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Decentralizing Development Finance through Capital Markets Integration

The Emergence of Cabo Verde's Blue Sustainable Finance Exchange

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The ultimate impact of sustainable finance in shaping 'the world we want' remains inconclusive. Nevertheless, policymakers and practitioners are required to make timely decisions pertaining to the ways in which capital markets might be leveraged to achieve their policy objectives, before rapidly evolving market dynamics leave them behind. This policy brief offers empirical insights from Cabo Verde's recent experience with sustainable finance to showcase how it may, under certain conditions, promote integrated yet decentralized responses to persistent local, regional and global challenges. Adopting a pragmatic approach, the case of Cabo Verde's blue finance exchange (Blu-X) platform illustrates three overarching points relevant to the adoption and implementation of sustainable finance principles and instruments for achieving sustainable development: (1) Strategic context and political-economic institutions matter; 2) Prioritize local institutional capacity to establish the framework conditions wherein sustainable impact investment can act as a catalyst for bottom-up action; 3) A horizontally (across sectors) and vertically (local-global) integrated nexus can diversify development finance, while transcending the proverbial public-private divide. The lessons derived from the application of sustainable finance in Cabo Verde may be useful for informing policy approaches in other contexts, especially for small-island developing states (SIDS), African middle-income countries (MICs), Portuguese-speaking African countries (PALOP) and others seeking to integrate capital markets into sustainable development financing strategies.

'Sustainable finance' originated with the introduction of the European Investment Bank's and World Bank's 'green' financial instruments in 2007 and 2008, respectively. Even though only a minor share relative to the global financial industry—'green' bonds, for instance, accounted for only 0.0079% of global bonds markets in 2018—sustainable finance is witnessing a meteoric rise.[2] Within the green bond sector alone, the Climate Bonds Initiative estimates a total value of US$517.4 billion in 2021,[3] up from $171.2 billion in 2018.[4] This growth in scale has been matched by a vastly broadened scope that often defies congruent conceptual definitions among organizations and institutions. In recent years, for example, the global finance community has witnessed a proliferation of sustainable finance instruments ranging from green, social, sustainability and sustainability-linked (GSSS) bonds to environmental, social and governance (ESG) labelled funds as well as emerging 'transition' and 'blue' financial instruments. Whereas private enterprise and finance had long been associated with transgressions against the environment and humanity, the United Nations recently posited 'Capital as a Force for Good', suggesting that US$102 trillion in assets are now 'conscious' of ESG principles and align with the global Sustainable Development Goals (SDGs) in some form.[5]

These changes mark a paradigmatic policy shift in development finance approaches, contributing to a diversification of financing choices and options for sustainable development beyond donor-driven, grant-based approaches (i.e., Official Development Assistance) or concessional lending to sovereign states. Herein, sustainable debt instruments, notably GSSS bond issuances, are emerging as a particularly salient option for pluralizing the types of actors (by increasing the number and diversity of borrowers and lenders) and sources of finance involved in development financing. More poignantly, these flexible debt-based instruments allow both sovereign and non-sovereign (e.g., municipalities, state-owned enterprises, etc.) public actors as well as for-profit and non-profit private entities to access capital markets, with interest rates contingent on the issuer's credit rating or that of a prospective guarantor. While bond issuances in themselves are certainly not new, their subjugation to normative sustainability frameworks, including myriad standards, principles and taxonomies of public (e.g., the EU's Sustainable Finance Disclosure Regulation—SFDR) or private (e.g., International Capital Market Association—ICMA— sustainable bond principles) origin, remains a recent innovation that continues to evolve. When implemented according to prevailing norms and principles, these instruments not only purportedly align financial resources with prevailing sustainability frameworks but, more propitiously, *integrate* capital markets within the broader spectrum of financing for sustainable development.

Amid this 15-year experiment occurring within a dynamic and changing global economic governance system, government officials, development professionals, economists and finance experts, among others, are positioning themselves within this proliferation of taxonomies, frameworks and labels at country, regional and global levels. This task is certainly not facilitated by the corresponding chorus of 'greenwashing' allegations and other important caveats — for instance, recent negative portrayals of Belize's debt-for-nature swap via a blue bond issuance.[6] Furthermore, as described in detail below, the current trend remains for 'southern' or 'developing' countries to seek capital resources by listing their sustainable bond issuances on established 'northern' financial exchanges as opposed to developing local capacities capable of attracting capital investments of diverse origin (north, south, regional, domestic, etc.) to their own financial marketplaces. While the analytic jury is still out concerning the ultimate impact of sustainable finance in shaping 'the world we want', policymakers and practitioners are required to make timely decisions regarding *how* sustainable finance might be leveraged to achieve their policy objectives before rapidly evolving market dynamics leave them behind.

Rather than swaying towards the trending temptation of presenting sustainable finance as an all-encompassing development finance panacea, then, this policy brief showcases how capital markets may, under certain conditions, facilitate simultaneously integrated and decentralized responses to persistent local, regional and even global challenges. This point is illustrated through the lens of Cabo Verde's recent experience with sustainable finance: Beginning in January 2020, the *Bolsa de Valores de Cabo Verde* (Cabo Verde Stock Exchange) and the UN in Cabo Verde, under UNDP technical leadership, began conceptualizing a platform that could facilitate exchange between supply and demand sides of sustainable finance in order to attract investment and resources towards strategic sustainable development objectives, notably towards the blue economy as a catalyst for SDG acceleration. Adopting a pragmatic 'directional', as opposed to 'destinational', logic,[7] the pursuant *Blu-X sustainable finance platform* illustrates three overarching points relevant to the adoption and implementation of sustainable

finance principles and instruments for achieving sustainable development:

1. **Context matters:** The development of sustainable finance institutions, capacities and instruments in Cabo Verde was articulated to closely correspond to the broader context of Cabo Verde's strategic landscape and prevailing economic realities, especially the need for revenue-generating activities and economic diversification to reduce dependence on tourism and foreign debt held by multilateral or bilateral public creditors. In this case, the conceptualization and development of the sustainable finance platform occurred concomitantly with the articulation of the SDG-aligned *Cabo Verde: Ambition 2030* strategic vision.

2. **Focus on institutional capacity:** As opposed to establishing specific financing instruments or projects (e.g., bond or fund), the approach in Cabo Verde focused on the establishment of an institutional framework for sustainable finance to emerge as a conduit for structural transformation and strategic partnerships. This was particularly facilitated by generating the epistemic, technical and human capacities necessary to develop relevant instruments, frameworks and taxonomies addressing local priorities while contributing to the institutionalization of an integrated national financing framework (INFF)[8] for the implementation of the SDGs. Herein, emphasis was placed on achieving a bottom-up approach that drew on local resources, unlocked domestic liquidity and brought sustainable finance capacities to Cabo Verde.

3. **Integration nexus:** Positioning the Blu-X sustainable finance platform within the INFF structures and processes permitted the use of sustainable finance as an impetus for *horizontal* integration across various sectors and SDG accelerators, with the blue economy as a catalyst. Furthermore, the platform sets the requisite parameters for increased *vertical* integration from local to global by digitally enabling cross-border capital investment and a particular emphasis on inter-regional 'pivoting' between Africa and other regions due to the geostrategic location at the crossroads of the Atlantic. Being able to accommodate both private and public entities, the Blu-X platform acts as a point of convergence for various development finance stakeholders, including microcredit agencies and their beneficiaries, thus pluralizing the development finance landscape with new market entrants able to capitalize their contributions to sustainable development.

Hence, while sustainable finance contributes to the *diversification* of actors and financial resources on the one hand, on the other, it simultaneously holds promise as an *integration* factor bringing capital markets into the sustainable development fold. The conclusion suggests that, beyond idiosyncratic learning, this observed duality and the evidence-based lessons derived from the application of sustainable finance in Cabo Verde may be useful for informing policy approaches in other contexts, especially in small-island developing states (SIDS), African middle-income countries (MICs), Portuguese-speaking African countries (PALOP) and others seeking to integrate sustainable finance into their INFF implementation journey.

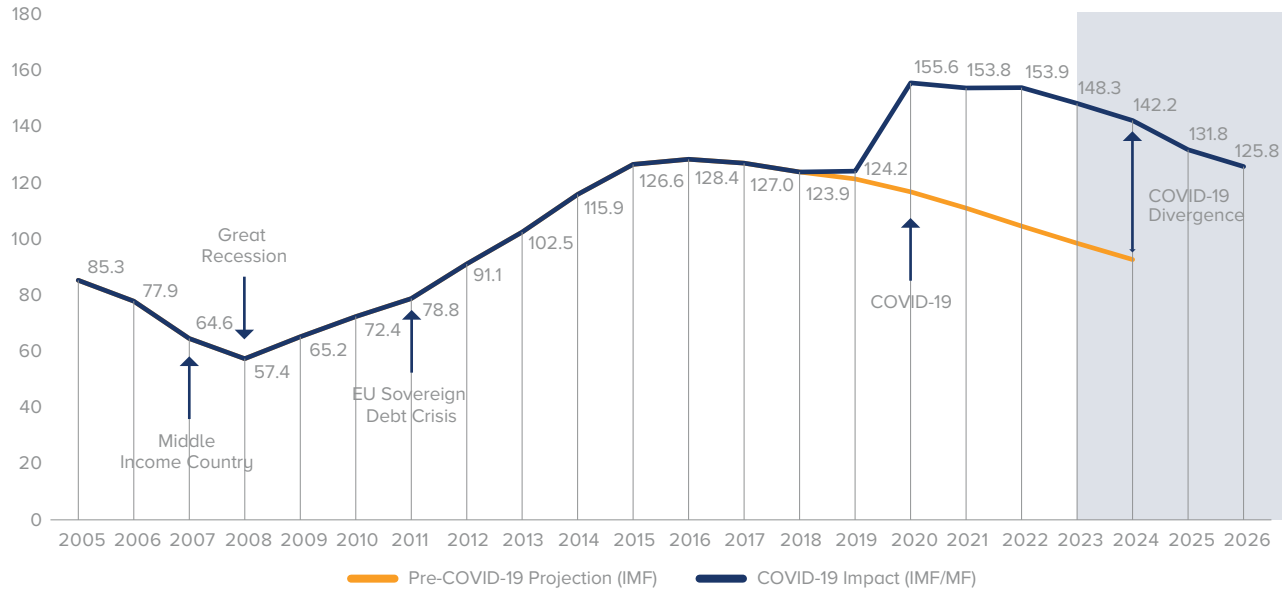
Cabo Verde Context: Setting the Stage for Sustainable Finance

During the height of the COVID-19 pandemic in 2020, Cabo Verde articulated a revamped strategic vision for sustainable development: Ambition 2030. Having witnessed the havoc wrought by the decline in tourism during this global health crisis and the corresponding spike in public debt, which briefly exceeded 160% of GDP in 2021, establishing an alternative to tourism as a pillar for economic growth became more essential than ever. An emerging consensus, reaffirmed during last year's INFF Financing Dialogues featuring a wide range of government, civil society, private sector and international stakeholders, emphasizes economic diversification and territorial deconcentration with the aim of consolidating sustainable development across Cabo Verde's islands. This is essential not only for mitigating internal vulnerabilities as a small-island developing state (SIDS) but, crucially, for enhancing financial autonomy and resilience in the face of external economic shocks.

Indeed, since Cabo Verde's designation as a middle-income country in 2007, exogenous factors beyond its control—ranging from the 'Great Recession' to the EU sovereign debt crisis, COVID-19 and now possibly the impact of geopolitical tensions and conflict in Europe—have severely impeded Cabo Verde's sustainable development trajectory. Somewhat counterintuitively, perhaps, overcoming the constraints imposed by exposure to foreign markets

will require more inter-regional integration, not less. More specifically, while maintaining historical links to Portugal and the Eurozone, Cabo Verde must seek financial autonomy and reduce its dependence on public finance, whether of domestic or foreign origin, by pivoting towards new market opportunities in Africa, across the Atlantic Ocean basin and beyond.

Figure 1: Evolution of Public Debt Relative to GDP in the Context of Exogenous Financial and Economic Crises



Source: Author, based on compilation of data from the IMF debt sustainability analysis 2019 for pre-COVID projections and the Joint World Bank-IMF debt sustainability analysis 2020 for post-COVID projections.

Blue Economy: Pillar of Diversification and Regional Integration

To this end, Cabo Verde is seeking to make the most of its greatest asset: the ocean. An archipelago in the mid-Atlantic, the waterborne geostrategic position impacts every part of the economy and society of Cabo Verde. Comprising 99.3% of its 'territory' (when including the vast Exclusive Economic Zone), the ocean is deemed to be a relatively untapped natural asset with significant catalytic potential for sustainable and inclusive growth. An inter-agency UN mission in 2019 identified the blue economy as a key 'SDG Accelerator' due to its prospective spill-over effects across other sectors and SDGs, including circular economy, renewable energy, sustainable tourism and many other ocean-based opportunities. Aligned with Ambition 2030, UNDP's approach to the blue economy in Cabo Verde broadly targets activities involving the sustainable use of the ocean or other water-based resources for the purpose of producing goods, services or revenue, whether for private or public value generation. This includes but is not limited to maritime trade, shipping, logistics, ports, fuel-bunkering, fisheries, aquaculture, nautical sports, marine environments, coastal zones, ecotourism and hydro-energy, among many others.

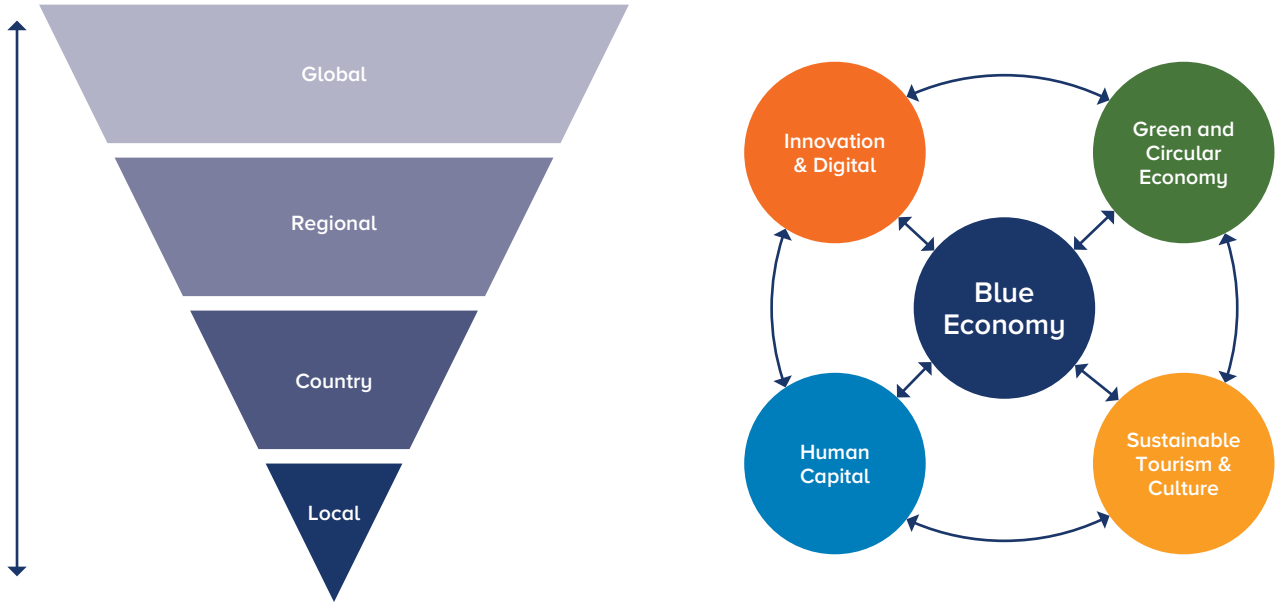
Cabo Verde's strategic oceanic location cannot be neglected as a factor in its regional integration. Customs-free trade opportunities already exist within the Economic Community of *West African States* (ECOWAS) and for exports to the EU and US through GSP+ and AGOA, respectively, while new opportunities are emerging through the ratification of the African Continental Free Trade Area (AfCFTA). Close relationships with other SIDS and the Lusophone world from Macau to Brazil (via PALOP and the Community of Portuguese Language Countries—CPLP), among others, also serve to position Cabo Verde as an inter-regional or even global[9] pivot point for exchange. Indeed, over the course of history, coastal locations have offered states a pivotal comparative advantage in terms of transportation and waterborne trade. While the development of large modern freighters capable of undertaking longer routes has undermined Cabo Verde's historical comparative advantage

as a stopover point in transatlantic commerce to some extent, the Cabo Verdean archipelago is still located at the crossroads of transatlantic trade routes that have existed for centuries and will persist as essential links for international commerce and trade for the foreseeable future. Even though Cabo Verde enjoys a *comparative* advantage in this geographic sense, turning this into a *competitive* advantage as an inter-regional maritime, logistics and refuelling hub in a competitive West African context will require significant strategic investment.

Building on the historical precedent of Cabo Verde as a former mid-Atlantic coaling station, subject to requisite capital investment, Cabo Verde could position itself strategically within an emerging maritime fuel bunkering sector. Drawing on hydrogen, ammonia and other alternatives, the sector appears to be on the cusp of a next-generation technological leap beyond fossil fuels.[10]

To achieve Cabo Verde's development priority of becoming a mid-Atlantic maritime hub, critical path-dependent choices and strategic investments, articulated together with key private sectors partners in the shipping sector willing to commit to a long-term strategy, are a precondition. This approach holds promise for significant financial and economic returns, including job creation and employment, while simultaneously reducing the environmental impact and carbon footprint of a shipping industry that is responsible for approximately 2.5% of global carbon emissions.[11] This strategy is also contingent on improving domestic and international transportation networks, driven by increased inter-regional integration and scaling up trade with the African continent under the African Continental Free Trade Area (AfCFTA). Such objectives require the type of large-scale investment and financial resources that can only be raised in capital markets.

Figure 2: Vertical and Horizontal Integration of SDG Accelerators in INFF Financing Strategy



Source: Author

Sustainable Finance as a Catalyst for Blue Impact Investment

The pursuant triple bottom line of economic, social and environmental returns, therefore, renders these prospects ideal for sustainable finance and blue impact investment. Indeed, several recent articles showcase how private and blended finance[12] might emerge as the driving forces for ocean and blue economies on a global scale. UNEP's Sustainable Blue Finance Initiative,[13] for example, estimates the opportunity cost of failing to transition to sustainable ocean-based practices at $8.4 trillion over the next 15 years simply due to losses and damages arising from the harmful effects of climate change, pollution, Illegal, unreported and unregulated fishing and other environmental issues that threaten natural resources, markets and livelihoods. Conversely, the transition towards

sustainability also shows promise for the creation of new value via nature-based solutions and other forms of blue economy innovation that may generate returns for environment, businesses and investors alike.

The Blu-X sustainable finance platform is strategically positioned to achieve this by disseminating knowledge, increasing confidence and trust and facilitating transactions between the supply and demand sides of sustainable finance. Established in 2021 at the Cabo Verde Stock Exchange (*Bolsa de Valores de Cabo Verde – BVC*), the aim of Blu-X is to attract the capital necessary for large-scale strategic investments in the blue economy. The strategic purpose for engagement in this innovative area of financing is twofold: (1) diversifying the sources of financing, including regional and global capital markets, as an impetus for sustainable and inclusive socioeconomic development while (2) simultaneously reducing dependence on foreign aid and public expenditure to achieve the SDGs—consistent with the transition from 'billions to trillions'.[14]

Developed within the scope and logic of the INFF and housed at the *BVC*, the Blu-X sustainable finance platform is a flagship project under the broader financing strategy for the SDGs.[15] As a subsidiary entity of the *BVC* (established in the 1990s as a government-owned corporate entity operating under private law), the Blu-X platform now has its own statutes, formally adopted by its board of directors, and a dedicated operational unit embedded within the stock exchange. The latter has been active in scoping opportunities for private-sector investment across Cabo Verde's islands, including missions to São Vicente and neighboring islands where the government has recently established a Special Economic Zone for the Maritime Economy. Potential investment-grade projects, beginning at a minimum threshold of only $200,000, are then analysed and assessed for their inclusion in an emerging pipeline of bond frameworks—blue, green, social, sustainable and others—that would offer an internationally accredited sustainability label, aligned with ICMA principles and guidelines.[16]

After the first year of operation, the combined externally reviewed GSSS bond issuances now listed on Blu-X total approximately $27 million, featuring public and private entities on both the demand (issuer) and supply (investor) side of capital markets for sustainable development.[17] More specifically, in 2021, the Blu-X platform succeeded in listing a $15 million social bond issued by Cabo Verde's association of municipalities, including blue economy infrastructure upgrades.[18] In March 2022, a further social bond issuance raised $1 million in proceeds, enabling a local private non-profit microcredit agency to make loans for sustainable entrepreneurship, especially in coastal communities of this SIDS. Furthermore, a consortium of private companies (*Agrupamento Complementar de Empresas* in Portuguese) issued a nearly $17 million sustainability bond combining green and social uses of proceeds within the bond framework.[19] The bonds feature a maturity period between five and ten years, with interest rates ranging from 3.5% to 4%,[20] only marginally higher than concessional lending rates. A number of GSSS and blue sustainable bonds, including a blue bond scheduled to be issued by Cabo Verde's port authority (ENAPOR), are in the pipeline, with clear alignment to Ambition 2030, the blue economy and the SDGs.

Structural Transformation for and through Capital Markets Development

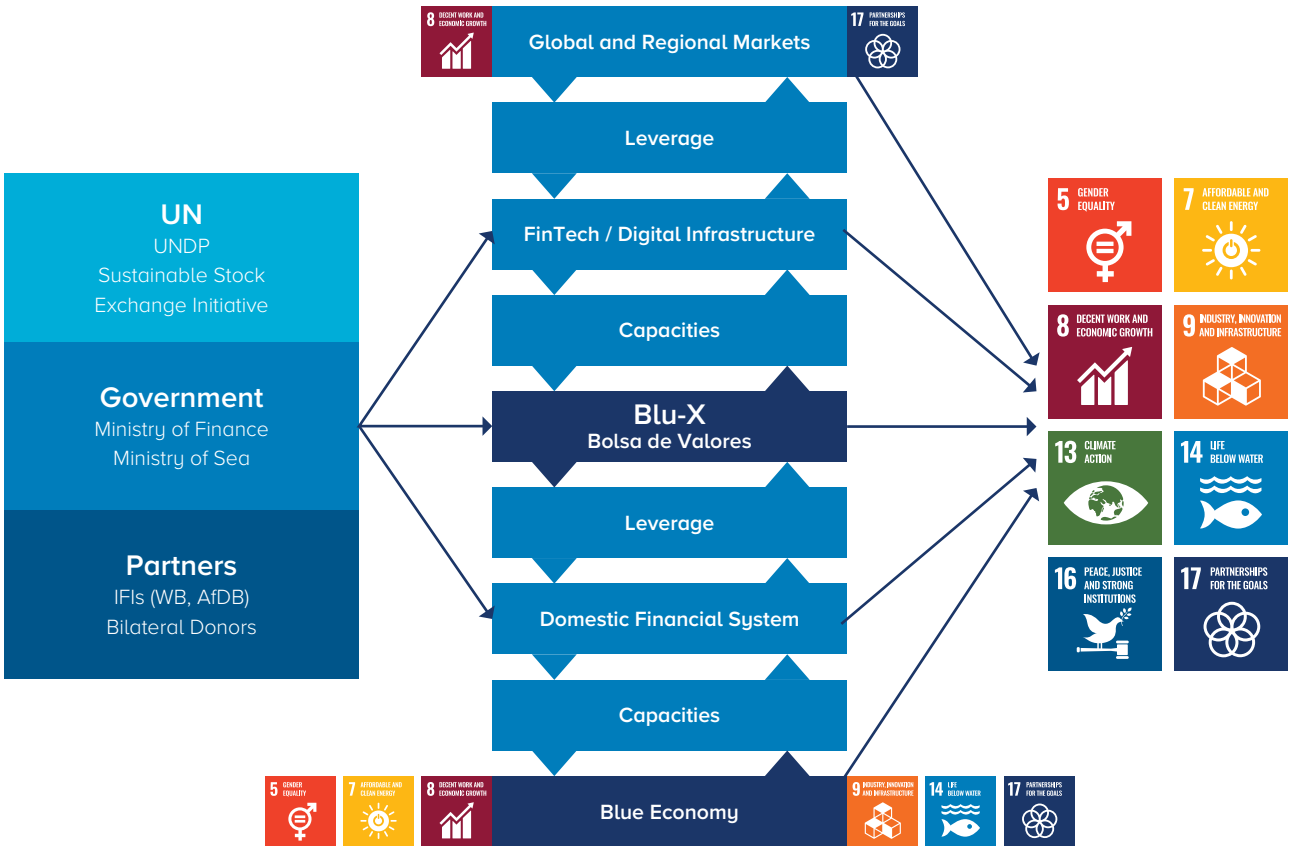
This joint venture was not without risk, especially since initial diagnostics revealed the quite limited scope and scale of Cabo Verdean capital markets. The BVC, for example, lists but four companies whose securities are publicly traded on the exchange's equity market. Nevertheless, the BVC was already quite active as a bond listing platform prior to Blu-X,[21] with nine corporate bonds, two municipal bonds and 182 treasury bills and bonds listed in 2019. While perhaps small in absolute terms compared to global financial centres, the Bolsa de Valores de Cabo Verde's total market capitalization represented 61.45% of Cabo Verde's GDP in 2021,[22] making the exchange a predominant actor in Cabo Verde's financing landscape in relative terms. Furthermore, following the removal of all remaining capital controls and the liberalization of capital movements in 2018, Cabo Verde is now well-positioned to attract the investments necessary to develop its capital markets for sustainable development. This is precisely the broader institutional and strategic context in which the augmentation of institutional capacities for sustainable finance, through the establishment of Blu-X at the extant stock exchange, came in.

However, one of the key remaining impediments to further growth and the pursuant attraction of financing to Cabo Verde is the limitation of secondary markets. The historical limitation of the secondary market arose, among other issues, from the aforementioned capital controls associated with restrictions on capital movement, thought to maintain monetary stability and preserve the credibility of the monetary peg of the Cabo Verdean escudo to the euro. Even though these antiquated restrictions were removed in 2018, the institutional legacy of capital controls persists, as manifested by the limited volume of capital movement and corresponding liquidity in absolute terms available in Cabo Verde's domestic market. Meanwhile, the secondary market remains impeded by relatively high transaction costs associated with outdated trading technology on the exchange prior to Blu-X and the notable absence of a digital platform easily accessible to domestic and foreign investors. Taken together, high transaction costs associated with these bottlenecks continue to hamper the volume and frequency of transactions in the secondary securities market.

To help resolve these issues, the Blu-X platform is developing solutions that will establish strategic links to regional and global capital markets. To begin with, in 2021, Blu-X began the development of an accessible user interface for foreign and domestic investors, which will now facilitate the unrestricted transfer of capital resources across borders. The expectation is that the pursuant reduction in transaction costs will increase the volume of transactions and scale of resources, thus generating a more vibrant and dynamic secondary market. However, such an approach also requires attracting investors to local capital markets and the investment opportunities listed on the exchange.

Precisely for this reason, the Blu-X unit has been proactively working on creating accessible framework conditions for diverse actors by disseminating information concerning eligibility criteria for businesses and civil society organizations seeking to leverage debt instruments. As alluded to above, this included the BVCs 'roadshow' across islands to attract private issuers to the platform due to its comparatively low minimum threshold of approximately $200,000 per issuance. This process, therefore, decentralizes access to financial resources among sustainable development actors while seeking to unlock domestic liquidity and capital resources in a context of persistent risk-averse behavior among domestic banks and other institutional investors and creditors.

Figure 3: Blu-X as a Catalyst for SDG Acceleration



Source: Author

Beyond Public vs Private: Market-based and Knowledge-driven Sustainable Finance Solutions

The Blu-X initiative also has implications for monitoring and review[23] as well as governance and coordination under the INFF.[24] With regards to the former, the Blu-X initiative developed a guidance proposal for a blue bond taxonomy derived from local, empirical knowledge of the practical realities of the blue economy in Cabo Verde. Carried out in partnership with Cabo Verde's Technical University of the Atlantic, the blue bond taxonomy proposal features a homegrown, bottom-up approach for filling a vacant niche in existing international sustainable finance taxonomies[25] rather than creating a category of sustainable finance unto itself. In subsequent phases, the Blu-X project endeavors to establish harmonized indicators for all sustainable finance products, with the aim of aligning these with global best practices and market trends such as Harmonized Indicators for Private Sector Operations (HIPSO),[26] EU blue economy indicators[27] and the SDGs, notably SDG 14,[28] among others.

Taken together, these will endow Cabo Verde with a set of tools and resources to monitor sustainable finance investment and capital flows towards the blue economy and related sectors while providing the baseline data to evaluate the long-term impact of sustainable finance in comparison with other financing means. The knowledge resources derived from harmonized impact indicators for sustainable finance, in turn, will allow key stakeholders, including government, private sector and civil society, to better coordinate and cooperate under the INFF governance structure. Such polycentric[29] and diversified yet coherent and sequenced collective action among public and private organizations is of strategic significance, particularly since both Cabo Verde's Ambition 2030 and the recently completed Development Finance Assessment (by UNDP and the Ministry of Finance) identify the blue economy as a catalyst for sustainable post-COVID economic recovery.

Nevertheless, the experience of developing a blue bond taxonomy also provides a key lesson pertaining to public and private approaches to sustainable development finance, reflected in a seemingly persistent dichotomy between government and market-driven solutions in Cabo Verde and other African countries. More specifically, the blue bond taxonomy process in Cabo Verde initially followed the prevailing standard practice in global sustainable finance, wherein bond issuances follow standards or principles issued not by a governmental or public authority but by private authorities, notably the International Capital Market Association (ICMA).

Herein, the institutionalization—or emergence of a norm- or rule-based system—of sustainable bond principles or standards generally depends on a process of collective recognition from the market expressed via bond subscriptions (i.e., authority of market demand) based on externally reviewed and verified claims to 'sustainability' (moral authority) drawing on specialized technical knowledge relevant to those sustainability claims (epistemic authority). Accordingly, most green, social, sustainable, sustainability-linked, etc. bond frameworks in established markets have hitherto derived their status or labels not from a duly-constituted public authority but from a voluntary review and/or labeling process whose recognition stems from a combination of market and moral and/or epistemic authority, both of which are considered forms of private authority in global governance.[30]

However, the acceptance of such a process certainly presented challenges in a country like Cabo Verde, accustomed to recognition stemming from formal legal processes under the purview of a public state authority. As such, the blue bond taxonomy developed by an epistemic entity to guide market transactions remains subject to regulatory review and legal decrees by the state's capital market regulatory authority, known by its Portuguese acronym, AGMVM. In other words, issues persist pertaining to bottom-up processes of knowledge-driven and locally developed sustainability taxonomies, principles, standards and labeling. Accordingly, further inquiry and analysis, both in Cabo Verde and comparable contexts, could be shaped along the following lines:

First, how do we determine 'what counts as' sustainable in the first place? This is fundamentally an institutional question dependent on the assignment of a 'sustainable' status relative to specific criteria subjected to a process of collective acceptance from the perspective of investors in relevant capital market segments as well as subject-specific experts on relevant sustainability indicators and criteria.[31] This raises an apparently unresolved question in sustainable finance as to whether it is necessary and sufficient for sustainability norms and principles to emerge endogenously via private means (e.g., the combination of market and epistemic authority articulated above) drawing on voluntary

adherence and reporting, or whether this requires an exogenous legislative process vested with coercive powers to enforce compliance.

Second, then, who (should) wield(s) the requisite authority to ensure compliance corresponding to labeling, reporting and disclosure practices, including relevant sanctions and/or enforcement? Herein, it may be valuable to heed the lessons from the European Union's recent challenges in attempting to legislate a sustainable finance taxonomy, which was subjected to extensive criticism of alleged 'greenwashing' from civil society and market stakeholders due to, among other alleged shortcomings, compromises on the inclusion of gas and nuclear energy.[32] Ostensibly, public approaches to sustainable finance principles do not lead to normatively superior outcomes by default or necessity.

Strategic Partnerships: Capacity Development for Regional and Global Investment

Despite increasingly global trends of accessing capital markets as a means for financing putatively sustainable ends, these practices and processes remain concentrated in leading established financial centres of high-income countries. For instance, recent largescale bond issuances like Thailand's 1.3 billion euro sustainability bond issuance in 2020, and numerous other sustainable sovereign issuances from Chile, Peru, Ecuador and Mexico, among others, have been listed on the Luxembourg Stock Exchange. Meanwhile, Fiji, a SIDS like Cabo Verde, listed a US$30 million green bond in 2021 on the London Stock Exchange, while Chile has, since 2019, raised a combined £21billion in GSSS bonds on the London Stock Exchange.[33] These examples illustrate how, despite bond frameworks being designed and issued by countries in the 'south', large-scale capital is still largely raised by listing these debt instruments on exchanges in the 'north', suggesting that even market-based approaches to development finance can be subject to top-down and centralized power dynamics derived from pre-existing capacity differentials and resource distributions.

Rather than following a similar approach of developing bond frameworks or other sustainable finance instruments for listing on platforms and exchanges in traditional financial centres, Blu-X is bringing capacities and resources from north to south. In addition to developing its own globally accessible digital sustainable finance interface to attract regional and global investors, Blu-X is bringing capacities and resources to Cabo Verde via three key strategic partnerships:

1. *Luxembourg Green Exchange*
   In the first instance, Blu-X aspires to high-quality, secure and reliable products and services that lower risk perceptions and increase investor confidence. Herein, the recent signature of an MoU between the Luxembourg Green Exchange (LGX)[34]—among the world's leading financial centres for green bonds—and Cabo Verde's Bolsa de Valores marks yet another important step in the development of the joint Blu-X initiative. The LGX–BVC partnership aims, inter alia, to develop the capacities of the Blu-X unit in bringing sustainable financial products, especially bonds, to market. Under consideration is also a double-listing agreement with the LGX through which Cabo Verde's bonds will become more visible to the global finance community.

2. *The Ocean Race*
   Second, the Blu-X platform needs to communicate strategically to effectively market its listed securities to the global community of ocean investors and blue economy businesses. Through a partnership agreement brokered together with the prime minister's office, the Blu-X platform will be the title sponsor for the Ocean Race stopover in Mindelo, Cabo Verde[35] in 2023. Considered among sailing's top three competitions, alongside the Olympics and the America's Cup, the Ocean Race will bring the global sailing community's attention to Cabo Verde for the first time. Blu-X will stand ready to reap the rewards of exposing Cabo Verde's blue economy sails to the world's trade winds.

3. *African Development Bank*
   Last but not least, Blu-X is firmly anchored as a centrepiece in the broader capital markets development context in Cabo Verde under a distinct yet closely aligned project for the development of a capital markets master plan in Cabo Verde under the African Development Bank's West Africa Capital Markets project.[36] By collectively resolving the lingering bottlenecks addressed above and better connecting Cabo Verde to markets across ECOWAS, AfCFTA, and beyond, this master plan has the potential to further enhance Cabo Verde's positioning as a gateway between Africa and the world.

Charting and Navigating the Course Ahead

In brief, despite lingering constraints, the case of Cabo Verde demonstrates how capital market *integration* offers an opportunity for structural transformation and strategic innovation in sustainable development. As demonstrated above, the Blu-X platform has already successfully leveraged nearly $27 million during its first year of operation. Though the interest rates on these bond issuances may be marginally higher than concessional borrowing rates, access to capital markets can vastly expand the number of agents—both public and private—and their respective capacity in accessing financial resources for sustainable development ambitions. Furthermore, given the digital capacity for cross-border trading, the platform endeavors to explicitly target regional and global investment opportunities in subsequent years.

Given its weight in terms of share of GDP, the evolving role of the Bolsa de Valores—with support from strategic partners such as LGX, Ocean Race and the African Development Bank (AfDB)—signals the emergence of a key platform for simultaneously *decentralizing, pluralizing and diversifying* financing for sustainable development. Whereas access to capital resources in lower- and middle-income countries has long been channeled through the public concessional loans driven by international financial institutions, by putting in place an alternative sustainable finance framework, diverse public and private actors can access a marketplace for financing their objectives consistent with sustainability principles. Despite the challenges and uncertainties of a rapidly evolving field of practice and inquiry, by combining institutional, human and financial resources under the ethos of SDG 17, the strategic partnerships anchored at the Bolsa de Valores via the Blu-X platform will be a force to be reckoned with in Cabo Verde, Africa and beyond.

Fortuitously, UNDP's new strategic plan 2022–25 foresees three key enablers—strategic innovation, digital transformation and development finance—designed to enhance UNDP's ability to support Cabo Verde in delivering on these ambitious objectives. Herein, the Blu-X project is already an established flagship initiative to be scaled up within UNDP's next common country programme (CCPD 2023–2027) and under the INFF. Aligned to Cabo Verde's programmatic strategic development plan (PEDS 2022–26) to be launched in 2022, the CCPD will further reinforce the three guiding directions of change: structural transformation, leaving no one behind and resilience.

Together, these directions of change will guide Cabo Verde in charting its course for socioeconomic recovery, meeting its SDG commitments as encapsulated in Ambition 2030 and perhaps even paving the way for others across Africa. Indeed, speaking at the African Economic Conference, held on Sal Island, Cabo Verde, in December 2021, Cabo Verde Secretary of State for Business Development Adalgiza Vaz reiterated this point: "Cabo Verde has the ambition to position itself in the coming years as a regional reference for the issuance of blue, social and green bonds." By targeting the nexus of sustainable finance, blue economy and regional integration, the impact of Blu-X may well exceed the edge of Cabo Verde's idyllic blue shores.

Endnotes

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