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Environment

Financing the 30x 30 agenda for the Oceans: Debt for Nature swaps should be rejected

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1. At the UN Biodiversity Conference, or COP-15, the post-2020 framework will likely endorse the target of declaring 30% of the world's land and oceans as protected areas by 2030. We recognise that protected areas can be effective means to restore and conserve biodiversity and support coastal communities who rely on fisheries for their livelihoods and food security. The success of the post-2020 framework is dependent on participatory and transparent approaches to locating such areas and developing rules on what commercial activities are permitted in them.

2. In delivering on '30x30', a rushed approach to gazetting large areas of the oceans as protected areas for nature could be extremely harmful. Governments must therefore recognise the rights of people, including their free, prior and informed consent to any decisions that deny them access to their historical fishing grounds, in line with the FAO Voluntary Guidelines on sustainable small-scale fisheries, as proposed in the Artisanal Fishers Call to Action.

3. Furthermore, the protection of 30% of the oceans by 2030 must not distract governments from giving more comprehensive attention to the unsustainable management of ocean economies. Merely declaring large parts of the oceans as protected zones does not guarantee the sustainable and equitable use of marine resources. Instead, COP-15 should strengthen efforts to halt the growth of socially and ecologically damaging industries, such as industrial fishing, intensive fish farming, and coastal and offshore mining. It should seek to end the large amounts of private investments and public subsidies these sectors receive. Without this, the 30x30 target will be superficial and it will fail in its ambition.

4. Our concerns about the 30x30 target extend to proposals on its financing. It is claimed that delivering on 30x30 will require a huge increase in government spending. While several financing mechanisms will be discussed at COP-15, an increasingly popular idea is to raise this money through innovative financial instruments, including debt for nature swaps and blue bonds. As seen at COP-27, there is strong support for these financial instruments among governments, multi-lateral organisations and most of the world's largest environmental NGOs. However, the risks and pitfalls of turning to financial markets to fund marine conservation are being ignored.

5. Debt for nature swaps are gaining particular momentum, and could be further endorsed at COP-15. It has been claimed these are ingenious solutions that will not only provide billions of dollars for marine conservation but will also provide highly indebted countries lasting relief from crippling debt repayments to foreign creditors. The Nature Conservancy (TNC) is leading the way in expanding these deals, having completed debt swaps in the Seychelles, Belize and Barbados already.

6. In Belize, TNC's debt for nature swap involved lending the government $364 million, part of which was intended to allow Belize to refinance its debts owed to private lenders. This money was raised by Credit Suisse through issuing a blue bond to investors, eventually sold by Platinum Securities registered in the Cayman Islands. The deal was made conditional on enlarging marine protected areas from 20% to 30% of the nation's oceans, implementing various policies for coastal and ocean governance, including support for carbon offset trading and the development of commercial fish farming. This deal also commits the Government of Belize to provide $180 million spread out over 20 years to a new national Conservation Fund, with TNC on its governing board. TNC will then provide overall guidance on the development of Belize's national Marine Spatial Plan.

7. With support from the US government, TNC has launched an 'audacious' plan to scale up these financial deals in 20 countries. In a presentation by TNC, a map was provided that charts its ambition. We note that a deal valued at

$700 million is nearing completion in Gabon, and a deal valued at approximately $800 million is in the advance stage in Ecuador.

TNC's active & planned debt for nature swaps

[https://www.internationalviewpoint.org/IMG/png/debt4nature.png]

Source: NatureVest/TNC

8. TNC's Debt for nature swaps must be rejected. There are several reasons for this:

9. Debt for nature swaps are negotiated and finalised in secret. This is because publicity surrounding these deals could have unpredictable effects on bond markets, such as increasing the value of the debts of developing countries on secondary markets, therefore making them more expensive to buy. Free, prior and informed consent of citizens affected by these deals cannot be achieved with this debt swap model.

10. TNC's Debt for nature swaps lack transparency. The contracts signed between governments and TNC, which set out the terms of the financial transactions and the conservation commitments, are treated as confidential documents. The reasons for this have not been explained. However, a closer look at the complex structure of these deals reveals the use of subsidiary companies in tax havens and the repackaging of developing country debts by investment banks using opaque company structures. This lack of transparency prevents public understanding of what has been achieved in these transactions and how much money companies are receiving. This runs contrary to the OECD's Debt Transparency Initiative, as well as the Voluntary Principles for Debt Transparency agreed to by the Institute for International Finance.

11. The mechanism used to disburse funds raised through debt for nature swaps is highly questionable. They commit governments to provide millions of dollars that are channelled through a new domestic conservation NGO in each country, with legally binding agreements that this money is locked in for decades. This NGO will have an annual budget that surpasses government departments and will dwarf those of existing civil society organisations working with groups such as coastal fishing communities. The political implications of creating this affluent organisation that is running parallel to, and potentially in conflict with, existing government agencies has not been adequately recognised.

12. The size of debt for nature swaps mean they have a powerful influence on international responses to the debt crisis in developing countries: they are re-financing most of the foreign private debt of countries! Although they can save countries from paying back part of the loans they have amassed with private lenders, almost all the savings in these deals are handed over to the new national NGO focussing on marine conservation projects. As strategies to address the debt crisis, they do not free up public funds for urgent national development priorities, such as on health or education.

13. Debt for nature swaps contradict internationally supported principles for a co-ordinated and lasting solution to the debt crisis, such as the UN Agreement on the Basic Principles for Sovereign Debt Restructuring Processes. Solutions to the debt crisis need co-ordinated responses from all lenders, based on transparent and participatory dialogues. But opaque debt for nature swaps deals work exclusively in the interests of private lenders, such as investment banks, pension funds and hedge funds in the US and Europe. A recent study by the IMF argued an international response to the debt crisis must be de-linked from international support for dealing with conservation and climate crisis, and that future support for developing countries for conservation and climate finance should come in the form or genuine aid, not interest-bearing loans. This study advised that any further scaling up of debt for nature swaps should be avoided. [1]

14. Debt for nature swaps undermine global campaigns for debt justice, which require urgent reforms to the way in which developing countries have been recklessly borrowing through bonds in foreign currencies. Yet the same institutions issuing these bonds and profiting from these debts are the ones being praised for brokering debt for nature swaps.

15. Finally, we are deeply concerned at the implications of a single conservation organisation gaining considerable power over the policies affecting the management of marine resources in so many developing coastal and small-island states, entirely down to its ability to raise funds through capital markets.

List of Signatories :

Acción Ecológica, Ecuador
Foundation for the defense of nature and its rights, Ecuador
Blue Ventures
Greenpeace
Canoe and Fishing Gear Owners Association of Ghana
Institute for Third World Ecological Studies, Ecuador
Committee for the Abolition of Illegitimate Debt (CADTM)
International Collective in Support of Fishworkers (ICSF)
Coastal Action Network (CAN)
Jubileo Sur Américas
Community Action for Nature Conservation, Kenya (CANCO)
Low Impact Fishers of Europe (LIFE)
African Confederation of Artisanal Fisheries Professional Organisations (CAOPA)
Masifundise, South Africa
National Coordinating Corporation for the Defence of the Mangrove Ecosystem, Ecuador (CCONDEM)
Mundus Maris
Coalition for Fair Fisheries Arrangements (CFFA)
(Collectif) Pêche et Développement, France
Coope Sol i Dar R. L.
SlowFood
Debt Justice, UK
SnowChange Cooperative, Finland
Ecoceanos, Chile
Sole of Discretion, UK
Fair Oceans, Germany
The South African Fishers' Collective
FIAN International
The Transnational Institute (TNI)
Fish4Ever, UK
World Forum of Fisher Peoples (WFFP)
Fundación Lonxanet, Spain

Individual signatories

Christian Adams, fisher, South Africa
Hilda Adams, small scale fisher woman Westcoast Western Cape, South Africa
Magnus Johnson FHEA FMBA, Senior Lecturer in Environmental Marine Science, University of Hull, UK
Nawel Benali, agronomist, Tunisia

Source: CADTM

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[1] Chamon, M. et al., “Debt for climate swaps: analysis, design and implementation”, IMF Working Paper, 12th of August, 2022: https://www.elibrary.imf.org/view/journals/001/2022/162/article-A001-en.xml