

Debt for Nature Swap

Investing in Nature for Sustainable Development

Many developing countries face an increasing debt burden. Budgets are being squeezed and finding money to fund conservation is increasingly difficult. Governments are unable to meet commitments to protect their lands and waters.

The destruction of natural systems such as forests, rivers and coral reefs will make it harder than ever for these countries to meet social and economic development targets. Some of the world's richest habitats may be lost forever.

Debt-for-nature-swaps represent an innovative funding strategy that provides a long term solution to the problem. Through these agreements, governments are able to write off a proportion of their foreign held debt and instead direct payments into funds to support domestic conservation initiatives. Since 1987, debt-for-nature-swaps have generated over US\$1 billion for conservation in developing countries.¹

Rather than sending more dollars to service foreign debt, debt-for-nature-swaps enable governments to invest local currency in preserving their natural resources to benefit the long term growth of their country. Debt-for-nature-swaps

have taken part between debtor countries and individual governments as well as commercial institutions.

Since 2001, The Nature Conservancy has helped broker commercial agreements involving eleven countries. In addition to providing support in structuring the deal, the Conservancy and partners have leveraged an extra US\$120 million in debt relief through purchasing additional debt directly. The Conservancy helps support the development of Conservation Funds through which debt payments are administered. Such funds provide traceability of payments and ensure all funds are directed to areas of greatest need.

Debt-for-nature-swaps are enabling governments around the world to protect their lands and waters while ensuring continued social and economic development. These agreements are now being explored as a model through which some of the neediest countries could access resources to respond to the impacts of climate change.

1. Sheikh, P. (2010). *Debt-for-Nature Initiatives and the Tropical Forest Conservation Act: Status and Implementation*. Congressional Research Service Report. March 30, 2010

Case Study

Forever Costa Rica

Costa Rica may be the first country to meet its international commitment to conserving its lands and waters. This incredible achievement has been made possible by a funding initiative known as Forever Costa Rica which has secured more than US \$50 million to strengthen and expand the country's network of national parks and protected areas. A debt-for-nature-swap worth US\$27 million underpinned this deal.

Costa Rica is one of the most biologically rich spots in the world. Though it occupies less than 0.01 percent of the planet's landmass, the tiny nation is home to five percent of Forever all species. The country has pursued an aggressive agenda to protect this diversity, yet still gaps remain. Only one percent of its oceans are protected and terrestrial parks remain understaffed and at risk from threats such as illegal logging and poaching.

The idea for Forever Costa Rica was formed in 2007, but two years later only half the money needed had been raised. The initiative was rescued by a debt-for-nature-swap brokered by the Costa Rican government and The Nature Conservancy with the US Treasury.

Under terms laid out in the US Tropical Forests Conservation Act, Costa Rica was forgiven over US\$20 million in debt in return for directing payments into the new conservation fund. By 2015 the country will double the size of its marine protected areas and expand several terrestrial parks. Funds

are being managed and distributed through the newly formed Forever Costa Rica Forever Association which has already sketched out a five-year timeline of goals for helping the country meet its biodiversity milestones.

Costa Rica Forever is more than just about protecting parks, it is about securing the natural resources on which Costa Ricans depend. Many people are employed in the eco-tourism sector which generates an estimated US\$1.5 billion a year for the national economy. Cities such as San Jose are fed by waters flowing from parks and many people living along the coast make their living from fisheries that will be supported by new marine protected areas.

