



Overview: Debt-for-Nature Swaps

Debt-for-nature swaps relieve developing countries of debt in exchange for commitments to invest in local conservation initiatives affecting critical ecosystems. Many of the deals are designed to benefit tropical forests that are essential to the well-being of communities and nations.

Such agreements date back to the 1980s. Conservation International (CI) involvement in debt-for-nature swaps dates back to its founding year, 1987, when it purchased a portion of Bolivia's foreign debt owed to a commercial creditor. In return, the Bolivian government redirected the funds to support protection of 3.7 million acres in and around the Beni Biosphere Reserve.

One of the major catalysts for some of the most recent debt-for-nature deals has been the U.S. Tropical Forest Conservation Act (TFCA), which was enacted in 1998 to offer eligible developing countries the opportunity to relieve certain debt owed the U.S. government while generating funds in local currency to support tropical forest conservation activities.

TFCA authorizes such agreements to help partner countries generate local economic activity and build capacity for protecting tropical forests. The deals include the creation of local conservation funds in the partner countries to provide grants to local nongovernmental organizations and communities for eligible projects. The Act is administered by the U.S. Department of the Treasury. Nongovernmental organizations (NGOs) often help facilitate TFCA agreements and contribute their own funds.

CI and its NGO partners have played a key role in a number of debt-for-nature deals, bringing knowledge, technical capacity and an awareness of the local context in regions where grants will be awarded.

Under TFCA, CI has participated in a number of debt-for-nature swaps in partnership with the U.S. government and others, including:

- In a 2007 agreement the United States forgave \$26 million of Costa Rica's debt in return for a commitment from Costa Rica to redirect that amount toward tropical forest conservation activities in six of the most important natural areas over the next 16 years. Both CI and The Nature Conservancy contributed \$1.26 million to the purchase of the debt. With support from the Critical Ecosystem Partnership Fund (CEPF) and other partners, vital scientific research helped identify specific sites to benefit.
- CI played a key role in a 2006 deal between the United States and Guatemala that cancelled \$24 million of Guatemala's debt to the United States and channeled that money into a local fund for conservation grants to be distributed over the next 15 years. CI contributed \$1 million to the swap, including \$700,000 from the Global Conservation Fund (GCF) and \$300,000 from CEPF. The Nature Conservancy was also a partner in the deal.

- The United States and Colombia reached an agreement on a debt-for-nature swap in 2004 that resulted in forgiveness of \$10 million of Colombia's debt to the United States. As part of the deal, Colombia agreed to invest at least this amount over 12 years to protect nearly 11 million acres of its tropical forests. GCF, The Nature Conservancy and World Wildlife Fund contributed \$1.4 million toward the deal.

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