

POLICY AND REGULATORY FRAMEWORK FOR ISSUING BLUE BONDS: A CRITICAL REVIEW

Aakshi Dalmia¹ | Mansi Kavluru² | Izyan Ilyas Basha³ | Mohit Raj⁴

PhD Scholar, FMS, University of Delhi

aakshidalmia89@gmail.com

Graduate from Gyaan Ganga institute of technology

Mrao22933@gmail.com

Student, International School of Choueifat, Sharjah

izyanbasha@gmail.com

BBA FIA Student, Galgotias university

Ramohit580@gmail.com

ABSTRACT

Oceans play a vital role in maintaining ecological balance, regulating climate systems, supporting biodiversity, and contributing significantly to global economic development. As awareness of marine sustainability grows, the Blue Economy has emerged as a strategic model for aligning environmental protection with economic growth. However, increasing threats such as overfishing, marine pollution, habitat degradation, and climate change have exposed major financing gaps in ocean conservation and sustainable water management. In response, Blue Bonds have been introduced as an innovative financial instrument designed to mobilize capital for projects that promote marine and coastal sustainability. Despite their promise, the regulatory framework governing Blue Bonds remains fragmented and underdeveloped. Unlike Green Bonds, which operate under more established taxonomies and reporting standards, Blue Bonds lack globally harmonized definitions, standardized disclosure requirements, and

enforceable compliance mechanisms. Many issuances rely on voluntary guidelines and adapted green finance principles, which do not fully address the unique ecological and socio-economic characteristics of marine ecosystems. This regulatory weakness creates risks such as limited transparency, weak monitoring systems, reduced investor confidence, and “blue washing,” where projects claim environmental benefits without measurable impact. This study conducts a qualitative review of existing regulatory and policy frameworks related to Blue Bond issuance. Using secondary sources such as academic research, institutional reports, and case studies of sovereign and corporate issuances, it evaluates governance standards, reporting practices, verification mechanisms, and cross-border regulatory challenges. The findings reveal significant gaps in taxonomy development, impact measurement, disclosure consistency, and technological monitoring tools. To address these shortcomings, the study proposes a Hybrid Blue Bond Regulatory Framework that combines international sustainability principles with stronger national oversight, mandatory environmental impact assessments, independent third-party verification, and technology-enabled monitoring systems. Strengthening these elements is essential to improve accountability, enhance transparency, and ensure that Blue Bonds effectively contribute to long-term ocean sustainability and resilient economic development.

Keywords: Blue Economy, Blue Bonds, Sustainability, Ocean Governance, Hybrid blue bond framework, blue washing, Third Party Verification, Environmental Impact Assessment

1. INTRODUCTION

Marine and freshwater ecosystems are essential to the global survival ([Sumaila et al., 2021](#); [Sumathy & Kesawaraj, 2025](#)) economic welfare of all people, and the services they provide are estimated to be worth trillions of dollars. Nearly three billion people depend upon these ecosystems for their livelihood. The rapid rise of the "Blue Economy" is an indication that there is a global movement towards using a sustainable development model. ([Jellouli, 2025](#); [Shiiba](#)

[et al., 2022](#)) However, to achieve a sustainable Blue Economy, we need to secure significant investments in ocean restoration and sustainable water management to close the financing gap. A relatively new tool to assist with raising this type of funding is Blue Bonds. For the purpose of this study, blue Bonds are defined as debt instruments that are issued as a mechanism to provide financing for projects related to marine conservation, sustainable fisheries management, and the protection of aquatic biodiversity. ([Asian Development Bank, 2023](#); [Thompson, 2022](#)). While existing definitions largely extended from green bonds ([Asian Development Bank, 2023](#); [Verma & Agarwal, 2020](#)) but remains insufficient due to ecological and governance complexities of marine ecosystem. ([Gavalas, 2025](#); [Shiiba et al., 2022](#)) Accordingly, a financial instrument qualifies as a blue bond when it qualifies the following criteria: (i) Use-of-proceeds alignment with ocean sustainability sectors such as fisheries, marine ecosystem, biodiversity and pollution control. (ii) measurable environmental outcomes rather than merely financial outputs. ([Thompson, 2022](#)). (iii) standardized disclosure and reporting needs with third-party audit mechanisms ([Kılıç, 2024](#)). (iv) post-issuance monitoring of ecological impact. Blue Bonds function as a blue counterpart to the more established green bonds. ([Althalet et al., 2021](#); [Verma & Agarwal, 2020](#)) Albeit the pace at which Blue Bonds have grown significantly outstrips that of how to govern them, thus resulting in a huge lack of regulation around these types of investment. ([Bosmans & Mariz, 2023](#)) At present, there is not one internationally accepted standard for regulating Blue Bonds, and the majority of issuers use the provision of the wider Green Bond framework to qualify their own. Unlike the benefits derived from using a Green Bond for terrestrial purposes, Blue Bonds present a multitude of unique challenges associated with the complexity of the aquatic ecosystem, such as transboundary resource management (across different states) and custom ecological performance benchmarks. ([Gavalas, 2025](#); [Shiiba et al., 2022](#)). The absence of such detail and the ability to perform optional third-party external verification of performance increases the

risk of "blue washing," risk ([Kılıç, 2024](#); [Thompson, 2022](#)). This risk arises when financial instruments are labelled as environmentally sustainable without any measurable outcomes which is due to absence of standardized taxonomy, mandatory disclosure and third-party-verification mechanisms enables such misrepresentation, thereby erodes the investor confidence and regulatory credibility. ([Kılıç, 2024](#); [Thompson, 2022](#)). However, there has been little to no environmental benefits attributed to a project, and the issuer enjoys the ability to call itself "sustainable." Another example of this uncertainty is found in the lack of clarity provided by the existing project definitions. Given this ambiguity, there is no clear distinction maintained between projects that are related to conservation versus those associated with industrial fisheries; consequently, investments and the regulatory process are burdened with considerable ambiguity. This research seeks to address these systemic weaknesses through the critical assessment of current governmental and regulatory strategies surrounding blue finance. The research's primary aim is to evaluate the limitations of existing frameworks in order to propose a hybrid blue bond regulatory framework that combines prescriptive requirements for transparency and flexible, sectoral indicators of impact. ([March et al., 2024](#); [Tirumala & Tiwari, 2022](#)) Following this introduction, additional sections will: deliver a thorough review of the literature; create an initial conceptual framework for the proposed model; present qualitative methodologies; establish limitations of the study; propose directions for further research; and conclude with strategic recommendations for achieving harmonized global regulatory frameworks.

2. REVIEW OF LITERATURE

The evolution of blue bonds is closely linked with the development of green bonds; [Table 1](#) however, in the regulations and institutional contexts both differ significantly. Green Bonds operate under standardized frameworks such as ICMA Green Bond Principles, whereas Blue

Bonds largely rely on adopted versions of these frameworks, resulting in structural inconsistencies. (Verma & Agarwal, [2020](#)). Existing literature Studies [Table 2](#) highlights the rise of blue bonds as a sustainable ocean development and simultaneously discover governance, regulatory challenges indicating the strong frameworks.

Unlike, carbon-focused metrics in green bonds, blue bonds must account for biodiversity restoration, fisheries and ocean health which are complex and multidimensional. (Gavalas, [2025](#)). Furthermore, while green bonds have established reporting disclosure and verification mechanisms, blue bonds mostly suffer from fragmented governance and compliance standards, increasing the risk of credibility and investor's trust. (Bosmans & Mariz, [2023](#); Kılıç, [2024](#)), this gap underscores the urgent need for a dedicated and standardized regulatory framework specifically for blue bonds.

Table 1

BASIS	BLUE BONDS	GREEN BONDS
Focus	Ocean & Marine Ecosystem	Overall environment & Climate
Scope	Narrow (Marine-based Projects)	Broad (Multiple environment factors)
Use of Funds	Fisheries, Coral reefs, ocean health	Renewable energy, Pollution Control etc.
Market Status	Emerging and Niche	Well-established and widely used

Table 2

S.NO	AUTHOR & YEAR	METHODOLOGY	PURPOSE
1.	(Sumaila et al., 2021)	Interdisciplinary + Conceptual Analysis	Establishes macro-level blue finance by arguing that sustainable ocean governed with blended finance terms.
2.	(Shiiba et al., 2022)	Conceptual Analysis	Develop a conceptual framework, governance model to understand how blue finance connects environment with financial markets.
3.	(Sumathy & Kesawaraj, 2025)	Analytical + Conceptual Analysis	To introduce finance mechanisms in ocean economy like blue bonds, blended finance.
4.	<i>(Blue Bonds: Sustainable Financing for the Blue Economy around the Indian Ocean Jindal Global Law Review Springer Nature Link, n.d.)</i>	Comparative + Analytical	Combines (SDG-14 with 14 principles) ¹ of blue bonds, introduce finance mechanisms that decouple economic growth.
5.	(Asian Development Bank, 2023)	Policy Analysis + Guidelines	This study defines (Blue Bonds) ² , with extension of (green bonds frameworks).
6.	(Bosmans & Mariz, 2023)	Market + Analytical Review	This Paper identifies the growth & evolution of (Seychelles Blue Bond) ³ , potential to attract institutional investors.

¹ Bonds to finance the sustainable blue economy. (2023). <https://doi.org/10.22617/tcs230328-2>

² Verma, A., & Agarwal, R. (2020). A study of green bond market in India: A critical review. *IOP Conference Series: Materials Science and Engineering*, 804(1), 012052. <https://doi.org/10.1088/1757-899x/804/1/012052>

³ World Bank. (n.d.). <https://thedocs.worldbank.org/en/doc/cbaf1cfc5164a7f340716ef0af6fd7e-0340012025/original/Case-Study-Blue-Bond-Seychelles.pdf>.

7.	(Althalet et al., 2021)	Conceptual Analysis + Comparative Review	To evaluate the blue bonds as funding alternative for sustainability metrics.
8.	(Verma & Agarwal, 2020)	Critical Literature Review	To examine the development of green bonds framework.
9.	<i>(Blue Bonds: Sustainable Financing for the Blue Economy around the Indian Ocean Jindal Global Law Review Springer Nature Link, n.d.)</i>	Policy + Legal Analysis	Analyse the fiduciary governance frameworks and debate related to blue washing as a barrier.
10.	(Kılıç, 2024)	Policy Analysis + Critical Review	Goes beyond the blue washing and examine the credibility issues in blue bonds.
11.	(Thompson, 2022)	Conceptual + Comparative Analysis	Critically evaluate the early blue bond initiatives.
12.	<i>(Assessing the Barriers and Strategies of Blue Finance for the Development of Renewable Energy in China - Solangi - Sustainable Development - Wiley Online Library, n.d.)</i>	Policy Analysis	To examine internal governance and barriers in issuing blue bonds.
13.	(Bosmans & Mariz, 2023; Shan et al., 2023)	Market Analysis with financial performance data	Analyse how financial intermediaries affects the development of blue bonds.
14.	(Jiang et al., 2025)	Panel Data	Examine the economic and environmental impact of blue finance on Marine economy.
15.	(Wang & Lian, 2026)	Empirical Configuration Analysis	Identify the link between blue economy and marine economy.

16.	(March et al., 2024)	Case Study Analysis	Evaluate Seychelles blue bond.
17.	(Hunt & Hilborn, 2025)	Case Analysis	Assess the development of blue finance models.
18.	(Gavalas, 2025)	Literature Review + Policy Analysis	To analyse financing tools both green and blue for marine ecosystem
19.	(Jellouli, 2025)	Bibliometric Study	To map new research trends in blue economy or blue bonds
20.	(Tirumala & Tiwari, 2022)	Theory-of-change model ⁴	To design frameworks for accelerate blue projects and clear the gap between Outcome v/s Output

⁴ Tirumala, R. D., & Tiwari, P. (2022). Innovative financing mechanism for blue economy projects. *Marine Policy*, 139, 104194. <https://doi.org/10.1016/j.marpol.2020.104194>

3. RESEARCH METHODOLOGY

3.1 DATA SELECTION CRITERIA

This study adopts a qualitative case-based selection framework, rather than a formal sampling technique, as it relies more on secondary data. Cases are selected based on the availability of credible and sufficient information, and which are align with research questions and objectives. This study also encompasses various sources from which data is obtained.

These sources encompass:

- Peer reviewed academic papers and journals,
- Institutional records (E.g. World bank, Asian Development Bank) and
- Policy and governance framework analyses related to blue finance.

Accordingly, cases such as the Seychelles Sovereign Blue Bond and other documented initiatives are used as illustrative examples to support the objectives of the study, and the cases directly relate to Blue Bond issuances and their role in marine and ocean-based sustainability ecosystem. The Research Questions and objectives are as follows:

Table 3

RESEARCH QUESTIONS	OBJECTIVES
RQ1: How Active market entities explain “Blue Projects” and what divergence emerge from the absence of a standardized taxonomy?	To examine existing definitions and classifications of blue economy initiatives and identifying gap occurred through the paucity of globally accepted standardized taxonomy.
RQ2: To what degree do voluntary market standards and non-legally binding standards impact pellucidity and liability in blue bonds market?	Analysing Administrative structures in blue bond frameworks focusing on voluntary standards, statutory validity and explicability.
RQ3: what inadequacies are prevailing in existing impact disclosure framework of blue bonds and to what extent these lacunae influence the environmental impact assessment (EIA)?	To scrutinise current performance tracking and reporting practices and identifying the discrepancies in environmental performance assessment.
RQ4: In what ways does the paucity of mandatory third-party verification and external review impact the reliability and efficacy of blue bonds initiatives?	To present a hybrid blue bond framework orchestrating standardized taxonomy, augmented administrative mechanism and compulsory verification processes.

3.2 ANALYTICAL FRAMEWORK

The Study employs a qualitative and analytical framework based on analysis of Blue Bonds issuances and the analysis is structured around four research questions. (RQ1-RQ4) and supported by the Theory of change model. (Tirumala & Tiwari, [2022](#)) The framework includes the following dimensions:

1. Taxonomy and Definition Analysis (RQ1) which examines how “blue projects” are defined and identifies arising from the absence of standardized system.
2. Governance and Regulatory Structure (RQ2) analyses the role of governance and institutional framework, focusing on voluntary, semi-mandatory guidelines and their implications in transparency and accountability.
3. Disclosure and Impact Measurement (RQ3) evaluate the reporting practices, particularly the gap between output-based indicators (e.g. fund allocation) and outcome-based indicators. (e.g. ecological impact).
4. Verification and Monitoring systems (RQ4) which assess the extent of audit practices, third party verification which ensures credibility and reducing risks such as blue washing.

These findings provide the foundation for the Proposed Blue Bond Regulatory Framework.

4. CASE STUDIES

Case Study 1: Seychelles' Sovereign Blue Bond [Fig.1.](#)

Seychelles is seen as the precedent case for the development of blue bonds, having issued the first-ever sovereign blue bond in 2018 for the sum of US\$15 million and for the purpose of financing marine conservation activities, sustainable fisheries, and overall blue economy development. Seychelles, as an SIDS economy whose sectors (tourism and fisheries) rely on marine resources, wanted to ensure a direct connection between its development needs and its marine protection goals through the issuance of this bond. The monies were channelled toward

the expansion of marine protected areas, the strengthening of governance mechanisms for key fisheries, and blue economy activities. These monies were lent through the Blue Grants Fund and Blue Investment Fund, administered respectively by the Seychelles Conservation and Climate Adaptation Trust and the Development Bank of Seychelles. The Seychelles case is influential because it was able to show that the developing small economy was able to mobilize external financing from the capital markets to implement its ocean sustainable goals. The issuance itself used the concept of blending and credit enhancement, where a guarantee was provided by the World Bank to enhance the attractiveness of the bond to international investors, and it was also given concessional financing by other sources of finance to reduce the effective borrowing cost for the government. The case is also illustrative of some of the limitations of blue bonds: as a small island economy, the amount of finance mobilized was not very substantial, suggesting that the capital market mobilization effects may be initially small in the case of smaller economies and that their success depended largely on institutional backing by international agencies, concessional financing, and robust governance mechanisms.

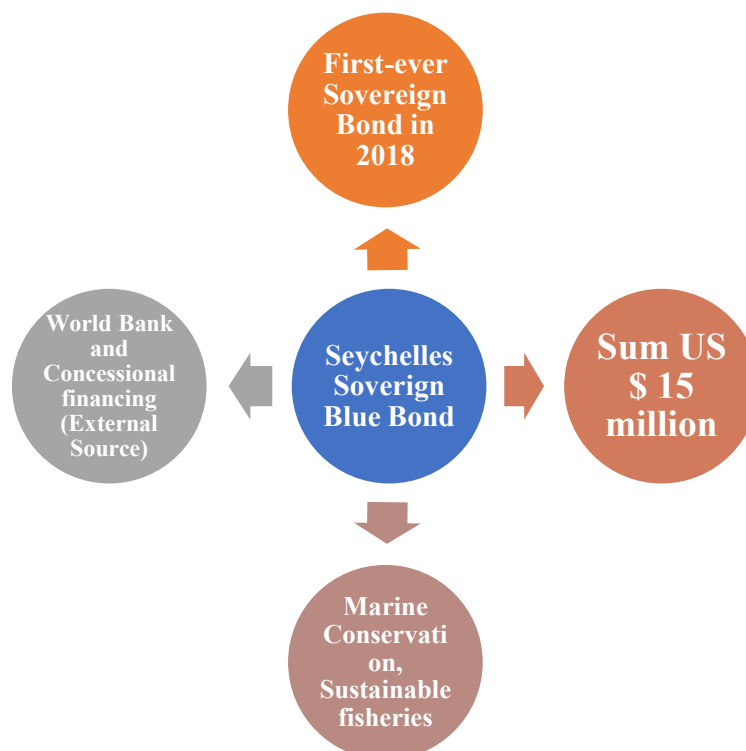


Fig.1. Representation of Seychelles Blue Bond, Source: Author's own interpretation

Case Study 2: The World Bank's Role in Developing the Blue Bond Market [Fig.2.](#)

The World Bank played an important role in creating the blue bond market by supporting the first transactions, conceptualizing blue finance, and assisting governments with building robust instruments to issue blue bonds. In the case of Seychelles, the World Bank not only financed the blue bond but also provided technical support and expertise to structure the instrument, attract private investors, and foster confidence in the new financial instrument at the sovereign level. More broadly, the World Bank has advocated for blue finance as a means of enabling economic development alongside a healthy ocean. The World Bank frames blue bonds as debt instruments used by governments, development banks, or other bodies to raise capital for marine and ocean-based initiatives. This approach, as compared to broader green bonds, specifically seeks to address projects and sectors related to the marine ecosystem, fisheries, coastal development, pollution reduction, and ocean industries. The World Bank case also demonstrates the need for safeguards and credibility to enhance confidence in the market. Investors may require assurances that the bond proceeds are used for genuine blue initiatives, especially as the instrument is a new one. This can be bolstered through technical advice, guarantees, concessional finance, monitoring mechanisms, and guidance on what constitutes a blue finance project, provided by development institutions like the World Bank. However, the dependency on multilateral support may limit the scalability of the blue bond instrument. Bonds that require significant guarantees and concessional support will be difficult to replicate in countries with limited capacity and access to development finance. Thus, the World Bank example both highlights the positive outcomes that blue bonds may provide and some limitations of their scalability.

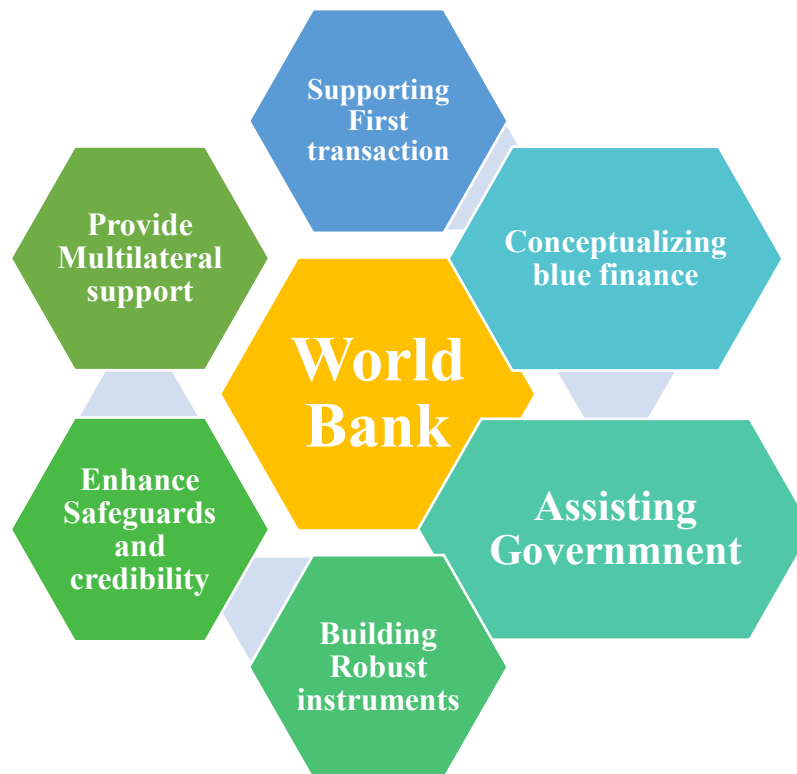


Fig.2. Represents the Role of World Bank in issuing Blue Bonds. Source: Author's own judgement

In, combination, the Seychelles and World Bank cases indicate that blue bonds are not just a financial instrument, but rather a governance mechanism that links capital markets and marine policy goals. The Seychelles case illustrates how a nation can raise a blue bond to fund a tangible conservation and fisheries-management target and how the World Bank has illustrated how the international community can mitigate risk, confer credibility, and foster market growth. In many respects, the continued success of blue bonds relies on these three criteria: clearly defined eligible projects, a robust reporting framework to track environmental and social impacts, and financial instruments that make reasonable returns to investors while being sustainable for ocean-dependent economies.

5. CONCEPTUAL FRAMEWORK (RQ1-RQ4)

The Proposed “Hybrid Blue Bond framework” [Fig.3](#) Grounded in the Theory of Change (TOC) model (Tirumala & Tiwari, [2022](#)) directly responds the four research questions to address the regulatory weakness, disclosure gaps, verification deficiencies, conceptual definitions which are identified in prior literature.

4.1.RQ1, Current Literature studies highlight definitional inconsistency (Bosmans & Mariz, [2023](#); Kılıç, [2024](#); Shiiba et al., [2022](#)) and extension of Green Bond Principles (Asian Development Bank, [2023](#); Verma & Agarwal, [2020](#)) with blue projects spillovers. The hybrid blue bond framework solves this divergence by emerge Standardized taxonomy, linking SDG-14 Ocean governance frameworks with blue bonds and applying Theory of Change (TOC) model by embedded pathways from Input-----Output-----to Outcome. For example, a fisheries project qualifies as only “blue” if it demonstrates responsible fishing practices, biodiversity protection and long-term ecosystem regeneration.

4.2.RQ2, Existing studies highlights the weakness of voluntary guidelines, fragmented governance, ambiguity of institutional frameworks which leads to weak enforceability and liability mechanisms. (Kılıç, [2024](#); March et al., [2024](#); Thompson, [2022](#)) and to address the Pellucidity and weak liability mechanisms the hybrid framework moves from voluntary to semi-mandatory compliance, daily administrative oversight, embedding TOC benchmarks for regulatory approval process and compliance review flexible and prescriptive mechanisms.

4.3.RQ3, Empirical evidences from (Thompson, [2022](#)) identified the critical Output (Funds allocated, area protected) v/s Outcome (Long-term ecological and biodiversity restoration) Gap, and (Jiang et al., [2025](#); Wang & Lian, [2026](#)) identify the crucial role of strong governance maturity for improvement of sustainability. To address this lacuna and shifting from reporting to outcome tracking the framework mandate the TOC indicators mapping, EIA benchmarks to tie with ecological thresholds.

4.4. RQ4, Existing studies, had shown optional external review which increases the blue washing risks (*Blue Bonds: Sustainable Financing for the Blue Economy around the Indian Ocean* | *Jindal Global Law Review* | *Springer Nature Link*, n.d.; Bosmans & Mariz, [2023](#); Kılıç, [2024](#)) but, to make this verification architecture stronger the hybrid framework again comes into picture by operationalises “blue washing” as a measurable risk arising from weak taxonomies, governance and disclosure failures . Blue washing is identified through following indicators: (i) Outcome based reporting without any outcome measurement and long-term impact. (Thompson, [2022](#)) , (ii) Absence of third-party verification and audits which erodes the credibility and trust of investors and shareholders. (Kılıç, [2024](#)) (iii) Ambiguous classification of projects which allow harmful activities to be labelled as “sustainable”. (Bosmans & Mariz, [2023](#)), within the proposed framework, these indicators are addressed through mandatory verification, standardized taxonomy, and technology related monitoring systems, thereby reducing the risk of mislabelling and enhancing investor’s trust.

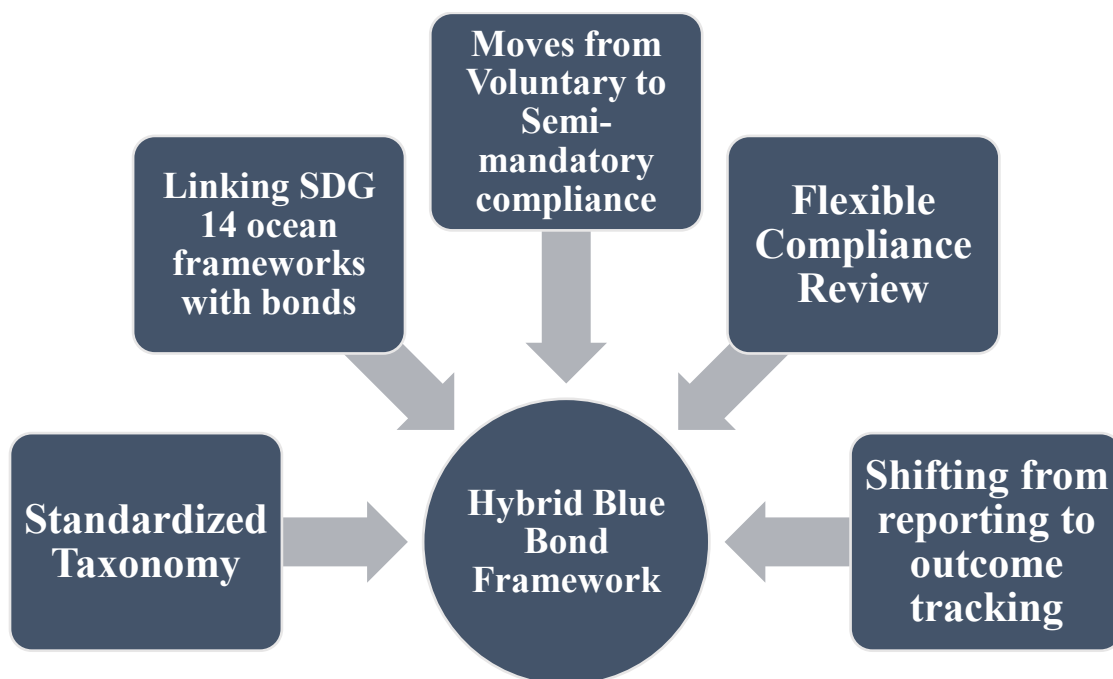


Fig.3. Representation of Hybrid Blue Bond Framework. Source: Author’s own representation

6. PRACTICAL IMPLICATIONS FOR STAKEHOLDERS

The Findings of this study carry a significant implication for various stakeholders in design, regulation and implementation framework. Given the identified gaps in taxonomy, governance, disclosure and verification, there is a pressing need for coordinated efforts between institutions to strengthen the blue finance ecosystem.

STAKEHOLDER GROUP	SUGGESTIONS	REFERENCES
Governments and Policymakers	Develop a nationally defined blue bond definition with dedicated regulations, credit guarantees, fiscal incentives and aligning it with national coastal resilience.	(Kılıç, 2024 ; March et al., 2024 ; Shiiba et al., 2022)
Financial Regulators and Securities Authorities	Mandate Standardized disclosure and reporting norms, compulsory third-party verification to prevent blue washing and misleading sustainability claims.	(Bosmans & Mariz, 2023 ; Kılıç, 2024 ; Thompson, 2022)
Coastal Communities and Civil Society Organizations	Advocate for the monitoring and evaluation of funds allocation in the blue economy projects and ensure the socio-economic benefits at the local level.	(Hunt & Hilborn, 2025 ; Shiiba et al., 2022)
Capital Markets and Stock Exchanges	Introduce blue bond listing segments with marine-sustainability indices, and mandated disclosure.	(Althalet et al., 2021 ; Bosmans & Mariz, 2023)
Academic Institutions and Research Scholars	Contribute to the regulatory framework development of blue bonds by developing interdisciplinary research with technological pathway.	(Jellouli, 2025 ; Shan et al., 2023 ; Tirumala & Tiwari, 2022)

7. POLICY FEASIBILITY AND IMPLEMENTATION CHALLENGES

7.1 Policy Feasibility in the Context of Blue Bonds refers to the extent to which regulatory and institutional mechanisms can effectively support the issuance, monitoring, and impact delivery of blue finance instruments. As highlighted in the study, the current regulatory landscape

remains fragmented, with a lack of standardized taxonomy, weak disclosure norms, and reliance on voluntary guidelines. From an economic feasibility perspective, Blue Bonds present a promising financing mechanism for marine conservation and sustainable ocean-based economic activities. However, their scalability is constrained by high perceived risks, uncertain returns, and limited investor confidence due to weak governance structures. The absence of clear cost–benefit assessment frameworks further complicate large-scale adoption. In terms of political feasibility, the success of Blue Bonds is highly dependent on governmental commitment and alignment with global sustainability goals such as SDG-14. While some countries, such as Seychelles, have demonstrated political will in issuing sovereign blue bonds, many nations still lack dedicated marine finance policies and regulatory clarity, limiting widespread adoption. Institutional feasibility remains a critical challenge. As identified in the study, the lack of strong governance frameworks, administrative capacity, and regulatory enforcement mechanisms significantly weakens implementation. Institutions often rely on adapted green bond frameworks, which fail to capture the unique ecological and transboundary complexities of marine ecosystems. Additionally, technical feasibility is limited by inadequate monitoring systems and the absence of technology-driven verification tools. Blue Bond projects require advanced tracking mechanisms for environmental outcomes, such as biodiversity restoration and ocean health metrics, which are currently underdeveloped. Finally, social and stakeholder feasibility is influenced by the level of trust and transparency in the system. Issues such as “blue washing,” where projects claim sustainability benefits without measurable impact, reduce credibility and discourage stakeholder participation.

7.2 Key Implementation Challenges in Blue Bond Governance

Despite their conceptual strength, Blue Bond frameworks face multiple implementation challenges that hinder their effectiveness. One of the most significant challenges is the absence of a globally harmonized taxonomy. As discussed in the conceptual framework section of your

paper (RQ1), the lack of standardized definitions creates ambiguity in identifying what qualifies as a “blue project,” leading to inconsistencies in investment decisions and regulatory oversight. Another major issue is the dependence on voluntary guidelines and weak compliance mechanisms. Current frameworks lack enforceable legal structures, resulting in low accountability and limited liability for issuers. This directly impacts transparency and increases the risk of misrepresentation. The study also highlights a critical gap between output and outcome measurement. Most Blue Bond projects focus on measurable outputs, such as funds allocated or marine areas covered, rather than long-term ecological outcomes like biodiversity regeneration or carbon reduction. This weakens the actual environmental impact of such instruments. Furthermore, the lack of mandatory third-party verification and external review mechanisms reduces the reliability of Blue Bonds. As identified in your research (RQ4), optional verification increases the risk of “blue washing” and undermines investor confidence. Institutional fragmentation and coordination challenges also persist, as multiple stakeholders—including governments, financial institutions, regulators, and international organizations—operate without a unified governance framework. This results in inefficiencies and delays in implementation. Additionally, financial and technological constraints limit the effectiveness of monitoring and reporting systems. The absence of digital tracking tools and real-time data systems restricts transparency and accountability in fund utilization.

7.3 Strategies to Enhance Policy Implementation

To overcome these challenges, a more structured and hybrid regulatory approach is required, as proposed in your study. Firstly, the development of a standardized global taxonomy for Blue Bonds is essential. This would provide clear definitions of eligible projects and reduce ambiguity in classification, thereby improving investor confidence and regulatory consistency. Secondly, transitioning from voluntary to semi-mandatory or mandatory compliance frameworks can significantly enhance accountability. Embedding legal enforceability and clear

liability structures will strengthen governance mechanisms. Thirdly, the integration of Theory of Change (TOC)-based outcome tracking systems can help bridge the gap between outputs and actual environmental impact. Linking financial flows to measurable ecological outcomes will ensure that Blue Bonds deliver real sustainability benefits. Moreover, implementing mandatory third-party verification and independent environmental audits is critical to improving transparency and credibility. Accredited verification bodies should be involved at both pre- and post-issuance stages. The adoption of technology-enabled monitoring systems, such as AI-based tracking tools and digital dashboards, can further enhance transparency, real-time reporting, and compliance monitoring. Finally, strengthening institutional coordination and global cooperation is necessary to harmonize regulatory practices across jurisdictions. Collaboration between multilateral institutions, governments, and financial regulators can facilitate the development of unified standards and best practices.

7.4 Linking Feasibility with the Proposed Hybrid Framework

The proposed Hybrid Blue Bond Regulatory Framework directly addresses the feasibility and implementation challenges identified above. By combining standardized taxonomy, mandatory verification, outcome-based measurement, and enhanced governance structures, the framework provides a more practical and scalable solution for blue finance. As discussed in the conceptual framework (Section 4), the integration of input–output–outcome pathways under the Theory of Change model ensures that policies are not only feasible but also effective in delivering long-term environmental and economic benefits. Thus, improving policy feasibility and addressing implementation barriers are essential for transforming Blue Bonds from a promising financial innovation into a reliable and impactful tool for sustainable ocean governance.

8. DELIMITATIONS

- While prior studies had adopted quantitative and econometric lens ([Jiang et al., 2025](#); [Wang & Lian, 2026](#)), the focus of this study is solely restricted to qualitative lens, prioritising nuanced portrayal of sustainable blue ecosystem.
- The study excludes computational fiscal modelling prioritising instead on a qualitative approach and regulatory frameworks governing blue bonds.
- As, behavioural and investor decisions leads the impact on blue bonds market ([Bosmans & Mariz, 2023](#); [Shan et al., 2023](#)) the study is limited to regulatory frameworks and institutional aspects of sustainable blue ecosystem; it does not focus on investors behaviour and analysis of individual decision-making patterns.
- This research relies solely on secondary data-based approach. Empirical data collection strategies and methodologies have not been undertaken.

9. FUTURE SCOPE

- Future research can include quantitative financial modelling to analyse risk return dynamics and market assessment of blue bonds. Empirical data analysis approach gave a broader view of sustainable blue ecosystem.
- Future research may study behavioural finance perspectives to scrutinize investor decision making dynamics concerning blue bond instruments.
- Further studies can analyse stock market performance, liquidity patterns, price fluctuations and long-term stability of blue bonds.
- The scope of future research includes the application of Artificial intelligence driven compliance and monitoring frameworks to heighten regulatory scrutiny and to track performance in sustainable finance instruments.

10. CONCLUSION:

This research reviewed the increasing relevance of blue bonds within the broader sphere of sustainable ocean finance identifying the ocean's crucial role in global welfare, fiscal solvency, and environmental balance. As aquatic ecosystems face rising environmental and financial pressures, the concept of blue bonds have derived as pioneering financial instruments designed to mobilize investment towards marine environment conservation. A review of existing literature indicates their potential in solidifying Marine governance however it also examined lack of regulatory frameworks and standardized taxonomy. This study adopted a qualitative methodology through secondary data collecting methods (official documents, published papers, government websites etc) This research is confined to framework analysis excluding empirical data collection, financial modelling, investor behaviour analysis, and stock market performance assessment. The findings showcase the need for hybrid regulatory models and standardized guidelines for taxonomy. Future study can incorporate behavioural analysis, financial modelling, AI based compliance mechanisms to strengthen sustainable ocean finance ecosystem.

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