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Debt for Nature Swaps – No Miracle Cure

By Alexander Kozul-Wright, Third World Network

Debt-for-nature swaps have been gaining traction as a “solution” for indebted nations. However, there are several concerns.

First, what are debt-for-nature swaps? They are instruments which are set up to allow countries to restructure their debt at lower interest rates and/or longer maturities, with the difference in proceeds allocated to conservation projects.
Typically, a third-party organization purchases international sovereign debt in commercial markets at a discounted price on behalf of a targeted government. In exchange, the debtor country commits to invest the full-face value of its debt repayments into conservation projects – such as forest and marine protection.

Cheerleaders of debt-for-nature-swaps suggest that these instruments represent an opportunity for international investors and biodiversity campaigners to coalesce around shared interests.

Critics, however, are not so sure. Debt-for-nature-swaps have come under criticism from various angles:

1. Questionable environmental impacts, given that governments are given years to show conservation progress and are often not required to impose strict limits.
2. Limited impact on debt levels. For example, over the past three decades, debt swaps have led to roughly US$8.4 billion of debt treated, which is only 0.11% of total debt payments by low and middle-income countries.
3. Distraction from the real need to address the debt crisis and provide financial resources to developing countries. Debt swaps should not be substituting comprehensive debt restructuring (where needed), including debt cancellation.
4. Complex and burdensome process, with high transaction costs.
5. Conditionalities, lack of participation and untransparent governance.

Ultimately, debt-for-nature swaps are part of an ideological approach to financing biodiversity action, which assumes that public resources are nearly exhausted, and that any remaining public funds should be used to leverage private involvement to achieve public priorities. Countries in the North should instead recognise their historical responsibility in perpetuating economic models that keep countries in the Global South tied to debt dependency.

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A Call to Halt 'Biodiversity Offsetting' and the Scaling of Biodiversity Credits Through Regulation

Jeff Connant, Friends of the Earth US

In light of the Global Biodiversity Framework Target 19 (d), which makes reference to biodiversity credits and offsets, various initiatives have emerged seeking to scale or develop such mechanisms. Nonetheless, biodiversity offsets have been proven by research to be problematic due to their ineffectiveness for biodiversity protection, and because they incentivize land grabs that affect Indigenous Peoples.

A new policy brief calls for a moratorium on the development of biodiversity market and calls for biodiversity markets to remain fully voluntary. It also calls for companies that fail to respect human rights, including Indigenous Peoples' rights, to be excluded from biodiversity markets or credit/offset mechanisms, and for environmental regulation and bank policies to adopt biodiversity "no go zones" instead of offsetting mechanisms.

Download and read the briefing paper here:

Found in UNEP´s State of Finance for Nature 2023 report

In total, public and private financial flows causing biodiversity loss and associated environmental harm added up to 7 trillion USD in 2023, whereas only 200 billion USD was spent on conserving or restoring biodiversity.

This means that financial flows causing biodiversity loss are 3500% bigger than conservation and restoration finance, with private finance only summing up to 17,5% of it (35 billion USD). Interestingly, many of the private actors contribute to both the positive and the negative flows simultaneously.

https://www.unep.org/resources/state-finance-nature-2023