

ADEBAYO MAJEKOLAGBE, PHD AND AURORE SOKPOH

Abstract

In this report, we consider the trends and drivers of the debt-for-nature swap (DNS) in Africa—its design frameworks, problems, and potentials as currently implemented—and the specific design principles for a fit-for-Africa DNS. The participation deficit that characterizes DNS informs the survey approach adopted for this report. In reaching our conclusions, we compare the positions of survey participants with viewpoints from DNS literature, highlighting agreements and disparities. As of 2024, African nations have completed thirty-six DNS transactions, with two more under negotiation. These swaps have processed US\$921 million in debt, with US\$311 million (34%) specifically directed towards environmental and climate initiatives. While Africa's DNS activities represent 22% of global debt swap transactions, they make up a tiny fraction—less than 0.1%—of Africa's total external debt. Although DNS fell out of favor in the early 2000s due to various criticisms, it has recently gained renewed attention as countries seek innovative climate financing solutions in response to growing environmental urgency. However, concerns about transparency and effectiveness that plagued early DNS programs continue to affect modern versions of these financial instruments.

For this research, we invited forty-five potential respondents from seven African countries and five respondents working with pan-African non-governmental organizations (NGOs) located outside the selected countries to participate. The survey was administered and collected using Qualtrics, an online survey platform. The survey was anonymous. As some of the surveyed countries are non-Englishspeaking, the survey was translated into French and Portuguese. Participants could respond in English, French, or Portuguese through a drop-down feature on Qualtrics. The anonymous survey was open from May to July 2024, and seventeen participants (34%) engaged with the survey to varying degrees. Survey results reveal a distinct pattern in how countries view debt-for-nature swaps (DNS). Countries that adopt DNS prioritize both climate change action and debt restructuring, while nonadopting countries focus primarily on alternative debt restructuring methods and place less emphasis on climate concerns. Indeed, a country's stance on climate change appears to be a key indicator of its willingness to participate in DNS programs. Bilateral creditors and international financial institutions are considered the most likely creditors to engage in DNS, although the report suggests that the traditional division between private and public creditors may be oversimplified.

Creditors' motivations appear to be mixed. While reputational benefits and international commitments are primary drivers, more pragmatic interests, such as the opportunity to redeem discounted loans above market rates, also play a role. A significant finding is that most respondents feel their countries lack agency in DNS operations. The survey also indicates skepticism about DNS's effectiveness in reducing sovereign debt, although respondents acknowledge its potential for addressing environmental challenges. Transparency emerges as a major concern. Respondents consistently describe DNS transactions as opaque or minimally transparent, with local communities rarely, if ever, involved in the process. While DNS is not widely endorsed as either a preferred debt restructuring tool or climate finance mechanism, respondents do recognize its limited but meaningful role, particularly in environmental initiatives.

We conclude that, as it is, DNS is not fit for Africa. To align with Africa's needs, DNS must respect the sovereignty of African countries in its design and implementation; guarantee and protect human rights; recognize the cultural and religious significance of ecosystems; meaningfully involve and benefit local communities; and promote debt relief and sustainability.





Table of Contents



Methodology

Introduction

History of Debt-for-Nature Swaps in Africa

Debt-for-Nature Swaps in Africa: Drivers and Trends

Basic Design of Debt-for-Nature Swaps in Africa

Debt-for-Nature Swaps in Africa: Problems and Potentials

Conclusion: Design Principles for Fit-for-Africa Debt-for-Nature Swaps

Appendix – Survey





Introduction

Since their inception, debt-for-nature swaps (DNS) have borne the stripes and scars that continually define them. A debt crisis, fragile ecosystems, poverty, and underdevelopment in the Third World intersected in the 1980s to inspire the adoption and re-creation of a concept known to First World governments, financial institutions, and civil society organizations all too well—swaps.¹

The independence of colonized countries and economic-reordering agitations that followed in the 1960s and 1970s around the globe were in part met with initiatives like debt-for-equity swaps and debt-for-sustainable-development swaps. These initiatives fell way short of any real or meaningful reform of a global financial architecture, which reproduced in masked forms and also sustained systems of First World global domination and their infantry of multinational corporations. For the most part, under the pretext of debt reduction or restructuring, these swap schemes have re-entrenched power structures by directly acquiring ownership of valuable Third World public assets (as seen with debt-for-equity swaps) or seizing a developmental agenda (as seen with debt-for-sustainable-development swaps). Anecdotal evidence indicates that history is on repeat, albeit under a different umbrella, in the form of DNS.

^{1.} This report adopts 'Third World' and 'First World' instead of 'Global South' and 'Global North,' as the authors consider the former categorizations more accurate and applicable. Consistent with its post-World War II origin, Third World and First World are primarily ideological and sociological tags. They distinguish categories of countries and peoples with different historical and cultural realities and, secondarily, distinct economic realities. 'First' and Third' here do not indicate hierarchy; they indicate difference—difference that has less to do with geography and abstruse notions of growth and development and more with history, culture, and ideology.



Table 1: Forms of Swaps

DEBT-FOR-DEVELOPMENT SWAPS²

Debt-for-Sustainable- Development-Goals (SDGs)/development	Debt is exchanged for the debtor government's commitment to fund local development investments, policies, programs, or projects. Some swaps focus on economic development, including partnerships with local and creditor country private sectors.
Debt-for-education	Focuses on education projects.
Debt-for-health	Focuses on financing healthcare policies or fighting specific diseases.
Debt-for-food	Focuses on financing projects, programs, and policies to fight undernourishment and promote food.

DEBT-FOR-ENVIRONMENT SWAPS

Debt-for-nature	Focuses on the debtor government's commitment to invest in nature or biodiversity conservation projects.
Debt-for-climate	Focuses mainly on climate adaptation policies and projects and can also address climate mitigation.

OTHER DEBT SWAPS

Debt-for-equity or Debt-for-	Conversion of debt into equity
	shares of public companies or
private-investment	private investments.





Climate change compels rethinking DNS fundamentals. However, a wholesale re-envisioning of DNS is outside the remit of this report. Instead, we focus on whether DNS is 'fit for Africa,' with climate change as the primary context. In asking this question, we don't seek to homogenize 'Africa.' We acknowledge that African countries and different rights-holding groups within African countries have different perspectives, interests, and unique conditions. Indeed, these differences are manifest in the diverse responses from survey participants. However, we argue that there are minimums that DNS, particularly in the African context, must satisfy. DNS must provide substantial debt relief; assist meaningfully in addressing climate change; participate in its design and implementation; be transparent; and contribute to climate-aligned development. We draw on the study survey and DNS literature to discuss these essentials later in this report.

While climate change is central to our analysis, we have retained the term 'debt-for-nature swap' instead of 'debt-for-climate swap' in appreciation of the interconnectivities among the topics. For example, depending on design, a debt-for-ocean swap could also qualify as climate mitigation or an adaptation measure. We consider DNS's trends and drivers—its design frameworks, problems, and potentials as currently implemented—and specific design principles for a fit-for-Africa DNS. The participation deficit that characterizes DNS informs the survey approach adopted for this report. In reaching our conclusions, we compare the positions of survey participants with viewpoints from DNS literature, highlighting agreements and disparities. This report also considers how DNS is repeating the sad commentaries of yesteryear; the possibilities of using a deeply flawed system for transformative ends; and what needs to be done to create such transformative spaces. Our focus is Africa. We therefore engage with African countries' civil society organizations and similar entities in exploring the question of how DNS can be fit for Africa.



THE LIMITS OF CARBON MARKETS AS A SOLUTION TO THE CLIMATE CRISIS





METHODOLOGY





There is no shortage of studies and writings on the topic of DNS. The years following the first DNS transaction in 1987, involving Bolivia and Conservation International, saw the publication of largely critical and adverse reviews of DNS. For example, a World Bank internal study commissioned in 1988 concluded that DNS "could sidetrack from the real issues and pave the way for distortions with long-term adverse efficiency and distributional impacts in debtor countries."³ The report also noted that DNS "may lead to foreign control of domestic land and natural resources."⁴ As discussed later, these criticisms remain relevant. In their 1989 article, Bedarff et al. engaged with the issue of whether DNS was a reproduction of environmental colonialism or an actual solution to the 1980s debt crisis.⁵ While their conclusions largely supported DNS use, in the case of Brazil, "[d]ebt-for-nature swaps were now considered as a return to the colonial system, whereby Brazil would ultimately lose control over its rich Amazon basin to foreign powers more concerned with the negative impacts on the global climate than with Brazil's overwhelming social and economic problems."⁶

In 1986, Alfred Crosby conducted a historical study on European emigration to places described as "Neo-Europes" (Australasia and the Americas).⁷ Referencing the invasive flora and fauna the Europeans brought to the Neo-Europes and how these invasive organisms starved native flora and fauna out of existence, Crosby argued that the success of European imperialism had "a biological, an ecological, component."⁸ Later works on ecological imperialism have addressed the dearth of political and economic analysis in Alfred Crosby's seminal work. Foster and Clark, for example, posit that ecological degradation must necessarily be contextualized and understood within the hierarchical global capitalist system, with nations occupying unequal positions in the international division of labor—a global system of the center and periphery—along with dominance and dependency.⁹

8. Id. at 7.

^{3.} Stein Hansen, Debt for Nature Swaps: Overview and Discussion of Key Issues (World Bank, Env't Dep't Working Paper No. 1, 1988).

^{4.} Id. at 12.

^{5.} Hildegard Bedarff et al., Debt-for-Nature Swaps: Environmental Colonialism or a Way Out from the Debt Crisis that Makes Sense?, 22 Law & Pol. in Afr., Asia & Latin Am. 445, 445–59 (1989).

^{6.} Id. at 454.

^{7.} Alfred Crosby, Ecological Imperialism: The Biological Expansion of Europe (900–1900), at 2–3 (2d ed. 2004).

^{9.} John Bellamy Foster & Brett Clark, Ecological Imperialism: The Curse of Capitalism, Socialism Reg. 186, 187 (2004). See also Mariko Frame, Ecological Imperialism: A World-Systems Approach, 81 Am. J. Econ. & Socio. 503, 508–10 (2022) (Frame identifies five characteristics of ecological imperialism: 1) rooted in an endless drive for capital accumulation and capitalist relations of production; 2) hinges on unequal power between countries; 3) results in negative socio-ecological impacts; 4) attracts anti-imperial resistance; and 5) results in the continued accumulation of capital for imperialist countries.).

The pillaging of resources, transformation of ecosystems that nations depend on, exploitation of ecological vulnerabilities to promote imperialist control, and creation of a global "metabolic rift" between capitalism and the environment are indicia of ecological imperialism.¹⁰

Further, ecological imperialism finds expression in the dominance of the Global North in establishing and policing the Western climate consensus.¹¹ The consensus entails response measures to climate change that, while appearing technocratic and progressive, are heavily political, neoliberal, and ahistorical and deflate developed countries' responsibilities while inflating those of the Global South.¹² The increasing commodification of 'climate solutions' exemplifies ecological imperialism.¹³ Other indicia include the near deification of experts (who are mostly Western), disregard for Indigenous knowledge, and neglect of rights-holders.¹⁴ Together, these indicators result in a dynamic of difference between a culture deemed to be 'developed,' 'advanced,' and 'aspirational' and another that is 'underdeveloped,' 'aberrant,' 'backward,' and in need of saving.¹⁵ This narrative of salvation is often based on economic growth veneration and almost exclusive dependence on market instruments.¹⁶

It is not difficult to find the manifestations of the indicia of ecological imperialism in efforts to address multipolar global crises, including climate change and debt crises.¹⁷ In the DNS context, the dynamic of difference is manifest. First-World-based environmental non-governmental organizations (ENGOs) pose as saviors of 'endangered' ecosystems in developing countries, which will not protect these ecosystems without external intervention and patriarchal oversight. Private and public entities in developed countries and the global institutions they control also purport to be rescuers of debt-laden developing countries, never mind that these entities are authors of the debt crisis. This report resists the dominant trend in DNS scholarship to isolate DNS from broader contexts of historical responsibilities, the dark sides of actual and disguised hegemony, and the multipolar global crises.¹⁸ It is alive to the masking of inequities, the reproduction of hierarchies, and the disguised interests of capital.

- 15. See more on the "dynamic of difference" in Antony Anghie, Imperialism, Sovereignty and the Making of International Law 4 (2005).
- 16. Sundhya Pahuja, Decolonising International Law: Development, Economic Growth and the Politics of Universality 70 (2011).

^{10.} Foster & Clark, supra note 9, at 187.

^{11.} Ying Chen, How Has Ecological Imperialism Persisted? A Marxian Critique of the Western Climate Consensus, 81 Am. J. Econ. & Socio. 473, 477 (2022).

^{12.} Id.

^{13.} Drawing from the criticisms of activists and NGOs, Julia Dehm describes market "flexibility" mechanisms, including the carbon market as carbon colonialism. She references a quote from the No-REDD in Africa Network: "Under an unjust and colonialist logic, the 'green' economy subjugates nature and autonomous peoples by imposing restrictions on the use of and control over their territories in order to fill the pockets of a few, even when communities possess the deeds to their land." Julia Dehm, Carbon Colonialism or Climate Justice? Interrogating the International Climate Regime from a TWAIL Perspective, 33 Windsor Y.B. Access TO Just. 129, 136 (2016). See also Maxine Burkett, Root and Branch: Climate Catastrophe, Racial Crises, and the History and Future of Climate Justice, 124 Harv. L. Rev. 326, 328 (2021).

^{14.} James Thuo Gathii, Without Centering Race, Identity, and Indigeneity, Climate Responses Miss the Mark, in Climate Change, Equity and the Future of Democracy (Wilson Center and Adelphi eds., 2020).

^{17.} Using a racial capitalism framing, Carmen Gonzalez highlights the coloniality of power that informs an abysmal line dividing "those deemed human from those deemed non-human or sub-human," and how racialized persons are denizens of the sacrifice zones of both climate change and the policies meant to address it. See Carmen Gonzalez, Racial Capitalism, Climate Justice and Climate Displacement, Oñati Socio-Legal Series 108, 119 (2021). See also Dayna Scott & Adrian Smith, 'Sacrifice Zones' in the Green Energy Economy: Toward an Environmental Justice Framework, 62 Mcgill L.J. 861, 867 (2017). As noted elsewhere, market-based solutions to climate change are a "game played in 'sacrifice zones' – the green colosseum where the poor, vulnerable, and racialized bear the brunt of climate response measures while private interests and powerful States profit." See James Thuo Gathii et al., Introduction, in Transforming Climate Finance in an Era of Sovereign Debt Distress xiv (2023).

^{18.} This research agenda aligns with the emphasis on Third World approaches to international law scholarship. Gathii highlights three main characteristics of TWAIL: tracing the contribution of international law to international order and disorder; the centrality of history; and a commitment to reforming and remaking international law. See James Thuo Gathii, The Agenda of Third World Approaches to International Law (TWAIL), in International Legal Theory: Foundations and Frontiers 153–73 (Jeffrey Dunoff & Mark Pollack eds., 2022). See also Makau Mutua, What is TWAIL?, 94 Am. Soc'y Int'l L. Proc. 31, 38 (2000) ("TWAIL is a historically located intellectual and political movement . . . [it] is a reconstructive movement that seeks a new compact . . . [it] refuses to treat as sacred any norm, process, or institution of either domestic or international law. All factors that create, foster, legitimize, and maintain harmful hierarchies and oppressions must be revisited and changed. That is the commitment of TWAIL.").



However, while critical of DNS, we consider the possibilities of reforming and addressing its shortcomings; perhaps, despite its roots in the neoliberal paradigm, DNS can be one more approach to 'liberation.'¹⁹ Importantly, this report centers and amplifies the voices of Third World peoples in the DNS conversation.²⁰ A survey with open-ended, multiplechoice, ranked-scale, and Linkert scale questions has been adopted for this report. The survey responses were primarily sourced from NGOs that focus on development and environmental advocacy in Gabon, Cape Verde, Kenya, Seychelles, Zambia, Senegal, Angola, and the Democratic Republic of Congo (DRC).

These countries have different levels of past (Zambia, Seychelles) and current (Gabon, Cape Verde, Kenya) experiences with DNS or are deemed suitable for DNS (Senegal, the DRC). NGOs have been focused on both development and environmental advocacy for pragmatic and logistical reasons. DNS is not a shop-floor subject in many African countries, and NGOs are central players in DNS. Further, African NGOs are largely populated by Africans; hence, they possess a degree of legitimacy, albeit limited, to speak for and be part of Third World peoples. We sought and obtained ethical approval for the report from the Research Ethics Board of the University of Alberta (Canada).

We invited forty-five potential respondents from seven African countries and five respondents working with pan-African NGOs located outside the selected countries to participate in this research. We administered and collected the survey using Qualtrics, an online survey platform. The survey was anonymous. As some selected countries are non-English speaking, a translation of the survey in French and Portuguese was provided. The survey was open from May to July 2024, and seventeen (34%) participants engaged with the survey to varying degrees. While we received no responses from Angola, Gabon, and Seychelles, 78% (thirteen) of the participants were from the remaining five African countries, while 22% (four) were Africans focused on African development and environmental issues in NGOs located outside Africa.

It is important to note that we have used NGOs as an umbrella term for entities not under state control, non-profit corporations, and those committed to a defined socio-economic and ecological agenda. Respondents are therefore affiliated with civil society organizations (Cape Verde, the DRC, Zambia), independent research institutes (Kenya), and independent consultants (Kenya, Senegal). While the survey's low response rate can be attributed to multiple factors, it is evident that there is limited familiarity with DNS despite its adoption or, at minimum, extensive consideration by various African countries. Fifty percent of the respondents had minimal to no familiarity with DNS.



^{19.} Gathii, supra note 18.

Looking beyond the nation-state, a more recent iteration of TWAIL makes an effort to "give voice to the people within Third World stateswomen, peasants, workers, minorities." See Antony Anghie & B.S. Chimni, Third World Approaches to International Law and Individual Responsibility in Internal Conflicts, 2 Chinese J. Int'l L. 77, 83 (2003).

Figure 1

How would you describe your level of familiarity with the concept of depth for nature swaps (DNS)?

50 40 30 20 20 10 0 I am not familiar with I have direct experience I am familiar with the concept of DNS, but I the concept of DNS. working on DNS projects through research, have not worked on any advocacy, policy design, DNS-related projects. or implementation.

Apart from the screening questions, the survey had twenty-five questions grouped into four question blocks (below), and about eleven of the seventeen respondents (65%) were recorded on Qualtrics as answering 100% of the questions.

≻	Trends and drivers of DNS in the relevant country (or Africa, in the case of non-country-specific researchers) (Q8–Q14).
≻	Basic design (features) of DNS in the relevant country or Africa (Q15–Q22).
≻	Problems and potentials of DNS in the relevant country or Africa (Q23–Q27).
≻	Africa-centric DNS design principles (Q28–Q32).

In the next sections, we consider DNS's history in Africa and dive deeper into respondents' viewpoints on the above thematic issues. We also situate their responses side-by-side with the dominant narratives in DNS literature. Our interpretation and discussion of participants' responses are funneled through the agenda against eco-imperialism discussed earlier. We highlight examples and instances of commodification and profiteering from nature; power, hierarchical positionality, and opportunities for meaningful participation; and barriers and enablers of well-being outcomes for humans and nature from DNS initiatives.

DEBT-FOR-NATURE SWAPS: FIT FOR AFRICA?





HISTORY OF DEBT-FOR-NATURE SWAPS IN AFRICA

03





HISTORY OF DEBT-FOR-NATURE SWAPS IN AFRICA

Debt-for-nature swaps in Africa began in the late 1980s and have continued to evolve over the past three decades in terms of scale, the actors involved, and design. While these financial mechanisms have been used to address both environmental conservation and debt relief, their impacts in African countries remain to be fully determined due to a lack of systematic evaluation. African countries participated in thirty-six DNS transactions between 1989 and 2024, with two still under negotiation. These transactions represent a total value of US\$921 million in treated debt of which 34% is allocated to environmental and climate projects (US\$311 million). Africa's DNS transactions represent 22% of the total volume of swaps implemented since inception (155 swaps) and account for 14% of the global debt treated (US\$6.1 billion).However, these represent less than 0.1% of Africa's current combined external debt as of the end of 2023 (around US\$1.2 trillion) and accounted for 1.5% of debt service in 2010 (US\$61 billion).²¹

The first DNS in Africa was implemented in Madagascar in 1989, just two years after the pioneering 1987 Bolivia swap. This inaugural African swap involved the World Wildlife Fund (WWF) and the US Agency for International Development (USAID) and was quickly followed by similar initiatives in Zambia (1989) and Nigeria (1991). Madagascar has the most expansive experience with DNS in Africa with over ten transactions since 1989, covering about US\$40 million of its debt holdings. Early DNS transactions were primarily multiparty arrangements with relatively small face values, typically under US\$3 million. The early 1990s saw an increase in both the number and types of swaps, particularly in 1993, as interest in this new kind of instrument grew. Bilateral swaps between countries became more common, with European nations like France, the United Kingdom (UK), Sweden, and Norway participating. The face value of treated debt increased significantly, exemplified by Egypt's 1995 swap with Switzerland involving US\$121 million in debt. This growth reflected both the increasing interest in this type of instrument and African countries' expanding debt burdens at the time.

By the early 2000s, however, DNS transactions had become unpopular and considerably uncommon due to a combination of regulatory, policy, and political reasons.²² In the United States, where the majority of First-World-based environmental NGOs that facilitate DNS are located, banks were prohibited by the US government from reporting discounted debts using pre-discount face value, thus making DNS transactions less attractive.²³

22. Id.

^{21.} African Development Bank Fund, Annual Meetings 2024: Old Debt Resolution for African Countries-the Cornerstone of Reforming the Global Financial Architecture (May 15, 2024), <u>https://www.afdb.org/en/news-and-events/annual-meetings-2024-old-debt-resolution-african-countries-cornerstone-reforming-global-financial-architecture-70791</u>.



Additionally, African nations began focusing more on comprehensive debt relief under the IMF and World Bank's Heavily Indebted Poor Countries (HIPC) Initiative and the IMF's Multilateral Debt Relief Initiative (MDRI).²⁴ At the same time, DNS was heavily criticized, with critics questioning the effectiveness of DNS mechanisms and highlighting their potential role as a tool of neocolonialism.

The use of DNS has resurged in the last decade, fueled by the urgent need for innovative climate-financing solutions, with the largest DNS transactions in history occurring between 2021 and 2024.²⁵ NGOs and other players have introduced refined DNS models and advanced financing mechanisms. These improvements have enabled them to attract more substantial deals by leveraging private market resources.²⁶ In 2023, Gabon set the record for the largest DNS deal, which exchanged US\$500 million of its external debt for a commitment to enlarge its marine-protected areas (MPAs) to 30% of its outlying ocean.²⁷

Figure 2



Debt-for-Nature Swaps in Africa

Similarly, Germany announced a ≤ 60 million DNS to be implemented in 2024, with Kenya as the beneficiary. The German-Kenyan transaction is set against the backdrop of about US\$2 billion of Kenya's debt maturing in 2024.³⁰ The Kenyan government has proposed a version of DNS that caters to the provision of essential social services.³¹ Portugal has also signed a swap deal with Cape Verde, beginning with ≤ 12 million with the possibility of converting a ≤ 140 million debt owed to Portugal if the pilot scheme succeeds.³²

- 24. IMF, Debt-for-Climate Swaps: Analysis, Design, and Implementation, WP/22/162 (Aug. 2022), https://www.imf.org/en/Publications/WP/Issues/2022/08/11/Debt-for-Climate-Swaps-Analysis-Design-and-Implementation-522184.
- 25. Kate Whiting, Climate Finance: What are Debt-for-Nature Swaps and How Can They Help Countries?, World Econ. F. (Apr. 26, 2024).
- 26. A. Standing, The Financialization of Marine Conservation: The Case of Debt-for-Ocean Swaps, 66 Dev. (Basingstoke) 46–57 (2023). doi: 10.1057/S41301-023-00379-Y/METRICS.
- 27. The Nature Conservancy Announces Debt Conversion for Ocean Conservation in Gabon, First Ever in Mainland Africa, The Nature Conservancy (Aug. 14, 2023).
- 28. African Natural Resources Management and Investment Centre, Debt-for-Nature Swaps-Feasibility and Policy Significance in Africa's Natural Resources Sector, African Development Bank (Oct. 2022).
- 29. Laila Darouich et al., Debt-for-Climate Swaps as a Tool to Tackle Climate and Debt Crises: Opportunities and Challenges, Perspectives Climate Group (Dec. 10, 2023).
- Press Release, Federal Ministry for Economic Cooperation and Development, Debt-for-Climate Swaps (Dec. 8, 2023), <u>https://www.bmz.de/en/issues/climate-change-and-development/climate-financing/debt-for-climate-swaps-195550</u>.
- Adekunle Agbetiloye, Kenya Considers Debt for Nature Swap as \$2 billion Debt Deadline Looms, Bus. Insider Afr., Jan. 16, 2024, <u>https://africa.businessinsider.com/local/markets/kenya-considers-debt-for-nature-swap-as-dollar2-billion-debt-deadline-looms/dexl5jr</u>.
- Government of Portugal, COP 28: Converting Public Debt into Green Investment Benefits "the Whole of Humanity" (Dec. 1, 2023), https://www.portugal.gov.pt/en/gc23/communication/news-item?i=cop-28-converting-public-debt-into-green-investment-benefits-the-whole-ofhumanity.



A swap agreement has also been entered with São Tomé and Príncipe converting €3.5 million of its debt over the next two years.³³ Also, the world's first joint DNS involving multiple African countries with the United States and United Kingdom as backers is currently under negotiation.³⁴

DNS transactions in Africa range from large, multipartite transactions involving countries, NGOs, and financial institutions, such as Gabon's DNS, to more straightforward bilateral arrangements, such as Cape Verde's. Criticisms leveled at first-generation swaps remain relevant today, as these mechanisms remain largely opaque and face transparency issues and their effectiveness in reducing debt and addressing climate remains under discussion.

Table 1 List of implemented debt-for-nature swaps by African countries (1989–2024)

Country	Year	Туре	Actors	Face Value of Treated Debt (USD mn)	Environmental Allocation (USD mn)	Purchase Price (USD mn)
Madagascar	1989	Multi-Party	WWF, USAID	2.1	2.1	1.0
Zambia	1989	Multi-Party	WWF, Anonymous Swiss donor	2.3	2.0	0.5
Madagascar	1990	Multi-Party	WWF	0.9	0.9	0.4
Madagascar	1991	Multi-Party	CI, UNDP	0.1	0.1	0.1
Nigeria	1991	Multi-Party	Nigeria Conservation Foundation	0.1	0.1	0.1
Egypt	1992	Bilateral	France	NA	11.6	N/A
Ghana	1992	Multi-Party	CI, USAID	1	1.0	0.3
Tunisia	1992	Bilateral	Sweden	1.3	1.3	N/A
Egypt	1993	Bilateral	Norway	17.3	0.0	N/A
Egypt	1993	Bilateral	Norway	6.2	0.0	N/A
Madagascar	1993	Multi-Party	CI, USAID	3.2	3.2	1.5
Madagascar	1993	Multi-Party	CI, USAID	3.7	1.9	1.8
Madagascar	1993	Multi-Party	Missouri Botanical Garden	0.7	0.7	0.4
Nigeria	1993	Bilateral	United Kingdom	7.3	0.0	N/A
Nigeria	1993	Bilateral	Norway	10.2	0.0	N/A
Tanzania	1993	Bilateral	United Kingdom	15.4	15.4	N/A
Tanzania	1993	Bilateral	Switzerland	25.6	0.2	N/A
Tunisia	1993	Bilateral	Sweden	0.5	0.5	N/A
Madagascar	1994	Multi-Party	WWF, Deutsche Bank	1.3	1.1	N/A

^{34.} The deal will reportedly raise US\$2 billion and is tied to the protection and restoration of two million hectares of the Indian Ocean. Virginia Furness & Marc Jones, African Countries Eye World's First Joint Debt-for-Nature Swap Reuters (Sept. 26, 2024), https://www.reuters.com/business/environment/african-countries-eye-worlds-first-joint-debt-for-nature-swap-2024-09-26/.

DEBT-FOR-NATURE SWAPS: FIT FOR AFRICA?



Madagascar	1994	Multi-Party	Conservation International	0.2	0.2	0.1
Zambia	1994	Multi-Party	IUCN - World Conservation Union	1	0.2	0.1
Egypt	1995	Bilateral	Switzerland	121	18.0	N/A
Guinea-Bissau	1995	Bilateral	Switzerland	8.4	0.4	N/A
Madagascar	1996	Multi-Party	WWF, DGIS (Netherlands Development Cooperation)	2	1.5	N/A
Ghana	2000	Multi-Party	Conservation International	0.1	0.1	0.1
Egypt	2001	Bilateral	Italy	7.5	7.5	N/A
Madagascar	2003	Bilateral	Germany	25.1	14.8	N/A
Botswana	2006	Bilateral	USA	8.3	10.0	N/A
Cameroon	2006	Bilateral	France	NA	25.0	N/A
Mozambique	2014	Bilateral	Germany	NA	7.5	N/A
Mozambique	2015	Bilateral	France	15.8	1.8	N/A
Seychelles	2015	Multi-Party	TNC; Paris Club	29.6	6.6	28.0
Gabon	2023	Multi-Party	TNC, Bank of America	500.0	163.0	N/A
Cape Verde	2023	Bilateral	Portugal	12.6	12.6	N/A
Kenya*	2024	Bilateral	Germany	65.0	TBD	TBD
Mozambique*	2024	Bilateral	Belgium	25.0	TBD	TBD

Debt-for-nature swaps under negotiation.

Source: Authors' calculations using African Natural Resources Management and Investment Centre's data³⁵; Darouich et al., 2023.³⁶

DNS has generally been deployed in the literature as an umbrella term for diverse forms of nature-related swaps—for example, forest-focused debt-for-nature swaps, debt-for-oceans swaps, debt-for-sustainable-development swaps, debt-for-climate swaps, etc. The resurgent use of DNS in Africa and its recent modifications are largely inspired by climate change's increased urgency and precarity. The impacts of climate change are more manifest than in the 1980s, and climate change has become a dominant public and private policy priority. Debt-for-climate swaps are particularly unique given the causal relationship between climate change and debt. The disproportionate impacts of climate change in developing countries and the global mandate to decarbonize the economy, directly and indirectly contribute adversely to debt crises.³⁷ Developing countries are not only borrowing more to prevent and address climate change impacts; they are also borrowing more to decarbonize their industries even as decarbonization requirements assume both 'hard' and 'soft' international law status. Perversely, climate change impacts make it more difficult for developing countries to access financial facilities and make debt conditionalities steeper.³⁸

38. IMF, Feeling the Heat: Climate Shocks and Credit Ratings, WP/20/286 (Dec. 2020).

^{35.} African Natural Resources Management and Investment Centre, supra note 28.

^{36.} Darouich et al., supra note 29.

^{37.} Bob Buhr et al., Climate Change and the Cost of Capital in Developing Countries: Assessing the Impact of Climate Risks on Sovereign Borrowing Costs, prepared by the Imperial College Business School & SOAS University of London, commissioned by UN Environment (2018); Nona Tamale & Adebayo Majekolagbe, Debt, Climate Finance and Vulnerability: A Brief on Debt and Climate Vulnerable Countries in Africa, Afronomicslaw.org (Nov. 2022).



The immense cost implications of climate change have recentered debt-for-climate swaps as a means of climate finance.³⁹ This is not a novel idea. Agenda 21, a non-binding implementation instrument that was endorsed alongside the first international climate treaty, the 1992 UN Framework Convention on Climate Change (UNFCCC), referenced DNS as a financing instrument.⁴⁰ DNS as a climate finance instrument must be further distinguished from other forms of nature-related swaps. Climate finance is both a legal and normative construct. The commitment of developed states to provide financial support to developing states to address climate change is rooted in binding international treaties, particularly the UNFCCC and the 2015 Paris Agreement.⁴¹ This legal commitment is based on the historical and ongoing contributions of developed states to climate change and the normative imperative that, having contributed more to the problem, developed states must contribute more to the solution.⁴²

Further, unlike other DNS contexts, climate objectives, particularly adaptation, loss, and damage objectives, are existential policy imperatives of developing states. While a country's investment in the conservation of a considerable mass of oceans might be optional, preventing flooding, addressing droughts, or settling climate-displaced persons is not. A visceral 'need' factor compels climate finance and instruments like debt-for-climate swaps, which are absent in other DNS contexts. The concept of additionality—that is, whether a country would have invested in a project without DNS—must therefore be reconsidered in the climate change context. Developing countries are compelled to adapt to climate change and, in some cases, redress climate loss and damage. This should not make a country ineligible for DNS. Climate change's existential and urgent nature and the finance needed to address it also mandate speedy and efficient financing measures. This necessity is again inconsistent with the time-intensive nature of DNS negotiations.⁴³

UNFCC Transitional Comm., Synthesis Rep. on Existing Funding Arrangements and Innovative Sources Relevant to Addressing Loss and Damage Associated with the Adverse Effects of Climate Change, U.N. Doc.TC2/2023/3, at 21 (May 23, 2023).

^{40.} U.N. Conference on Environment and Development, Agenda 21 (UNCED, Rio de Janeiro, 1992), ¶ 33.16 ("New ways of generating new public and private financial resources should be explored, in particular . . . various forms of debt relief . . . including greater use of debt swaps.").

^{41.} United Nations Framework Convention on Climate Change (UNFCCC), art. 4(3)(7) 1992; Paris Agreement, 2015, art. 9(1).

^{42.} UNFCCC, preamble.

^{43.} Peter Young & Dario Panza, Debt for Nature Swaps: A Debt Restructuring Tool with ESG Benefits, Norton Rose Fulbright (May 2023), https://www.nortonrosefulbright.com/en/knowledge/publications/06fb786a/debt-for-nature-swaps-a-debt-restructuring-tool-with-esg-benefits.





DEBT-FOR-NATURE SWAPS IN AFRICA: DRIVERS AND TRENDS





DEBT-FOR-NATURE SWAPS IN AFRICA: DRIVERS AND TRENDS

The post-COVID surge in sovereign debt in developing countries, the uptick in extreme weather events, and the crossing of multiple planetary boundaries (tipping points) set the stage for the revisitation of DNS.⁴⁴ Africa's combined external debt at the end of 2023 stood at almost US\$1.2 trillion, and African countries will pay US\$163 billion to service their debts in 2024, compared to US\$61 billion in 2010.⁴⁵ At the same time, African countries need US\$277 billion for climate adaptation every year.⁴⁶ Thus, at face value, Africa expends about 60% of the funding needed for climate adaptation on debt servicing every year. There might, however, be more to DNS's resurgence. The 2015 Paris Decision's acknowledgment of non-state actors as key participants in the climate governance matrix is an important backdrop to the increased influence of NGOs in the climate space. Given the historical and pivotal relationship of developed countries' NGOs with DNS, it is not surprising that these countries have centered on DNS (as a debt-for-climate swap) in the sovereign debt crisis and climate finance conversation.

Although African nations have experience with DNS dating back to the 1980s, they have kept the conversation separate from the climate finance debate. Their position on climate finance has been premised on the historical responsibility of developed countries and how that should inform predominantly grant-based financing and maximum concessional funding.⁴⁷ However, with the abysmally low level of grant-based and concessional funding, the worsening of climate impacts, and the increasingly shrinking fiscal space, African leaders are turning to alternative sources of climate finance like DNS.⁴⁸ Respondents to the survey from countries that have adopted or are considering adopting DNS identified the need to address climate change and restructure debt as the key factors driving DNS adoption in their countries.

^{44.} Paul Steele & Sejal Patel, Tackling the Triple Crisis: Using Debt Swaps to Address Debt, Climate and Nature Loss Post-COVID-19, at 6–7 (IIED, 2020).

^{45.} African Development Bank Fund, supra note 21.

^{46.} African Development Bank (AfDB), African Development Bank Rapidly Exceeding Climate Finance Targets (Apr. 20, 2024), https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-rapidly-exceeding-climate-finance-targets-70202#:~:text=Africa%20received%20just%20%2430%20billion,leaving%20a%20huge%20financing%20gap.

^{47.} African Group of Negotiators, Statement-Round Table 3-Means of Implementation (Finance) Technical Dialogue 1.3 (June 9, 2023).

^{48. &#}x27;Commit to Debt for Climate Swap Initiatives'-Akufo-Addo to Rich Countries, Ghanaweb (Nov. 8, 2022), <u>https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Commit-to-debt-for-climate-swap-initiatives-Akufo-Addo-tells-rich-countries-1658717</u>.



Respondents from countries without DNS, however, highlighted the availability of more appropriate debt restructuring options (e.g., participation in the G20 Common Framework) and the non-prioritization of climate change as reasons for non-adoption. Reputational interests and commitments under international instruments ranked at the top of the perceived reasons for creditors' participation. While DNS scholarship generally recognizes the relevance of reputational interests in creditors' participation in DNS, there are even fewer altruistic reasons, including the early redemption of discounted loans at above-market rates, particularly when there is default risk. ⁴⁹ Standing refers to this as the "illusion of sacrifice by creditors."⁵⁰ It seems clear that making debt sustainable is, at best, an ancillary objective of DNS.



- 49. See the Gabon example in A. Standing, Gabon's Odious Debt-for-Ocean Swap: The Implications for Ocean Governance, Coal. for Fair Fisheries Arrangements 5–7 (Nov. 15, 2023).
- 50. Standing, The Financialization of Marine Conservation, supra note 26, at 51–52 ("[T]he critical element for debt swaps to occur is the perception of bondholders that it is to their advantage to cash in their bond notes for a lump sum payout, as opposed to holding out for a higher payout later.").



When asked to identify the "main motivation" for DNS, respondents ranked debt restructuring and relief above other options (including conservation and climate change). Respondents, however, did not perceive debt restructuring or relief as a reason that motivates creditors to participate in DNS. The sustainability of sovereign debt in African states is not a motivating factor for creditors. As already noted, creditors' most pressing reasons are largely self-serving. The data also justifies the concern that international NGOs' preference for DNS is considerably fueled by non-altruistic interests.⁵¹ In the case of Gabon, the country borrowed US\$500 million and expended US\$455 million to buy back bond notes with a face value of US\$500 million, with the remaining US\$45 million going in part to The Nature Conservancy and other legal and financial entities.⁵² We will later return to the issue of DNS's tremendous transaction costs.

Box 1

Features of Gabon's 2023 Debt-for-Nature Swap

CONTEXT

In August 2023, Gabon executed Annua's largest debt-for-nature swap, valued at US\$500 million, to protect 30% of its oceans. The government bought back three Eurobonds, maturing in 2025 and 2031, for US\$436 million while issuing a US\$500 million 'blue bond' at a lower interest rate, maturing in 2038. Although aimed at generating US\$163 million for marine conservation, the deal's high fees and commissions may dilute its impact.

LIMITED DEBT REDUCTION

The transaction entailed no debt write-off and no substantial debt service reduction (once factored in the sustainability project payments). The swap only refinanced around 4% of the total debt. Bondholders continue to be paid at above-market rates, and the country still faces the looming risk of a large Eurobond maturity in 2025, which the deal failed to resolve. Compared to other debt-fornature swaps like Belize's, which managed to wipe out only 12% of GDP in debt, Gabon's swap offers even more limited relief against its massive debt burden.

ORIGINS OF GABON'S DEBT

Despite being resource-rich, Gabon's economy has primarily benefited elites and multinational corporations due to rampant corruption, mismanagement, and reliance on Eurobonds, coupled with US\$25 billion in illicit capital flight. In 2024, Fitch Ratings downgraded Gabon's credit rating to CCC+.

ENVIRONMENTAL COMMITMENTS

Contrary to the acclaimed debt-for-nature swaps, the current deal does not actually commit Gabon to protecting 30% of its oceans. The environmental benefits and enforcement mechanisms remain unclear.

SOCIAL JUSTICE AND ILLEGITIMATE DEBT

Critics argue that Gabon's swap serves conservation groups rather than the Gabonese people and reinforces neocolonial dynamics by commodifying natural resources. It also seeks to legitimize an illegitimate debt without addressing the root causes.

KEY PLAYERS

Gabon; The Nature Conservancy (supervising NGO); Gabon Blue Conservation, LLC (specialpurpose vehicle incorporated for the Gabon DNS); PK Harris and the Bank of New York Mellon Corp. (co-stakeholders with The Nature Conservancy in Gabon Blue Conservation, LLC); US International Development Finance Corp. (political risk insurer); Bank of America ('blue bond' issuer); White & Case (legal advisors to The Nature Conservancy and Gabon); and Clifford Chance and Morgan Lewis (legal advisors to Bank of America).

TRANSPARENCY AND OPACITY

Like many debt-for-nature deals, this agreemen is shrouded in secrecy, with key financial and environmental details hidden from the public, limiting accountability.

Sources: African Sovereign Debt Justice Network, Ninety Sixth Sovereign Debt News Update: Gabon's Debt-For-Nature Swap: Some Critical Reflections, Afronomicslaw.org (Sept. 4, 2023); A. Standing, Gabon's Odious Debt-for-ocean Swap: The implications for ocean governance, Coalition for Fair Fisheries Arrangements (Nov. 15, 2023).

51. Id. As of 2022, The Nature Conservancy's revenue was US\$1.9 billion.



The more important point here is one of power and control. A majority of the respondents strongly disagreed or disagreed that their countries have agency or control over DNS operations. This, again, is consistent with the literature. The most common criticism of DNS from its early days to date is its disregard for the sovereignty of developing states.⁵³ But the issue is even more subterranean than sovereignty. What informed The Nature Conservancy's oversight (from its headquarters in Delaware) of the Gabon DNS, its administration of the funds, and allocation therefrom to Gabon's institutions? It is due to the jaundiced perception that The Nature Conservancy possesses the institutional capacity, technical ability, and normative legitimacy that Gabon, and indeed other African countries participating in DNS, lack.

Box 2

Madagascar: Sovereignty Erosion through Debt-for-Nature Swaps

Madagascar, one of the world's richest biodiversity hotspots, was one of the first countries in Africa to engage in debt-for-nature swaps (DNS) in 1989. It stands out for using both commercial and bilateral DNS transactions and directing a portion of its Heavily Indebted Poor Country (HIPC) debt relief towards environmental conservation.

APPROACHES TO DEBT REDUCTION THROUGH DNS:

Madagascar has used various mechanisms to reduce its debt. In most cases, international conservation organizations purchased commercial debt at discounted rates in exchange for repayment in local currency at 100% of face value. Bilateral agreements were used to deal with portions of Madagascar's debt excluded from HIPC relief. Some transactions required the establishment of endowment funds, and for others, the government of Madagascar identified the programs to be funded and the amount of debt eligible for conversion.

LIMITED NATIONAL AUTONOMY IN RESOURCE MANAGEMENT:

Debt-for-nature swaps often require debtor governments to cede control over natural resources and conservation policies to foreign entities or NGOs.

EXTERNAL INFLUENCE IN POLITICAL AND LEGAL SPHERES:

DNS in Madagascar has consistently involved a significant degree of external influence. The creation of the Tany Meva Foundation in 1996, financed by a USAID debt-relief operation, came with strings attached: Madagascar had to implement a new law on foundations, effectively allowing foreign governments to found institutions within Madagascar's borders. Similarly, DNS agreements with Germany required the creation of a foundation with management structures acceptable to the German government. This conditionality effectively places control of national institutions in foreign hands.

BUDGETARY ALLOCATIONS UNDER EXTERNAL PRESSURE:

Despite challenging economic conditions, Madagascar's government consistently allocated budgetary resources for swaps. While this might seem like a commitment to conservation, it also reflects the pressure to meet external obligations, potentially at the expense of other national priorities.

LIMITED ENVIRONMENTAL IMPACT

Despite years of DNS transactions, Madagascar's environmental and development outcomes remain limited. For example, the Tany Meva Foundation has faced criticism for its unfocused biodiversity goals and cumbersome grant management, limiting its long-term impact. In response, the foundation began adopting a programmatic approach with more targeted thematic and geographical priorities.

Recently, this approach has been further praised.

This case underscores the need for careful consideration of the long-term implications of such financial instruments for national autonomy and effective resource management.

Source: M. Moye & J. P. Paddack, Madagascar's experience with swapping debt for the environment: debt-for-nature swaps and Heavily Indebted Poor Country (HIPC) debt relief, Background Paper for the Vth World Parks Congress, Durban, South Africa.

53. A.E.I.S. de Rubio, An Environmental Feminist Analysis of Canada/Costa Rica Debt-For-Nature Investment, a Case Study of Intensifying Commodification (2000) (Ph.D. thesis, Univ. of Toronto), <u>https://tspace.library.utoronto.ca/handle/1807/14060</u>; D.A. Omrow, 'Daughters of Dust': An Eco-Feminist Analysis of Debt-for-Nature Swaps and Underage Marriage in Indonesia, in Gendering Green Criminology 205–26 (Emma Milne et al. eds., 2023).





BASIC DESIGN OF DEBT-FOR-NATURE SWAPS IN AFRICA





05

BASIC DESIGN OF DEBT-FOR-NATURE SWAPS IN AFRICA

DNS either has a complex or relatively simple structure depending on whether it is a bilateral direct swap (e.g., between creditor country and debtor country) or a multiparty swap involving commercial entities. Unlike in the 2000s when Africa's external creditors were mostly bilateral, the majority of African countries' debt holdings are currently with commercial creditors.⁵⁴ Survey respondents, however, identified bilateral creditors and international financial institutions as the creditors involved or likely to be involved in DNS in their countries. We must, however, not be uncritical in accepting the private-public creditor dichotomy. In a separate but related context of climate technology development and transfer, developed countries have leveraged this dichotomy to circumnavigate responsibility, arguing that patents are privately held. In the sovereign debt context, there are multimodal connections among commercial lenders, their host countries, and more generally, developed countries. The Gabon Blue Bond Master Trust was incorporated by The Nature Conservancy and the Bank of New York Mellon Corp. (BNY). They issued a blue bond arranged by the Bank of America with a credit guarantee made by the US government. ⁵⁵ Essentially, therefore, if Gabon defaults and the credit guarantee kicks in, the US government becomes the creditor. The point is that the private-public lender dichotomy is more tenuous than advertised.

Table 3 Basic Design of DNS in Africa

QUESTIONS:

Debt reduction mode applied in DNS in your country (multiple-choice).

TOP RESPONSES: Cancellation of debt; restructuring (rescheduling); purchasing debt at a discounted rate.

OUESTIC

Q15

Likelihood of DNS, as designed, to reduce country's debt (Linkert scale).

TOP RESPONSES: Unlikely or extremely unlikely (71%).

OUESTION

Q16

Environmental actions taken or likely to be taken as part of DNS in your country (multiple-choice).

Q17

TOP RESPONSES:

Separate fund for environmental projects; direct funding of environmental projects.

54. African Development Bank (AfDB), supra note 46.

55. Standing, Gabon's Odious Debt-for-Ocean Swap, supra note 49, at 6.



Q18 OUESTIONS: Likelihood of DNS, as designed, to address climate change issues in your country (Linkert scale). TOP RESPONSES: Unlikely or extremely unlikely (57%); extremely likely (43%).	Q19 OUESTIONS: Type of creditors involved or likely to be involved in DNS in your country (multiple- choice). TOP RESPONSES: Bilateral creditors; international financial institutions.	Q20 QUESTIONS: Involvement of local communities in DNS in your country (Linkert scale). TOP RESPONSES: Never or rarely involved (67%).
Q21 QUESTIONS: Extent of transparency of DNS in your country (Linkert scale). TOP RESPONSES: Very opaque or minimally transparent (84%).	Q22 QUESTIONS: Fitness of DNS, as designed, for your country's purposes (open-ended). TOP RESPONSES: Generally fit for 'environmental' purposes.	

Figure 3 Types of creditors involved in debt for nature swaps



Other: "Zambia has not explored this option as such all its creditors are participating under the G20 common framework."



Multipartite commercial DNS (involving diverse parties and complex interests) are in most cases essentially debt-for-debt swaps. International NGOs raise funds from new lenders, as in Gabon's case, through sustainability-linked bonds. The funds are loaned to debtor countries at below-market rates with the debtor countries required to buy back commercial debts at a discount and allocate a portion of the difference between the retired debt and new debt-for-conservation purposes. The willingness of creditors to sell debts at a discount and the 'right' kind of debt (sustainable debts are generally considered inefficient, and there is no incentive for debtors to swap debts approaching maturity) is, therefore, a vital precondition for DNS. In Gabon's case, only a minority of the creditors took the deal. Debtor countries must also have the capacity to service the new debt, with payments used in part for conservation purposes (about US\$4 million per year for fifteen years in Gabon's case). With the recent downgrading of Gabon's credit rating and assessed rising risks to its debt repayment capacity,⁵⁶ there is a real possibility that Gabon's DNS will contribute to the country's sovereign debt unsustainability.





Respondents were clear-eyed about the debt reduction prospects of DNS in their countries, with 71% stating that it was unlikely or extremely unlikely for DNS to meaningfully reduce their nations' sovereign debt holdings. This aligns with the dominant viewpoint in DNS scholarship.⁵⁷ About 43%, however, saw the potential for DNS to assist in addressing climate change in their countries and believe that, as currently designed, DNS is fit for purpose for environmental reasons. Respondents highlighted direct funding and the creation of dedicated funds for environmental projects as key DNS environmental interventions. This reinforces our position that debt and nature are unequal considerations in DNS transactions, with the latter often the more preeminent objective.

The seeming veneration of nature in DNS, however, does not translate into DNS improving ecological well-being outcomes. Gabon, for example, had already committed to extending its marine-protected area to 30% by 2030, before the DNS transaction, and requirements like the national plan of action to combat illegal, unreported, and unregulated (IUU) fishing do not guarantee concrete outcomes. Standing, for example, argues that such requirements reveal The Nature Conservancy's disconnect from the reality of distant-water fishing in Gabon and Africa.⁵⁸ With DNS, nature is commodified as an asset class through the legal and financial technologies employed in new DNS models specific to the private finance sector, which were previously unconventional in sovereign fiscal spaces.⁵⁹ This shift adds to the already troubling trend towards the financialization of nature and public resources. Market-based conservation approaches (carbon credits, adoption of technologies, etc.) are adopted as tools of choice even if their outcomes don't align with ecological well-being.

57. De Rubio, supra note 53; Standing, Gabon's Odious Debt-for-Ocean Swap, supra note 49.

58. Standing, Gabon's Odious Debt-for-Ocean Swap, supra note 49, at 11–12 ("[S]mall scale fishing organizations in Africa stress other critical policy reforms regarding industrial fishing, including rejecting opaque foreign fishing agreements, protecting the coastal zone against destructive industrial fishing, and committing to high levels of government transparency and accountability.").

59. Maria Schweinberger, Debt for Nature Swaps - Birth of a New Asset Class? 11 (Dec. 15, 2023), https://ssrn.com/abstract=4843793.





DEBT-FOR-NATURE SWAPS IN AFRICA: PROBLEMS AND POTENTIALS





(0)6

DEBT-FOR-NATURE SWAPS IN AFRICA: PROBLEMS AND POTENTIALS

The efficacy of DNS remains a subject of ongoing debate in development finance and environmental conservation. While these instruments have garnered renewed attention as potential solutions for addressing both debt distress and environmental challenges, their practical implementation reveals a complex interplay of benefits and limitations. This section examines the empirical evidence from survey respondents and existing literature to evaluate DNS performance across multiple dimensions: fiscal space creation, environmental impact, and implementation challenges. The analysis particularly focuses on transaction costs and structural limitations that may constrain DNS's effectiveness as a tool for achieving meaningful debt relief and environmental conservation outcomes.





The creation of fiscal space for indebted countries to invest in nature-aligned projects and the reduction of debt-servicing costs (even if marginal) are some of the most defensible arguments for DNS. The majority of the respondents highlighted DNS as successful or very successful in the provision of such fiscal space. This response aligns with findings in other studies that swap-connected debt reduction may be higher than non-swap-connected debt reduction initiatives, such as the Heavily Indebted Poor Countries (HIPC) Initiative, given the connection of the swaps to 'productive' investments.⁶⁰ In the literature, DNS is also promoted as "preferable to comprehensive debt restructuring if the latter involves reputational costs or economic dislocations that debt swaps can avoid."⁶¹ Nevertheless, the IMF⁶² and G77 states⁶³ recognize that debt swaps are less efficient than broader debt restructuring mechanisms. Furthermore, DNS implementation reveals significant limitations in terms of scale and cost-effectiveness. The debt stock reductions achieved through DNS in African countries have been notably modest, accounting for less than 1% of their external debt.

DNS transactions often entail disproportionate costs compared to traditional debt restructuring mechanisms, with substantial transaction costs further diminishing the advertised debt reduction impact. A case in point is Belize's debt-for-ocean swap, where an additional US\$60 million was added to the initial "Blue Bond" loan for payments to private financial organizations, legal fees, and marine trust fund contributions—exceeding the value of the discounted debt purchased by The Nature Conservancy.⁶⁴ The complexity of these transactions and hidden fees further diminish their advertised benefits, particularly in debt swaps involving bilateral aid. Worryingly, debt swaps are being accounted for in donors' annual aid commitments without subtracting repayments, thereby artificially inflating reported aid figures. The Seychelles case exemplifies this underhanded accounting. While the 2015 ocean swap was advertised as providing US\$21 million in debt relief, the actual relief amounted to merely US\$1.5 million.⁶⁵

The respondents emphasized the lack of accountability mechanisms, the minimal environmental impact, and the protracted design and implementation timelines as major limitations of DNS, which contribute to its exorbitant transaction costs. When asked to list the transactional costs involved, respondents spotlighted "high interest rates." Transaction costs transcend interest rates or servicing costs. DNS researchers from the 1980s to date have noted how DNS distracts from more equitable and effective debt relief and the development of finance measures.⁶⁶ Other social and human costs are implicated in DNS, including the removal of communities from their lands and the imposition of conservation models that are misaligned with local needs, rights, and traditional ecological knowledge.⁶⁷

- 60. Steele & Patel, supra note 44, at 20.
- 61. IMF, Debt-for-Climate Swaps: Analysis, Design, and Implementation, WP/22/162 (Aug. 2022), p. 5.
- 62. Macos Chamon et al., Debt-for-Nature Swaps: Analysis, Design, and Implementation (IMF, 2022).
- 63. 'External Debt Sustainability and Development (G77 and China Draft Resolution),' 77.
- 64. A. Standing, Debt-for-Nature Swaps and the Oceans: The Belize Blue Bond, Coal. for Fair Fisheries Arrangements 17 (Mar. 15, 2022).
- 65. Id. at 16.

^{66.} As Standing points out, instead of "advancing ideas on dismantling the systemic causes of debt," Lovejoy "suggested purchasing debt so as to trade nature as a form of equity." See Standing, The Financialization of Marine Conservation, supra note 26, at 56. See also Climate Action Network Position on Debt Swaps, Climate Action Network Int'l (May 2023), <u>https://climatenetwork.org/wpcontent/uploads/2023/06/CAN-position-on-Debt-Swaps May-2023.pdf</u>.



The respondents' view of DNS as fit for environmental purposes in their countries (Q22) seems to contradict the position of a narrow majority that DNS is unsuccessful or unlikely to succeed in addressing climate vulnerabilities (Q24). What that reveals is DNS, at best, successfully forces the transfer of funding to environmental projects that would not have occurred otherwise. However, given the marginal amounts involved compared to the immense costs of climate adaptation, DNS's contribution to climate resilience at both national and global levels remains minimal. DNS conservation initiatives, however, often fail to align broader ecological needs with local contexts.

This misalignment manifests in human and social costs, particularly affecting Indigenous communities whose customary rights and traditional ecological knowledge are frequently overlooked.⁶⁸ Historical examples from the 1980s and 90s demonstrate how the management of protected areas was controversially transferred to foreign NGOs, disregarding local communities' rights and practices.⁶⁹

Box 3

Transaction Costs in Debt-for-Nature Swaps

Debt-for-nature swaps (DNS) involve a range of costs beyond the financial aspect, impacting ecological, social, and sovereign spheres.

FINANCIAL COSTS:

than traditional debt restructurings. For example, Belize's debt-for-ocean swap cost US\$301 million, ranking it among the most expensive debt restructuring deals ever. The complexity of these transactions, involving multiple stakeholders and legal instruments, drives up both time and expertise requirements, limiting the scalability and replicability of such deals. In Gabon's recent US\$500 million debt-for-nature swap, significant fees and commissions reduced the financial benefits of the deal. While the swap aimed to raise US\$163 million for marine conservation, the actual debt reduction was much lower, only about US\$600 million.

ECOLOGICAL AND SOCIAL COSTS:

DNS transactions may commodify nature, focusing on market-based conservation that doesn't always align with broader ecological needs. This approach can overlook comprehensive environmental goals, leading to ecological costs. Human and social costs also arise, as DNS deals can disrupt Indigenous communities and impose conservation models that don't reflect local practices or knowledge. SOVEREIGNTY AND OPPORTUNITY COSTS:

Governments often cede control over natural resources to foreign entities or NGOs in DNS agreements, eroding national sovereignty. Opportunity costs are significant, as funds tied to conservation cannot be used for other urgent national priorities like health or education.

Sources: S. Grund & S. Fontana, Debt-for-Nature Swaps: The Belize 2021 Deal and the Future of Green Sovereign Finance, SSRN Electronic Journal (2023). doi: 10.2139/SSRN.4437615 (forthcoming); A.E.I.S. de Rubio, An Environmental Feminist Analysis of Canada/Costa Rica Debt-for-Nature Investment, a Case Study of Intensifying Commodification (2000) (Ph.D. thesis, Univ of Toronto), <u>https://tspace.library.utoronto.ca/handle/1807/14060</u>; and A. Standing, Gabon's Odious Debt-for-Ocean Swap: The Implications for Ocean Governance, COAL. FOR FAIR FISHERIES ARRANGEMENTS 5–7 (Nov. 15, 2023).

68. Id.

^{69.} Priya Aligri, Give Us Sovereignty or Give Us Debt: Debtor Countries' Perspective on Debt-for-Nature Swaps," 41 Am. Univ. L. Rev. 485–516 (1992), <u>https://core.ac.uk/download/pdf/235408573.pdf</u>.



Overwhelmingly, survey respondents noted that DNS transactions in their countries are very opaque or minimally transparent. This response aligns with the respondents' position that local communities are never or rarely involved in DNS transactions. DNS contracts are notoriously shrouded in secrecy. While there is more public information on the Gabon DNS than similar transactions, important details on the blue bond, conservation contract, and penalty for missed targets are publicly inaccessible. Although DNS has direct implications for people and communities (e.g., establishment of conservation areas and MPAs), there is no requirement for public participation and engagement in most DNS transactions.

Gabon's DNS exemplifies the dominating involvement of private non-profit organizations in DNS operations. These organizations illegitimately wield unchecked power in their assumption of lead roles in developing, implementing, and monitoring DNS, including the power to trigger cross-default clauses.⁷⁰ The organizations also determine which environmental projects receive funding, prioritize ecosystems they deem valuable enough to be protected, enforce conservation agreements, and distribute funds to local environmental NGOs.

This arrangement raises concerns about transparency and democratic oversight since citizens have limited participation in decisions about public funds. While confidential negotiations during the debt buy-back phase may be necessary to prevent distressed debt revaluation, the lack of transparency persists even after operations are completed. Given that these swaps involve sovereign debt and public resources, comprehensive information sharing and accountability measures should be mandatory requirements.⁷¹



- 70. Schweinberger, supra note 59.
- 71. Fresnillo, supra note 2.





CONCLUSION: DESIGN PRINCIPLES FOR A FIT-FOR-AFRICA DEBT-FOR-NATURE SWAP





$\bigcirc 7$

CONCLUSION: DESIGN PRINCIPLES FOR A FIT-FOR-AFRICA DEBT-FOR-NATURE SWAP

From the viewpoints of survey respondents, DNS is neither a desirable sovereign debt restructuring instrument nor a preferred source of finance for climate change and other naturealigned objectives. Nevertheless, respondents seem to recognize DNS's limited relevance, particularly for environmental purposes. Similarly, DNS is generally promoted as a supplementary debt restructuring and environmental finance tool in the literature. While it may likely retain its niche status and not be widespread in its adoption, DNS in the climate context will remain a feature in the climate finance toolkit. Respondents were therefore invited to propose important design principles for a fit-for-Africa DNS. A cut-crossing recommendation is the need to enshrine DNS transactions in legislation. Although legislation is not a silver bullet for curing DNS flaws and does not guarantee desired outcomes, it could, in very concrete ways, address issues of sovereignty, participation, accountability, and enforcement.

Table 5

Design Principles for a Fit-for-Africa DNS

QUESTIONS:

Ideal governance structures and institutional frameworks for effective and sustainable DNS in your country (open-ended).

TOP RESPONSES:

Legislation on the framework, monitoring, enforcement, and roles of involved parties; creation of an independent office to handle DNS; Ministry of Environment leadership; alignment with government strategies and stakeholder needs.

OUESTIC

Q23

Measures and safeguards to ensure transparency and accountability in the DNS process (multiple-choice).

TOP RESPONSES:

Legislated safeguards and oversight; establishment of a thorough monitoring, reporting, and verification system to track DNS implementation and impact; advocacy initiatives.

QUESTIONS

Q24

Roles for local communities and civil societies in the design and implementation of DNS (open-ended).

Q25

TOP RESPONSES:

Provide input on priority projects and sectors; supervise conservation trust funds; participate in project implementation.



Debtor Country

Provides the

funds in Local

currency

Channels funds through national budget.

Controls expenditure



Others have proposed similar recommendations to those of the survey respondents. For example, proposals have been made such as routing funds for swaps through legislated national budgets and writing off foreign currency debts by 50% while about 25% is directed to general budget support.⁷² Also, to be fit for purpose, DNS must align with country ownership (administratively, operationally, normatively, etc.), create fiscal space by combining debt relief with swapping, and scale up debt swaps while reducing transaction costs.⁷³



Sets the principle for use of forgiven debt to go towards low-carbon, climate-resilient development. The interpretation, implementation, delivery, etc decided by debtor country

> Funds used by whole-of-government on spending for low-carbon, climateresilient development, as decided through whole-of society processes incountry



While acknowledging that Africa is not monolithic and the experiences and engagement of DNS differ across the continent, there are identifiable trends that emerge from the contributions of study participants and Africa-centric DNS studies on the minimum features of a fit-for-Africa DNS.

DNS must respect the sovereignty of African countries both in design and implementation.
DNS must meaningfully and demonstrably contribute to debt sustainability in African countries.
The design and implementation of DNS must guarantee the protection of human rights.
Communities closest to and most affected by protected areas under DNS must actively participate in the design and implementation of the project and benefit therefrom.

In estimating the importance of ecosystems and protected areas, the cultural and religious significance attributed to the communities closest to and/or impacted by the DNS scheme must be recognized and considered.

Whether DNS, in its current iteration, is a reproduction of eco-imperialism can be easily answered in the positive. It quintessentially exemplifies the commodification of nature, overtly operationalizes hierarchical positionality and the dynamic of difference, and superficially cloaks its service to capital as an instrument for 'saving' nature. The exigent question, however, is the following: What do African countries do about it-reject, embrace, or engage DNS with an interstitial reform agenda?⁷⁴ Respondents in this report seem to subscribe to the third option. There are interstices within DNS, within which transformation can begin. For example, while the paternalistic involvement of international NGOs is one of DNS's major flaws, it also provides an opportunity. NGOs are, in theory, more engageable and pliable than state and business entities. African NGOs must therefore rise above their relegated positions as policy receivers, fund collectors, and local conduits of international NGOs to become more equal partners by centering the voices and interests of communities and peoples. This is a possibility that exists with DNS, unlike other debt restructuring and environmental finance platforms. Local NGOs must also find their voices, regardless of the possible financial benefits from DNS, to advocate against swaps that do not improve the country's debt sustainability, clearly advance environmental and climate objectives, and meaningfully contribute to human well-being. These objectives must be considered as conjunctive goals, and trade-offs must be rejected.

^{74. &}quot;The adjective 'interstitial' is used in social theory to describe various kinds of processes that occur in the spaces and cracks within some dominant social structure of power. One can speak of the interstices of an organization, the interstices of a society, or even the interstices of global capitalism. The underlying assumption is that the social unit in question can be understood as a system within which there is some kind of dominant power structure or dominant logic which organizes the system, but that the system is not so coherent and integrated that those dominant power relations govern all of the activities that occur within it." Erik Olin Wright, Envisioning Real Utopias 229 (2010).



Box 4

Recommendations for a Fit-for-Africa Debt-for-Nature Swap

LEGISLATE DNS TRANSACTIONS

Enshrine DNS agreements in national legislation to enhance sovereignty, accountability, and enforcement. This framework should define the roles of involved parties, ensure legal backing, and facilitate the monitoring of DNS implementation.

CREATE AN INDEPENDENT OVERSIGHT OFFICE

Establish a national independent body dedicated to managing DNS transactions. This office should be responsible for tracking funds, monitoring progress, and ensuring alignment with national environmental and debt strategies.

ALIGN WITH NATIONAL ENVIRONMENTAL STRATEGIES

Integrate DNS with national climate and environmental goals. Ensure that the transactions are not isolated financial tools but part of a broader strategy addressing debt sustainability and climate resilience.

ENSURE TRANSPARENCY AND ACCOUNTABILITY

Legislated safeguards should be put in place to guarantee transparency throughout the DNS process. A monitoring, reporting, and verification system must track the implementation and environmental impacts of DNS projects, ensuring that funds are used appropriately.

STRENGTHEN STAKEHOLDER PARTICIPATION

Local communities, civil society organizations, and conservation groups should be involved in identifying priority projects, overseeing funds, and participating in project implementation. This increases legitimacy and ensures the DNS addresses real needs.

DESIGN FOR COUNTRY-SPECIFIC CONTEXTS

Consider the unique political, economic, and environmental conditions of each country, such as governance structures, vulnerability to climate events, and regulatory mechanisms. Tailor DNS solutions to fit the country's debt structure and creditor complexities.

COMMIT TO AMBITIOUS ENVIRONMENTAL TARGETS USING A PROGRAMMATIC APPROACH

Ensure DNS agreements are tied to specific, ambitious conservation and climate projects and goals. These targets should be quantifiable and monitored to demonstrate progress and benefits over time.

ADVOCACY AND PUBLIC AWARENESS

Promote advocacy initiatives to educate both the public and key stakeholders about the importance of DNS, fostering greater understanding, support, and accountability.

FOCUS ON DEBT RELIEF

DNS should not only focus on environmental outcomes but also provide meaningful debt relief, creating fiscal space for the country to invest in other development priorities.

REDUCE TRANSACTION COSTS

Simplify the DNS process to minimize transaction costs and make the tool more accessible for countries with smaller capacities. Scaling up DNS transactions requires streamlined processes to make the swaps financially viable.



APPENDIX







OUESTIONNAIRE DEBT FOR NATURE SWAPS: FIT FOR AFRICA? (Ethics ID: Pro00142372)

GENERAL AND ETHICAL INFORMATION

This survey is part of a research report aimed at understanding the perspectives of civil society organizations (CSOs) and experts on debt for nature swaps in the African context. Your participation is voluntary, you are not required to respond to questions you do not want to, and you can choose to withdraw from the survey at any point without any consequences. Responses to this questionnaire are being collected through Qualtrics, a secure online survey platform.

Purpose of the Survey: The purpose of this survey is to gather insights from individuals and organizations with knowledge and experience related to debt for nature swaps in Africa. The information collected will contribute to a research paper that aims to analyse the current practices, challenges, and potential opportunities for designing more effective and sustainable debt for nature swap mechanisms tailored to the African context.

Time Commitment: The survey is expected to take approximately 30-45 minutes to complete.

Risks and Benefits: There are no direct risks or benefits associated with participating in this survey. However, your responses will contribute to advancing the understanding of debt for nature swaps and informing potential policy recommendations for their improved implementation in African countries.

Confidentiality: Your responses will be kept strictly confidential, and any personal or organizational information collected will be used solely for the purposes of this research report. The data will be stored securely, and no identifiable information will be disclosed in the research report or any related publications.

Consent: By proceeding with the survey, you acknowledge that you have read and understood the information provided above and consent to participate in this research report. You can withdraw your consent and discontinue your participation at any time before the publication of the report without providing a reason.

If you have any further questions or concerns about the ethical aspects of this research, please feel free to contact the research team at <u>auroresokpohconsulting@gmail.com</u>. To contact the University of Alberta Research Ethics Board, please email: <u>reoffice@ualberta.ca</u>.

Principal Investigator: Adebayo Majekolagbe, PhD, Faculty of Law, University of Alberta, Canada. **Research Associate:** Aurore Sokpoh.



Definition: A debt-for-nature swap involves the cancellation of some amount of sovereign debt in exchange for environmental action on the part of the debtor country. This debt can be written off directly by the creditor, as would be the case with official bilateral swaps, or it can be purchased at a discount by a donor organization, often a large environmental NGO, with a similar debt write-off occurring thereafter.

The "Debt and Debt Management and Financial Analysis System" Glossary, United Nations Conference on Trade and Development (UNCTAD)





PARTICIPANTS

On the organisation

Which of the following best describes the type of organization you are affiliated with?

- Non-governmental organization (NGO)
- Independent research institute or think tank
- Government-affiliated research institute or think tank
- University-based research department or center
- Independent consultant or freelance researcher
- Private consulting firm or company
- Network or association
- Other (please specify): ______

What is the primary focus area or mission of your organization? Please select the option that best describes it:

- Debt/finance issues
- Climate change and environmental sustainability
- Gender equality and women's rights
- Taxation and fiscal policy
- Social justice and human rights
- Environmental protection and conservation
- Legal advocacy and reforms
- Other (please specify): ______

Where is the headquarters or main office of your organization located?

- In an African country (please specify the country): ____
- Outside of the African continent (please specify the country): ______

On Participant's experience with debt for nature swaps

How would you describe your level of familiarity with the concept of "debt for nature swaps" (D4N)?

- I have direct experience working on D4N projects, either through research, structuring, or implementation.
- I am familiar with the concept of D4N, but I have not worked on any D4N-related projects.
- I am not familiar with the concept of D4N at all.

If you answered "Yes" to the previous question, in what capacity did you work on the debt for nature swap project(s)?

- Designing, consulting on, or implementing a debt-for-nature swap
- Conducting research or analysis for an international financial institution, government entity, or independent organization
- Advocacy for or against debt for nature swap (please specify): _____
- Other (please specify): ____



If you selected "I am familiar with the concept of D4N" or "I am not familiar with the concept of D4N" in the previous question, have you worked on any projects related to the intersection of debt and climate change?

- Yes (please provide a brief description of the most relevant project):
- No

Debt for Nature Swap in Africa: Trends and Drivers

From your perspective, what are the main motivations or reasons for African governments to consider or pursue debt for nature swaps? Please rank the top three reasons from 1 (most important) to 3.

- Addressing climate change (mitigation, loss and damage, adaptation)
- Protecting biodiversity and natural resources
- Using it as an instrument for sovereign debt restructuring or relief
- Opportunity for debt buyback or reduction

In your experience, to what extent do you agree that African governments have agency and control in relying on debt for nature swaps as a strategy for debt reduction?

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

In your opinion, what are the primary reasons or incentives for creditors to engage in debt for nature swaps with African governments? Please rank the top three reasons from 1 (most important) to 3

- Facilitating debt restructuring or relief for the debtor country
- Fulfilling their commitments under the Paris Agreement or other climate/environmental accords
- Pursuing opportunities for debt buyback or reduction schemes
- Enhancing their reputation and image by supporting biodiversity conservation efforts

In your experience, what have been the major challenges or barriers faced by African governments in adopting or implementing debt for nature swaps? Please state and explain.

Are debt for nature swaps currently being considered or explored by your government?

- Yes
- No

If you answered "No" to the previous question, what factors do you think are driving or could potentially drive their reluctance for debt for nature swaps in your country?

- Lack of knowledge or awareness about the concept
- Climate change is not a priority for the government
- Availability of other, more appropriate options for debt restructuring
- Other factors (please state):



If you answered "Yes" to question 4, what factors are driving the increasing adoption or acceptance of debt for nature swaps in your country?

- Desire to diversify the government's debt restructuring strategy
- The imperative to address the impacts of climate change
- The perceived success of initiatives like the Belize Blue Bond swap for ocean conservation
- Other factors (please state):

Basic Design of Debt for Nature Swap in Africa

Based on your experience, what forms of debt reduction have been employed or likely to be employed in debt for nature swaps in your country?:

- Cancellation of the initial debt
- Purchasing the initial debt at a discounted rate
- Restructuring the initial debt (rescheduling, etc.)
- Buyback of the initial debt
- Other (please specify)

In your experience, to what extent do debt for nature swaps, as currently designed, serve or likely to serve the purpose of debt reduction in Africa?

- Absolutely adequate
- Adequate
- Slightly adequate
- Inadequate
- Absolutely inadequate

From your experience, what types of environmental actions have been taken as part of debt for nature swaps in the African context or in your country?

- Establishment of a separate fund for environmental projects
- Direct funding of environmental projects
- Climate mitigation
- Climate adaptation and loss and damage
- Other (please specify):_____

In your experience, to what extent do debt for nature swaps, as currently designed, serve or likely to serve the purpose of addressing climate change issues in Africa?

- Absolutely adequate
- Adequate
- Slightly adequate
- Inadequate
- Absolutely inadequate

In your experience, to what extent do debt for nature swaps, as currently designed, serve or likely to serve the purpose of protecting biodiversity in Africa?

- Absolutely adequate
- Adequate
- Slightly adequate
- Inadequate
- Absolutely inadequate



In the African context, which types of creditors have been involved in debt for nature swaps? Please rank the following options:

- Bilateral creditors
- Multi-party creditors
- International Financial Institutions
- Commercial creditors
- Other (please specify):_____

To what extent are local communities involved or likely to be involved in the debt for nature swap process?

- Always involved
- Often involved
- Sometimes involved
- Rarely involved
- Never involved

To what extent are the processes involved in debt for nature swaps transparent?

- Very likely
- Likely
- Unlikely
- Very unlikely

Overall, to what extent do you believe debt for nature swaps, as currently designed, are fit for purpose in the African context? Please explain.

Debt for Nature Swap in Africa: Problems and Potentials

How would you rate the success or likelihood of success of debt for nature swaps in providing fiscal space in your country? Please specify and explain.

- Very successful
- Successful
- Unsuccessful
- Very unsuccessful

How would you rate the success or likelihood of success of debt for nature swaps in addressing climate vulnerabilities in your country? Please specify and explain.

- Very successful
- Successful
- Unsuccessful
- Very unsuccessful

From your experience, what have been the major shortcomings or limitations in the way debt for nature swaps have been structured and implemented by African governments? Please select up to three of the most significant shortcomings:

- High transaction costs associated with these deals
- No ecological or environmental impacts
- Insufficient scale or size to significantly impact debt sustainability
- Lack of transparency regarding the processes and associated costs
- Prolonged or lengthy implementation timelines
- Lack of accountability mechanisms for the involved parties
- Excessive influence or intervention from Western institutions or countries
- Other, please specify:



In your experience, what have been the main benefits of the construction and implementation of D4N by African governments?

What are the environmental, transactional, and other costs involved in entering into debt for nature swap deals?

What transparency issues have been raised regarding these deals?

An analysis of the political economy of African debt highlights the perpetuation of colonial mechanisms through debt instruments. In your experience, to what extent have debt for nature swaps been considered or were close to being considered as predatory lending practices?

Africa-centric Design Principles for Debt for Nature Swap

Here, we aim to consult you to develop the basis of an Africa-centric design for debt for nature swaps at the institutional level and in terms of governance to avoid predatory lending and establish a human rights framework that addresses debt sustainability, if possible, and protects biodiversity.

In your opinion, what governance structures or institutional frameworks would be ideal for ensuring effective and sustainable implementation of debt for nature swaps in the African context?

In your opinion, what measures or safeguards should be in place to ensure transparency and accountability in the debt for nature swap process in African countries? Please provide your perspectives on the roles of:

- Institutional partners
- Private sector involvement
- Creditors
- African governments

What role do you envision for local communities and civil society organizations in the design and implementation of debt for nature swaps in African countries?

If you have observed or are aware of any successful governance structures or institutional frameworks for effective and sustainable implementation of debt for nature swaps, particularly in the African context, please provide a brief example and explain what made that framework successful.

In your experience, what could be the main principles for an Africa-centric design for debtfor-nature swaps? Please rank a maximum of three and explain your choices.