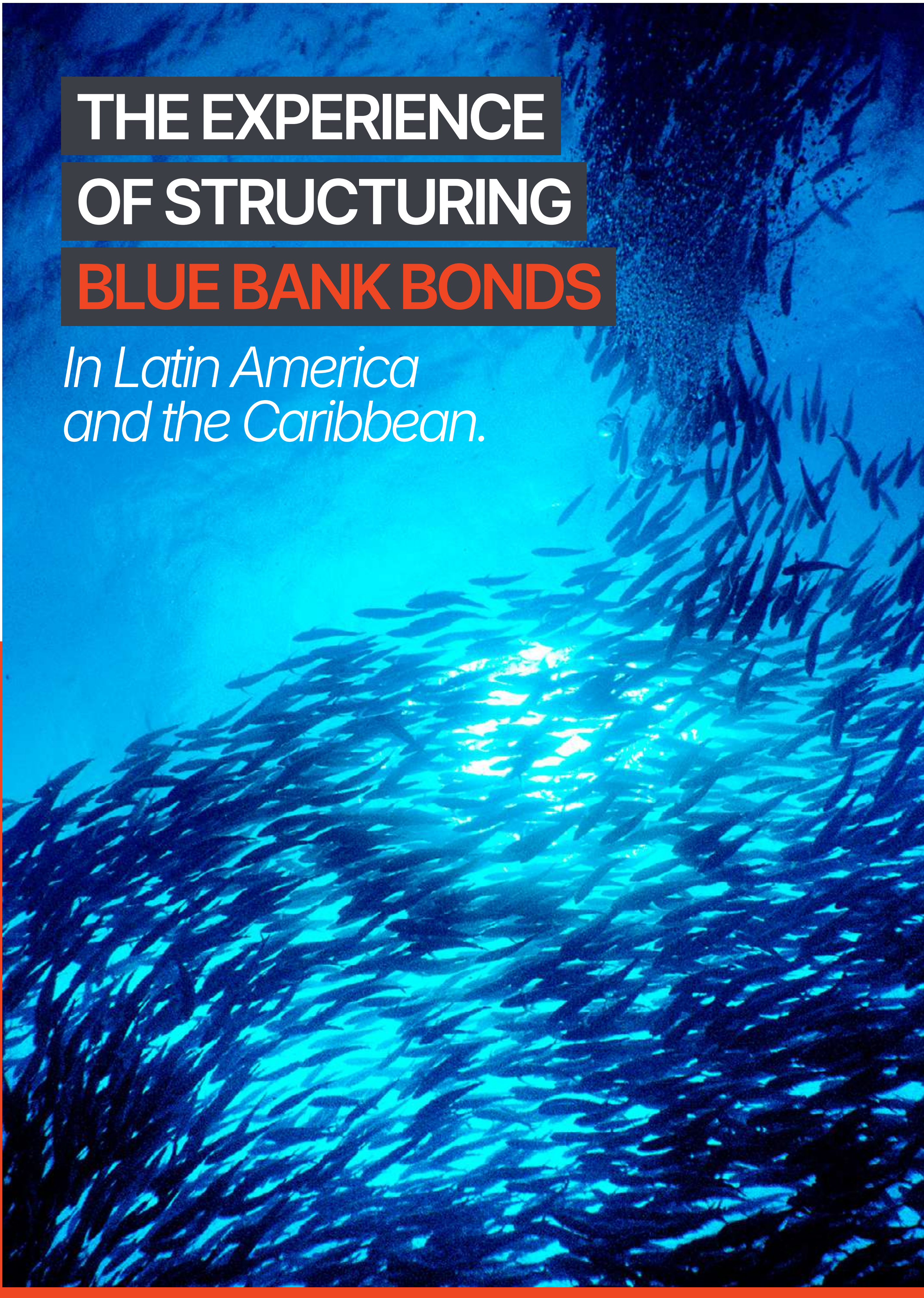
IDB | Invest

THE EXPERIENCE OF STRUCTURING BLUE BANK BONDS

In Latin America and the Caribbean.



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This report was prepared by the Green Finance team of IDB Invest's Climate and Environment Division with technical support from Water Co. It is based on publicly available information and interviews conducted with teams from IDB Invest, Banco Bolivariano, and Banco Nacional.

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Presentation

This publication systematizes the experience of structuring the first two Blue Bonds in Latin America and the Caribbean, developed with IDB Invest's advice. In these issuances, IDB Invest acted as anchor investor and mobilizer of additional investors, supporting Banco Bolivariano de Ecuador and Banco Nacional de Costa Rica in carrying out pioneering blue bond issuances in the capital markets of their respective countries and the region. The document presents the global and regional economic context and blue bonds, as well as the methodologies applied to evaluate potential portfolios, structure and validate bond frameworks, and issue debt.

This document highlights best practices and lessons learned from structuring the first Blue Bond Issuances in Latin America and the Caribbean. It offers strategic recommendations to improve blue thematic structuring, validation, and management of future issuances. The lessons presented seek to encourage and accelerate future blue finance initiatives that will enable these instruments to scale up in the market. In a global ecosystem where the sustainability of oceans and water resources is increasingly a priority, this publication is a key tool for demonstrating how financial institutions, capital market issuers, stockbrokers, and other financial and capital market players interested in promoting the blue economy can transition from theory to practice.

By systematizing lessons learned and offering practical guidance based on real-life cases, this publication not only reinforces IDB Invest's leadership in sustainable finance but also charts a roadmap for the expansion and consolidation of blue finance instruments in Latin America and the Caribbean, underscoring their value as an innovative and transformative financial mechanism for sustainable development.

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This report has been prepared by the IDB Invest teams from the Climate and Environment, Capital Markets, Financial Institutions, Development Impact, Social, Environmental, and Governance, and Water Co. divisions as a deliverable of the Climate and Environment consulting services known as “Systematization of Blue Bonds.” The document is based on publicly available information and interviews conducted with teams from IDB Invest, Banco Bolivariano, and Banco Nacional.

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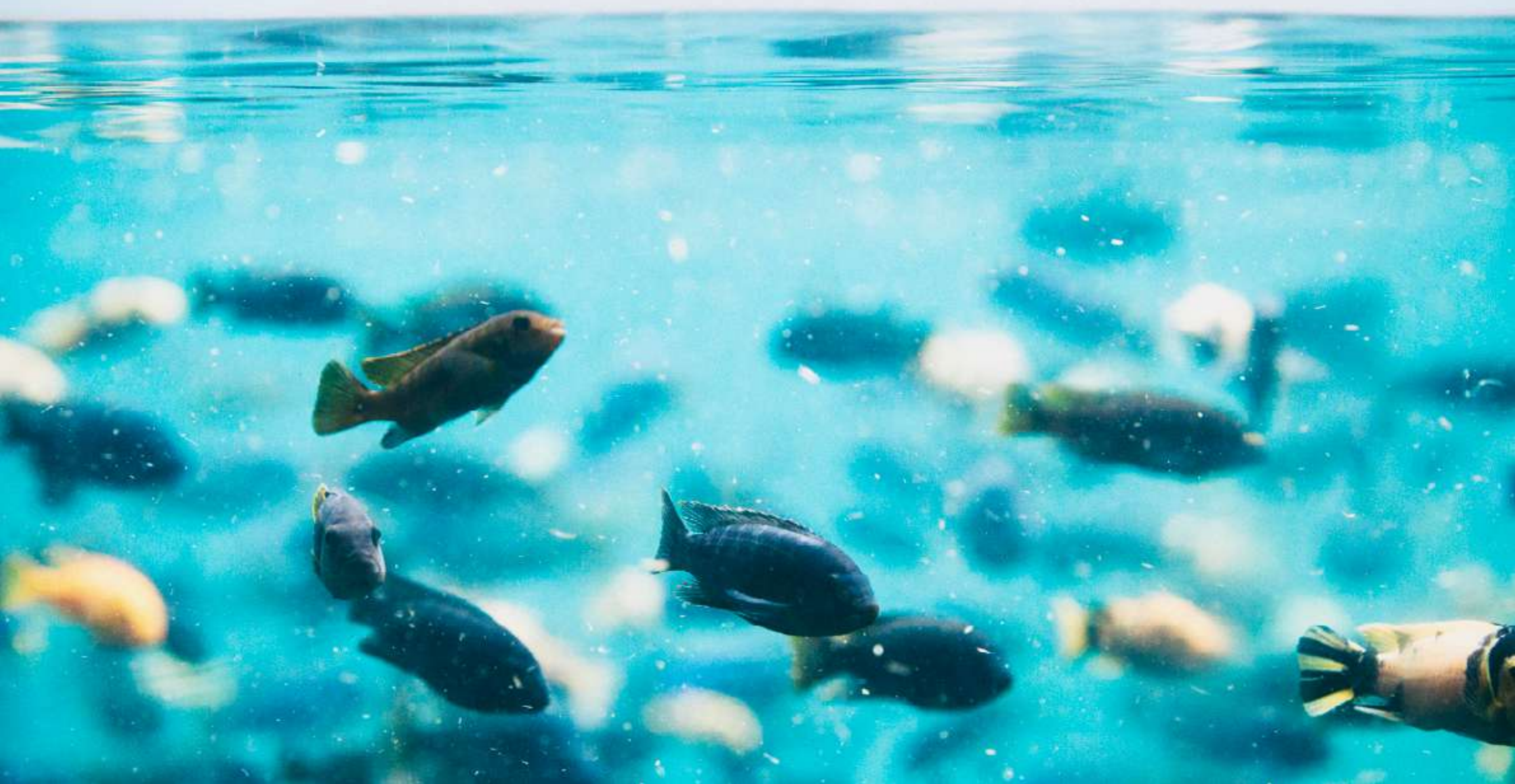
Content



Context *of blue bonds* 1

Blue bonds are an innovative tool for mobilizing capital to address social and environmental challenges related to oceans and water. These instruments not only seek to create sustainable business opportunities but also align with the Sustainable Development Goals (SDGs) and the Paris Agreement targets, contributing to the responsible management of water and ocean resources.

In Latin America and the Caribbean (LAC), the blue economy plays a fundamental role, not only because of the richness of its marine ecosystems, but also because of its development potential given the region's high dependence on trade, food, and tourism. In this context, blue bonds are emerging as an urgent means to finance and develop strategic sectors that help mitigate climate change and its impacts, as well as restore the oceans. Investments in ocean-related infrastructure are estimated to reach US$90 trillion over the next decade, including port infrastructure, ocean energy, and wastewater management.

Blue bonds align with the International Capital Market Association (ICMA) Green Bond Principles (2025), which are a guide, with the expectation that the key performance indicators defined for the blue theme will enable progressively better alignment of impact in the future. This framework of principles, together with the guidelines for sustainable bonds, helps prevent greenwashing or bluewashing[1], ensuring that the underlying assets and investments have high integrity and transparent management. In addition, ICMA published a practical guide to the thematic structuring of blue bonds[2], which is particularly useful for guiding specific criteria for the blue economy, and based on these, for designing blue eligibility criteria at the sectoral level.

To understand the business opportunity in the blue economy, it is essential to consider the publications Accelerating Blue Bond Issuance (IDB Invest and UN Global Compact, 2021) and IFC Blue Finance Guidance (IFC World Bank Group, 2021), which provide guidelines for structuring and developing blue financial instruments.

IDB Invest has demonstrated key leadership in thematic structuring and investments made in the first two Blue Bonds in Latin America and the Caribbean, strengthening its position in promoting the blue economy. The systematization of the process of identifying and thematically structuring investment frameworks for the issuance of these bonds, carried out in partnership with Banco Bolivariano (BB) and Banco Nacional de Costa Rica (BN), allows IDB Invest to share lessons learned and best practices, to continue consolidating itself as a benchmark in thematic structuring and sustainable financing, influencing the future evolution of the principles and guidelines of the emerging blue economy market.

1 Greenwashing is the misleading use of seemingly eco-friendly practices or products to obtain an image of environmental responsibility, without any real commitment to sustainability. Bluewashing refers to a similar strategy but applied to initiatives related to the protection of oceans or water.
2 https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-Guide-September-2023.pdf

Market standards

Green Bond Principles (ICMA, 2025).

Sustainable bond guidelines

Guides for practitioners

Bonds to finance the Sustainable Blue Economy, Practitioners Guide (ICMA, 2023).

The experience of structuring blue bank bonds in Latin America and the Caribbean (IDB Invest, 2025).

Blue economy concepts and sector references

Accelerating the issuance of blue bonds (IDB Invest and UN Global Compact, 2021).

IFC Blue Finance Guidance (IFC World Bank Group, 2021).

Figure 1. Market standards and guidance instruments.

IDB Invest plays a key role in the region in promoting the updating and expansion of blue bond principles and guidelines, based on practical experience in structuring and investing in the blue economy within financial and capital markets. This leadership helps to encourage sustained growth and sustainable development in the region. The position IDB Invest achieved served as the starting point and focus of this publication.

The first step for any financial institution is to identify whether it has a pipeline of investment or credit applications that align with blue finance sector approaches, as well as an existing portfolio. This assessment forms the basis for a successful operation, as it confirms the existence of market demand and, in turn, the possibility of issuing bonds to capture and finance the growth of these portfolios.

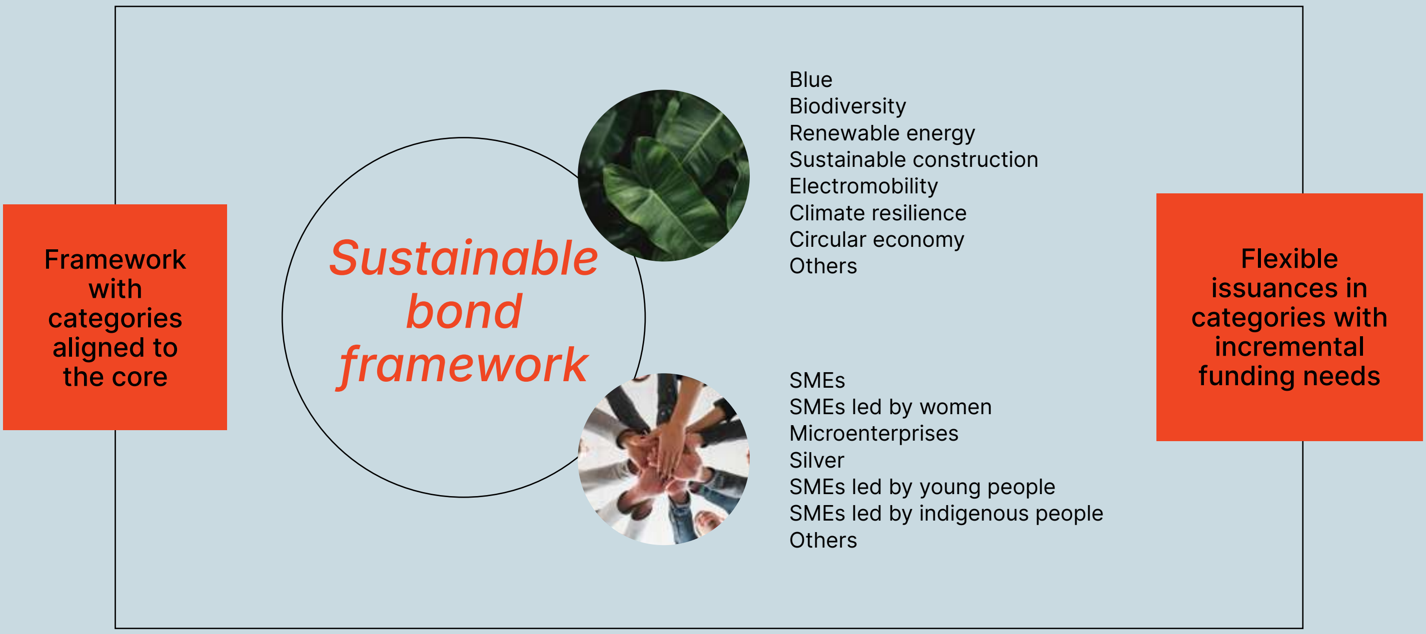
Subsequently, it is essential to define the formulation of a thematic framework, whether it is a blue, green, or sustainable framework that incorporates blue categories. Due to the nature and intermediary function of the financial sector, there are currently no institutions that exclusively finance blue economy projects. Therefore, based on the experiences presented in this publication, IDB Invest recommends that financial institutions develop sustainable frameworks that include, within their green categories, those related to blue investments.

Such an approach allows financial institutions to issue instruments aligned with this framework in the future, while differentiating between blue, green, and social themes. In this way, treasuries can carry out differentiated funding, based on credit demand that varies by sector and theme over time.

This funding management, whether through issuances or correspondent lines differentiated by themes aligned with a single sustainable framework, allows for distinctive positioning in the capital market for each issuance, according to its focus—blue, green, biodiversity, climate, resilience, and others. This scheme provides flexibility to treasuries by allowing thematic issuances to align with sectoral and thematic approaches where credit demand is highest.

In the cases documented and presented in this publication, which highlight key lessons and best practices, a blue bond framework and a sustainable framework with blue categories were designed and implemented, illustrating these differences and learnings.

Figure 2. Sustainable framework and funding aligned with market demand



***Crédito:** Christopher Crouzet. Flick*

Methodology of systematization *for the first two Blue Bonds issued in Latin America and the Caribbean*

2

This methodology is based on a comprehensive review of the source documents used to structure the themes of both bonds, supplemented by interviews with relevant stakeholders, analysis of the practices applied, and evaluation of the initial implementation results.

2.1 Documental sources

Documentary review has been one of the pillars of this systematization. Among the key documents used are the following:

The Blue Bond Framework of Banco Bolivariano (BB) and the Sustainable Framework with blue investment categories of Banco Nacional de Costa Rica (BN):

These establish the investment categories, the eligibility criteria linked to the use of resources, the management of the funds raised, the impact indicators of the investments to be financed, and the reporting mechanisms associated with blue bonds. Both thematic frameworks also detail the key development impact indicators to be reported in the future and their alignment with the Sustainable Development Goals (SDGs).

Second Party Opinion (SPO):

Issued by recognized independent rating agencies, these opinions validate that thematic frameworks, which include blue investment categories, comply with international standards, such as the ICMA Green and Social Bond Principles and the Sustainable Bond Guidelines. They also ensure the transparency and credibility of issuances, which are fundamental for their acceptance in the financial market.

International guidelines and principles:

To develop the frameworks, a series of thematic reference documents was thoroughly reviewed, providing the conceptual, operational, and principled basis for issuing blue bonds:

- Green Bond Principles 2025 (GBP)[3], developed by the International Capital Market Association (ICMA).
- ICMA's Sustainable Bond Guidelines 2021 (SBG).
- 2025 Social Bond Principles[4], also from ICMA.
- Green Loan Principles 2021 (GLP), published by the Loan Market Association (LMA).
- 2019 Climate Bond Standard, from the Climate Bond Initiative (CBI)[5].
- 2018 Blue Economy Sustainable Finance Principles[6] From the United Nations Environment Programme – Finance Initiative (UNEP FI).
- UN Global Compact Sustainable Ocean Principles 2020 and Practical Guidelines for Sustainable Ocean Finance 2021[7].
- IDB Invest Sustainable Debt Framework.
- Bonds to Finance the Sustainable Blue Economy, a Guide for Practitioners 2023[8] By ICMA.

These documents are fundamental to the formulation, validation, and implementation of blue bonds, as they provide a regulatory framework and clear guidelines to ensure the transparency, sustainability, and effectiveness of issuances.

2.2 Interviews, information analysis, and document preparation

This stage of the process began in May 2024 with an initial meeting in which, together with the IDB Invest team, we reviewed the preliminary framework for the systematization, coordinated the collection of background documents, defined the scope and methodological approach, and agreed that the interviews would focus on gathering valuable insights on good practices, lessons learned, recommendations, and strategies derived from the experiences of the BB and BN Blue Bonds.

A semi-structured interview methodology was employed, a qualitative approach that enables the exploration of key topics while also allowing interviewees to provide additional, unplanned information. This exploratory approach provided an in-depth and contextual view of the challenges and dynamics in the thematic structuring of blue bonds.

Between May and July 2024, a total of seven virtual interviews were conducted, each lasting between 45 and 60 minutes, with the participation of 11 key individuals involved in the processes: Marcela Betancourt, Luis Alejandro Mejía, Pablo Vargas, Carlos Argüello, Gabriela Mera, Piedad Acuña, Enrique Palacios, Matilde Penagaricano, and Susana Del Granado from IDB Invest; Carlos Santos Larde and Augusto Jouvin Nugué from BB; Marcela Lizano Vargas and Silvia Chaves from BN; Marco Morales (IDB Invest consultant).

The collected information was systematically organized and thoroughly reviewed to ensure clarity and consistency in the draft document. The draft was shared with a multidisciplinary team from various IDB Invest divisions for their review. Their comprehensive feedback provided valuable insights that helped strengthen the final version.

The systematization followed a structured process that enabled a comprehensive analysis and understanding of the experiences from IDB Invest's first two blue bonds. The document follows a structure with two main chapters — Best practices and lessons learned, and Recommendations — each divided into subchapters that address the key stages in the development of blue bonds.

3 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/
4 https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles_June-2022v2-130722.pdf
5 https://www.climatebonds.net/files/files/climate-bonds-standard-v3-20191210.pdf
6 https://www.unepfi.org/blue-finance/the-principles/
7 https://unglobalcompact.org/take-action/practical-guidances-for-the-un-global-compact-sustainable-ocean-principles
8 https://www.icmagroup.org/News/news-in-brief/new-guidance-on-blue-themed-bonds-to-help-unlock-finance-for-a-sustainable-ocean-economy/

Best practices *and lessons learned* 3

This chapter focuses on the key moments associated with the BB and BN blue bond experiences. Best practices refer to the methods, strategies, or procedures that have proved effective and efficient in achieving the expected results in the two IDB Invest blue bond experiences, and that have the potential to be replicated in other contexts or countries to achieve similar positive results and impacts. Lessons learned capture the knowledge and understanding gained through experience—particularly in identifying errors or challenges encountered during the structuring of both bonds in Ecuador and Costa Rica—which can be applied to improve future processes.

3.1 Bond origination, profiling, and pre-structuring activities

3.1.1 Best practices, blue thematic pre-structuring phase

A) Experience in thematic business lines, as a link between business strategy and sustainability.

Both banks identified the consolidation of specialized sustainability teams—led by a manager with a corporate-wide role and a strategic mandate aligned with the institutional vision—as a best practice. This structure has positioned sustainability as a central component of business management and fund allocation. Such a foundation provides an ideal starting point for issuing blue bonds, enabling internal treasury, business, and portfolio management teams to fully understand the objectives of these instruments while fostering collaboration and strategic dialogue across the bank's departments to ensure successful issuances.

Since 2019, BB has been a member of Ecuador's Sustainable Finance Protocol through the Association of Private Banks of Ecuador (ASOBANCA)[9]. In 2021, it began developing its ESG (environmental, social, and governance) strategy, based on a materiality analysis that identifies the most relevant issues to prioritize. BN established a sustainability model in 2017 that incorporates specific sustainable banking goals and indicators, integrating them into its sustainability policy and strategy. This model includes corporate governance, responsible business conduct, and

9 Protocolo de Finanzas Sostenibles. 2016. CAF, PNUMA, ASOBANCA, IFC. Galápagos, Ecuador. 4p.

objectives aligned with decarbonization and financial inclusion. In 2021, the bank launched its first strategic plan that fully integrates sustainability.

Strategic sustainability management at the corporate level—linked to business and risk management through policies, processes, and systems—is a critical prerequisite for issuing a thematic bond, particularly a blue bond. It provides the necessary foundation and fosters collaboration across bank departments to focus on a financing and placement initiative with a defined purpose in a specialized—and therefore challenging—business segment for the financial institution. This type of corporate sustainability management typically occurs when financial institutions deploy green-themed financing lines for specific sectors. Examples include financing for sustainable agriculture, sustainable fishing, renewable energy, sustainable construction, green mortgages, and electromobility, among other approaches that require a tailored value proposition for each segment. This offering, in turn, involves properly managing the credit, technological, market, and other risks inherent in these new market segments targeted by the financing.

Typically, this type of work is led by the business area and complemented by the credit, risk, sustainability, safeguards, legal, and the other regions, to ensure alignment with institutional policies and generate consistency in the back-office support processes—analysis, approval, formalization, and disbursement—for the loans that make up these thematic lines (green or social). In this context, experience shows that it is best practice to develop and validate portfolios of assets aligned with these thematic lines in the market before issuing thematic bonds to fund them. From a business perspective, this involves understanding and meeting market demand. Seeking funding that matches those needs, which is consistent with a more strategic business approach focused on market segments where the bank is well-positioned with a robust value proposition.

As part of its advisory services on the design of green thematic lines, IDB Invest recommended that BB create a sustainability area in previous years. This recommendation involved allocating additional human capital resources, establishing policies, processes, and support systems for these green business lines, and promoting interdepartmental dialogue to consolidate a team specializing in sustainability. After several years of originating green thematic portfolios and based on a new green segmentation of its portfolio, BB—in conjunction with IDB Invest—identified overlap between blue finance and the priority sectors of its customer base, which enabled it to guide the structuring of its blue bond.

BN's experience initially focused on developing social themes and issuing a social bond before the blue bond structuring process. Although there was no formal sustainability department at that time, efforts to form a dedicated team were underway. This process involved establishing processes and systems for thematic financing, mechanisms for tracking resource use, and reporting schemes, which laid the foundation for BN to develop financial products targeting more specialized segments, such as those defined in the blue categories of its sustainability framework[10].

B) Assertive and strategic communication.

Following the formation of the sustainability team at BN and the establishment of a robust SARAS, one of the first fundamental and strategic steps in formulating a business-linked sustainability policy and strategy was to present the "business idea" for the blue bond to senior management and other managers within the institution.

The technical and strategic communication skills of the sustainability team were key to clearly conveying the business case, getting the message across to

10 Sustainable framework of Banco Nacional of Costa Rica.

stakeholders within the organization, and securing the support of senior management. In other words, talking about the blue economy and blue bonds is not common financial language; therefore, it is essential to communicate the idea effectively by clarifying which sectors can be financed. Which customer profiles are eligible for this type of financing? What is the potential business pipeline? What are the growth trends for these portfolios in the identified sector(s)? What is the positive impact of this financing on the country in question? What is the positive effect of increasing a sustainable portfolio? How does this contribute to the business strategy (both in terms of attracting customers and target portfolios), as well as to corporate positioning and leadership in an emerging and high-potential area? These are among the issues that need to be discussed.

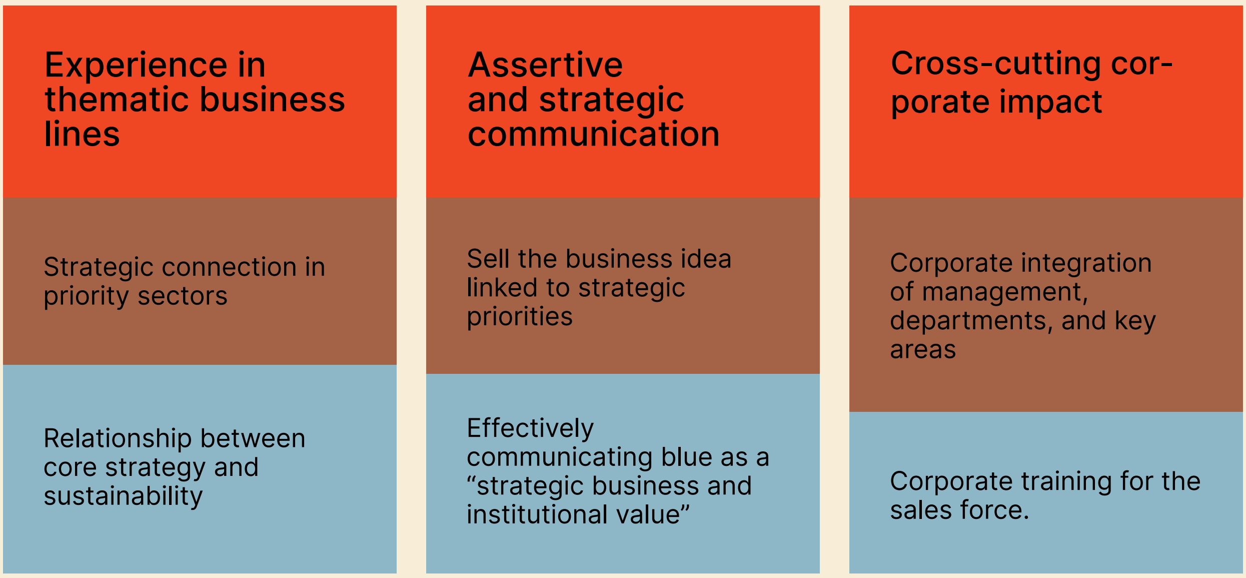
C. Cross-cutting corporate impact.

According to BN, the support obtained from senior management enabled the transition to a new way of doing business, integrating corporate support from key areas such as general management, sustainability, finance, business, credit, portfolio risk, and legal. On the other hand, both BB and BN's Bono Azul experience identified the creation and strengthening of capacities among key personnel in the sustainability area and in different departments within the banks as a best practice. This collaboration enabled the incorporation of specialized knowledge in sustainable finance, facilitating the identification of high-impact issues strategically aligned with the business, such as the blue economy.

Strengthening the multidisciplinary team ensures that the green, social, and blue thematic portfolio management is comprehensively addressed in the design of the framework, establishing a solid foundation for the successful implementation of blue bonds.

The experience with BN shows the importance of training and involving the sales force in the business area, as their knowledge and commitment from the initial stages contribute to the overall success of the

Figure 3. Best practices in the pre-structuring phase of blue bonds.



bond. For its part, BB highlights that training and strengthening the capacities of its sustainability area have been fundamental, underscoring the need to integrate knowledge and train all key areas of the bank to move in the same direction. Building a common language among the risk, commercial, and BB vice-presidencies has been essential to the successful operation of these functions moving forward.

3.1.2 Lessons learned, blue thematic pre-structuring phase

Capacities and structure for implementing blue bonds.

Developing innovative thematic bonds—whether defined-use or performance-linked—is highly complex for financial institutions that lack the necessary technical expertise and human resources. In the case of the first blue bonds issued in the region, by Banco Bolivariano and Banco Nacional, several significant challenges arose. One of the most important was the need to broaden the conceptualization of the blue economy beyond traditional sectors such as fisheries and aquaculture. This insight prompts questions such as: which other sectors belong to the blue economy, and what parameters should guide the inclusion of new activities? How can a portfolio of new projects be planned and committed to when no formal strategy currently exists?

The key to answering these questions lies in capacity building through technical advice, training processes, opportunities for dialogue, and continuous improvement. In this regard, IDB Invest has played a fundamental role as a strategic partner, supporting financial institutions in developing policies, strategies, processes, and systems that integrate sustainability into the core of their operations. This support has contributed to the launch of more than sixty thematic issuances—green, social, blue, biodiversity, and other innovative themes—in the region.

Understanding each country's specific context in relation to the blue economy.

It is a necessary and invaluable step in the blue bond structuring process. As demonstrated in the cases of BB and BN, IDB Invest's technical support enabled this in-depth analysis to be conducted before structuring the instruments. We recommend this as a good pre-structuring practice, as it has allowed financial institution teams to identify the sectors, industries, and client types relevant to the blue economy, recognize previously financed projects that already qualify as blue, and define strategies to expand those portfolios in the future. Therefore, in this initial stage of structuring a blue bond, the advice of experts in water management and marine sustainability is essential to overcome the challenge of understanding and internalizing which types of investments qualify as blue, thereby maximizing the effectiveness of future interventions.

In this regard, financial institutions must recognize that a solid sustainability strategy goes far beyond a commitment to environmental and social issues; it is a strategic management tool that integrates policies, processes, and systems into risk management and asset origination. These components are necessary to ensure that blue bonds align with the institution's strategic objectives and that the institution directs these funds toward projects that advance marine sustainability and responsible water management. In addition, having a trained sustainability team and a structure that allows for due diligence, adequate portfolio segmentation, and interdepartmental collaboration not only ensures the success of the issuance but also prepares the bank for future sustainable and thematic financing operations.

Sustainability strategy as support for blue bond issuance.

The experience of BB and BN shows that having a consolidated sustainability strategy aligned with the business strategy is essential before beginning the blue bond issuance process. This strategy must include a solid organizational structure, led by a team specialized in sustainability, supported by senior management, and integrated into the institutional vision. In both cases, the presence of a team led by a corporate sustainability manager with a strategic mandate facilitated not only bond management but also alignment across key areas, including treasury, business, and portfolio management, thereby promoting strategic dialogue between departments. Such leadership created the necessary conditions for a deep understanding of blue bond objectives and enabled efficient collaboration. In addition, this strategic approach allowed banks to segment their portfolios more efficiently and align their operations with priority sectors in the blue economy.

Establish a clear connection with the financial institution's strategic and business objectives.

Such a connection requires effectively documenting and communicating the key decisions that lead to the prioritization and implementation of a blue bond and a future issuance. Doing so promotes alignment among teams from different departments with the bank's strategic business objectives for the specific initiative.

Real market demand.

At an early stage, before committing to structuring a blue bond, it is essential to verify the existence of effective demand for financeable investment opportunities that meet the eligibility criteria under the blue theme. Furthermore, this demand must align with the bank's strategy across sectors, industries, risk appetite, and other factors. Identifying this demand allows the bank not only to focus on potential customers but also to explore growth opportunities in new sectors or sectors that enable it to expand its portfolio towards projects linked to the blue economy. In this way, the bank can identify strategic opportunities that facilitate business growth, especially in sectors or segments where it already has a solid position to channel financing through dedicated funds.

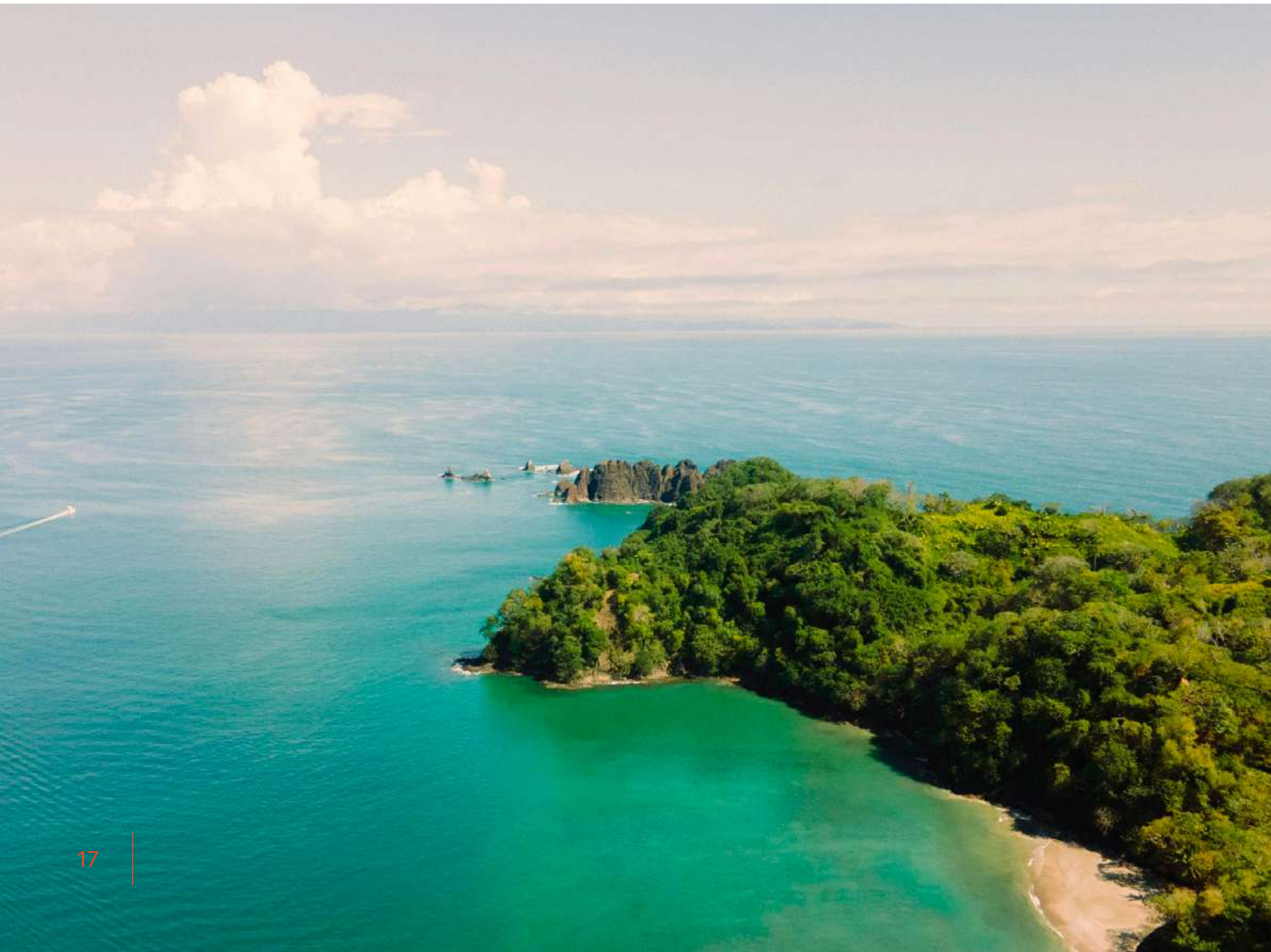
Cross-organizational leadership.

According to BN, the responsibility for sustainability management, in conjunction with general management, must be approached with positive, proactive, and assertive leadership so that sustainability directly shapes and becomes part of the bank's business strategy. Such integration implies its incorporation into both the origination of assets and positioning in strategic market segments, as well as into the passive management of long-term funds, under competitive conditions that strengthen the bank's differentiated positioning vis-à-vis depositors, capital market investors, and international and multilateral financial institutions.
A clear understanding of this fact across the various areas promotes joint, coordinated, and aligned action within the banking organization and facilitates the formation of multidisciplinary teams. Senior management in institutions must have a clear vision of sustainability as a cross-cutting issue in business, to promote understanding and acceptance of blue bonds.

Conduct a comprehensive due diligence.

This lesson, highlighted in the BN's blue bond experience, underscores the importance of conducting robust internal due diligence. This process enables the financial institution to align policies, processes, systems, and strategic guidelines, thereby ensuring the viability of future issuances in line with best-practice standards and high levels of transparency. This also allows the identification of the feasibility of processes and systems that permit adequate management of new requirements. Hereunder, an indicative -but not stark- list of examples is presented:

- Eligibility and labeling of green and social loans: define which management or committee will undertake this responsibility within the governance framework.
- Tracking of treasury resources allocation in projects labeled as qualifying: assess if the current processes are enough, if there should be new ones, or the existing ones must be adjusted, and how to integrate this control into the organization's management systems.
- Backup documentation that allows for verifying eligibility criteria by the customer: request and formalize the documents submission in the contracts, such as certificates, licenses, product sheets with equipment performance information, and energy efficiency technologies, among others.
- Contract templates and client reports: include specific annexes in the contracts that establish the information that the funded clients must report, as well as the time basis of such reports, in accordance with the frequency of the bond public reports.



Capabilities and structure for the implementation of blue bonds	Which sectors are financed by the blue economy and what parameters should be considered when including activities? How can we plan and commit to a portfolio of new projects for which no traditional strategy has been developed? Ongoing capacity building and technical advice .
Understanding the specific context of each country in relation to the blue economy	Identification of the relevant country context for the blue economy. Identification of the sectors, industries, and profiles of the types of clients.
Sustainability strategy to support the emission of blue bonds	Integration of sustainability into business strategy. Well-structured and trained team.
Establish a clear alignment with the financial institution's strategic and business objectives	Effectively document and communicate decisions for prioritizing and implementing a blue bond. Promote alignment of teams from different departments with strategic business objectives.
Actual market demand	Verify the existence of market demand for investments that qualify as eligible under the blue theme. Determine the amount of the blue issuance to be made based on the identified demand.
Leadership with a cross-cutting approach	Sustainability management, together with general management, exercises proactive and assertive leadership to integrate sustainability and the blue economy into the business strategy and its strategic objectives.
Perform thorough due diligence	Ensures that the financial institution's policies, processes, systems, and strategic guidelines are aligned to achieve the viability of the issuance with best practices and high transparency. Identify the feasibility of adjusting processes and systems to ensure proper management of new requirements.

Figure 4. Lessons learned in the pre-structuring phase blue theme.

3.2 Formulation and validation of frameworks for a future blue issuing

There are three key moments during the framework formulation and validation:

The framework formulation

Establishes the principles and criteria that will guide the identification of investments that qualify as blue, in accordance with the use of the funds coming from the issuance of the future blue bond. Also, it defines the processes to verify its eligibility, guarantee the tracking of resource use, and measure its impact, integrating these elements into the necessary processes to elaborate the bond public periodic reports.

The framework validation

With the interdepartmental staff of the institution, and with potential preidentified investors, if there are any. This process guarantees that the framework has the support and trust of all stakeholders, and that its implementation is feasible and consistent with the governance, policies, credit processes, portfolio, treasury, risks, and systems of the issuing organization for the future blue bond.

Obtaining the Second Party Opinion (SPO)

A critical step that provides an independent evaluation regarding the framework and its alignment with the best market practices and international standards previously mentioned, strengthening the issuing transparency.

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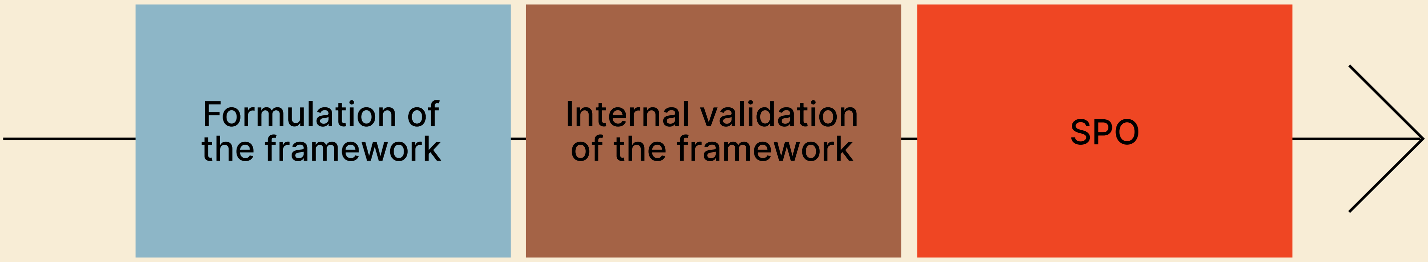

Figure 5. Phases for the formulation and validation of the framework for a future blue issuing.

3.2.1 Best practices in the framework formulation and validation

Specialized support of blue economy experts.

In the formulation of the BB and BN frames, the advice provided by BID Invest was identified as a good practice and allowed to rely on blue economy and hydric resources experts. In the BB case, the expert had previously developed internal technical documents for BID Invest related to the blue economy. In the BN case, there were hydric resources and marine-coastal experts.

This expertise allowed the definition of general categories from the formulation start, which, through joint work with clients, were classified under investment subcategories, activities, and customer types suitable for the blue bond. The consultant's experience was key to building a clear and logical narrative for potential projects, especially in identifying sectors and investments linked to the blue economy and in defining robust eligibility criteria aligned with national priorities and investment opportunities for the future issuer.
In the BN case, the expert support facilitated by BID Invest provided three key issues: first, it allowed to identify and prioritize strategic geographic areas for the water management from a territorial perspective; second, it enabled to aligned the investment prioritization based on the priorities of the strategy of the financial institution, intersecting with the national policies and programs especially related with water, coastal and maritime conservation areas; third, it turned this technical inputs into a clear profiling of the activities and investments types that the financial institution could consider for its blue bonds. This included the sector and territories definition for the Banco Nacional business.

This approach strengthened the Bank's ability to identify which client types could shape a blue portfolio and which kinds of investments they should focus on. Also, it highlights the importance of banks taking on these blue-financing challenges to build these capabilities internally, thereby ensuring their long-term innovation potential.

Identify and prioritize strategic geographic areas in water management from a territorial perspective.

Prioritization of investments aligned with the financial institution's strategy and consistent with national policies and programs.

Clear outline of the types of activities and investments that the financial institution could consider in its blue bonds

Figure 6. Approach of the expert support.

A collaborative process to set up the framework.

La The initial proposal for the BB Blue Bond Framework emerged from a previous consultancy by BID Invest and the incorporation of blue economy experts, the latter of whom facilitated the identification of these investments across different segments and sectors of the bank's portfolio, in joint work with the Bank's team.
The BN experience shows that this collaborative process was based on the framework previously developed for its social bond, on the technical consultancy of experts on water resources and marine-coastal areas provided by BID Invest, and on the technical backing of the BID Invest team, which also contributed the lessons learned in the issuing of the BB Blue Bond.

The banks actively participated in the drafting and revision process, ensuring that the final proposals for the documents were aligned with their capabilities and objectives. BB, on its part, conducted an external survey to understand how the bank was perceived, providing valuable insights for the issuance of its blue bond. The review of the SARAS policies and risk management, as well as the governance issues for loan approval, was also included in each of the BB and BN frameworks.
Afterward, BID Invest conducted internal reviews with the participation of its specialists in development impact, capital markets, financial markets, ESG, social inclusion and gender, and climate and environment. These reviews allowed us to adjust the frameworks for subjects related to the topic portfolio, resource use eligibility, resource use traceability, impact measurement, and topic portfolio labeling, in accordance with the eligibility criteria for each. This gave rise to a second version of the frameworks, reviewed again by BB and BN, resulting in a document that emphasized its own internal resources for labeling the topic portfolio, resource use eligibility, resource use traceability, impact KPI report, and bond public report preparation.

Work in interdisciplinary teams.

Both in BN and BB, one of the main good practices identified for the blue bond's success was effective coordination and cooperation among the different bank areas, supported by good governance, a clear vision, and openness to innovation in new blue businesses. BN highlighted the close collaboration among the sustainability, finance, and commercial teams to identify clients' needs and deliver sustainable financing alternatives, including the Blue Bonus. In the BB case, the collaborative work centered on continuous learning among sustainability specialists and other bank instances to develop a framework highly aligned with the business priorities was also valued. This process enabled financing for the country's sectors, segments, and regions, ensuring coherence with the investment categories defined in the framework that established eligibility for the use of blue bond funds, and securing efficient resource intermediation from treasury to businesses.

This interdisciplinary approach enabled overcoming traditional work outlines and advancing innovation in the development and design of new financial products and services linked to the blue economy, as well as in identifying new segments of potential clients.

The integration of training and knowledge in key areas.

In BB, the consultancy and training with different teams of the organization were highlighted as fundamental to advancing successfully in bond development. This knowledge integration can also be achieved, according to the bank's experience, through participation in themed conferences and congresses that align the blue bond with new trends. Also, the internal dialogues have been a valuable tool for discussing and guiding the strategy in light of emerging trends.

Figure 7. Best practices in framework formulation.

3.2.2 Lessons learned in formulating and validating the framework

Second Party Opinion and support documentation building.

The blue bonds framework approval requires securing a Second Party Opinion (SPO). The BB and BN frameworks were positively evaluated in their respective SPO, standing out for their alignment with the Green Bonds Principles of ICMA (June 2021). This acknowledgment underscores the commitment of both Banks to sustainability.

A key lesson in this process has been the importance of appropriate support documentation, structured by categories. This approach not only eases the SPO supplier's work, helping them to understand the context analysis and the justification of the categories included in the framework, but also reinforces the technical and conceptual coherence of the blue instrument.

Suppose a future blue bond issuance is presented as an integrated component within a sustainable framework— with green and social categories aligned with the issuer's business strategy and taxonomy criteria adequate to the blue economy. In that case, the issuer shall present a clear rationale for its framework and issuing categories, including its sustainability policy and the bank's environmental and social risk management systems (ESMS).
These elements must align precisely with the Sustainable Development Goals (SDGs) and the National Determined Contributions (NDC), thereby demonstrating that the initiative does not engage in

Sustainable framework with green and social categories aligned with the issuer's business strategy.

Align eligibility criteria with best practices in taxonomy and institutional strategy.

Aligned with sustainability policy and environmental and social risk management systems.

Ensure consistency and transparency in prioritizing funding for thematic portfolios.

Consolidate a solid process of progress in sustainable finance that allows the financial institution to expand its business in a segment with a high positive impact.

Thematic issuances as a result of progress and increased ambition in sustainable finance.

Figure 8. Lessons learned - essential elements for a Good Second Party Opinion.

greenwashing but reflects transparent coherence in its financing prioritization for the themed portfolios, in this case, the blue ones.

From the items mentioned above, a genuine commitment and a robust institutional process for sustainable financing are evident, with the financial institution seeking to expand its business into a high-impact, positive segment. In this way, the proper management of social and environmental risks and the prioritization of financial intermediation based on best practices in sustainability and development are demonstrated.

3.3 Use of funding, assessment, and projects selection

3.3.1 Best practices for categories definition regarding the use of future funding for a blue issue

Categories for the use of funding.

The planned use of resources for the blue bond issued by BB in Ecuador is divided into three main investment categories:

- Seafood
- Water and Wastewater Management
- Solid Waste Management and Circular Economy

The planned use of resources for the blue bond issued by BN in Costa Rica finances projects divided into three main categories:

- Sustainable projects and operations in the marine and coastal areas of the Pacific Ocean and of the Caribbean Sea sides of Costa Rica, including construction, tourism, agriculture, and sustainable fishing
- Sustainable management of water and wastewater in the marine and coastal areas and basins of the Pacific Ocean and Caribbean Sea sides.
- Management of plastic waste and circular economy in the marine and coastal areas of the Pacific Ocean and Caribbean Sea sides.

The establishment of investment categories and eligibility criteria was based on:

- The examination of the historic portfolio, observing the analysis of blue materiality;
- Client profiling in sectors that match with blue financing opportunities, where the financial institution is well-positioned, with an appetite for risks and previous experiences;
- The experience of BID Invest expert teams and experts hired by it;
- In the preparation process of the BN issue, considering the previous experience of BB was also relevant.

These good practices contributed to the high valuation the framework received in each SPO by demonstrating that its investment categories aligned with both the funding recognized by the Blue Bonds Principles and the issuer's political and strategic priorities.

In the outline of the investment categories, BN adopted a programmatic and territorial approach to water and marine and coastal areas, aligned with national policies, strategies, and programs.

This approach, derived from the expert analysis previously mentioned in this systematization, constitutes good practice, as it allows integrating those guidelines and programmatic priorities into the "Eligibility Criteria" of the framework for blue investments. This way, it is possible to ensure coherence with national priorities regarding the management of water, marine and coastal areas, with the bank's strategic approach across sectors, segments and territories, and with the country's sustainable development agenda.

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Prioritization of target sectors and regions

Review the existing portfolio to identify and prioritize sectors with previous experience.
Identify areas in the existing portfolio that align with blue finance priorities in the country.

Definition of sectors, regions, and customer profiles

Profiling potential customers with the sales department, taking into account previous experiences by sector and region

External advisory support to validate projections

Validate eligibility based on framework criteria, regions, sectors, in line with best practices and sustainable taxonomy.

Previous successful experiences

IDB Invest provides this support to its clients to systematize and apply best practices and lessons learned, in order to validate projections for resource use in eligible sectors and regions, based on previous successful transactions.

Figure 9. Best practices when defining the use of resources for a blue broadcast.

Credits: *Beau Pilgrim. Climate Visuals*

Analysis of national policies, strategies, and priorities in water management and marine-coastal regions

Identify policies and strategies that define programmatic approaches.
Identify territorial priorities in water management and coastal marine regions.

Understanding program priorities by territory and the IF business

Understand priorities and whether or not they coincide with private investments.
Identify technologies, sectors, and customer profiles that align with the priorities of water-focused territories and coastal marine regions.

Prioritization of investment categories

Define categories with a programmatic approach aligned with the national development agenda for the water sector and coastal marine regions.
Investment categories include priority sectors and customer segments for the IF in the region and prioritized programmatic approach.

Figure 10. Integration of national priorities in the definition of blue categories funding use.

Use of an Environmental and Social Management System (ESMS).

Both BB and BN use it to evaluate and choose qualifying projects for their respective blue bonds. The SPO of BB underscored that this system ensures that every funded project adheres to environmental and social risk management standards aligned with market practices. On the other hand, the SPO of BN emphasized that due diligence through ESMS guarantees coherence and transparency in project choice. Thus, having a strong, deployed ESMS for every bank operation is considered a necessary good practice for blue and thematic bond issues in general.

Rigorous choice, assessment, and internal governance processes.

Within the actions set up in the blue bond Frameworks of BB and BN for project selection and evaluation, as well as for funding use, the processes for identifying and assessing projects that meet the specific sustainability objectives are highlighted. This process includes several steps:

- ### *Internal and eligibility governance verification:*

  In each bank, the responsibility to verify the eligibility of the projects falls in the sustainability and risks specialized teams. The governance of this process is well defined: at BB, the Sustainability Committee reviews each proposal to ensure compliance with established criteria on the blue bond framework. At BN, an Assessment Committee comprising experts in sustainability and credit is established to verify that funding use aligns with sustainability investment categories and subcategories.

- ### *Training of employees in identifying and originating thematic loans:*

  It has been implemented a training program aimed to loan origination and management teams, ensuring that the staff is qualified to identify and assess projects with financing potential under the blue bond. This training not only covers the sustainability criteria but also delves into the specific aspects of the blue economy, facilitating an appropriate project assessment from the outset.

- ### *Categorization of risks and follow-up:*

  the selected projects go through an environmental and social risks categorization aligned with the sustainability objectives of each bond. This approach ensures that only projects that comply with environmental and social standards are financed, thereby protecting the integrity of the blue bond and ensuring a positive impact.

Thanks to these rigorous internal governance processes and personnel training, BB and BN have ensured that their Second Party Opinion (SPO) certifies that both banks apply strict, well-defined criteria in project selection. This ensures that funds allocated under the blue bonds are effectively assigned to initiatives that meet their eligibility criteria, preserving the positive impact and transparency that distinguish these financial devices.

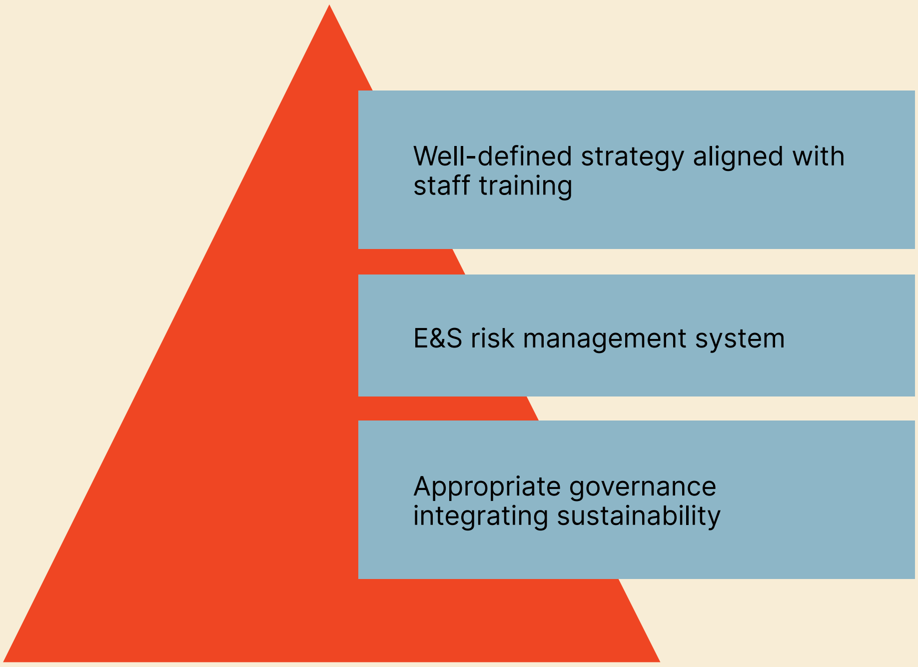

Figure 11. Governance, social and environmental risks management, strategy and capabilities as base elements to manage resources use of thematic bonds.

New business areas and collaborative work in blue bond implementation.

In the BB blue bond experience, the initial approach in the aquaculture and fishing sector expanded with the opening of new investment categories, including "Water and wastewater management" and "Solid waste and circular economy management". These lines were developed as part of the sustainable investment's diversification strategy within the framework for future blue bond issuance, thus allowing BB to support a broader range of projects aligned with the blue economy and environmental sustainability. This diversification represented a significant expansion of the portfolio into sectors not previously prioritized by the bank, making it relevant to high-impact sustainability and business growth areas.

From a finance perspective, the blue bond proved essential to secure long-term funding under favorable conditions and with a specific destination, helping address the growing investment demand in sustainability. The thematic financing through bonds, when directed to specific sectors like those mentioned, allows the bank to explore new business opportunities under distinct financing conditions, thereby strengthening its long-term competitiveness and sustainability.

Furthermore, the collaboration between commercial areas and the sustainability team facilitated the identification of clients and relevant projects, promoting a sustainability culture that permeates different institutional regions. This effort consolidated the blue bond as a strategic tool, promoting internal alliances that not only facilitate the proper use of funding but also foster corporate commitment to sustainability and innovation in new business areas.

Clear goals in bond allocation.

Internally, BB has established blue- and green-bond allocation goals, motivating the teams through incentives. This approach not only motivates employees but also facilitates goal identification by category, contributing to a more organized and effective bond implementation.

3.3.2 Lessons learned

The relevance of business development services for SMEs.

An essential lesson from BB's blue blond was the need to support fish SMEs in their training and in implementing sustainable practices. Unlike big companies, which generally have a large capacity to meet financial requirements, many SMEs lack technical knowledge and advanced practices to seize the opportunities offered by the blue economy.

Thus, banks can consider offering non-financial products, such as technical advice, and collaborating with strategic allies that provide business development services to the SME sector, such as organizations specialized in sustainable development, academic institutions, or technical consultants. This integrated approach allows SMEs to access continuing training and best practices for the sector, thereby increasing their financial opportunities and helping them stay up to date with blue economy technologies and trends, without creating new, specific areas of industry technical advice within the bank.

Identification and collaboration in certifications of advanced sustainability practices by sector.

A key lesson learned is the importance of banks identifying sector certifications that comply with relevant sustainability criteria for green and blue projects. These certifications help verify, in a clear and simplified way, that financed projects meet advanced sustainability standards and practices. To that end, banks can establish alliances with certifying institutions and stakeholders that promote sustainable practices, collaborating in an ecosystem with companies committed to improving their practices. This approach allows banks to support projects that already meet, or are in the process of aligning with, recognized certifications, facilitating the identification and selection of funding sources that generate positive impacts on sustainable development. Examples of ideal partners include the sustainable building councils, the sustainable or green finance councils in each country, the Forest Stewardship Council, the Sustainable Agriculture Network, and other relevant institutions for each productive sector, technology, or activity to finance.

Both lessons learned guide the blue bond-issuing institution in nurturing a collaborative business ecosystem that enables it to identify new potential clients who are already implementing best sustainability practices and need the support of specialized financial and non-financial products. This becomes the ideal addendum to the search and proactive pursuit of relationships and new business opportunities to grow a new specialized market in blue finance.

3.4 Funds management and reporting

3.4.1 Best practices

To ensure fund allocation aligns with the business and the eligibility criteria defined in the blue bond framework, the following good practices are identified. These have enabled issuing financial institutions to increase allocations and to adopt a strategic approach in this new business segment, simultaneously strengthening governance, processes, and required capabilities to ensure transparent management of funds intended for blue economy-eligible investments.

Corporate governance through reports, follow-up, and incentives.

BB has implemented effective initiatives to facilitate corporate governance, including periodic reporting in the sustainability report and monthly meetings with the sustainable finance team. These meetings, scheduled for the first Tuesday of each month, allow for monitoring ongoing projects, identifying new opportunities, and promoting blue and green loans through incentives and prizes. This governance structure has helped consolidate a strong commitment and effective coordination around sustainability objectives.

Specialized consultancy on sustainability and blue investment.

The BB blue bond experience shows that having a specialized sustainability advisor is key to conducting robust due diligence. This advisor worked closely with the risk team, providing training on the specific criteria for blue bonds and helping identify additional projects that meet the sustainability objectives. This support also offered a deep understanding of risks and opportunities, ensuring management alignment with the bank's sustainability goals.

Strategic collaboration with the finance area.

At BB, active cooperation with the finance area has been essential. The implementation of special conditions for green and blue bonds has incentivized their allocation, demonstrating their potential as a new business line. This approach has eased the integration of blue bonds in the bank's growth strategy, generating synergies with other support areas and strengthening internal cooperation.

Sustainable finance works as an approach for business strategy.

A key mechanism at BB has been the creation of sustainable finance work cells, which meet monthly to review projects and explore new allocation opportunities. These cells receive periodic reports and offer incentives to those who manage green and blue loans, thereby generating internal commitment and giving the bank a preferential position in the sustainable finance sector.

Figure 12. Best practices in funds management and allocation.

3.4.2 Lessons learned in funds management and reporting

Physical climate risks analysis incorporation.

Management of physical climate risks, as suggested in the ISSB S2, has been identified as a crucial need. This analysis examines, among other aspects, the physical dangers posed by climate events to key sectors such as fishing, infrastructure, tourism, and sustainable agriculture. Besides, it is fundamental to align banking practices with adequate risk management standards to avoid future losses from extreme climate events. During the blue bond framing process, matches between blue economy sectors and those vulnerable to physical climate risks were identified, especially in large-scale projects. At this stage of a financial institution, given its specialization in sustainability, it is reasonable to prioritize analyzing physical risks and developing strategies to manage and mitigate them effectively. This includes the definition of sector and territorial exposition boundaries that allow a well-balanced risk appetite, ensuring an optimal equilibrium between opportunities and risks for the performance of the financial institution.

Processes and continuous coordination for reporting.

The preparation of reports and the strengthening of sustainable finance areas have been essential to establishing systematic data and information gathering, enabling the registration of eligibility criteria and impact KPIs for loans intended for blue investment categories. The periodic reports support the development of processes and management systems that will allow effective coordination among the commercial treasury, credit, portfolio, and sustainability teams. In this way, the preparation of reports aligned with sustainability objectives is ensured, and it is guaranteed that areas are informed and committed. Where coordination is still at an early stage, BID Invest has implemented follow-up and consultancy processes with issuers, supporting the establishment of continuous monitoring mechanisms that will facilitate the creation of successful reports in the future.

Common language and senior management leadership.

The integration of blue bonds requires that all the areas involved (risks, commercial, and finance) adopt a common language and work in a coordinated way. This process, led by the senior management, has allowed implementation and simplification, improving the efficiency of sustainable project management and ensuring that each team is aligned with the bond objectives.

Strengthening and training of sustainability teams

Having a specialized sustainability team has been key to measuring impacts, assessing risks, and managing thematic bond reporting. Continuous training and the development of capabilities have strengthened the team, enabling better alignment with the SDGs.

Long-term Blue Commercial Strategy.

The bond issue boosts a new market dynamic and enables the capture of new customers and projects. However, it is essential to ensure an effective funding allocation and a long-term sustainability portfolio.

Physical climate risks
Systems that enable identification and management. IFRS implementation Sustainability is synergistic.
Process and coordination for reporting
Mechanism for ongoing coordination between departments. Support processes and systems for documentation and verification. Advisory support in the event of slow progress in reporting.
Common language and leadership from management
Establish strategic internal lines of communication between key departments. Prioritization and communication from senior management.
Strengthening and training sustainability teams
Training teams in blue finance and eligibility—traceability. Impact measurement.
Long-term blue commercial strategy
Establish a sustained commercial effort with an explicit growth strategy. Reflect the integration of blue segments in the business strategy and commercial goals.

Figure 13. Lessons learned in funding management and report

Recommendations and strategies *for future blue initiatives*

4

Allocation strategy and sustainable financing.

The financial institution must define an allocation and sustainable financing strategy that includes clear and specific goals for blue funding, aligning the business objectives, treasury, sustainability, and risk. This strategy should position the bank as a sustainability and blue economy leader and educate customers on how to access this type of funding.

Strengthening multidisciplinary teams.

It is fundamental to count on teams that integrate sustainability, finance, risk, and commercial areas, ensuring an integral perspective in the implementation of the blue bond. These teams must receive ongoing training on sustainability and blue economy, including subjects such as hydrological management, biodiversity, and sustainable finance.

Awareness and training programs.

It is recommended to develop training programs aligned with the marketing strategy and bank positioning, including webinars, conferences, and workshops that enable both internal staff and other financial institutions to learn from lessons and strengthen their knowledge of sustainability. These kinds of alliances could be forged with partners such as BID Invest, governments, stock exchanges, tables, councils, or sustainable finance protocols in the respective country.

Ongoing training of senior management and operational teams.

It is crucial to train senior management and operational teams on the details of blue bonds, from funding to reporting. This training program must ensure that all those involved understand their roles and are committed to the bank's objectives.

Strategic communication between areas.

The communication between the sustainability, business, and finance areas should focus on the financial benefits and asset protection associated with blue portfolios. This is key to securing internal support and a firm commitment towards the bank's sustainability goals.

Expert advice and automation.

Given the complexity of blue bonds, the bank recommends ongoing collaboration with external experts when relevant to provide strategic support that strengthens the instrument's impact.

Involvement of senior management and teamwork.

Senior management must actively participate in the design and implementation of the blue bond. A cohesive multidisciplinary team enables better management of the operational challenges and ensures that all areas understand the commitments and the linked benefits.

Metrics and impacts awareness.

It is essential that institutions fully understand the metrics and impacts of blue bonds. A flexible approach to adjusting the KPI throughout the implementation will ensure the precision, realism, and actual effects of the reports.

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Conclusions 5

Success of similar financial instruments as a cornerstone.

To secure senior management's commitment and support, it is key to demonstrate the success of prior sustainable financial instruments. This establishes a robust foundation for adopting new initiatives, such as blue bonds.

Relevance of consultancy and multidisciplinary collaboration.

In both blue bonds, the role of experts was essential for outlining and validating the frameworks, aligning projects with sustainability goals and the blue economy. The collaboration between areas such as finance, sustainability, and commerce ensured an integral and effective implementation.

Sustainability integration in the business strategy.

Sustainability should be a central pillar promoted by the senior management of financial institutions. The training in blue economy and the efficient communication of sustainable projects benefits strengthen the sales team's commitment and improve the effectiveness of blue bonds allocation

Clear awareness of metrics and impacts.

It is essential that banks fully understand the metrics and specific effects associated with blue bonds, and that they adapt KPIs to each project context. This approach allows objective tracking and avoids subjective impact assessments.

Internal coordination and effective communication.

Internal coordination and clear communication with clients are key to the blue bond's success. Establishing expectations from the outset and maintaining a clear, transparent relationship facilitates successful implementation and reduces misunderstandings throughout the project.

The role of innovation in t he blue economy.

Blue bonds offer banks the opportunity to explore new sectors and business modes within the blue economy. The experience of BB and BN highlights the importance of innovation to enable the implementation of these bonds, aligning their objectives with market and client needs.

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