Seychelles Debt Swap

Critical transitions:

A Healthy & Productive Ocean

Innovation: Sustainability-linked debt

Geographic focus: Seychelles

$: $22 million

Small Island Developing States are burdened with sovereign debt, while also heavily exposed to the risks posed by climate change, such as hurricanes and rising sea-levels. In 2018, the Republic of Seychelles agreed to protect a third of its marine and coastal area in exchange for a reduction of its sovereign debt. This first-ever climate adaptation debt restructuring was brokered between Paris Club creditors and the Seychelles Government and converted $21 million of Seychelles' debt into investments in coastal protection and adaptation.

The Nature Conservancy's NatureVest raised a $15.2 million impact loan and $5 million of grant funding from Oceans 5 (a group of philanthropists focused on marine conservation and health) to enable the government to purchase $21.6 million of debt (at a rate of 93.5 cents on the dollar). The transaction was carried out by the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT)– a newly established entity to manage the flow of funds.[171] The government will then issue two promissory notes to SeyCATT: the first for $15.2 million at 3 percent over 10 years to repay the NatureVest loan, and the second one for $6.4 million to fund the programme of conservation activities and capitalise future endowments.

The financing will help the implementation of a Marine Spatial Plan for the Seychelles Exclusive Economic Zone, an area 3,000 times its landmass. Furthermore, the deal will conserve 400,000 km^2 of its marine area within the next five years. The Nature Conservancy has been exploring similar deals for other countries that have significant public debt levels and areas of natural environment to protect.[172]

Stakeholders:

NatureVest; Paris Club; Seychelles Government; SeyCCAT

Status:

Operational