Sovereign Debt News Update No. 167: Debt Swaps in Africa: Renewed Momentum Amid Persistent Structural Concerns

By:

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Recent reporting highlights a structured push toward scaling debt for nature swaps as a central financing mechanism in Africa's climate and debt policy landscape. African countries are increasingly revisiting debt swaps, particularly debt for nature and debt for climate instruments, as part of broader efforts to address rising debt vulnerabilities while simultaneously meeting climate and development obligations. Recent developments indicate a growing alignment between governments, multilateral institutions, and private financiers in advancing these instruments as innovative financing solutions.

Reports from March 2026 show that at least three African countries are actively exploring debt for nature swaps with support from conservation organizations and international partners. At the same time, major asset managers and

development actors are mobilizing significant financial commitments, signaling a resurgence of interest in debt swaps across the continent. However, this renewed enthusiasm emerges despite a substantial body of research and policy critique, including from the African Sovereign Debt Justice Network (AfSDJN), cautioning that such instruments do not address the structural drivers of Africa's debt crisis and may, in some instances, deepen fiscal and governance risks.

Three African Countries Exploring Swaps

A March 23, 2026 Reuters report reveals that three African countries are currently in discussions with The Nature Conservancy (TNC, an American headquartered global environmental organization that has been pioneering such schemes) to implement debt for nature swaps valued at over $500 million combined, with one deal expected to be concluded in 2026 and the remaining two by 2027. Notably, the countries involved were not disclosed, as the organization cited confidentiality agreements governing the negotiations, alongside similar non-disclosure of participating lenders and financial institutions. TNC's regional managing director for Africa, Ademola Ajagbe, emphasized that these deals are being developed in response to rising capital costs and constrained access to climate finance, which continue to disadvantage African countries despite growing environmental needs.

However, there are a number of disadvantages to the debt swaps. These transactions typically involve the restructuring or buyback of sovereign bonds at a discount, financed through new loans backed by guarantees from development finance institutions. The savings generated are then redirected toward conservation funds managed under agreed frameworks. While proponents argue that such arrangements offer dual benefits of fiscal relief and environmental protection, the complexity of these financial structures raises transparency concerns, particularly in contexts where public debt management systems are already under strain. The layering of guarantees, special purpose vehicles, and third-party intermediaries further complicates oversight, potentially obscuring the true fiscal implications for participating countries.

Further, these deals are often shrouded in secrecy. The fact that the three African countries exploring debt for nature swaps were not disclosed,

reportedly due to confidentiality constraints, highlights a persistent transparency deficit in the design and negotiation of these instruments. Such opacity limits public scrutiny and prevents citizens, parliaments, and oversight institutions from fully understanding the fiscal and policy implications of these deals. In contexts where debt accountability is already fragile, confidential negotiations risk entrenching elite driven decision making and weakening democratic control over public finance. This reinforces longstanding concerns that debt swaps, while framed as innovative solutions, may reproduce governance challenges by prioritizing discretion over transparency and accountability.

Private Capital and the Scaling of Debt Swaps

The renewed momentum behind debt swaps is also being driven by significant commitments from private financial institutions. The Nature Conservancy has been exploring such arrangements, with deals aimed at refinancing existing sovereign debt in exchange for commitments to conservation and environmental protection. After the Gabon deal, there had not been any deal signed since Donald Trump's return to the White House last year curtailed crucial U.S. support at several institutions tied to climate finance. However, according to Reuters, the Nature Conservancy has been working with multilateral development banks, private insurers and investment funds to kick-start the deals again. In January 2026, private insurers Enosis Capital partnered with AXA XL to insure a US$3 billion pipeline of debt for nature swaps, with the first deals expected within six to nine months and more than a dozen planned over the next four years.

By February 2026, Legal & General (a UK fund giant) had committed up to $1 billion over five years to act as a cornerstone investor in a new wave of debt for nature swaps in developing countries, aiming to reduce governments' debt servicing costs so that savings can be redirected toward conservation efforts. The initiative, also led in partnership with Enosis Capital and supported by AXA XL through political risk insurance, is designed to revive and scale a market that has seen only about $6 billion in transactions over the past five years and had slowed following the withdrawal of key U.S. government support.

By mobilizing private capital and offering credit enhancements to make deals more attractive to investors, these efforts seek to accelerate and standardize debt swap transactions, with around a dozen deals already in development and potential expansion into sectors such as education and food. These transactions aim to refinance expensive sovereign debt into cheaper instruments tied to environmental spending, while insurance and "credit enhancements" are used to reduce risk and attract private investors. It is imperative to highlight this broader shift toward private sector leadership in scaling debt swaps, particularly as political changes had initially slowed momentum, with proponents such as Ramzi Issa (co-founder of Enosis Capital) arguing that private participation is now "*the only way forward*" for expanding such deals.

Debt Swaps are Not a Solution to Africa's Debt Crisis

Despite the growing enthusiasm, a substantial body of research underscores the limitations of debt swaps as a solution to Africa's debt challenges. Analysis from The African Sovereign Debt Justice Network (AfSDJN) consistently highlights that these instruments fail to address the underlying structural issues within the global financial system, including unequal borrowing conditions, high interest rates, and the dominance of private creditors. Debt swaps are often negotiated on a case-by-case basis, resulting in fragmented and non-systemic outcomes that do not contribute to comprehensive debt resolution. Furthermore, the complexity of these arrangements can introduce new risks, including contingent liabilities, governance challenges, and reduced transparency. In some instances, the involvement of multiple intermediaries can lead to high transaction costs, further eroding the net benefits to debtor countries. These concerns are echoed in broader policy discussions, where analysts caution that debt swaps may divert attention from the urgent need for coordinated debt restructuring mechanisms.

In *Sovereign Debt Quarterly Brief No. 4: Debt-for-Nature Swaps: Fit for Africa?*, AfSDJN underscore the limited macroeconomic impact of these instruments, noting that while Africa has undertaken at least thirty six debt for nature swap transactions, processing approximately US$921 million, this represents less than 0.1 percent of the continent's total external debt stock This empirical reality is central to the critique which emphasizes that debt swaps are structurally incapable of delivering the scale of relief required to address

Africa's systemic debt vulnerabilities. The Brief further highlights enduring concerns around transparency, governance, and design complexity, noting that many of the criticisms that led to the decline of earlier debt swap programs in the 1990s continue to persist in contemporary iterations. Rather than offering comprehensive debt resolution, AfSDJN argues that these instruments function as fragmented, project-based interventions that risk diverting attention from the urgent need for coordinated and fair sovereign debt restructuring mechanisms.

In the analysis Debt-for-Climate Swaps and Illicit Financial Flows: A call for caution , Olabisi D. Akinkugbe and Morris Kingsley Odeh's critique is further deepened in its analytical work on debt for climate swaps and country specific case studies, where it foregrounds the governance and financial risks embedded in these arrangements. The two authors warn that the increasing financialization and complexity of swap structures may create new channels for opacity and illicit financial flows, particularly in jurisdictions already grappling with weak public financial management systems.

This concern is echoed in the Ninety Sixth Sovereign Debt News Update examining Gabon's 2023 debt for nature swap, where AfSDJN raises critical questions about accountability, long term fiscal implications, and the role of external actors in shaping domestic policy priorities. Across these publications, a consistent position emerges that debt swaps may entrench creditor influence, impose restrictive conditionalities, and reallocate public resources toward narrowly defined environmental objectives at the expense of broader development needs. AfSDJN therefore ultimately situates debt swaps within a wider critique of the global debt architecture, arguing that without addressing structural inequities such as high borrowing costs, creditor dominance, and weak accountability frameworks, such instruments risk reproducing the very vulnerabilities they purport to resolve.

The Need for Structural Reform Beyond Financial Innovation

The renewed momentum behind debt swaps in Africa reflects both the urgency of addressing debt vulnerabilities and the limitations of existing financing mechanisms. While these instruments may offer short term relief and support targeted investments in climate and conservation, they do not constitute a comprehensive solution to the continent's debt challenges. The evidence

suggests that debt swaps are inherently limited in scale, complex in design, and insufficient in addressing the structural drivers of debt distress. As such, their growing prominence risks overshadowing the need for more fundamental reforms to the global debt architecture, including fair and transparent debt restructuring processes, improved creditor coordination, and greater accountability in lending practices. Without such reforms, African countries may continue to rely on fragmented and risk laden financial instruments that provide temporary relief while perpetuating long term vulnerabilities.

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