Case Study

Debt-for-Nature Finance Swap

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

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.

“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

Quick fact-sheet – Small States Centre of Excellence
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:
Ms Gabriella Cassola — Deputy Director
 +356 22042359 ☛ gabriella.cassola@gov.mt