



# SEYCHELLES INVESTING FOR RESILIENCY

## CLIMATE | OCEAN | ECONOMY

### Debt Swap Is First for Climate Adaptation and Impact Investments

The low-lying geography of Seychelles, a nation of 115 islands in the Western Indian Ocean, makes its people and economy particularly vulnerable to the impacts of climate change. Increased storm frequency, rising sea levels and coral bleaching from warm ocean temperatures threatens vital pillars of Seychelles' economy: tourism and tuna fisheries.

Seychelles has committed to the creation of 400,000 square kilometers of new marine protected areas (MPAs) – the second largest such network in the Indian Ocean – to improve resiliency of coastal ecosystems.

To create a sustainable source of funding for managing this network of MPAs, the Government of Seychelles has reached a landmark agreement with its Paris Club creditors and the Government of South Africa that results in a \$27.3M (USD) debt swap. The deal, which was designed by The Nature Conservancy, enables Seychelles to redirect a portion of their current debt payments to fund nature-based solutions to climate change.

This is the first debt swap designed explicitly for climate adaptation and first to include impact investments. It is the first time that the Paris Club has supported a debt swap, thanks in great part to the leadership of the French government, and a first for the Government of South Africa, making for yet another first: a South-South debt swap.

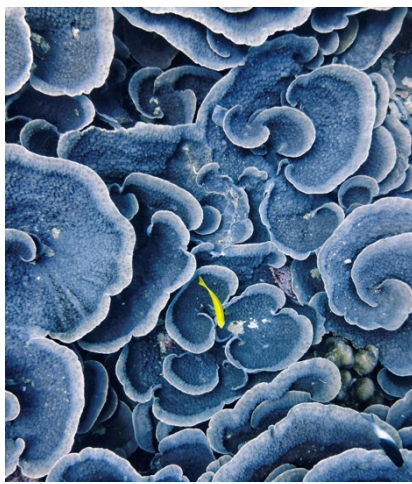
The combination of public and private funds – each leveraging the other – creates a new model for co-investment debt swaps in other areas of the world, notably other Small Island Developing States.

#### COLLABORATORS

Government of Belgium  
Government of France  
Government of Italy  
Government of the Republic of South Africa  
Government of the United Kingdom of Great Britain and Northern Ireland  
United Nations Development Program  
Global Environment Facility  
Global Island Partnership

#### FUNDERS

China Global Conservation Fund  
The Jeremy and Hannelore Grantham Environmental Trust  
Leonardo DiCaprio Foundation  
Lyda Hill and the Lyda Hill Foundation  
Oak Foundation  
Oceans 5  
Turnbull Burnstein Family Charitable Fund  
Waite Foundation



## DESIGN OF THE DEBT SWAP

This debt-for-climate-adaptation swap converts a portion of the Seychelles' debt to other countries into more manageable debt held by a local entity. To accomplish this refinancing, The Nature Conservancy has provided \$23 million in an impact capital loan and \$5 million in grants to buy-back \$29.6 million of Seychelles debt at a 5.4 percent discount.

The Government of Seychelles can now redirect this portion of their debt service to an independent, nationally based, public-private trust fund called the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT).

Debt service payments will fund three distinct streams: one to repay impact investors, one to capitalize SeyCCAT's endowment, and one to fund work on the ground that advances marine and coastal conservation, including strategies for ecosystem-based climate adaptation and disaster risk reduction.

The estimated amount to be invested in these conservation activities and the endowment through the debt swap is \$13 million, with nearly 70 percent of this payable in local currency rather than hard currency, averting the extra cost of conversion.

In addition, the period for debt payment will be extended from eight years to 20 years, reducing the government's annual debt service by over \$2 million annually, freeing up funds for other needs of the citizens of Seychelles.

The Conservancy will seek to transfer the impact investment loan into the holding of another investor and put recouped dollars into new projects, a proven approach that enables the Conservancy to mobilize large sums quickly and extend conservation benefit globally.

"Through this debt exchange, we shall be better able to protect our oceans, create opportunities for artisanal fishing, reduce our foreign exchange payments, and keep more money within our economy. Although we are small, we can make a real difference. A difference that brings the best outcomes for Seychelles. And a difference that offers examples in terms of sustainable development, in terms of innovation, and in terms of options for all small island states."

– President James Michel of Seychelles

### FOR MORE INFORMATION

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