



Seychelles is an archipelago consisting of 115 granite and coral islands with an exclusive economic zone (EEZ) of approximately 1.4 million km², almost 3,000 times the size of its land area. It is one of the world's biodiversity hotspots, with an extremely rich marine and terrestrial biodiversity.

Case Study

Debt-for-Nature Finance Swap



“It must be remembered that debt problems affecting small island states is one of the biggest barriers to development. The reality is that for some islands, due to the sizes of their economies, it is difficult to get finance ... Some island states have higher GDP-per-capita, so that means they do not qualify for access to concessional credit and are forced to take loans at commercial tariffs which elevate their debts... Seychelles is not the only country in this situation.”

Jean Paul Adam — former Minister of Finance, Trade and the Blue Economy

In 2018, the Seychelles, a Commonwealth Small State, became the first ever country to successfully undertake a *debt for nature* swap to protect the world's oceans. It is an compelling example of leveraging a country's assets as part of the Blue Economy Sector – a comparative advantage for *Large Ocean States*. The debt restructuring mechanism is an innovative method of debt forgiveness in which a portion of a developing country's foreign debt is forgiven in exchange for a commitment for investments in domestic environmental conservation and sustainability projects.

This pioneering project was accomplished through the partnership of The Nature Conservancy's NatureVest, strong political leadership from the President and the Environment, Finance and Foreign Affairs Ministries of Seychelles, and many private foundations.

This initiative provides a proof-of-concept, innovative, financing model for marine habitat protection for Small States. It can be adapted across the Commonwealth and globally. The Small States Centre can help countries wishing to start such a project.

Debt service payments fund three distinct cash flows through this initiative:

- 1 The SeyCCATs Blue Grants Fund - targets projects that relate to MPA Management, Sustainable Fisheries, Ecosystem Rehabilitation, Climate Change Adaptation and Blue Economy Businesses
- 2 Repayment of the impact investor / NatureVest
- 3 Capitalizing the SeyCCAT endowment.

Benefits of the scheme:

- 1 Financing for adaptation to climate change through management of Coasts, Coral Reefs and Mangroves
- 2 Promoting implementation of a Marine Spatial Plan (MSP) for the entire Seychelles Exclusive Economic Zone
- 3 Approximately 400,000 sq. km. managed for conservation as marine protected areas (MPAs) within 5 years
- 4 Implementing the Marine Spatial Plan setting ground rules for what is permitted and where, this may be carried out in Seychelles water



PROJECT MILESTONES

1 Financial Negotiations with Creditors

The Government of Seychelles launched an innovative debt restructuring for which it sought support from its main bilateral creditors, most of which were members of the Paris Club. The official Seychelles delegation visited London, Paris and Brussels to meet with relevant officials. The debt-restructuring initiative, was facilitated by US-based NGO - The Nature Conservancy (TNC).

2 National Stakeholder Consultations

The Ministries of Environment and Finance in Seychelles met with all the sectors involved in the use of marine resources, including the Tourism, Fisheries, Transport, Environment and Oil Exploration Sectors to discuss developing a National Marine Spatial Plan.

3 The Creation of a Marine Spatial Plan

The Nature Conservancy is working with The Ministry of Environment, Energy and Climate Change to facilitate the creation of a Marine Spatial Plan for the entire 1.37 million square kilometres of the Seychelles Exclusive Economic Zone. Science, spatial data, stakeholder input and local knowledge are being used to propose zones for high and medium biodiversity protection and multiple uses.

4 Executing the Conservation Actions



A locally registered Trust, *Seychelles; Conservation and Climate Adaptation Trust* (SeyCCAT) was established. It purchased and restructured the debt, manages the endowment as well as the terms of the debt forgiveness agreement. This finance swap now funnels a stream of Seychelles repayments into the SeyCCAT trust, to invest in schemes that build an environmentally sustainable *Blue Economy*.

TIMELINE OF THE JOURNEY

2012 Seychelles commits to 30% marine protection at Rio+20

2013 Proposed debt restructure discussed between Seychelles President James Michel and HRH The Prince of Wales, Prince Charles (CHOGM2013, Sri Lanka)

2014 Delegation from Seychelles met main bilateral creditors in London, Paris and Brussels and plans to swap a portion of its external debt for funding for coastal/marine conservation projects

2015 The Seychelles Government holds discussions with key local stakeholders about planning for the use of the country's marine economic zones

2015 The Government of Seychelles and Paris Club creditors announced the closing of the first ever debt restructuring for climate adaptation.

2016 The Government of Seychelles made payment to creditors to buy back their debt via a loan from the SeyCCAT - funded by grants and a loan from the TNC

2018 The Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) invests in local schemes to protect the offshore environment around the Seychelles island archipelago (www.seyccat.org).

The Commonwealth Small States Centre of Excellence is capturing, documenting and sharing cases of Best Practice SDG-related Actions to catalyse practical support for Small States socio-economic development.

The Centre also develops proposals and assists in the implementation of transformational actions targeting the UN's Sustainable Development Goals.



For further details and for follow-up assistance please contact:

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