unit - Office of the Prime Minister
25th Annual Meeting of the United Kingdom - Belize Association
December 2022



AGENDA

- I. Introduction
- II. National Context
- III. Process Undertaken
- IV. Challenges
- V. Success, Impact and Recommendations



INTRODUCTION

WHY THE BLUE BONDS?

- ✓ Government purchases existing sovereign debt at a discount (~45% - 0.55c on dollar)
- ✓ Debt reduction by 12% of GDP
- ✓ Long-term sustainable financing for conservation (Conservation commitments and conservation measures)



NATIONAL CONTEXT

Belize Tourism contracted by 16.7% in 2020 and the debt equaled 133% of GDP.

Belize was in negotiations to defer payments on the Superbond, which was trading between 38-47 cents on the dollar.

started discussions with TNC on refinancing the Superbond

upon extensive negotiations with TNC and the external commercial bondholders, the transaction successfully closed in early November 2021



PROCESS UNDERTAKEN

Blue Finance for Ocean Protection

Negotiations
between the
GOB and
TNC*, 2020

Credit Suisse
and the DFC

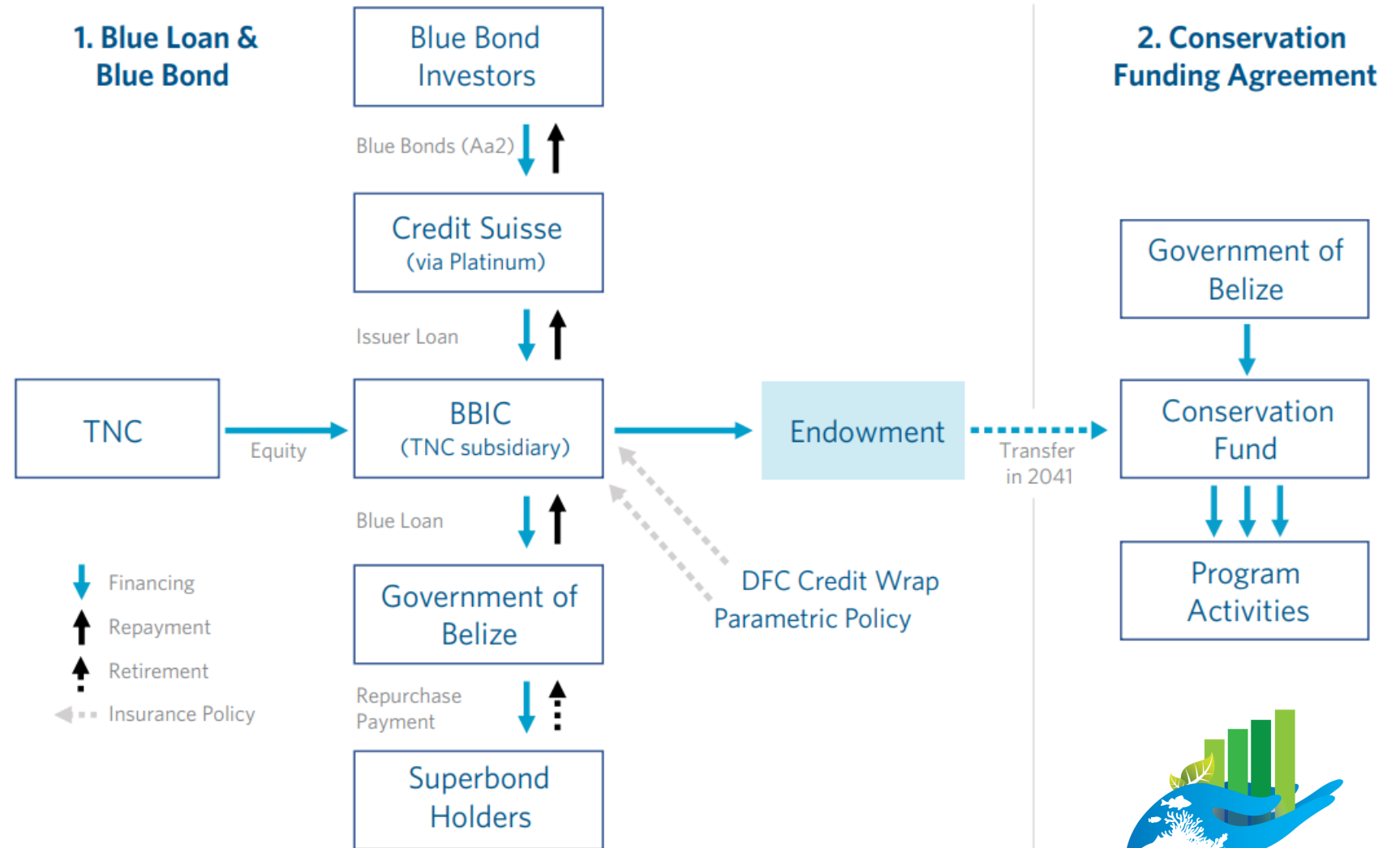
Transaction
closed early
November
2021

** Nature Vest, TNC's impact investment Unit, in support of TNC'S Blue Bonds for Ocean Conservation Strategy*



PROCESS – AGREEMENT STRUCTURE

Belize Blue Loan/Blue Bond & Conservation Funding Agreement Structure





SUCCESS, IMPACTS & RECOMMENDATIONS



1. Significant Reduction in National Debt (USD 189 million debt stock reduction: USD 553 million (Superbond) refinanced into USD 364 million (Blue Loan))
2. Significant Reduction in Debt Services (USD 200 million reduction over 20 years)
3. Funds for Marine Conservation Actions (USD 180 million (estimated) of Conservation Financing created over 20 years)
4. Improved management, a healthier ocean, sustainable economic opportunities
5. Endowment for future support to Conservation (USD 23.45 million pre-funded endowment)
6. Conservation funding & mechanism for new initiatives for Finance Permanence
7. Credibility for future private sector investment with ambitions
8. Tested Model

CHALLENGES

The Belize economy is highly exposed to economic slowdown and reduced government revenues resulting from hurricanes and large storms.

Therefore, a parametric insurance policy was provided for coverage of a Blue Loan debt payment (coupon and principal) following an eligible hurricane event in Belize.

The payment can be triggered in several ways:

- i. based on the intensity of the hurricane (minimum of Category 3)
- ii. proximity to economic hubs—meaning larger storms can be further away and still trigger payment;
- iii. the occurrence of two hurricanes of any intensity in the same 12-month period; or,
- iv. a hurricane of any intensity accompanied by very heavy rainfall.



SUCCESS, IMPACTS & RECOMMENDATIONS

This debt conversion structure is highly scalable and replicable for achieving conservation and climate outputs and creating sustainable conservation funding.

Transaction size and overall market are limited by three criteria:

- i. **Countries committed to achieving the conservation outcomes:** as the threat of climate change and awareness of the role that natural resources and biodiversity play in economic growth rapidly increase, most developing countries will require additional financing for conservation.
- ii. **Availability and affordability of credit enhancement:** DFC can replicate the insurance structure in other countries and other bilateral and multilateral development finance institutions can consider providing similar risk mitigation products (e.g., credit guarantees) to do more deals in more markets.



SUCCESS, IMPACTS & RECOMMENDATIONS

Transaction size and overall market are limited by three criteria:

- iii. **Availability of debt to refinance:** while debt conversions work well with sovereign debt trading at a discount in the capital markets, they are not exclusively for countries threatened by high debt distress. Many countries have high-coupon bonds. Even if these trade at little to no discount, they can still be refinanced with lower coupons and longer tenors to create significant funding for conservation. Many also have commercial bank loans (or other liabilities) that, while not often traded in the market, have high interest rates and/or short tenors that may be candidates for refinancing into a lower interest rate and/or longer tenor loans.



THANK YOU



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2022



Belize Blue Bond

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