

# Financing the Blue Economy: Impacts and Implications for Gender Equality and Women's Empowerment in the global South

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DEVELOPMENT  
ALTERNATIVES  
WITH WOMEN  
FOR A NEW ERA

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# **Financing the Blue Economy: Impacts and Implications for Gender Equality and Women's Empowerment in the global South**

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## **A Report to DAWN**

**Mariama Williams**

This paper undertakes a critical south feminist evaluation/analysis of new development and gender equality financing in general and proposed blue economy financing mechanisms in particular, highlighting primary beneficiaries, potential risks and other concerns.

DRAFT for discussion

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## I INTRODUCTION

The quest to achieve the SDGs has undeniably led to many innovations around how best to raise funds for fully operationalising the 2030 agenda. The seeds of this were largely planted in the Addis Ababa Action Agenda<sup>1</sup> which provided the new global framework for financing sustainable development and made recommendations for financing the development related aspects for the outcomes of the last three decades of UN Conferences. The AAAA proposed multiple pathways for raising finance some of which are extensions of traditional conventional development finance instruments, modes and processes, others are new distinctive points of departure. But amidst all these processes, there was less of a focus on the impacts of the new development financing landscape with its emerging frameworks, channels, institutions, and normative underpinnings on the long secular trend towards gender equality and women's economic empowerment. The trend was set in place by the ongoing consolidation of more than 35 years of global commitments to gender equality and the betterment of women's lives everywhere, but most importantly in developing countries. Those consolidated commitments were ushered in through consensus-based international agreements and frameworks that included the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the Beijing Platform for Action, the Millennium Development Goals (specifically MDG-3) and, more recently, the Sustainable Development Goals (explicitly SDG5, but relatedly all the SDGs).

The financial dimensions of economic development and their impacts on gender equality have been widely explored since the debt crisis of the 1980s and the structural adjustment programme developed by the IMF to address this crisis. The so-called Asian financial crisis, the global financial crisis of 2008, as well as subsequent effects of fiscal constraints surrounding the response to global pandemics such as Ebola (and now COVID-19) have imposed particularly heavy burdens on women in developing countries. Undeniably it is the case that, despite the rapid growth of the global economy, women have been excluded from the gains of the presumed financial abundance/windfalls of globalisation. Women's access to traditional development sources of finance both public and private has been limited and greatly constrained. This has been underscored by the persistence of gaps in access to information technologies as well as low scaling up and upgrading of women's entrepreneurship, despite the advent of microfinance, from the early 1980s<sup>2</sup> which was geared to support the so-called underserved population (the majority of whom are women) access finance.

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<sup>1</sup> The Financing for Development process is centred around three major international conferences on Financing for Development: in Monterrey, Mexico in 2002; in Doha, Qatar in 2008; and in Addis Ababa, Ethiopia in 2015 (UN 2021). The process also follows up on the financing for development-related aspects of the outcomes of major United Nations conferences and summits in the economic and social fields, including the 2030 Agenda and the Sustainable Development Goals (SDGs). UN 2021?

<sup>2</sup> Microfinance traditionally referred to microcredit or small working capital loans delivered to the working poor by community-based financial institutions known as micro finance institutions (MFIs) that aimed to provide *financial services* to that segment of the population in the developing world that did not have ready access to formal financial services. Over time, MFIs that have scaled up have also provided other financial products and services such as money transfers, remittances, housing finance, loans for education, micro insurance, and small-business loans. ...Financial services for the poor now include bank accounts, digital payment systems, loans for poor rural populations for water and irrigation, and solar energy. Lieberman, W.I (2019) *The Growth and Commercial Evolution of Micro finance*. [https://www.brookings.edu/wp-content/uploads/2019/04/9780815737636\\_ch1.pdf](https://www.brookings.edu/wp-content/uploads/2019/04/9780815737636_ch1.pdf)

Emerging new macroeconomic approaches to operationalise the 2030 agenda have generated growing interest in new thinking and practices with regard to financing economic development. In the context of the estimated \$2.5 trillion annual SDGs finance gap, now complicated by the ongoing COVID-19 pandemic that portends a second wave third world debt crisis, the question of development finance has become more urgent and pressing. Both the quantum and flow and distribution of development finance are occurring in a quite fractured, fragmented, as well as increasingly contested, terrain. There are multiple issues including rising indebtedness in both the private and public sectors in countries in Africa, Asia, Latin America, the Caribbean and the Pacific as well as a growing array of concerns with regard to the value and impact of the involvement of the international private sector as “partners in development”<sup>3</sup> and a key conduit of development finance in the area of international development cooperation, or what is increasingly being termed the ‘financialisation of development’ (Cohen et al., 2021).

However we view it, finance is important for the protection, perseverance and promotion of sustainable development whether articulated or operationalised in terms of blue/green or low carbon strategic policy frames or paradigm shifts. Unquestionably, financing is also a critical enabler of both gender equality targeted and non-targeted women’s economic empowerment interventions. However, it is not clear that the current emerging financial landscape and its tools, mechanisms and instrumentalities geared to supporting the blue/green and low carbon economy are explicitly and unambiguously friendly to gender equality and women’s social and economic empowerment.

The rest of this paper outlines a critical south feminist evaluation/analysis of new development and gender equality financing in general, and proposed blue economy financing mechanisms in particular, highlighting primary beneficiaries, potential risks and other concerns. The paper is structured as follows:

I Introduction - provides the background and context for this analytical report.

II Commonalities and Synergies in Alternative Development Approaches unpacks the plethora of approaches and distils their underpinnings.

III The Gender Dimensions of Financing Sustainable Development explores the financial inclusion agenda and how the ‘new’ financing elements are impacting gender equality and women’s empowerment.

IV The Green/Blue and Low Carbon Economy Finance Architecture undertakes a deep dive into proposed blue economy financing instruments and gender equality and women’s empowerment.

V Gender Equality, Women’s Empowerment and Blue Economy Finance summarises the key opportunities, challenges, and constraints of present blue financing frameworks and proposes elements towards a gender sensitive approach to financing the blue economy.

VI Conclusion

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<sup>3</sup> See for example, the Kampala Principles on Effective Private Sector Engagement in Development Cooperation.

## II COMMONALITIES AND SYNERGIES IN ALTERNATIVE DEVELOPMENT APPROACHES

Alternative macroeconomic approaches to economic development grounded in sustainability have been dominant in economic development discussions since the widespread acceptance of ‘sustainable development’ as requiring a necessary behavioural shift in production and consumption. This shift, which began to receive serious attention in the late 20<sup>th</sup> century (Wenhai 2019 and Zhang et. al 2020), has now become the over-riding imperative for the promotion of economic development with the emerging recognition of the rapid advance and potentially catastrophic impacts of human induced climate change. The first such approach to receive international backing was the green economy/green growth approach in the 2012 Rio plus 20 (UNCED) conference outcome.

There is no commonly accepted or consensus definition of the term green economy.<sup>4</sup> Every country determines its own vision, needs and priorities. However, there are some basic goals that seemingly may work to ensure economic growth with employment, prevent environmental degradation, sustain production and consumption to increase human wellbeing, and decrease social inequality and the likelihood of environment disasters. A green economy is often depicted as environment-friendly, sensitive to the needs of conserving natural resources, minimising pollution and emissions damage to the environment in the production process, as well as producing products and services which do no further harm to the ecology that sustains life and avoiding natural resource wastage.

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<sup>4</sup> The definition of the green economy varies between the major proponents: UNEP, for example, defines the green economy in terms of ‘inclusive sustainable development in the long term, climate-and environment friendly economic policies and approaches investing in green sectors – such as energy efficient technologies, renewable energy, public transport, sustainable agriculture, environment friendly tourism, and sustainable management of natural resources including ecosystems and biodiversity,’(UNEP 2011). For both UNEP and UNCTAD key sectors for greening economies include energy access, waste, ecotourism, agriculture, sustainable urbanisation and forestry. For the OECD, (g)reen growth is a subset of sustainable development. Specifically, the OECD discusses green-growth strategy in terms of an actionable policy framework that provides a strong focus on fostering the necessary conditions for innovation, investment and competition that can give rise to new sources of economic growth-consistent with resilient ecosystems (OECD 2011, 2013). The World Bank put forward green growth as “making growth processes resource efficient, cleaner and more resilient without necessarily slowing them” (2011) and inclusive green growth as the pathway to sustainable development (2012). UNCTAD’s Report *The Green Economy: Trade and Sustainable Development Implications* (2011) focuses on the opportunities that global trade can bring in the transition to the green economy, and how trade can catalyse this transition through generating new investment, income sources and jobs. UNDESA’s *A Guide to the Green Economy* (2012) summarised the key words that appear in different definitions of green economy and green growth. UNESCAP defines green growth as growth that emphasizes environmentally sustainable economic progress to foster low-carbon, socially inclusive development. In May 2010, at its sixty-sixth session, UNESCAP countries adopted the Incheon Declaration on Green Growth, in which members expressed their intent to "strengthen efforts to pursue green growth strategies as part of [their] response to the current crisis and beyond."

The UNCED processes and outcome also shepherded into the development space the ‘blue economy’ as a new development mindset focusing on industrialising the oceans and seas.<sup>5</sup> While, arguably a fluid concept, the blue economy is a strategic framework seeking to generate economic, environment and social benefits from the various bodies of water that surround a country. Hence, the sea/ocean and the marine ecosystem are envisioned as the economic engine (Voyer, Quirk, & McIlgorm Azmi, 2018).

For different countries, the term blue economy means a different strategy and approach and may even have different, overlapping and variable components. In the developing regions of the globe, there are multiple shades of blue, but with the water element as a common underlying thread. For example, for India, the BE is the marine economy wherein economic activities rely on the marine ecosystem or sea-bed; for a land locked country, such as Rwanda, the blue economy consists ‘mainly of the economy around the lakes, rivers, and wetlands...with the main sectors as fisheries, hydropower, lake tourism, lake transport, and wetlands’ (UNECA 2021). In the Pacific, the blue economy ‘includes environmentally and socially sustainable commercial activities, products, services, and investments that depend on or affect coastal and marine resources, ecosystems, and species (SPREP).<sup>6</sup> In a similar vein, for the Caribbean regions its core elements include: ‘sustainable and inclusive growth and development, reducing the risk of over exploitation and risky methods of extraction/usage of the ocean’s resources, enhancing the welfare of coastline communities in terms of economic opportunities and social protection and...‘ensuring resilience of countries to natural disasters and the impact of climate change (CDB 2018)<sup>7</sup>. In the broader African regional context, the blue economy covers both aquatic and marine spaces, including oceans, seas, coasts, lakes, rivers, and underground water and hence ‘encompasses a range of productive sectors, including fisheries, aquaculture<sup>8</sup>, tourism, transport, shipbuilding, energy, bioprospecting, underwater mining and related activities<sup>9</sup> (UNECA).

Like the green economy, the blue economy approach embraces the three pillars of economic, environment and social benefit, which is reflected in the SDGs, in particular SDG 14. Hence, the blue economy is the green economy but applied to oceans and marine ecosystems as new development sectors.<sup>10</sup> It is effectively sustainable marine development or industrialisation of

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<sup>5</sup> As noted by Silver (2015) and Garland et al (2019)... During the summit, four different discourses emerged as “frames” for principles and practices of the BE: “Natural Capital,” “Good Business,” “Pacific Small Islands Developing States,” and “Small-scale Fishers Livelihood.”

<sup>6</sup> SPREP and UNEP (2017) *Valuing the Ocean: Pacific Blue Economy*,

<https://www.sprep.org/attachments/Publications/FactSheet/Oceans/valuing-ocean-pacific-blue-economy.pdf>

<sup>7</sup> Caribbean Development Bank (2018) *Financing the Blue Economy: A Caribbean Development Opportunity*

<sup>8</sup> FAO (2011) defines aquaculture as organized rearing, feeding proposition or protection of aquatic resource for commercial, recreation or public purpose. Whereas, mariculture is really aquaculture in the ocean and non-land-based near- shore activity. Aquaculture is a primary production sector worldwide and is thus part of the broader agroecosystem.

<sup>9</sup> The Blue Economy is encapsulated in the African Union’s 2050 Africa’s Integrated Maritime Strategy and the 2063 agenda, which describes the Blue Economy as the “new frontier of African Renaissance. See also UNECA 2021. Please see also, UNECA 2021 Socio-Economic Assessment of the Blue Economy in Rwanda Concept note for national consultation webinar | 11 May 202. Concept Note - Rwanda.pdf (uneca.org)

<sup>10</sup> Some such as Joachim Schmillen (2019) argues that though the BE comprises the same principles and goals as the Green Economy, ... the concept has evolved from a “blue aspect of a green economy” to a paradigm in its own right. What is the meaning of Blue Economy? (cbei.blog)

the oceans and seas. The BE may also be linked to low carbon development through blue carbon for those economies that value it (blue carbon) as an essential aspect of the blue economy approach and as a mechanism to move to a low carbon economy.<sup>11</sup> With its focus on low carbon resource-efficient shipping, fishing, marine and tourism and marine renewable energy, the low carbon development strategy is also an explicit pathway to tackle climate change.

The alternative development paradigms and policy frames highlighted above are highly inter-related and may in practice be adopted as hybrids or supporting approaches in the same country's overall development trajectory.<sup>12</sup> Additionally, they are increasingly being integrated with frameworks such as the bio-economy and the circular economy that can help to guide policy makers on how to reach goals and commitments made in over-riding documents and agreements such as the *Sustainable Development Goals, the Paris Agreement, the Sendai Framework for Disaster Risk Reduction, UNFCCC, COP 26 and the Kunming Declaration on Biodiversity Conservation*.

### III THE GENDER DIMENSIONS OF FINANCING SUSTAINABLE DEVELOPMENT

Recognition of women's lack of access to finance, globally and nationally, is most often discussed in terms of financial inclusion. Financial inclusion, which generally refers to 'an individual's access to bank accounts or other financial products'<sup>13</sup> achieved prominence due to research findings pointing out that approximately 980 million women are excluded from formal financial systems (Miles and Wiedmaier-Pfister, 2018), and that there is a persistent 9% gender gap in financial access across developing countries (Demirgüç-Kunt et al, 2018). In 2019, the percentage of the global venture capital fund budget for women-led business was 2.8% and then fell to 2.3% in 2020 (Cruchbase, cited in Garg 2022). Additionally, according to the IFC, there is a \$300 billion gap in financing existing formal women-owned small business<sup>14</sup> and more than 70 percent of women-owned small and medium enterprises have inadequate or no access to

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<sup>11</sup> In such cases, blue carbon as a part of ecosystem services (vegetated coastal carbon stocks found in mangroves, saltmarsh and seagrass) can potentially contribute to National Determined Contribution; can offer offset for carbon emission and hence promote carbon neutrality; and can be a commodity to be bought and sold and promote livelihood options. Blue Carbon is organic carbon that has been captured and sequestered by coastal marine plants, which include seagrasses, mangroves and tidal marshes (Nellemann et al., 2009; Vanderklift, Gorman, & Steven, 2019). As noted by Stevens et. al., 2019, blue carbon is emerging as an industry in its own right and available for both livelihoods opportunities and options and carbon sequestration. There is also a call for the development of global blue carbon markets (Vanderklift et al., 2019).

<sup>12</sup> Some would seem to argue that the blue economy is a parallel paradigm to the green economy (UN, 2014)

<sup>13</sup> Generally assessed using tools such as Global Findex Database, 2017 and Survey statistical tool, the Blinder-Oaxaca decomposition.

<sup>14</sup> About 90% of women-owned SMEs (WSMEs) in the country (India) still rely on informal financing and 66% WSMEs do not have a bank account, Qamar Saleem, Regional Manager-Asia & Pacific, Financial Institutions Group, International Finance Corporation (IFC) cited in Nupur Garg 2022, gender gap: Closing the gender gap in financing: Basic business friendly tools that can be adopted across the corporate world - The Economic Times (indiatimes.com)

financial services (IFC, n.d.).

Thus, global financial sector policymakers and regulators have prioritised closing the financial inclusion gender gap. Work to fulfil these commitments include the G20 Financial Inclusion Action Plan (GPII, 2017) under which the G20 Leaders' commitment to advancing financial inclusion put the focus on underserved groups including women<sup>15</sup>. The Alliance for Financial Inclusion (AFI, Denarau Action Plan<sup>16</sup>) was set up as the anticipated implementation mechanism, with a goal of increasing the number of women with access to quality and affordable financial services globally by 2021.

Another entry point for encouraging women's financial inclusion has been the stated 2018 commitment of development finance actors to use development finance institutions' (DFIs) policy frameworks to promote inclusion through programming. Within the framework of the *2X Challenge: Financing for Women*<sup>17</sup>, these actors committed to mobilising \$3 billion by 2020 to improve women's access to quality employment.

Financial inclusion and its assorted frameworks, programmes and projects with the single-minded focus on bank accounts and financial products have serious limitations with respect to gender equality, women's strategic gender needs and overall empowerment. Nevas 2020 and Holloway et al., 2017, argue that in the case of women's empowerment, financial inclusion does not address underlying and pervasive issues of decent work, discriminatory and low income, lack of access to tangible (i.e., property/land) and intangible (knowledge and technology) resources, intra-household bargaining power, the social status of women or women's agency. The authors also point out that a critical factor in closing the gender gap in financial inclusion may be increasing women's income and workforce status rather than the current over focus on access to financial products. The most well-known of such initiatives or what could be thought of as the progenitor to the current emphasis on financial inclusion for women, micro finance/micro lending/microcredit, micro-insurance, micro-savings and micro-pensions, have not resulted in appreciable success in women's empowerment and in some cases have adversely impacted women's economic status, leaving them indebted and losing

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<sup>15</sup> The 2017 G20 FIAP, a revision of the earlier 2010 and 2014 editions, reaffirms the G20 Leaders' commitment to advance financial inclusion benefiting all countries and all people, including in particular underserved groups (such as the poor, women, youth, and people living in remote rural areas) and vulnerable groups (which include elderly people, migrants, forcibly displaced persons). G20 Financial Inclusion Action Plan (FIAP) 2017 | GPII ). At the 2020 summit, through the Riyadh Summit Leaders' Declaration, the group welcomed the 'G20 High-level Policy Guidelines on Digital Financial Inclusion for Youth, Women, and SMEs prepared by the Global Partnership for Financial Inclusion (GPII).

<sup>16</sup> The Denarau Action Plan identifies measures AFI members can take to increase the number of women with access to quality and affordable financial services globally and close the financial inclusion gender gap, noting that the goals of financial access, usage and quality should be pursued in parallel and in a responsible and sustainable manner.

<sup>17</sup> The original group of DFIs are from the G7 countries – FinDev Canada, the United Kingdom (CDC), the United States (Overseas Private Investment Corporation – OPIC), Italy (Cassa di Risparmio di Padova e Rovigo – Cdp), France (Proparco) and Japan (JBIC and JICA), with support from Germany (DEG). They proposed to use 'innovative ways, including using blended finance' to support investments and initiatives that provide women in developing countries with access to leadership opportunities, quality employment, finance and enterprise support. In June 2021, the target was reset to \$15 billion by 2022, as the \$3 billion goal was reported to be more than surpassed. The challenge is detecting where all this funding has gone; and how effectively has it empowered women in Africa, Asia, Latin America & the Caribbean and the Pacific (see [www.2XChallenge.org](http://www.2XChallenge.org)).

assets in the long term (Bateman and Chang 2012: 13), Singh (2018), (Hunt and Kasynathan 2001: 44). (Rahman 1999: 72), (Bateman and Chang 2012: 19).

Underpinning the thrust to improve women's position with regard to the flow of finance is the determination by official economic decision-makers, as evidenced both in the practice and analytical literature, to reap greater benefits from what has been termed the 'Gender Dividend'. There is a two-fold narrative around the concept of gender dividend. First, at the macro-level, the gender dividend is theorised as the increased economic growth that could be realised with investments in women and girls (PRB 2019, UN Women). A gender dividend can also flow from lower fertility rates, which lessen women's burden of caring for dependents and free up time for other productive activities, notably formal employment (PRB 2019). Second, at the institutional and firm (meso- and micro-) level approaches, is the gender dividend arising from the business case for investing in women: the steady benefit that is earned by making wise and balanced investments in developing women as workers and potential leaders (Pellergrino and Deloitte 2011). Narratives around this gender dividend gained momentum after the McKinsey Institute published its 2015 report *The Power of Parity: How advancing women's equality can add \$12 trillion to global growth*, which forecasted a GDP growth opportunity of \$700 billion for Sub-Saharan Africa and \$2,600 billion for Latin America by 2025, if the gender gap is bridged. This was complemented in 2016 by Stanford Social Innovation's prediction of a likely \$28 trillion growth in world-wide GDP if the gender gap is addressed.

There is a wide plethora of factors converging to uplift discussion of gender in the context of financing sustainable development especially in the context of the blue, green economy, low carbon economy and climate change. Most important are the opportunities, challenges and constraints of gender equality and women's empowerment within the alternative development approaches themselves and secondly with the nature of the available financing instruments and project funding options.

#### *CHALLENGES AND CONSTRAINTS WITHIN THE 'NEW' ALTERNATIVE DEVELOPMENT APPROACHES*

Variants of the blue/green economy pose serious risks of financialisation of the ecology & environment and financialisation of bio-diversity and ecosystems. The blue economy approach may not automatically stimulate 'deep and transformative principles of sustainability, environmental justice, and equity' (Garland et al., 2019). As noted by Garland et al., the conception underlying key donors such as the EU and US, based on their individual delineation of the blue economy<sup>18</sup>, 'may not lead to these social and economic outcomes as the focus is on the prioritisation of industrial or economic sectors considered part of BE'. When this point of departure dominates the financial landscape and architecture, there are bound to be rising instance of both the pricing and price increase for nature and ecosystem service, related commodity price volatility and excessive extraction of resources (oil and gas) and seabed

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<sup>18</sup> Garland et al (2019) among others note the focus of the EU's 2012 development of the blue economy has shifted from its initial conceptualization towards a more economic centered one. They argue the more recent positioning of the European Commission (2017, as presented in Ketels and Protsiv (2017) was less 'ecological sustainability and a benchmark analysis of central and prioritised economic policies across the EU'. The US also has an economic centered approach to the BE which does not lend itself easily to questions of sustainability, equity or justice. In fact, in the US official documents, even by NOAA, the focus is more on the economic uses of water and its geographical proximity with emphasis on industrial classification. Hence, US focus is on ocean economy and coastal economy and not on 'the blue economy' (Garland 2019 and Colgan 2007).

mining (Paul 2022). This will be further enhanced by actions and policies that subvert or thwart traditional sustainable subsistence fishing and nascent forms of and attachments to eco-tourism (Bond 2019). These likely outcomes pose dangers for key communities, small farmers, fishers, women, indigenous peoples, etc. Such dangers include:

- ❖ Blue grabbing: ‘enclosure, appropriation and dispossession taking place in the guise of marine conservation’ / akin to Land grabs. This works to the disadvantage of progressing gender equality as well as adversely impacts the lives of Indigenous men and women.
- ❖ Rising food insecurity. There may be undervaluing or disregard for the important role of fisheries and aquaculture sector to food security.
- ❖ De-valuing of common management of oceans, lakes and other water resources practices by indigenous men & women and dwellers in coastal and lake communities.
- ❖ Rapid and deleterious conversion of ecosystem functions (so-called ecosystem services) which are converted into global commodities and traded for profit.
- ❖ Heightened competition for resources (land, forests services & water).

#### *BLUE AND OCEAN GRABBING*

Though it is argued that the BE approach, as opposed to the ocean economy approach, is based on equity and ecological sustainability (Morrissey, 2017), the fulfilment of this approach depends on the specific framing of the BE in a country and the nature, responsibility and socially –inspired constraints imposed on the financing it seeks to attract. Such restrictions and social contraventions are necessary because of the ‘problematic of geographies (space and place) of ocean and marine based governance’ (Garland et al., 2019). As noted by researchers such as Garland et al., and Colgan (2007), despite the existence of Marine Protected Areas (areas of the oceans, seas, estuaries and lakes set aside for long-term conservation aims), there is no strict encapsulation of BE that will not impact on near-ocean and coastal dwellers (those living near to lakes and rivers). This is likely to be the case with many countries’ marine spatial planning which decides on how to use marine resources sustainably. Such encounters will significantly impinge on the economic, social, cultural and religious practices of these dwellers. These dwellers may also view themselves (and have acted historically) as custodians of the ‘space and place’ in which they live and thus may have much to offer and contest with what may be emerging in ocean/marine governance and practices. Garland et. al (2019) and Colgan (2007) among others note that as with land-based development strategies, blue-based development poses issues of terrain occupation, displacement and dispossession along with economic competitiveness that can lead to uneven development and regional differentiation. Related to these underlying issues are concerns about the spill over distortion effects of the flow of finance that may accompany the pivot of development and industrial planning to ocean/seas and other significant bodies of water to the disadvantage of progressing gender equality and with adverse impacts on the lives of Indigenous men and women.

Already there are growing reports of ‘power-grabs’ in relation to aquatic resources. Dubbed also as ‘ocean-grabbing’ and defined as ‘sanctions, policies or initiatives that deprive small-scale fishers of resources, dispossess vulnerable populations of coastal lands, and/or undermine historical access to areas of the sea’ (Bennet et al., 2015), it is occurring in ‘the shape of shady access agreements that harm small-scale fishers, unreported catch, incursions into protected waters, and the diversion of resources away from local populations’ (De Schutter 2012 and TNI 2014). TNI argues that this activity ‘can be as serious a threat as ‘land-grabbing’ is ‘occurring mainly through policies, laws, and practices that are (re)defining and (re)allocating access, use and control of fisheries resources away from small-scale fishers and their communities, and often with little concern for the adverse environmental consequences. Existing customary and communal fisheries’ tenure rights systems and use and management practices are being ignored and ultimately lost in the process’ (TNI 2014: 3). Tor et al., 2012 refer to this as the enclosure of the oceans.

As with REDD + (reducing emission from deforestation and forest degradation) and forest conservation, both industrialisation of the ocean and its conservation (a noble motive) are riddled with ambiguities and contradictions which have justice and sustainability components. For example, extracting oil and gases can harm the marine and coastal ecosystem while presented as blue economy focused on conservation and preservation. Additionally, while such activities present livelihood challenges for ocean and coastal dwellers, the returns from such exploration go inland to central cities and urban areas and abroad to investors (Garland et al., 2019). This becomes even more explicit when considering the funding and financial aspects which can further marginalise and create access obstacles to poor residents of the impacted areas. This is because financing strategies will seek to define and refine which human and economic activities and actors are core and what outputs will be bankable—generate profitable returns, including conservation returns.

#### *FOOD AND LIVELIHOOD SECURITY/INSECURITY*

Frameworks that view the blue economy simply in terms of economic territorial prospects and hence focus on control and access to ocean and marine resources will tend to not be good either for the ocean/seas or for the people that rely on these resources. The tendencies will be to arrange people and resources in ways that maximise benefits in terms of profitable returns to investment or proceeds to pay off financial liabilities. Ultimately, neither ecological sustainability nor the services the ocean provides for coastal communities will be respected (Garland et al., 2019). This would be disastrous for food security and livelihoods for those men and women involved in the fisheries and aquaculture sector that contribute to food security. And, importantly there would be increased marginalisation of women’s contribution. Women play a key role in ensuring a reliable supply of food from the ocean, which 3 billion people depend on for their daily source of protein (UNCTAD, 2014).

#### *VALUING COMMON AND COMMUNITY-BASED MANAGEMENT*

Drawing on Tor et. al. (2012), it can be argued that a combined economic and ecologically based approach to the blue economy would be geared to creating new economic behaviours and seeking to foster new bioprocesses that sustain both life in the ocean and life on land. It would

hence be respectful and integrative of and value common management, involving coastal communities and their institutions and practices. Such an approach would drive investments that are bio-ecological, ecological and just relational collaborations. This is distinctly different from dispossession of local people's land and resources which has become a mechanism of green/blue grabbing dispossessing locals of the resources therein (Tor et al., 2012).

#### *ECOSYSTEMS FUNCTIONS ARE CONVERTED INTO GLOBAL COMMODITIES AND TRADED FOR PROFIT*

Ecosystems include agro-ecosystems, forest ecosystems, grassland ecosystems and aquatic ecosystems. These systems perform a wide variety of functions that women and men rely on for livelihoods and wellbeing such as natural pollination of crops, clean air, drinking water, waste decomposition and food. Increasingly, these functions of the ecosystems that benefit people have been commodified into categorised ecosystem services of wastes, and resilience and productivity of food ecosystems (Millennium Ecosystem Assessment 2005). Unquestionably, the wellbeing and lives of multiple coastal communities depend on these ecological functions, for food and nutrition, employment, fishing, climate and biological regulation. This is even more so for deep-sea ecosystems which support the habitats of sea creatures and fauna whose functions and services also are of immense benefit to the macro economy.

#### *HEIGHTENED COMPETITION FOR RESOURCES (LAND, FORESTS SERVICES & WATER)*

Although the blue economy is focused on oceans, seas and other relevant bodies of water, this does not mean that the activities do not involve issues relating to land and forest. As noted by Graziano et. al. (2017), oil and gas, though extractive in nature, impact activities on the coast and involve the use of freshwater as well as impact ecosystem conservation.<sup>19</sup> Broday (2012) and Leahy (2017) also flag that these activities do not ‘impact uniformly across large coastal areas and tend to involve spatial dispersal and different levels of risks (both cited in Garland et. al. 2019).

Ultimately, the degree to which the concerns highlighted above will be addressed will depend on which framework dominates: one that focuses single-mindedly on ‘(m)aritime cluster as an industrial complex based on inter-industry transactions and connections through flows of goods and services’; or one that looks at ‘(m)aritime cluster as an agglomeration of interlinked industries based on terms of knowledge, skills, inputs, demand, etc.’ (which signals collaboration among different actors related to maritime industries and sea-related activities (Garland et.al. 2019); or a more life affirming framework grounded in a perspective of ‘(m)aritime cluster as a community-based network centred on institutional networks supporting the development of industry in certain geographical concentrations’(see the work of Doloreux, 2017). The extent to which framing of the BE with the ocean as simply natural capital and hence the central importance of it as good business versus the ocean in terms of livelihoods (Silver et al., 2015; Voyer et al., 2018) is of utmost importance when considering gender and other social equity dynamics.

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<sup>19</sup> Extractives require transportation, pipelines, trains and other forms of transport which are location specific

### **Specific gender issues and challenges with blue/green/low carbon economy strategies**

Overall, the financial needs and likely gender distributive efficiency or inefficiency of blue finance ultimately boil down to what sectors women dominate or predominate in for different countries, and what outreach and action plans are put in place to address long standing issues of gender subordination, discrimination and biases in economic policies and practices and to mitigate or offset emerging challenges. This cuts across economy-wide issues as well as sectors and activities such as fishing, waste-management, forestry and energy that are important in the blue economy.

Globally, women make up 47% of the 120 million people who earn money directly from fishing and processing. Yet women face marginalisation in the blue economy. A recent IDRC study reports that women engaged in the Blue Economy lack access to capital to finance equipment and adapt new technologies in order to grow their businesses<sup>20</sup>. The same study notes that ‘big capital prevents innovation from reaching the small-scale fisheries’ where women tend to work, which disproportionately impacts them. The authors argue that despite the fact that women provide more than 85% of the landed catch, even when investment is available, it reaches men first. While the blue economy in implementation is fairly recent and not enough studies are available, we can interpolate from the clean energy and forestry sectors both of which have a longer history of implementation. Here, as noted by numerous research studies, ‘there are not as yet visibly significant gender friendly outcomes although many researchers point to high potential for employment, training and MSMEs.’ A key reported adverse impact for women in areas such as waste management is that technological innovations, though they may generate incomes for a few, have outcomes that ‘may further marginalise rather than favour, the livelihoods (e.g., waste picking) of women in this subsector.’ Given the paucity of implementation of blue economy and its financing through blue bonds in developing countries, we can only draw on lessons learned from climate change mitigation actions and climate and nature-based financing and their effect on women’s and men’s roles in forests and land management. This includes positive or negative impacts on unpaid care work. That body of literature points to very little significant and sustained progression in financing for women’s projects or compensation for loss of access. WEDO et al., (2020) and Daniel (2020) report that ‘climate finance has yet to occur at a level to support women’s projects’ confirming the finding of an earlier report by Soanes et al. (2017) that less than 10% of climate finance flows to the local level. Staszewska et al. (2019) further note that less than 1% of “Gender Equality” funding from governments flows to women’s organisations while Dobson and Lawrence (2018) argue that less than 3% of environmental philanthropy supports “women’s environmental activism.” There are even less inclusive gender equitable dimensions in terms of women’s integration in leadership and decision making in projects such as forestry and land conservation and management across both green and climate finance projects such as REDD+.<sup>21</sup> And, women’s roles and position have not been significantly improved with regard to occupational segregation, income and overall economic empowerment. These findings point to the need for

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<sup>20</sup> Njuki and Leone (2019)

<sup>21</sup> For an in-depth discussion on gender issues and REDD+ please see Larson et al. 2018.

careful and proactive attention to be paid to the further design and implementation of widespread blue financing options in developing countries.

DRAFT for discussion

#### IV THE GREEN/BLUE AND LOW CARBON ECONOMY FINANCE ARCHITECTURE

Traditional development funding and financing<sup>22</sup> is a mix of domestically generated resources from merchandise trade, services and capital accounts of balance of payments and domestic tax revenue.<sup>23</sup> These are coupled with bilateral overseas development assistance (ODA<sup>24</sup>) in the form of grant-funded activities targeted to areas such as education, gender equality initiatives, social protection, and health, among other instrumentalities, as highlighted in Annex 1. ODA support is channelled through national agencies of the governments concerned, and international financial institutions (IFIs)—multilateral/regional development banks and their related entities. For example, the World Bank, its IFC, and the regional development banks (the ADB, AFDB, EBRD, IDB, etc.) provide concessional loans (loans with low or zero interest rates) to developing countries. Agencies of the United Nations, where funding from many nations is pooled for projects focused on public goods (such as education or public infrastructure) in developing countries also are vehicles for ODA-based assistance. At the same time, other development financial institutions (DFIs)—bilateral and multilateral institutions—support private sector development in developing countries (i.e., KfW, FOMU/OPIC<sup>25\*</sup>). Depending on their credit ratings, countries also have access to bank lending and other forms of commercial liability instruments from the international capital markets.

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<sup>22</sup> Technically, there is a difference between the two terms: funding, while it may have some conditions does not have to be repaid, while financing – securing money to cover an investment or project in a strict sense - must be re-paid at some time in the future, usually, in the case of sovereigns, through public finance such as tax revenues etc. In general, financing can rely on debt (e.g., through bond issuance, loans, or equity issuances (listed or unlisted shares). However, consistent with the development finance literature, the term ‘finance’ is broadly used in this paper to also include all monetary flows, products and assets relied upon for investments and financing activities related to policies, projects and programmes aimed at economic development, such as the term ‘climate finance’ (sources of financing – that is directed to support mitigation and adaptation actions, resilience, disaster risk and loss and damage), ‘blue finance’ and ‘nature-based finance.’

<sup>23</sup> As with any modern economy, developing countries must fund themselves from domestic generated savings (convention saving investment balance) and external savings (the export import balance) and are subjected to conventional leakages of government spending (vis-a-vis government revenues/taxes) and import leakages (as balanced against import revenues).

<sup>24</sup> Defined by OECD-Development Assistance Committee (DAC) as ‘government aid that promotes and specifically targets the economic development and welfare of developing countries’. The term was coined in 1969 by the DAC and ODA has since been seen as the “gold standard” of foreign aid. It is primarily concessional (i.e. grants, ‘where financial resources are provided to developing countries free of interest and with no provision for repayment, or (ii) soft loans, which have to be repaid with interest, albeit at a significantly lower rate than if developing countries borrowed from commercial banks’. Historically, military aid and promotion of donors’ security interests and transactions that have a primarily commercial objectives e.g., export credits are not classified as ODA. BUT Since 2016, the DAC has recognised ‘the marginal, but actual developmental role that military actors sometimes play, notably in conflict situations, while clearly delineating it from their main peace and security function’. Thus, there is now some nodding to ‘the ODA-eligibility of development-related training for partner country military staff in measuring ODA flows. As of 2017, ODA also includes some recognition of the ‘costs of assisting refugees in donor countries’. However, ODA reporting now uses the “grant equivalent system” as the standard for measuring ODA. Prior to 2018, ‘grants and loans were valued in the same way: by recording the flows of cash that were granted, or the face value of loans that were lent to developing countries, deducting any repayments on the loans--the “cash basis” or “flow basis” method. Today only the “grant equivalent” of loans would be recorded as ODA. (See ODA Modernisation FAQ <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/oda-modernisation-faq.htm>)

<sup>25</sup>

But this landscape is changing drastically with debt instruments<sup>26</sup> (such as bond financing and market-based loans from the international and local capital markets) re-assuming a rising profile in development finance. As traditional ODA flows either dry up or are diverted into refugee spending in rich countries, or is ‘innovatively’ repackaged to foster the involvement of international private actors in development, developing countries have been necessarily compelled to venture more into the capital market and commercial debt financing. ODA has declined significantly since 2009. As noted by Chowdhury and Sundaram (2017), ‘(w)hen refugee expenditures are excluded from the aid numbers, the 6.9 per cent increase in 2015 falls to a meagre 1.7 per cent<sup>27</sup>.

Over time, concessional loans have been declining as a share of external loans. In 2005, the share of concessional loans to Africa was 66%. By 2016, it had decreased to 54% (Adedeji et al. 2018) with a concomitant rise in debt servicing for countries in the regions<sup>28</sup>. According to the IMF, the debt burden in low-income countries rose 12 percent, rising to a record \$860 billion in 2020; and public debt in IDA<sup>29\*\*</sup> countries increased by about 7% to 61 percent of GDP by the end of 2020 (IMF 2022). Additionally, the private sector is playing an increased role in the allocation and distribution of bilateral/multilateral ODA financial flows. This is occurring under the narrative of leveraging private finance with ODA, including with modalities such as public guarantees, blended finance, inclusive of a growing array of de-risking instruments (to help the private sector manage risks), public–private partnerships, and more.<sup>30</sup> This is often discussed in terms of ‘funds mobilised from the private sector by development finance intervention’ inclusive of investment guarantees, syndicated loans, credit lines and direct investment in companies<sup>31</sup>. Quite innocuous enough but it also exposes developing countries to ‘higher risk profiles of debt contracts, i.e., shorter maturities and more volatile financing costs, as well as to sudden reversals of private capital inflows’ (IMF 2018).

The finance and funding architecture for the blue/low carbon development economy is not significantly different from that of other agendas – green (growth), sustainable & climate

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<sup>26</sup> A debt instrument is an asset that individuals, companies, and governments use to raise capital or to generate investment income.

<sup>27</sup> Chowdhury and Sundaram (2017), note that (a) 0.30 per cent of the gross national income (GNI) of OECD DAC members, official aid falls far short of the 1970 commitment by developed countries to provide aid equivalent to 0.7 per cent of GNI. Only six OECD countries – namely Denmark, Luxembourg, Netherlands, Norway, Sweden and the United Kingdom – met or exceeded the UN target in 2015. But aid to LDCs has been declining since 2010; even bilateral aid declined by 16 per cent in 2014.

<sup>28</sup> 19 African countries have exceeded the 60% debt-to-gross domestic product (GDP) threshold prescribed by the African Monetary Co-operation Programme (AMCP) for developing economies, while 24 have surpassed the 55% debt-to-GDP ratio suggested by the International Monetary Fund (IMF).

<sup>29\*\*</sup> IDA is the part of the World Bank that helps the world’s 74 poorest countries and is the single largest source of donor funds for basic social services in these countries. It is meant to ‘reduce poverty by providing grants, zero to low-interest loans, and policy advice for programs that boost economic growth, build resilience, and improve the lives of poor people around the world’ INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) (worldbank.org)

<sup>30</sup> The World Bank’s Maximising Finance for Development approach (World Bank 2018) and Inter-Agency Taskforce 2020

<sup>31</sup> According to preliminary data by OECD, a total of US\$260 billion was mobilized globally from 2012 to 2019, with a drop of 10 per cent in 2019 from the previous year (). Investment guarantees were the instrument that mobilized the most funds for LDCs, US\$2.6 billion according to preliminary figures for 2019, accounting for about 60 per cent of the total (SDG Pulse and UNCTAD 2022).

finance. In fact, they are one and the same in terms of actors, institutions, instruments and mechanisms. The specific blue economy sub-components of the architecture, though still nascent, comprise local and national capital, private, for-profit actors, multilateral development banks, national development banks, commercial banks, sovereign wealth funds, institutional investors, and pension funds interested in financing, investing and engaging with ocean-related themes and projects. Instruments are not novel except for the appellations of ‘blue’, ‘green’, sustainable, sustainability-related and social and gender bonds<sup>32</sup> to capital market financial instruments<sup>33</sup>, market-lending instruments such as green/blue loans and sustainability loans and public guarantees, loans (concessional and non-concessional), grants, and the full arsenal of public finance including subsidies and tax credits. (Please see Table 1 for a brief outline of these instruments and Annex 1 for greater details of how they co-relate.)

As with the broader area of sustainable finance, the bulk of capital deployment towards a sustainable blue economy comes from governmental commitments. Deployment is through bilateral programmes and multilateral institutions. However, it is generally argued that ‘if a truly sustainable Blue Economy is to be achieved in the future, the flow of private capital into the space is crucial.’ However, the actors in the private sector have not yet flocked into blue economy and those that are there have different investment approaches. The most involved actors seemingly are ‘purpose-driven investors’ focused on products and ideas with the potential to solve a major global need (GIIN). This group is followed by those focused on so-called impact investing only (investors aligned with corporate social responsibility with regard to creating a positive social or environmental impact)<sup>34</sup> and closely followed by thematic-driven investments<sup>35</sup> in activities and sectors such as rapid urbanisation, climate change mitigation and resource scarcity and/or demographic and social change.

As can be seen from the above discussion, the private sector has a wide range of instrumentalities to engage in financing and investing in the blue economy including asset classes such as equities (the ownership of shares in a public company), Private Equity (the ownership of shares in a private company), fixed income (bonds) and Venture capital<sup>36</sup>. Other

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<sup>32</sup> Not strictly speaking a blue finance instrument.

<sup>33</sup> There are also instruments such as green and sustainable REPOS, green and sustainable commercial letters, green derivatives or related ESG financing.

<sup>34</sup> The Global Impact Investing Network (GIIN) defines impact investing as investment into companies, organizations, and funds with the intention of generating social or environmental impact alongside a financial return. The exact impact will depend on the investor's goals, while the financial returns can range from below-market to market rate. Impact Investing: An Introduction - Rockefeller Philanthropy Advisors (rockpa.org). According to Rockefeller Philanthropy Advisors there are two sides of any impact investing deal: the impact investor and the impact investee. The goal is for both sides to benefit. Impact Investor: Investments made with the intention to generate measurable social impact alongside a financial return. Impact Investee: A mission-driven organization (for-profit, nonprofit, or hybrid) with a market-based strategy.

<sup>35</sup> A ‘type of investing approach that prioritizes trends predicted to be successful over the long term instead of investing in specific companies or sectors.’ See: *Thematic investing with BlackRock and iShares* <https://www.blackrock.com/lu/individual/themes/thematic-investing/why-invest-thematically>

<sup>36</sup> Venture capital (VC) is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. Venture capital generally comes from well-off investors, investment banks, and any other financial institutions. However, it does not always take a monetary form; it can also be provided in the form of technical or managerial expertise. Venture capital is typically allocated to small companies with exceptional growth potential, or to companies that have grown quickly and appear poised to continue to expand. Venture Capital Definition (investopedia.com)

instrumentalities include blended financing approaches and crowdfunding, fixed-return capital in the form of loans, and debt-based financing which offers a fixed package of money (because it is based on the investment paying a fixed interest rate every year), usually with a very low appetite for risk, for a fixed duration, and at a fixed interest rate. The state of play is that this trend in development finance has been on the rise in commercial borrowing (domestic and foreign) (Desruelle et al., 2019). As noted by Desruelle et al (2019) and echoed in concerns raised by IMF Managing Director, Kristalina Georgieva, this shift to non-concessional financing means more spending on debt service, and less on social public investment (Georgieva 2019)<sup>37</sup>.

Philanthropic organisations have also in the past tended to provide grants and non-return seeking support to government-supported projects, community-based organisations and NGOs. To the extent that this remains their focus of attention, their footprints on the governance and democratic orientation of blue finance might remain benign. Though some Philanthropies cannot pair funds with commercial money and most do not operate as active participants in the global capital market with regard to funding their direct operations (such as bond issuance), many environmental philanthropies are active players in global capital markets and are directly involved in the issuance of bonds and other asset forms, as well as in impact investing<sup>38</sup>.

Likewise, a few international NGOs also seem to be increasingly becoming financial investors in sustainable development. In the current financial landscape, in particular with regard to the blue economy, a few NGOs seem to be operating as private equity funds that are not seeking a financial return necessarily but the funds they raise may come from both non-rent-seeking and rent-seeking investors. For example, the impact-oriented Meloy Fund, raising US\$22 million in investment capital towards small-scale fisheries projects in Indonesia and the Philippines sponsored by Rare, a US-based conservation NGO, with support from the Global Environment Facility (GEF), the Dutch development bank (FMO) and others. The fund “remains a wholly-owned subsidiary of Rare, and works closely with Rare to identify project pipelines, though investment decisions and investor relations are managed in-house by the Meloy team” (The Ocean Finance Handbook). Other conservation NGOs such as The Nature Conservancy (TNC) and its investment arm, Nature Vest, are involved in the development and implementation of hybrid models: Conservation Trust Funds/ Carbon credit schemes as well as traditional types of debt swaps and Debt-for-nature swaps that leverage funds for use in local conservation efforts and are based on the model of debt-for-equity swaps, in which discounted debt is exchanged for investments in the assets of an indebted country. The Seychelles and Grenada are two prominent examples with Belize recently coming on line. Grenada, with the support of the Nature Conservancy (TNC), worked with some of its creditors to negotiate and secure better terms for the retirement of some of its sovereign debt. It fundraised with NatureVest and the German Development Bank for both repayable and non-repayable capital resources. The Government has also established a local trust fund/non-profit entity – The Grenada Sustainable Development Trust Fund (GSDTF) - that will be the conduit for the deal and will fund the programming of conservation efforts in keeping with the terms of the agreements.

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<sup>37</sup> In 2019, the International Monetary Fund (IMF) assessed half the LICs as being at high risk of, or already in debt distress – more than double the 2013 share. Debt in LICs rose to 65% of GDP in 2019 from 47% in 2010 (Chowdhury and Sudaram 2021).

<sup>38</sup> Please see for example WWF’s, *"The Donor's Guide to the Environment"*

One of the really interesting, though not uncontroversial, features of the blue financing architecture is this role of philanthropies and international nongovernmental organisations in the design, implementation, monitoring and evaluation of so-called innovative financial products. The disturbing element in this trend is that the same NGO/philanthropy can at one and the same time be both a watchdog, monitoring and evaluation entity as well as a highly evolved player in the financial market as an innovator and issuer of financial asset forms such as blue bonds and/or a part of guarantor cohorts. In this way, they are playing a triple role that is uncomfortably similar to that played by net wealth players such as the Gates Foundation (see for example the case with regard to Africa's so called green revolution<sup>39</sup> and more recently the Covid-19 vaccine patent controversy<sup>40</sup>). In both cases, there are adverse impact for governance, sovereignty and development planning, despite the stated intention of the players. These players are adjutants (junior partners) to the policy framework of international capital markets, developed countries' government and have outsize influence and impact on developing countries governments, more so than their citizens. This does not bode well for democratic citizen-driven or deep gender responsive governance.

These activities of international NGOs and philanthropies all ostensibly seem to be about 'doing good' and 'saving' developing countries' resources. But for whom? And, ultimately, who owns the assets thus deposited in the long run? Regardless of the motivation and the potential short-term benefits to selected participants in the countries involved in the deployment of these instruments, there are long term dark consequences: they come with conditionalities that dictate the uses of natural resources (often preformed without the prior informed consent of local communities, including women and indigenous peoples) and hence can in their effect be as restrictive and dictatorial as IMF programmes. Ultimately, depending on the nature of the underlying agreements, unlike a typical IMF programme, they may have the effect of silently dispossessing development countries' men and women of their natural resources that have vital livelihood, cultural and spiritual relevancy.

## V GENDER EQUALITY, WOMEN'S EMPOWERMENT AND BLUE ECONOMY FINANCE

Financing sustainable development relies increasingly on sustainable finance mechanisms, principles and framework for the involvement of the international and local private sector. Sustainable finance from the financial market perspective is finance that integrates environmental, social and governance (ESG) criteria into business and finance decision making.

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<sup>39</sup> The Bill and Melinda Gates and Rockefeller Foundations Alliance for a Green Revolution in Africa (AGRA) had the stated goal of doubling productivity and incomes by 2020 for 30 million small-scale farming households while reducing food insecurity by half in 20 countries. However, independent analysis by CSOs conclude that the reverse has actually happened: the number of Africans suffering extreme hunger has increased by 30% in 13 AGRA focused countries. Please see: *False Promises: The Alliance for a Green Revolution in Africa (AGRA)(2020)* [https://www.rosalux.de/fileadmin/rls\\_uploads/pdfs/Studien/False\\_Promises\\_AGRA\\_en.pdf](https://www.rosalux.de/fileadmin/rls_uploads/pdfs/Studien/False_Promises_AGRA_en.pdf)

See also Timothy A. Wise's *Eating Tomorrow: Agribusiness, Family Farmers, and the Battle for the Future of Food* (2019), New York Press, NY; and *Failing Africa's Farmers: An Impact Assessment of the Alliance for a Green Revolution in Africa* (2020), Global Development And Environment Institute Working Paper No. 20-01, Tufts University, MA..

<sup>40</sup> While the GATES Foundation was willing to invest in the development and production of a vaccine and its distribution through COVAC to poor countries, Bill Gates took a hard line against temporarily lifting vaccine patent protections so that the vaccine could be produced and delivered more equitably in developing countries.

Environmental performance refers to contribution to climate change, GHG emissions, waste management and efficiency. Social performance focuses on human right, labour standards, working place safety and diversity, while governance performance concerns the set of rules defining rights, responsibility expectations vis-a-vis or for board, and policies.

The so-called innovative financing instruments that are available for the green/blue economy are common in terms of issuance and agreement but they differ in terms of whether they specify metrics around ‘Use of Proceeds’ which are more tightly related to investors’ ESG priorities, or whether they offer more general support not linked to specific use of funds but nonetheless responsive to broad corporate social responsibility priorities and investors seeking impacts. The range of such instruments includes green bonds, transition bonds, blue bonds, social bonds—inclusive of gender and women’s livelihood bonds, and combinations of targets and priorities such as can be found with the category of sustainability-linked bonds. Table 1 below attempts a simplified taxonomy for ease of discussion in the remainder of this paper. The accompanying Annex 1 provides greater specificity of the use and likely GE/WE impacts of some of these instruments.

As indicated in Table 1 and Annex 1, there is seemingly a plethora of new financing instruments dedicated to the blue economy; but, when examined in greater details, the landscape is in reality much thinner, consisting of the same four broad conventional categories: 1) domestic public finance and ODA support, as grants and loans; 2) a growing variety of capital market debt instruments; 3) some equity instruments; and 4) a few new insurance and financial products. Newer instruments include blue carbon offset, and attempts to adapt payment for ecosystem services (PES)<sup>41</sup> to blue economy activities and creative forms of ecotourism.

Traditional loans, both commercial and from MDBs and IMF, and project and sovereign bonds are still staples of development finance. They contribute to rising indebtedness which detracts from gender equality targeted programs as is well established in the literature examining countries’ performance under IMF stabilisation and structural adjustment programmes (Afshar and Dennis (1992), Sparr (1994) and Lingam (2005)). The growing trend of countries resorting to commercial lenders, in particular bond holders, potentially can foreshadow significant drains on the public purse as these lenders have not in the past proven to be easily amenable to participating and supporting debt relief initiatives (debt forgiveness or debt restructure) in any of its components. This reluctance and sometimes hardened stance tend to force governments to make difficult trade-offs which more often than not involve sacrificing critical social

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<sup>41</sup> Ecosystem services are at least threefold: 1) provision of services that provide the ecological basis for ocean/sea commodities etc. this include fish, marine genetic materials and other raw materials; 2) Regulating services (in the context of marine and coastal ecosystem) these include climate regulation, pollution control, natural hazard protection; and 3) cultural services such as cultural aesthetics and religious and emotional symbols; and of course carbon sequestration (by mangrove, seagrass meadows, salt marshes and microscopic marine plants, which absorb CO<sub>2</sub> (Blue Carbon). The Handbook on blue finance argues that PES is challenging in the blue economy context due to transboundary and common pool issues. But given that many countries have the possibilities to include carbon offset as part of their Nationally Determined Contribution (NDC) (in the context of Article 6, especially 6.2 and b.4), it will be a desirable element in the blue economy. Another example of where PES can be applied in the Blue economy context is presented in the handbook: compensation for lost earnings due to an implemented management provision in MPA. For example, ‘closed season’ or compensation for the costs of new ‘green’ gear and machinery.

development programmes that benefit the lives and well-being of women and men living in poverty or at near poverty levels.

Despite the hype about new and innovative instruments, these are for the most part creative repackaging of domestic public finance (taxes, subsidies, permits, fines, fees and levies<sup>42</sup>) and ODA, and in some cases, the repurposing of fossil fuel subsidies. This is the case, for example, with so-called blended finance or what *the Economist* in a 2016 article referred to as the ‘honey’ trap’ and ‘a heady cocktail of public, private and charitable money’. It involves combinations of ODA and domestic public revenue support for the private sector (through mix of guarantees, subsidies and for insuring against risk—so called de-risking instruments). ODA is increasingly being refashioned through PPPs, which have been around for some time and which gained renewed currency with the push for leveraging the private sector’s involvement in both development finance and climate and sustainable finance. Like-wise the resurgence and popularity of bond financing and PPPs and their current stranglehold on sustainable development financing, despite their less than stellar historical and contemporary performance, is a cause for concern. The case of PPPs is quite disturbing given its mostly adverse outcome for public services, particularly education, health care and access to water. The recent World Bank/IFC about-face on the subject of privatisation of education is a case in point. The Bank/IFC has now, in at least one highly publicised case, divested itself from PPP-funded education.<sup>43</sup> Guarantees are also conventional instrumentalities now finding increasing favour with MDBs who tout them as ‘the way’ to mobilise private finance, particularly with regard to climate and blue economy. It is not clear how much guarantees have been used in blue economy financing. But guarantees also have a downside--the government is effectively the ultimate fallback for failing private sector initiatives so backed. As with PPPs, guarantees involve the diversion of ODA and public revenues that would have traditionally worked to promote targeted gender equality projects and programmes, including basic health care and education in many developing countries. Increasingly, ODA is diverted to support private, for-profit ventures into the development space.

The third dimension of the new and innovative finance is the issuance of bonds of various blue and green hues with sustainability undertones both by developing and developed country governments, supranational entities, the MDBs and the private sector (including foundations) as

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<sup>42</sup> For example, levy on single use plastics, there are also licenses and permits to regulate fishing along with assorted products and resources (i.e., energy and transportation) environmental taxes, in addition to reliefs and exemptions.

<sup>43</sup> The World Bank’s International Finance Corporation’s (IFC) divestment from the profit driven school chain, Bridge International Academies (BIA). Please also see International Finance Corporation’s freeze on investments in for-profit K-12 schools in 2020, the Global Partnership for Education’s private sector strategy’s ban on the use of its funds to support for-profit provision of core education services in 2019, and the European Parliament’s resolution of 2018 banning the funding of for-profit education actors.

well as philanthropies.<sup>44</sup> Thematic debt finance instruments<sup>45</sup> raise capital for projects with environmental benefits (labelled ‘green bonds’ since 2007/8, and sometimes ‘climate bonds’), social benefits (labelled ‘social bonds’, since 2010), mixed social and environmental benefits (labelled ‘sustainability bonds’, 2012), and marine or ocean benefits (labelled ‘blue bonds’, 2018) along with social bonds (labelled gender, SDG bonds and climate bonds). They are all outright debt instruments that must be repaid with interest in the future.

Blue, green and gender bonds are not significantly enough in use in developing countries. (Though in both cases they are anticipated to increase as more and more blue economy strategies are implemented. With regard to gender bonds, they are also anticipated to increase, so much so that UN Women and ICMA have created a guidebook on the theme for investors.) Blue bonds as a new asset class of sustainability bonds and a subset of green bonds have only been in existence since 2018 when the Seychelles launched the first sovereign blue bond. Thus far, the four big ones are the Seychelles, the Nordic-Baltic Blue bonds 2019, World Bank (\$10,000,000), and Bank of China 2020 (\$942 million). All such bonds are ostensibly to support water and ocean protection and management, promote sustainable marine and fishing and thereby also save the ocean.<sup>46</sup> As noted by the World Bank, ‘these bonds are business solutions for oceanic health, freshwater and/or to improve access to water and sanitation.’ But despite being titled ‘blue’, these bonds also support investment in both companies, projects and programmes based on land as well as water, including agriculture, manufacturing, shipping, tourism, infrastructure, fisheries and aquaculture. These are all sectors critical to women’s employment and livelihood. But the bonds are not inherently gender friendly or gender equality focused. There is therefore much scope and effort required to have positive impacts integrating SMEs, especially women-owned entities, in blue economy value chains which may increase economic opportunities for women, and to the extent they contribute to the reduction of negative impacts on the water etc. There is more time needed and more implementation with these bonds in developing countries for a systematic review of the impact of these types of bonds, either on development or on women’s economic empowerment.

Gender bonds,<sup>47</sup> a debt instrument issued for the advancement, empowerment and equality of women, as a subset of social bonds, while not strictly blue bonds are part of the tool kit that is being proposed for enabling women’s financial inclusion and hence could likely facilitate their

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<sup>44</sup> The ground was laid initially for blue bonds by the sustainable bond initiative of NASDAQ (2015) and of sustainable bond market (2014) and sustainable bond network (2019) to help with implementation of SDGs. Blue may also be labelled as “blue-green bond,” “blue-sustainable bond” or a “blue sustainability-linked bond” ‘to ensure recognition of the issuance and its alignment to existing frameworks and principles such as the ones developed by ICMA for green, sustainable or sustainability-linked bonds.’

<https://www.lexology.com/library/detail.aspx?g=220c2b67-22a2-480b-8891-d598349524fd>

<sup>45</sup> Bonds are the largest asset classes in the global financial market. Thematic bonds are usually issued in concert with the World Bank and underwritten by financial houses such as Morgan Stanley.

<sup>46</sup> The World Bank defines blue bonds “as a debt instrument issued by governments, development banks or others to raise capital from impact investors to finance marine and ocean-based projects that have positive environmental, economic and climate benefits.” <https://www.nasdaq.com/articles/what-are-blue-bonds-2021-08-04>

<sup>47</sup> There is no official definition of gender bonds. Thus, far there are about 80 gender labelled bonds issued under the ICMA-aligned gender bonds since 2013 when the World Bank issued the first gender bonds. (Since then, gender bonds have been issued by corporations (to support their own internal diversification processes), DFI and other MDBs. Some DFIs and MDBs have also issued SDG-labelled bonds that specify gender issues among the ‘use of proceeds’ as part of the broader approach to gender lens investing (GLI).

integration into blue economy programmes and projects. But as with blue bonds, this is still a quite nascent offering and it is not yet clear just how it is reaching women on the ground and how it is impacting the frameworks, project and growth of the blue economy.<sup>48</sup> At this time, gender bonds seem to be focused around the narrow and limited aspect of enabling access to finance and possible leadership development. This leaves out much of the broad scope and specific targets of SDG 5. Gender bonds are also seemingly on a parallel, but not integrated, track for blue economy financing. However, to the extent that they are able to significantly impact women's control over and ownership of uses of important natural infrastructure this might prove to be transformative. At the current time, there are not clear pathways showing how gender bonds in terms of operations and outcomes differ from micro finance and micro credit, as the emphasis is on promoting access to finance for SMEs.

The reality is that financing of the blue economy is still in its infancy. Many developing countries have yet to clearly articulate coherent policies and strategies around their visions for the blue economy in the context of national development priorities and needs, especially those related to the implementation of their agreed international commitments with regard to climate and environmental treaties (UNFCCC, UNCLOS, CBD etc.) and the post-2030 sustainable development agenda. The gender equality and women's empowerment concern has not yet significantly surfaced on the local, national or global agenda. What currently exists are piecemeal, ad hoc, reactive responses from financial inclusion, climate and nature-based discussions where gender integration has accelerated as part of those financing frameworks. There are certainly lessons that can be learned and good practices that can be adapted as we move forward with the blue economy and its financing. This paper therefore seeks to tie up some loose ends by pinpointing areas of tension, synergies and points of departure in outlining a tentative approach towards gender-sensitive blue economy financing. This forward-looking approach is anchored around the following four pillars: grounding the vision in sustainable development and resilience; the primacy of national development strategy and flow of funds committed explicitly to poverty elimination and gender and social justice; a precautionary approach to the financialisation of development; and the importance of the care economy, women's empowerment and gender equality in building blue economy finance options.

**Pillar One.** The first step is the explicit grounding of the blue economy visions of governments and CSOs in recognition of the oceans and bodies of water as the key to the survival of not just the human species but all other species. The ocean needs to be protected and nurtured for its life-affirming values and valued for its gift to all beings as well as its unrivalled contribution to life and livelihood and a driver for innovation as

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<sup>48</sup> The reality is that gender bonds/gender related finance products constitute only about 12% of total sustainable bonds issued within the universe of social and sustainability bonds since the first gender bond was issued by the World Bank. The size of the average gender-themed bonds is between \$5 million and \$500 million compared to the average size of sustainability bond issuance (between \$273 million to \$630 million). This includes the world's first gender-lens impact investing security listed on a stock exchange (the Singapore Stock Exchange) and the Women's Livelihood Bond Series by the Impact Investment Exchange (IIX). The WLB is \$150 million. Women's livelihood bond series (WLB) have supported sustainable livelihoods of over 3 million women in India, Indonesia, Cambodia and the Philippines since 2020. Since the launch of its third iteration (WLB3), the initiative has leveraged over \$78 million and is now set to issue a fourth iteration, 'WLB4 Climate listed,' which like WLB3, will also cover pandemic related aspects.

distinct from an orientation of the ‘ocean as natural capital and ocean as good business,’ (Voyer et al., 2018).

**Pillar Two.** Explicit commitment by development finance actors (ODA providers, MDBs, NGOs, DFIs and national governments) to ensure that traditional forms of ODA resources which have historically supported poverty reduction and gender equality and women’s empowerment continue to flow in the required quantum and to bolster fiscal spending in developing countries to successfully meet SDGs and national development aspirations and commitments. As noted by Attridge and Engen (2019) and Cohen et al (2021), ‘poverty reduction as a result of private sector engagement cannot be assumed – it must be nurtured.’ This will require also that public finance (domestically mobilised resources) is the core driver behind social needs and domestic provisioning, hence its contribution and role in ‘credit enhancement’ in the attraction of the private sector is always measured against the need for social and human development. There must also be focused attention to fostering entrepreneurship and building and strengthening local private sector in developing countries through supporting MSMEs, especially women-owned entities with subsidies and other fiscal and monetary measures (Cohen et al., 2021).

**Pillar Three.** A great deal of caution must be applied with the increasing resort to blended finance, blue bonds/blue loans and debt-for-nature (oceans) swaps. This is so for at least three reasons. In the first case, both instruments build debt (or at least external obligations) and may or may not contribute to the building of the core needs of the society. As argued by Cohen et al., (2021), the increased use of private sector instruments such as equity investments, blue bonds/blue loans and guarantees and other blended finance instruments tend to focus and allocate developing finance to ‘bankable projects and asset de-risking’ and may not take into account or move away from countries’ development plans and governments’ responsibility to provide quality services to all (Cohen et al., 2021). Secondly, as Romero (2015) notes ‘de-risking does not eliminate risks, but rather it shifts it in whole or in part from the private sector to governments, donors, and ultimately, taxpayers...’ (Romero 2015). Thirdly, in the case of PPPs, rather than freeing up government resources, it may in fact adversely impact governments’ ability to meet the needs of the poorest thereby exacerbating gender inequality (Romero, 2019; Malouf Bous and Farr, 2019). This underlying reality led Geary (2015) to the conclusion that ‘private sector involvement in development carries significant risks (and that) too often the communities bear the costs – e.g., pollution, loss of land or adverse health consequences and face challenges in accessing recourse mechanisms.’ Fourthly, debt-for-nature (ocean) swaps (DNS) may present at least a triple-decker problem. Though currently small in scope, its further acceleration as a means of financing sustainable development has serious drawbacks if DNS substitutes for comprehensive and systematic debt relief. It also legitimises and precludes accountability/transparency around debt accumulation, in particular, odious debt. To avoid this DNS ought to be engaged with only after a process of transparency and verification of the portion of the debt to be so addressed. Furthermore, the exchange of debt for nature/ocean swap does not exactly change the overall hang of debt. While it may transform the debt into local currency equivalent and hence release the foreign exchange constraint, it nonetheless may remain as a debt of the country. More

importantly, DNS may distort the priorities of the government that would have been supported by a more systematic approach to debt resolution. It enforces priorities driven by the key proponents of the swaps and not the developmental needs of the citizens of the country. Specifically, it does not automatically or necessarily contribute to the building of infrastructure, or social investments to improve education and healthcare.

**Pillar Four.** Blue economy finance must help to increase the opportunities and decrease the constraints and challenges of blue economy strategies on gender equality and women's economic empowerment (GE/WEE). The work of Njuki and Leone (2019) and others focused on women's empowerment in the context of the blue economy show how important it is that blue economy financing focuses on integrating and emphasising policies, plans, programmes and projects that have social development and gender equality priorities at their core. Emanating from the discussion in the preceding parts of this paper the following key recommendations are critical for addressing the constraints and challenges women face with regard to blue economy dynamics. Blue economy financing should:

1. Ensure and enhance food security and protect livelihoods and sustainable ecosystems.
2. Support the implementation of SDGs, social development and strong social protection mechanisms.
3. Restore degraded coastal and ocean ecosystems while preserving and ensuring equitable ownership and usufruct rights for women and men in surrounding communities. Investments in blue economy sectors (and related land-based activities) must include specific directives by the governmental authority to enhance and expand existing access and ownership of women, including support for local, women-owned MSMEs.
4. Reduce the structural constraints of unequal distribution of wealth and resources in specific blue economy sectors. This will require, as argued by Njuki and Leone (2019), that governments proactively work to avoid (and build in mechanisms that address) any resulting imbalance in rights and ownership toward investors, whether private or domestic, that can trigger loss of land/water rights and access to women and communities in coastal areas. This may require gender sensitive proactive financial rules and regulations for the financing and implementation of blue economy policies, projects and programmes. Such rules and regulations must also seek to reduce and ultimately eliminate disparities of work and pay by gender. This is particularly so in the fisheries and marine sectors where women predominate in low skill jobs and face entry barriers (i.e., licenses) that lock them out while facilitating unregulated foreign fleets, with adverse impacts on small scale fisheries. It is also important to ensure that funds go to men and women equitably and that women have access to innovation and modernising equipment. This will mean financing the effort to increase women's roles and positions in fisheries management or ocean decision making bodies which will require support for the upgrading of skills for women as employees and business owners.
5. Promote equal access to resources, opportunities, financing, market information, technology & training, participation in blue economy value chains. Women-owned MSMEs must be encouraged, nurtured and partnered with large scale sustainable

- aquaculture, adventure and elite & eco- and sustainable tourism, renewable companies and supported in sustainability ventures in marine protected areas (MPAs), including in the funding/financing for jobs, capacity and skill development.
6. Enhance gender responsive sociocultural and economic activities and processes. The starting point is to focus on the reduction and elimination of the discriminatory gender norms that limit or thwart women's participation in certain sectors and activities. For example, in fish processing, there is limitation on women's ownership and access to uptake of post-harvest fish processing technologies (solar tents, dryers smoking kilns and salting etc.) There is a need for gender-aware policies and frameworks focused on eliminating negative gender dynamics so as to facilitate the development of gender transformation and women's inclusion at all levels of economic activities. Blue financing should also be targeted to support women's unpaid care work and work to avoid increased gender-based violence.
  7. Develop and implement specific capacity building funding mechanisms and tailored financial instruments that will enable the growth of women's innovation around traditional knowledge as well as the acquisition and deployment of newer, environment-friendly technologies and renewable energy.
  8. Ensure women's voice and decision-making and their full and effective participation in the development of policies, projects, programmes and planning and accountability processes in and across sectors.
  9. Promote transparency, accountability, and the right of redress for communities who experience loss of lands etc. due to MPAs and other blue finance linked obligations.

## VI CONCLUSION

The approaches to macroeconomic development in developing countries, from the various shades of green to multiple permutations of the blue economy, encompass a country's vision and plans for its resources, both materiality and human, and have implications for long standing issues of poverty eradication, gender equality and social protection. From a gender perspective, the financing of alternative development models and approaches such as green, blue or low carbon economy should be explicitly sensitive and responsive to the distinct needs of women and men, taking into account their highly gender-differentiated multiple roles, including responsibility for unpaid care work, access to economic and social resources including natural infrastructure<sup>49</sup> (such as mangroves, sand dunes and wetlands) and facilitate their livelihood activities. While the use of blue finance is not yet widespread in developing countries, there is a concerted push by the development finance community of donors and MDBs to increase the role of the private sector in the development space. But great care is needed if in fact gender equality and women's empowerment as stipulated in the SDGs and in the various frameworks dedicated to closing gender gaps in financing for women in developing countries are to be successful. This trend cannot be assumed to be gender neutral, nor will it automatically benefit women in their multiple roles and needs in the economy.

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<sup>49</sup> Natural infrastructure is of two types: those provided by nature such as mangroves and wetlands, oyster reefs, and sand dunes that 'minimising coastal flooding, erosion, and runoff'; and those that are 'naturalised' (or man-made or managed by humans) and mimic natural processes such as permeable pavement and driveways; green roofs; and natural areas incorporated into city designs. See for example, NOAA (n.d.).

The lessons from climate finance which has a longer track record, as well as aspects of green economy which also has a longer implementation record, show that these financing flows do not automatically go to women's support or promote gender equality and that if active gender sensitive interventions are not made, the financing instruments may leave both women and sustainable development at a dangerous cross road. Ultimately, a blue, green or low carbon economy or hybrid model of such should be inclusive, reparative to past harms and damages, restorative of the environment, and ensure gender equality and women's empowerment. In order for this outcome to be attained the tools, and the normative and operational context of the financial architecture and landscape must be made to be not just gender sensitive but gender responsive and ultimately gender transformative. A gender transformative outcome requires strong and direct inputs from women's groups across the spectrum of their lives and activities and well-coordinated efforts by developing countries at the meso, micro and macro levels, supported by generous and respectful collaboration with development partners and well-regulated international and local private sector, especially those in the capital markets.

## INSERTS

### Boxes Tables & Annexes

#### Box 1: Gender Bonds

There is no official definition of gender bonds. Thus, far there are about 80 gender labelled bonds issued under the ICMA-aligned gender bonds since 2013 when the World Bank issued the first gender bonds. (Since then, gender bonds have been issued by corporations (to support their own internal diversification processes), DFI and other MDBs. Some DFIs and MDBs have also issued SDG-labelled bonds that specify gender issues under 'use of proceeds' as part of the broader approach to gender lens investing (GLI). To date, gender bonds have been mainly issued by the commercial banks and MDBs such as the World Bank, the Asian Development Bank and the Inter-American Development Bank (its private sector arm, IDB Invest) in Asia and Latin America respectively. In Latin America, gender bonds have been issued by entities in Panama (2019), through a subsidiary of a Columbian bank, supported by IDB Invest; in Peru (2020), Columbia (2021), Mexico (FIRA, 2020), Chile (2021), IDB Invest (2021), Ecuador (\$100 million, 2022) and the Brazil stock exchange listing gender bond. In Asia, it is primarily the ADB working in partnership with Impact Investment Exchange (IIX) which has thus far supported or issued gender bonds.

Gender Bonds have also been issued in Morocco under the guidelines of the AMAA. The proceeds of most of these bonds are to be used to expand financing to Women-led Small and Medium Enterprises (WSMEs), increasing their productive investments and economic development. (In the case of Ecuador, some of the proceed will go towards Ecuador's capital market enabling it to offer new sources of funding and to develop thematic bonds in the country.) Thus far, no governmental authority has issued gender bonds. However, both the Pakistani and the Moroccan securities and exchanges commissions have issued guidelines on gender bonds for financing projects related to women's economic empowerment. There are no gender bonds in sub-Saharan Africa. In the area of development cooperation, thus far Japan's

International Cooperation Agency is the only such entity to have issued gender bonds. (JICA's \$76 million 10- and 20-year bonds are linked to the COVID-19 pandemic response of a million 10- and 20-year bonds to promote equal access to education, employment and politics). Finally, as of 2021, UN Women and the International Capital Market Association have published, *Bonds to Bridge the Gender Gap*, a guidance document for integrating gender equality objectives into sustainable debt products.

The reality is that gender bonds/gender-related finance products constitute only about 12% of total sustainable bond issuance. The size of the average gender-themed bonds is between \$5 million and \$500 million compared to the average size of \$273 million to \$630 million of sustainability bond issuance. This includes the world's first gender-lens impact investing security listed on a stock exchange, the Women's Livelihood Bond Series by the Impact Investment Exchange (IIX). The WLB is a \$150 million Women's Livelihood Bond series (WLB) supporting sustainable livelihoods of more than 3 million women in India, Indonesia, Cambodia and the Philippines since 2020. Since the launch of its third iteration (WLB3), the initiative has leverage over \$78 million and is now set to issues a fourth iteration, 'WLB4 Climate listed,' which like WLB3, will also cover pandemic related aspects. (WLB 1 2017-2021, WLB2 \$12 million Jan 2020. WB3 \$27.7 million Dec 2020).

**Table 1: Overview of debt capital market debt-based 'sustainable' finance instruments**

Debt capital markets instruments – Sustainable finance		Comments
Use of proceeds bonds/loans	General use	These instruments are issued by sovereigns, MDBs and private entities. Interests are paid at a fixed rate (coupon) on a fixed schedule and initial investment and interest are to be fully paid at maturity.
<b>Green Bonds</b> (2007) proceeds are applied towards climate and environmental purposes. Finance for new and existing projects or activities with positive environmental impacts Eligible project categories: renewable energy, energy efficiency, clean	<b>Sustainability-linked bonds</b> finance the general functioning of an issuer with explicit sustainability targets linked to the financing conditions of the bond. It does not finance particular projects or programmes.	The groupings in column 1 and 2, have in common that the underlying agreements may be similar, as too, the terms of issuance. But they differ in terms of structure and use of proceeds and ultimately the channelling of funds into projects and programme,  An additional source of sustainable financing is the <i>revolving credit facility</i> wherein funds are drawn down when needed. Interest is paid based on achieving sustainability targets so it may be variable (as opposed to fixed-income).

<p>transportation, green buildings, wastewater management and climate change adaptation</p>	<p>Linked to key performance index such as for example, progress towards climate or other SDG goals.</p>	<p>Green-Bond-Principles-June-2021-100621.pdf (icmagroup.org)</p>
<p><b>Social Bonds (2017)</b> proceeds are applied for ‘social’ purposes or outcomes; non prescriptive formulation. The proceeds finance or refinance social projects or activities that achieve positive social outcomes and/or address a social issue such as food security, sustainable food systems, education, access to water &amp; other basic infrastructure, affordable housing, gender (bonds). See also: Recent innovation: COVID-related bonds--use of proceeds specifically aimed at mitigating COVID-19-related social issues and are particularly focused on the populations most impacted.</p>	<p><b>Sustainability-linked loans</b>, --incentives for borrowers to achieve sustainability performance objectives with regard to, for example, human rights and labour standards, carbon emission reductions or waste recycling output.</p> <p>Interest payment can increase or decrease if the borrower fails to meet target.</p>	<p>There is currently no legal definition as to what is a social bond but the social bond principles identify its key characteristics. It is also similar to green bonds but <i>...social bonds...may also employ more complex structures. For instance, they have been used as non- recourse debt, such as project financing (i.e., to fund projects with a social purpose). In this case, the investors would only have recourse to the project, and not to the issuer or parent entities. Alternatively, a social bond may be structured such that creditors only have recourse to the cash flows associated with the social purpose. These are also known as ‘social revenue bonds.’ (Gottlieb et. al., 2020).</i> COVID-19 has given rise to social bonds as an innovative way to access capital for supply chain strains, provision of healthcare or public health solutions and research into new technologies and medicines are therefore a top priority (IFC 2020 and ICMA (n.d.)).</p> <p>It should be noted that social bonds (a fixed-income instrument) differ from so-called ‘social impact bonds’ (where payment is contingent on certain outcomes); and is usually structured as a contract with a public body<sup>50</sup>.</p> <p>For more on this please see <a href="https://www.icmagroup.org/assets/documents/_Regulatory/Green-Bonds/SB-COVID-Case-Study-Final-30Mar2020-310320.pdf">https://www.icmagroup.org/assets/documents/_Regulatory/Green-Bonds/SB-COVID-Case-Study-Final-30Mar2020-310320.pdf</a>.</p>
<p><b>Sustainability Bonds</b> Proceeds are used to finance or re-finance a combination of green and social projects or activities. Examples of</p>	<p><b>SDG-Linked Bonds</b> Link the coupon of a bond to the issuer’s achievement of climate and broader SDG goals. Progress</p>	

<sup>50</sup> For example, the first ever social impact bond in 2010 was used to prevent reoffending in a prison in the United Kingdom. Investors funded intervention strategies aimed at preventing reoffending and were repaid from the savings created for the UK Ministry of Justice (Clearly Gottlieb 2020).

<p>project categories eligible for sustainability bonds include those in the green and social bonds categories.</p>	<p>or lack of progress toward the SDGs may lead to a decrease or increase in the instrument's coupon.</p>	<p><a href="https://www.icmagroup.org/assets/documents/_Regulatory/Green-Bonds/Social-Bonds-Covid-QA310320.pdf">https://www.icmagroup.org/assets/documents/_Regulatory/Green-Bonds/Social-Bonds-Covid-QA310320.pdf</a>.</p> <p><a href="https://www.bolsacr.com/sustainability-linked-bond-principlesjune-2020-100620.pdf">sustainability-linked-bond-principlesjune-2020-100620.pdf</a> (bolsacr.com)</p> <p>SLB can be directly linked to SDG-related targets such as net zero, zero deforestation, and improvement in ecosystem services.</p> <p>While the funds can be used for general purposes, the financial terms of these instruments may be linked to pre-determined sustainability performance. So, the coupon rate of the bond can increase or there may be a penalty when the bond matures if the target is not met.</p> <p>The SBP outline best practices for issuing a social bond; they also arm investors with the information necessary to evaluate the social impact of their investments.</p> <p>The SBP, updated as of June 2021, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Social Bond market by clarifying the approach for issuance of a Social Bond.</p> <p><a href="https://www.icmagroup.org/assets/documents/Social-Bond-Principles-June-2021-140621.pdf">Social-Bond-Principles-June-2021-140621.pdf</a> (icmagroup.org)</p> <p>ICMA Green, Social and Sustainability Bond Principles and Guidelines:  <a href="https://www.icmagroup.org/green-social-and-sustainability-bonds/">https://www.icmagroup.org/green-social-and-sustainability-bonds/</a>  Also see for example, a (US) national expression of these principles, Sustainability Bonds Framework (freddiemac.com)</p> <p>In 2020, Guatemala became the first country to issue sovereign social bonds for covid19 response.</p>
<p><b>BLUE BOND/Loans:</b> Funds commitment to marine and water projects such as</p>		<p>The first blue bonds (Seychelles Blue Bond, Nordic Sea Blue Bond) emerged in 2018). Blue Natural Capital positive impact framework</p>

<p>investing in the transition to sustainable fish stock. Ocean conservation (including addressing plastic waste), promoting marine biodiversity</p>		<p>Blue Economy financing principles Asian Development Bank Sovereign Blue Bonds Quick Start Guide (2021). Sustainable Blue Economy Financing Principles: <a href="https://ec.europa.eu/maritimeaffairs/sites/maritimeaffairs/files/declaration-sustainable-blue-economy-finance-principles_en.pdf">https://ec.europa.eu/maritimeaffairs/sites/maritimeaffairs/files/declaration-sustainable-blue-economy-finance-principles_en.pdf</a></p> <p>Though green bond is given its own categorisation here, it is also important to note that from the standpoint of some market participants blue bonds are simply green bonds, are environmental bonds that are supporting the transition to blue growth. These environmental bonds are still at a low level comprising roughly \$200 million of a \$100 Trillion global bond market. Blue bonds may also include issuance of sectoral bonds such as fisheries bonds. Standards for these bonds are set and monitored by the Climate Bonds Initiative. Blue bonds provide capital support to sustainable fisheries, aquaculture, sustainable tourism, green shipping and ports, climate change adaptation and mitigation, coastal protection and marine conservation.</p>
<p>These instruments are respectively aligned with the International Capital Market Association (ICMA), a set of voluntary guidelines that promote more transparent, unified reporting on bonds' environmental objectives. According to the ICMA, <i>(t)he guidelines are intended to provide a degree of standardisation and encourage issuers to adhere to principles for reporting and transparency to ensure objectives are being achieved through the life of the instrument. In return, issuers can benefit from increased investor confidence and more consistent valuations and pricing.</i> The principles contain four core components for the issuers: use of proceeds; process for project evaluation and selection; management of proceeds; reporting. The bond issuer must obtain a second party opinion confirming its compliance with the ICMA Principles and must submit annual reports on the use of proceeds to the market. In June 2020 ICMA updated its Social Bond Principles to include women and/or sexual and gender minorities among its target populations.</p>		

## ANNEX 1: OVERVIEW OF EMERGING BLUE FINANCE AND ALTERNATE AND RELATED INSTRUMENTS AND LIKELY IMPACTS

This annex presents a non-exhaustive listing of regularly used financing for the blue economy. Many of these are also traditional forms of development finance instruments that are being repurposed for blue economy financing. A cogent summary of important blue finance instruments would include climate finance, debt swaps, blue bonds, various tax reforms around tourism and water usages, and mobilising of remittances. These important ones will be subject to some quick scrutiny while others are simply defined for completeness.

- I. Climate Finance** is ‘finance that aims at reducing emissions, enhancing sinks of greenhouse gases and reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts’ (United Nations Framework Convention on Climate Change Standing Committee on Finance). Currently, the public flows from developed to developing countries, agreed at \$100 billion a year by 2020 and through 2025 to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and affirmed under the covering document to the 2015 Paris Agreement, was to be the basis for scaling up further climate finance flows under the UNFCCC post 2025. Currently, according to the OECD, about US\$79.6 billion was available in 2019<sup>51</sup>. But there is contestation about the nature and extent of this accounting for the \$100 billion.<sup>52</sup> Currently about 20% of this goes to adaptation with the rest to mitigation and crosscutting activities. In any event, this is the only pot of money effectively pledged for climate change actions in developing countries. Climate finance hence can serve multiple purposes and some countries may choose to integrate it into the climate adaptation or mitigation aspects of their blue economy.
  
- II. Blended finance** is a combination of ODA and private and public resources to attract (called leverage) private investors. Blended finance is the use of development capital (from donor governments, development banks or philanthropy) to mitigate

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<sup>51</sup> US\$62.9 billion came from public sources in 2019. Mitigation finance represented almost two-thirds of total climate finance provided and mobilized by developed countries in 2019. The shares represented by loans (including both concessional and non-concessional) and grants were 71% and 27% of total public climate finance (excluding export credits) provided in 2019 respectively. Private finance mobilized remained more or less flat through 2017-2019 just over US\$14 billion. *Climate finance delivery plan: meeting the us\$100 billion goal* (ukcop26.org) and OECD (2021), *Forward-looking Scenarios of Climate Finance Provided and Mobilised by Developed Countries in 2021-2025: Technical Note Climate Finance and the USD 100 Billion Goal*, OECD Publishing, Paris, <https://doi.org/10.1787/a53aac3b-en>

<sup>52</sup> Please see for example, *Climate finance shadow report 2020 assessing progress towards the \$100 billion commitment*. Oxfam GB 2020, and ‘The broken \$100-billion promise of climate finance — and how to fix it’, Nature: October 20 2021 (nature.com).

investors' risk and thereby mobilise commercial capital for the SDGs. Examples of blended finance include subordinate capital in a fund structure, development guarantees, political risk insurance, FX hedging, technical assistance for project preparation and outcome-based payments ([www.blendedfinance.earth](http://www.blendedfinance.earth)). See for example, the Pacific blue shipping partnership (Fiji, Kiribati, Marshall Island, Samoa, Solomon Islands, Tonga, Vanuatu and Tuvalu) which aims to develop sustainable low-carbon maritime transport for passengers and cargo through a 100% carbon-free maritime transport sector by 2050, with a 40% reduction of greenhouse gas emissions from shipping by 2030. It involves a 'blended finance approach, catalysed in the short and medium term by both bilateral donor assistance, and the issuance of a guaranteed Blue Bond' (The Pacific Blue Shipping Partnership).

Related to blending finance are de-risking instruments, full or partial guarantees and public private partnerships, each of which will be discussed separately below as they can be linked with other forms of financing and are part of suite of credit enhancement or attractor options to woo investors. There is not much literature and data on the extent of any of the application of these in blue financing.

***De-risking investments*** are project-based guarantees without sovereign indemnity, guarantees and risk-sharing. As noted by Mann (2018) '...this is a misnomer' as 'any project can be set back by external events, poor design, or mismanagement'.

Mann rightly points out that when MDBs such as the World Bank speaks about de-risking what they actually mean is reducing the risk for investors – and increasing the risk for governments (Mann 2018). He further notes that de-risking, in addition to its methodological and accounting challenges, introduces high moral hazard: the private sector has very little incentive for high or even reasonably good performance while the government stands to shoulder unknown costs, and incur excessive debts. There is neither transparency nor accountability for this spending as it is 'off-the-books'. Ultimately, social development and gender equality interventions will be sacrificed when trouble strikes.

***Collateral investment vehicles***: credit lines & syndicated loans in support of bond offering or project financing. See also PPPs.

***Co-financing schemes***: may also be part of blended financial arrangements. Co-financing means the additional financial resources required, in addition to the Proceeds, to implement the Funded Activity. Co-financing can come from a governmental entity, MDBs, DFIs, philanthropy and/or the private sector. In general, it can involve additional borrowing from a MDB to secure financing from a bond or other market. In either case, co-finance either adds to debt or is a further drain on public finance, entailing likely trade-offs between budget items.

### III. Bond/loan Financing

A bond is a fixed income instrument that represents a loan made by an investor to a borrower. (Technically there is distancing between an outright loan which is most often obtained from a bank and a bond which is obtained from investors in the capital market.) Bonds are debt security in which investors receive a fixed interest payment (the coupon, fixed-income, or interest may be linked to an equity index (structured bond) over time and the return of original investment (the principle) upon a pre-determined time frame/set date (maturity). Hence the term fixed-income securities (but as seen below there are some of these instruments where the return may in fact be variable.) Bond issuers can take the form of private companies, supranational institutions, or public entities (municipal, state, or federal government).

**Green bonds**, aka climate bonds, tend to finance energy efficiency and emission reductions activities primarily on land. As with other bonds, these are fixed income instruments that are earmarked to raise money for climate and environmental projects. They may come with tax incentives—tax exemptions and tax credits. Typical for projects aimed at energy efficiency, pollution prevention, sustainable agriculture, fishery and forestry and protection of aquatic and terrestrial ecosystems, clean transportation, clean water and sustainable water management, ecosystem restoration or reducing air pollution. They also finance the development of environmentally friendly technologies and mitigation of climate change. Issuances adhere to the best practices of the Green Bond Principles established by the International Capital Market Association (ICMA). Examples include: Fijian Green Bond (\$50m 2017), Indonesia 2018—Green Sukuk Islamic bond & Malaysia (2017). Green bonds are becoming quite pervasive and well used by many developing countries.

**Blue Bonds/ (Blue loans):** are debt instruments, designed on the same principles of ‘green’, ‘social’ or ‘sustainability’ bonds. They are also considered as a subset of green bonds as well as climate finance. The funds raised are targeted to be used for specific purposes such as oceans preservation, sustainable fishing, marine, water resource and waste management. Blue bonds are a major aspect of blue financing portfolios. According to the World Bank, this finance is focused around the four broad ecosystems identified as:

Extractable natural resources: human activities to remove or produce physical goods from the ocean i.e., fisheries

Natural Capital: natural asset, ecosystem services, conserve nature

Marine and ecosystem development: new fixed physical assets at sea/water: shipping & Ocean-based renewable energy

Knowledge and creativity

As noted in the text, the main capital investors and investing activity areas thus far include: Sustainable fishing —RARE, Melody Fund; Natural capital —Athelia; Plastic & waste—Sustainable Ocean Fund (primarily active in South Asia plastic waste sector); other areas: shipping, coastal tourism, renewable marine energy, marine ports. See Seychelles bond issue of \$15 million 10-year coupon 6.5%.

Cautionary Note:

Blue bonds can be more complex than green bonds and can have higher interest rates than traditional concessional finance. The bonds can also have fiscal impacts as the governmental packaging in attracting investors may include tax exemptions to enhance attractiveness to investors.

Another challenge is that there may be inadequate knowledge in the public sector for the institutional capacity to implement and there may be lack of transparency with regard to the bond financing packaging. Ultimately, all bonds have to be repaid upon their maturity; eventually, this along with ongoing interest payment to bond holders, are carried by domestic revenues/savings.

**Sustainable bonds:** include green, social, sustainability and sustainability-linked bonds. The sustainable bond market has grown to over \$1 trillion in outstanding issuance, including over \$800 billion in green bonds outstanding, as of September 30, 2020.

**Sustainability-linked Bonds (SLBs):** are structurally linked to the issuer's achievement of climate or broader SDG goals, such as progress, or lack thereof, toward the SDGs. They are available to finance or refinance social projects or activities that achieve positive social outcomes and/or address social issues. *Social projects are generally aimed at target populations such as those living below the poverty line, marginalised communities, migrants, unemployed women and/or sexual and gender minorities, men and women with disabilities and displaced men and women.* They may cover categories such as food security, sustainable food systems, socioeconomic advancement, affordable housing, access to essential services and affordable basic infrastructure. Issuance is aligned with best practices of Social Bond Principles of the ICMA.

Of Note: Less than 1% of sustainable bonds has gender as a priority objective.

Cautionary note: SLBs are non-earmarked bonds and the **financing** cost may be increased in the event of failure to achieve a sustainable performance objective.

**Social bonds:** A specified amount of funding is committed to the defined purpose. The proceeds must finance or refinance social projects or activities that achieve positive social outcomes and/or address a social issue. Examples of project categories eligible for social bonds are similar to those covered by Sustainability-Linked Bonds, and so too the social categories targeted. Issuance to adhere to the best practice of Social Bond Principles of the ICMA.

**Of Note:** Social Bonds are being touted as New and Innovative Financing for the blue economy. In many cases, social projects are aimed at targets such as gender equality and women’s economic empowerment. Advantage for gender equality intervention: This funding stream will not be cut in future, and the funds will only be used for the defined purpose and not applied elsewhere (i.e., it is non-fungible or not interchangeable with other aspects of the budget or balance sheet), and proceeds must be focused on the population most impacted.

Examples of bond types including blue-water, gender, transition, SDG/social, biodiversity, COVID and COVID related social bonds).

DRAFT for discussion

### Cautionary Note:

As with most bonds, social impact bonds blend public-private partnerships, results-based financing and impact investing. It allows the private investors to provide up-front capital for social needs and be repaid by a measurable outcome, dependent on the achievement of agreed-upon results (similar to a “green bond”). It is important the bond proceeds are not just focused on closing gaps but on generating lasting change and transformation of gender dynamics in the economy. Hence the gender equality dimensions must take into account the full gamut of SDG-5. Thus, the underlying agreement of the bond should be in line with the country’s national gender action plan, including its related aspects of food agriculture and climate change.

**Gender bonds:** while there is no official definition, a working definition is that these bonds support the advancement, empowerment and equality of women (fsdAfrica 2020); and ‘their aim is to bridge existing gaps in terms of female access to the labour market, leadership positions, and financing’<sup>53</sup>(IDB Invest, 2020). Gender and social bonds constitute about 8% of the \$650 billion plus sustainability bonds issued mainly by multilateral entities such as the World Bank, the Asian Development Bank and more recently by regional entities such as Panama’s Banistmo. Developing countries such as Pakistan (May 2021) and Morocco (March 2021) have issued gender bond guidelines with regard to the first generation of gender bonds<sup>54</sup> which currently totals about \$9.2 billion (Moody’s Investors Service, 2021(b) and Pental Fund Services Limited, 2019). UN Women and ICMA have developed guidelines for investing in gender bonds. (See also Gender Bond Box).

**Transition bonds:** are new products that aim to finance the transition to a low-carbon economy.

**Debt for equity swaps:** DES or debt for nature have been in existence most prominently since early 1990s. They involve debt buy back in exchange for obligations surrounding national assets. Current formulation is the debt buy-back and/or government debt restructuring with a pooled fund set aside for, in this case, marine/ocean. Debt for ocean swap exchange or reduction of a portion of debt for the conservation of sectors/ocean economy for conservation is on the rise. A leading contemporary example is the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT), with sponsors including TNC and Nature Vest). Under this swap,

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<sup>53</sup> Gender Bonds are part of what is known as gender lens investing products. The products are fairly new. Countries with Gender bonds include Australia, Canada, Columbia, Mexico and Panama.

<sup>54</sup> According to a fsd Africa scoping study (<https://fsdafrica.org/publication/viability-of-gender-bonds-in-sub-saharan-africa/>), 13 gender-labelled bonds have been issued by a variety of entities, ranging from large commercial banks, to NGOs, to multilateral development banks; there is also the Women’s Livelihood Bond IIX (Rockefeller Foundation and Shujog (n.d.), a \$10 million debt security designed to unlock capital for Impact Enterprises (IEs) and Microfinance Institutions (MFIs) that are part of the sustainable livelihoods spectrum for women in South-East Asia. WLB 2 was also recently launched and well subscribed.

the Seychelles under took a debt for nature swap leveraging a part of the country's asset as part of the Blue Economy Sector for restructuring a portion of its foreign debt in forgiveness for a commitment for investment in environmental conservation and sustainability projects. Debt service payments fund three distinct cash flows through this initiative:

¶ The SeyCCATs Blue Grants Fund - targets projects that relate to MPA management, sustainable fisheries, ecosystem rehabilitation, climate change adaptation and blue economy businesses;

¶ Repayment of the impact investor / NatureVest and capitalising the SeyCCAT endowment. The benefits of the scheme ostensibly include financing for adaptation to climate change through management of coasts, coral reefs and mangroves,

¶ Promotion of implementation of a Marine Spatial Plan (MSP) for the entire Seychelles Exclusive Economic Zone managed for conservation as marine protected areas (MPAs) within 5 years. A key aspect is the implementing the Marine Spatial Plan setting ground rules for what is permitted and where this may be carried out in Seychelles waters. The country of Belize is now also working on similar debt for nature (ocean swap) under the framework of blue economy.

#### Cautionary Note on DNS/DES

A Marine Spatial Plan is a tool that redistributes marine resources among stakeholders, ostensibly for the purpose of sustainability. But it can have adverse effects on women and small holders and communities who dwell in coastal areas and water ways. This is the case if the power shifts in favour of large capital investors and big industrial oriented industries. The resulting dispensation can cause women and poor men to lose historical usufruct rights or to have to pay fees. In many developing countries, 'national-level spatial planning processes are still incipient' (Borges et al., 2020). Critical issues of concern around MSP and MPA include small-scale fishing practices and conflicts; participation in protected areas; technical aspects of the planning process, zoning and mapping impact in coastal and waterways dwellers. From a social and gender justice perspective, there are serious concerns about the nature, tools and technical outcomes behind the prioritisation of spatial planning which has implications for socioeconomic criteria and requires that the final zoning plans recognise community use and governance of resources, maximise equity and access to traditional fishing grounds, and better support for long-term food security and livelihoods of local communities This calls for clear, transparent and educative-based processes (both in terms of gender sensitisation and social technical analysis) around stakeholders' participation (Borges et al., 2020). This is particularly with regard to stakeholders' input and local knowledge with respect to fishing, socio-cultural sustainability and tourism.

#### **IV. Other non-debt related blue finance mechanisms**

**Blue carbon:** carbon is captured (sequestered or taken in) by the world's ocean and coastal ecosystems); these are then offered as a tradeable asset on the voluntary market, and called 'offset' or 'resilience' credits (TNC). Blue carbon schemes may be developed in a coastal ecosystem such as mangroves, salt marshes and sea grass, which capture and store carbon (acting as carbon sinks) (NOAA)<sup>55</sup>. Blue carbon may be a revenue source that adds to government revenues or income earnings for communities.<sup>56</sup> All depending on the arrangements made with regard to generating and trading the blue carbon and its credits. As a revenue inflow for a government, it may supplement or complement social or gender equality interventions. How much of this is occurring is not yet established and whether its generation supports communities is likewise an open question.

**Concessional finance:** sovereign and non-sovereign loans including blue loans

**Equity:** such as direct investment; direct investment in companies (equity). There is not much literature and data on the extent of its application in blue financing.

**Forestry securitisation:** securities backed by collateral of forestry enterprises (i.e., Wetlands and endangered species, native vegetation).

**Guarantees:** credit enhancement to support blue bonds; require public backing and revenue.

**Marine Insurance** to manage commercial risk (for shipping, aquaculture, fisheries and offshore activities). However, a reported drawback is that it does not cover risk to the ocean and is often not accessible to SMEs due to the issue of affordability.

**Nature-linked securities.** These are highlighted as a way of transferring the risks of natural disasters and climate change to investors in the global capital market and are also linked to PPPs and Blended financing. However, caution must be drawn with respect to this highly optimistic framing. It typically involves the creation of a so-called special purpose vehicle (SPV or SPE -special purpose entity) which then issues debt securities. The SPV and the sponsor agree to pay compensation to the sponsor in the event of natural disaster on condition that the sponsor pays a certain amount of the insurance fee to the SPV. The sponsor may be the government in which case there are fiscal implications. SPV/E are implemented in blue financing arrangements within the context of PPPs in Marine Protected Areas. In general, SPV/ SPEs are expected to become financially sustainable and generate their own incomes from statutory user fees, innovative sustainable tourism models and other revenue mechanisms. SPEs are new legal entities to help keep liabilities, taxation and regulations related to the project separate from balance sheets of founder members, therefore isolating risk. In the case of the SPEs with Blue finance and the

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<sup>55</sup> <https://oceanservice.noaa.gov/facts/bluecarbon.html>

<sup>56</sup> In general, in the literature, carbon pricing/carbon tax/ETS (with auction permits) is argued to generate public revenues and may therefore help with budget consolidation and hence may also support the reduction of other taxes such as social security contribution. There are ongoing efforts to create a blue carbon market.

Dominican Republic for its MPA, the SPE has received an *irrevocable mandate* to charge fees to the main users (i.e., divers, snorkelers, day-tour excursionists, marine sports) within the MPA boundaries. The current projects are in Bahamas, Barbados, Dominican Republic, and St. Kitts & Nevis. <http://blue-finance.org/wp-content/uploads/2020/05/UPDATE-CPIC-Blueprint-Public-Private-Partnership-for-Marine-Protected-Areas-by-Blue-Finance-08-2019.pdf>

**Public Private Partnership** (also called co-management, by NGOs involved in these types of financing arrangements): This financing mechanism requires public revenue backing; it could involve MSMEs, but that requires strong government conditions and support for these entities. The size and scale of MSMEs that are supported under this arrangement are quite large and tend to perforce exclude many women-owned and even developing countries' SMEs which have a scale of operations under \$5 million. See, for example, the MSME facilities discussed under the Pacific Blue Partnership, (see World Bank TOR for consultant with sub-categorised task to 'develop the concept for a small-to-medium scale enterprise finance facility that offers loans, guarantees and equity investments, for eligible activities aligned with PBSP objectives with capital of USD 50-100 million'. Ultimately, as noted elsewhere in the text, this instrument tends to divert and capture the development gains; it is the subsidization of interest-bearing rent seeking capital. The dark side is also the corruption (padded project fees and costs) that it may engender. Blue examples include the Pacific blue shipping partnership. There is a growing trend of PPPs for Marine Protected Areas. A PPP is being implemented by Blue Finance (an International NGO) in the Dominican Republic for one of the largest MPAs in the Caribbean (8000 km<sup>2</sup> of coral reef ecosystems) and 15 others are in development in the Wider Caribbean, West Africa, and SE Asia.

**Remittances:** many countries are contemplating ways of mobilising remittances from their citizens abroad to support blue economy strategies including through issuance of diaspora bonds. This is seen as a win-win strategy as remittances are already a growing stream of steady support for countries such as Pakistan, Nepal and Jamaica among others. Remittances are reported to contribute 3.75% of Kenya's GDP, above 7% of Pakistan's, over 15% of Jamaica's and more than 20% of Nepal's. The Diaspora also have talents and skills that could effectively contribute to the blue economy. Remittances are an immediate source of foreign exchange. Over the years in many countries, remittances have been slowly transforming from a consumption basis towards capital investment and greater involvement of citizens in national development efforts. Diaspora can also be involved in the blue economy through investing in diaspora bonds (bonds issued by a country to its citizens living abroad).

**Result-based financing:** Results-based financing includes a range of **financing** mechanisms where financing is linked and provided after the delivery of pre-agreed and verified results. RBF approaches can play a big role in the delivery of infrastructure and services. This can include result-based climate financing wherein payments are made for climate mitigation or adaptation results

after they have been achieved and independently verified. Impact investors such as Altheke, Sustainable Ocean Finance, Encore Capital and Melody are repaid by original funding or government entity or donor foundation on the achievement of agreed results.

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