

# Debt-for-Nature Swaps

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## 1 HOW DOES IT WORK ?

### 1.1 Overview

Debt-for-nature swaps (DFNs) draw on the linkage between reducing a country's debt and protecting its environment. DFNs are typically a voluntary transaction in which an amount of hard-currency debt owed by a developing country government (debtor) is cancelled or reduced (i.e., discounted) by a creditor, in exchange for financial commitments to conservation -- in local currency -- by the debtor. (Figures 1 and 2 illustrate schematically how commercial DFNs work.) DFN transactions typically involve countries that are financially distressed and experiencing difficulties in servicing (i.e., paying back) debts. The DFN mechanism provides some debt relief for such countries, and also generates funding in local currency for priority biodiversity conservation projects. The proceeds generated from DFNs are often administered by local conservation or environmental trust funds, that disburse grants to specific projects and ensure accountable, transparent and decentralized management.

Creditors in these transactions can be developed country governments, commercial banks and even commercial supplier companies (e.g., companies that provide construction materials on credit for government projects). *Commercial* debt swaps involve commercial bank debt being sold on secondary markets at discounted rates. *Bilateral* debt swaps involve government debt and typically requires that the group of Paris Club creditors agree to a debt restructuring plan for the debtor country, and include a debt swap clause in the plan. A significant amount of technical expertise is required to execute a DFN transaction, explaining why many have involved third-party NGOs with experience in brokering such deals.

Depending on the financial terms of the deal – i.e., the debt's **face value** and the **redemption price** -- DFNs can achieve significant financial **leverage** and generate large-scale funding for conservation. Put simply, \$1 invested in a DFN transaction can often generate \$2 or more in local currency investments in conservation. Individual swaps have generated from hundreds of thousands of dollars (US) up to as much as US \$17 million dollars in local funds. Since 1987, over US \$1 billion in environmental funding have been generated through DFN, benefiting nearly 30 countries. In a sense, DFN transactions represent “win-win-win” solutions, where benefits accrue to debtors, creditors, and important ecosystems of debtor countries.

### Glossary of Terms

**Bilateral debt:** Debt owed by one government to another government.

**Commercial debt:** Debt owed by a government to a commercial bank or commercial supplier company.

**Debt buy-back:** Arrangement between debtor and creditor governments, in which the debtor buys back an existing debt at a discounted price compared with the face value, and agrees to commit local currency funding to conservation.

**Debt forgiveness:** Arrangement between debtor and creditor governments, in which the debt is completely cancelled, in exchange for local currency funding commitments to conservation by debtor government.

**Discount rate:** The % by which the debt is being reduced in relation to the face value (inversely proportional to purchase price of debt).

**Export credit agency:** Public agency that provides government-backed loans, guarantees, and insurance to corporations to finance overseas business in developing countries and emerging markets.

**Face value:** Original amount of debt owed under a credit agreement.

**Leverage:** Calculated as redemption price divided by debt purchase price; a measurement of “returns” on an investment in conservation, useful for investment strategy comparisons.

**Official development assistance (ODA):** Loans, grants, technical assistance, and other forms of cooperation extended by developed governments to a developing country.

**Paris Club:** Informal group of 19 creditor governments that negotiate framework debt restructuring agreements with debtor governments.

**Private debt:** Debt owed by a private sector company.

**Public debt:** Debt owed by a developing country government.

## 1.2 Key Actors and Key Motivations

All DFNs involve a creditor and debtor. Some also involve “conservation investors” and donors. These key actors, along with their motivations, are summarized below (for further details, see Guerin-McManus, 2001).

### 1.2.1 Creditor

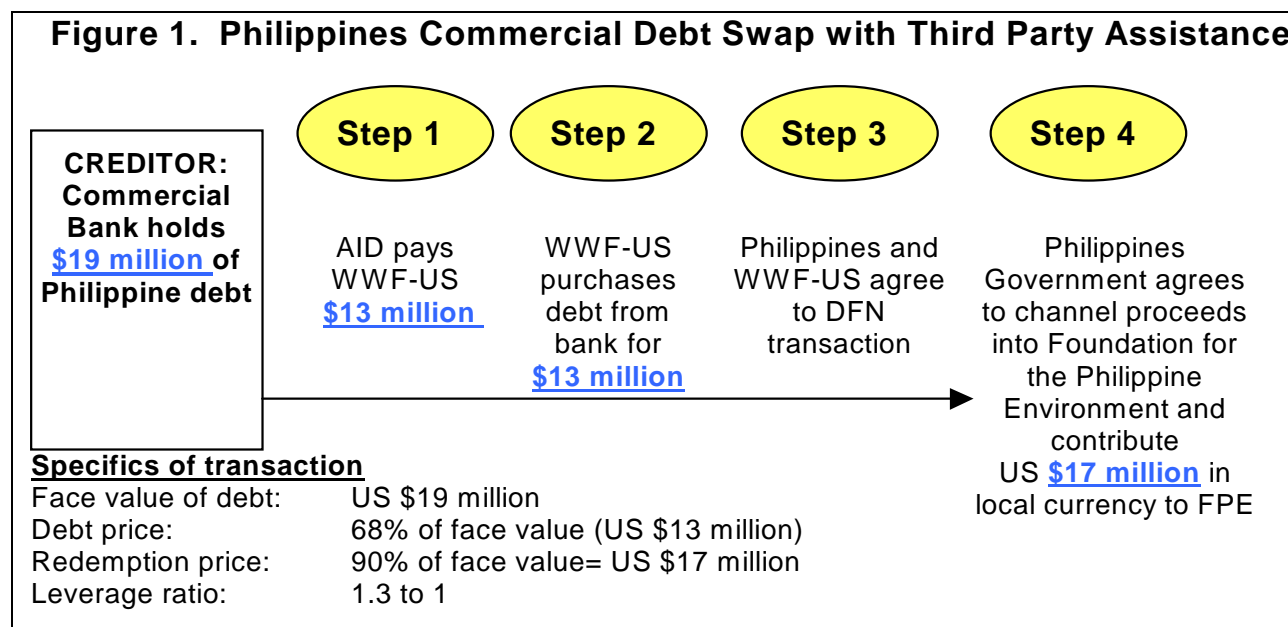
Creditors have loaned money and are holders of the debt. They can be commercial banks (e.g., Citicorp, Bank of Tokyo), commercial suppliers (e.g., of infrastructure project equipment), government export credit agencies and government aid agencies (e.g., USAID, German BMZ, Swiss Development Cooperation Agency). In general, creditors are willing to donate or sell debt because they believe the benefits of reducing debt through debt swaps outweigh the benefits of waiting for uncertain future repayment. With the exception of aid agencies -- which can be donors as well as creditors, and often value the *conservation benefit* of swaps -- most creditors are motivated primarily by their desire to recover some portion of a debt that they perceive as unlikely to be repaid at full **face value**. In certain cases, commercial creditors may also value potential tax benefits or positive publicity related to debt donations. There may also be incentives for a creditor to sell debt in order to “exit” from a country and thereby reduce its exposure for that country. A creditor might also adopt an exit strategy for smaller amounts in cases where the administrative

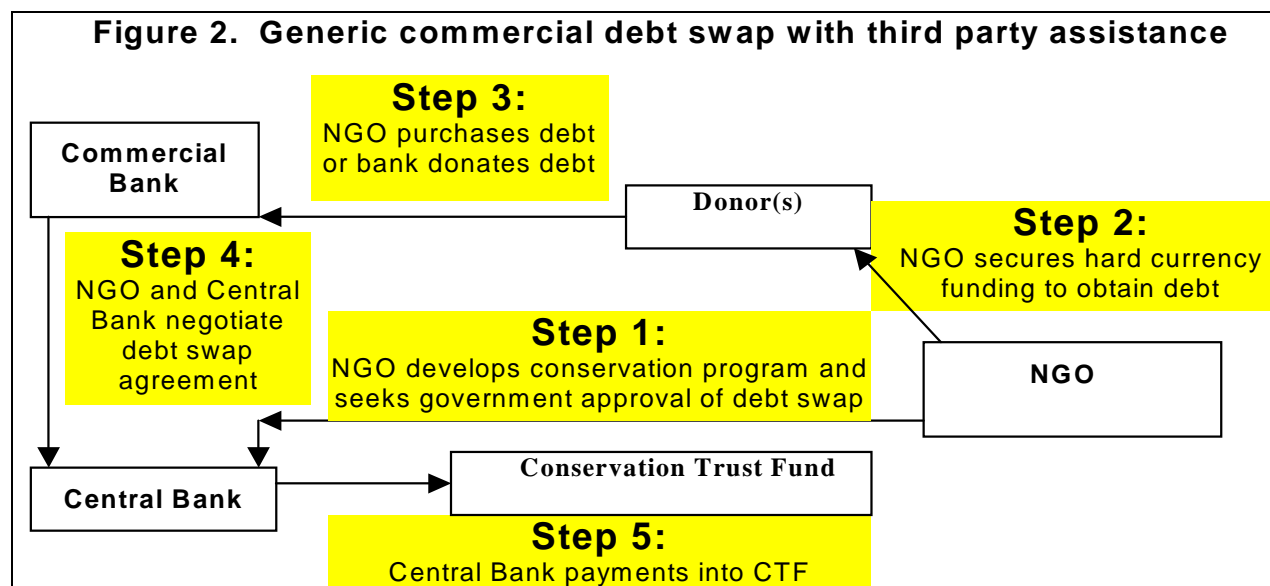
**Purchase price:** Price -- paid in hard currency-- at which the debt is bought; a % of the face value of the debt.

**Redemption price:** Price – paid in local currency -- which the debtor government pays the donor for the debt; typically greater than the purchase price, but still lower than the face value.

**Secondary markets:** Markets which trade discounted commercial debt.

**Figure 1. Philippines Commercial Debt Swap with Third Party Assistance**





costs of maintaining a loan on its books outweigh any potential prospect for repayment. If a creditor has already written off or provisioned for a bad loan, debt sales can be viewed as a *recovery*, with a positive impact on the creditor's financial position.

### 1.2.2 Debtor

Debtors have borrowed money and are obligated to repay these debts. For a DFN transaction to work, the debtor (usually a government, but can be a private sector company) needs to be interested in and able to provide local currency or another asset of value to conservation in exchange for cancellation of the debt. The debtor is primarily interested in retiring its hard currency debt (in local currency) at the highest possible discount from face value (i.e., at the lowest possible price). A debtor government will also be interested in the potential for increased investment in conservation. A private sector debtor company is likely to be interested in a swap only if it is able to achieve repayment terms more advantageous than those it might have reached through direct negotiations with a creditor.

### 1.2.3 Conservation investor

Conservation investors are typically the “brokers” in a three-party DFN. In three-party DFNs (see below), the conservation investor (usually an international NGO, but can be a research/academic institute, UN agency, conservation trust fund or private foundation) is interested in leveraging the maximum funding for conservation by capturing the difference between the price and other costs it incurs to *purchase* debt and the additional *conservation benefit* (in the form of cash, bonds, enhanced protection for biodiversity or another asset) derived through the swap.

### 1.2.4 Donors

Donors provide the funding that make DFNs possible. They are typically developed country governments. On some occasions, other donors have included: private U.S. foundations such as MacArthur, international conservation organizations such as The Nature Conservancy and WWF, and commercial banks. Donors will be interested in leveraging their funds to have the greatest impact on their conservation objectives. For government donors, promoting economic growth of the developing country through debt reduction is another motivation, although such benefits are usually relatively minimal. Normally, donors are involved in approving the financial terms of debt swaps and continue to monitor project performance as they would for any donor-funded project. Donors also appreciate the potential that

debt swaps provide for channeling development aid funds through *non-governmental* actors (e.g., conservation trust funds), which can result in increased decentralization, accountability and transparency in management of project funds, and other benefits.

### 1.3 Types of Debt-for-Nature Swaps

While there are three categories of debt swaps with certain distinct characteristics (see below), there are some generalizations that apply to nearly all DFN transactions:

- Most of the past transactions have involved a third party – typically an international conservation NGO such as WWF, Conservation International, and The Nature Conservancy.
- Debt is typically purchased at a significant **discount rate** (e.g., 50%).
- DFNs typically achieve a high “**leverage ratio**,” (e.g., 2 to 1) making them an attractive conservation investment for donors.
- With most DFNs, the debtor government reallocates local currency funds from the budget towards domestic conservation activities, with payment usually in cash installments or in local bond notes. Provisions in DFN agreements minimize inflationary effects.
- The proceeds (i.e., funds) from a DFN are typically channeled into a “counterpart fund” (e.g., national conservation trust fund) that disburses the money for specific projects.

#### 1.3.1 Bilateral debt swaps

These transactions involve a government creditor and government debtor, and can be assisted by a third-party conservation NGO. Bilateral DFNs have been the most common type in recent years. These transactions are typically negotiated *directly* between the creditor and debtor, and typically involve two types of transactions: **debt buy-backs** and **debt forgiveness**. Such transactions are usually only possible if a *debt swap clause* (i.e., a provision allowing for debt swaps) has been included in a Paris Club agreement – debt restructuring agreements between the debtor government and the donor governments that are members of the **Paris Club**. Under bilateral debt swaps, in exchange for the creditor canceling or discounting a debt, the debtor agrees to invest a specified amount in local conservation or environment projects. The amount of local currency generated usually reflects a discount rate relative to the face value of the original debt, which is subject to negotiation between the two countries. In some cases, payment has been made with no discount. To date, only a small handful of creditor governments have participated in bilateral DFNs: Canada, Finland, Germany, Netherlands, Switzerland and the U.S. Contacts in these governments are provided in the Resources Section.

Several bilateral creditor governments (Canada, Switzerland, U.S.) have *debt conversion programs* which provide for the conversion of Official Development Assistance (ODA) debt and sometimes for **buy-backs** of publicly guaranteed export credits or even commercial debts. Some debtor governments (e.g., Mexico) have opened *debt swap “windows,”* which allow for ongoing bilateral DFN transactions at any time. The negotiation of bilateral debt swaps requires coordinated action among relevant government agencies within the two governments and often involves the participation of conservation organizations and other local agencies as intermediaries and/or beneficiaries. The introduction of bilateral DFNs, particularly in Latin America through the U.S. Enterprise for the Americas Initiative (EIA) (www.....**[INSERT]**), Swiss Debt Reduction Facility and other debt conversion programs, has led to the establishment of conservation trust funds which have been capitalized through bilateral debt swap proceeds.

A particularly interesting example of bilateral DFN is Peru, which was able to negotiate bilateral swaps with *six* of its creditors (Canada, Germany, Finland, the Netherlands, Switzerland and the USA). The discount rate applied to the face value of debt for these conversions was close to 75% (equivalent to paying 25% of the original face value of the debt). Much of the DFN proceeds have been channeled through Peru's National Trust Fund for Protected Natural Areas (FONANPE). A particularly important, ongoing bilateral DFN program is the U.S. Government's Tropical Forest Conservation Act (TFCA) Program, described in Table 1 below.

### 1.3.2 Commercial debt swaps

These transactions involve a commercial company creditor and government debtor, and are typically brokered by third-party NGOs. Such debt is either donated by the bank for tax advantages, or sold on the secondary market at a discounted price, having been written off as unlikely to be repaid. The discount rate is related to the creditworthiness of the debtor government, i.e. a high discount (e.g., 50% or more) reflects debt from a country that is very unlikely to repay. Philippines example of a commercial DFN is depicted in Figure 1. In this case, with US \$13 million in funding provided by USAID, WWF was able to purchase US \$19 million in commercial face value debt owed by the Philippines Government -- a purchase price of 68% of face value. In exchange for cancellation of the debt, the Philippines agreed to pay Philippine pesos and peso notes valued at the equivalent of US \$17 million (or a redemption price of 90% of face value). Conservation funds generated were used to assure long-term funding for the environment through creation of an endowment: the Foundation for the Philippine Environment.

### 1.3.3 Private-to-private debt swaps

In these transactions, the creditor and debtor are private sector companies. They can operate much like the commercial debt swaps described above. Proceeds from the DFN (cash or another asset) are paid by the private debtor company to the conservation investor or other designated beneficiaries. In such "private-to-private" swaps, the government of the concerned country would play a limited (or no) role, except in cases requiring government authorization (e.g., land transfers). Most private-to-private swaps have involved *debt-for-equity* exchanges. There are, however, a few examples of private-to-private DFN swaps involving purchases of blocked currency from local subsidiaries of multinational companies. In 1992, a consortium of non-profit organizations paid US \$250,000 to an international oil company in exchange for payment of US \$1 million equivalent in local currency. This conversion of blocked currency financed the creation of the Kakum National Park in Ghana and eco-tourism in the area. In the future, it may be possible to make much broader use of this mechanism, particularly in countries with significant private sector debt owed by subsidiaries of large multinational companies. One interesting idea -- still to be tested -- is a "debt-for-biodiversity asset" swap. In a country like Indonesia, with enormous private sector debt, this could entail, for example, exchanging debt owed by a timber company for acquisition of one or more of its logging concessions located in high biodiversity areas.

### **HIPC INITIATIVE: BILATERAL AND MULTILATERAL DEBT CONVERSION**

Led by The World Bank and major donor governments, The Heavily Indebted Poor Countries (HIPC) Initiative provides a commitment by creditor governments and multilateral institutions to forgive large amounts of debt owed by the poorest countries. Significantly, the HIPC Initiative links *social and environmental conditionality* to such debt relief. To date, HIPC discussions between debtors and creditors have focused sharply on social conditionality, linking debt relief to increased investment by debtors in health and education. However, the debt relief package for a HIPC country could include financing of priority environmental and conservation programs if it were supported by the debtor country government. For African and other poor countries, the HIPC Initiative presents an important untapped opportunity for DFN as part of larger debt relief packages.

**Table 1: U.S. Tropical Forest Conservation Act (TFCA) Program**

Currently, the largest bilateral DFN program is the U.S. *Tropical Forest Conservation Act (TFCA)*, which promotes debt relief in exchange for local currency funding for tropical forest conservation. The TFCA has recently been re-authorized by the U.S. Congress. Technically, as much as US \$225 million could be made available to finance DFN deals during 2002 – 2004; however, the actual money that will be *appropriated* by the U.S. Congress is likely to be much less. Three debt conversion mechanisms are possible under TFCA:

**Debt reduction:** Debt owed to the US is reduced by a given amount based on net present value (NPV) of the country's debt to the US budget (expressed in terms of X cents to the US dollar). The outstanding reduced debt stock is reissued as a new dollar debt payable in 10 to 20 years with a concessional 3 percent rate of interest. The *interest stream* is paid into a local currency trust fund. This mechanism requires appropriation of U.S. Government funds.

**Debt buy-back:** The debtor country pays the US Treasury a lump sum dollar payment equivalent to the NPV of part of their outstanding debt and makes a concurrent *lump sum payment* in local currency into a TFCA trust fund equal to at least 40% of the buy-back price of the debt. This mechanism does not require appropriation of U.S. Government funds.

**Debt swap:** A third party (e.g., conservation NGO) purchases part of the country's debt from the US Government, paying the NPV of the debt. The debt is then repaid in local currency at an amount agreed upon by the third party and debtor. This mechanism can involve, but does not require, appropriation of U.S. Government funds.

Once a country has successfully negotiated a debt reduction agreement with the U.S., the country enters into negotiations to create a TFCA Framework Agreement, including creation of a Trust Fund to receive interest or lump-sum payments. The US Government requires that the Fund be administered by a local Board of Directors comprised of a majority of local private citizens plus at least one host government member and one US government member. All funds in the trust fund are to be used for grants to local NGOs and community groups. In order to qualify for the TFCA, a country must meet eligibility criteria, as outlined below. In order to be considered for TFCA, the government of the interested country needs to formally express interest to the US Department of the Treasury. Contact should be initiated by the government ministry responsible for debt renegotiation (e.g., Ministry of Finance).

*Environmental Criteria:*

Presence of at least one tropical forest that is globally outstanding in terms of its biodiversity or that represents a large intact block of forest on a regional, continental, or global scale

**Economic Criteria (determined by the US Department of Treasury):**

- Agreement or progress toward an IMF standby arrangement, structural adjustment facility arrangement, or similar mechanism
- If needed, receipt of structural or sectoral adjustment loans from the World Bank/IDA
- Implementation of major investment reforms or demonstrable progress toward an open investment regime
- Agreements with commercial lenders on debt restructuring (if applicable)

**Political Criteria (determined by the US Department of State):**

- Democratically elected government
- Government that does not support terrorism
- Government cooperation on international narcotics control
- Government that does not grossly violate human rights

**Administrative Criteria (set by the Office of Management and Budget):**

- Per capita income below US \$8,956 as of January 1, 1998
- May not treat an entire debt stock at one time
- Only USAID and PL-480 (agriculture credits) debt is treated



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## 1.4 Strengths and Weaknesses of Debt-for-Nature Swaps

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Reduces the debt, especially official bilateral debt, of a developing country; debt repayment burden eased because payment is in more readily-available local currency instead of foreign currency</li> <li>• Improves debtor country's credit standing, allowing for greater access to credit markets</li> <li>• Significant local currency funds for conservation can be generated</li> <li>• The transfer of financial resources from industrialized to developing countries recognizes global values of biodiversity and natural areas, compensating for the costs incurred at the local and national levels</li> <li>• Can attract additional investment in debtor country</li> <li>• Stimulates the creation of environmental trust funds to dispense DFN proceeds, which can</li> </ul>	<ul style="list-style-type: none"> <li>• Perception among some that environmental conditions imposed by DFN interfere with debtor country sovereignty</li> <li>• Time consuming and labor intensive; transaction costs can be high</li> <li>• For commercial debt swaps, transaction costs (between 1.5% to 5% of the debt's face value) typically charged by specialized bank agent or financial company that accesses the debt on the secondary market</li> <li>• Negligible overall debt relief for a country</li> <li>• Usually no new infusion of financial resources; rather, a redistribution of existing ones</li> <li>• Tendency to increase the price of the remaining debt</li> <li>• Risks exist that developing country debtor will not meet its obligations to repay in local currency; few effective risk mitigation or legal</li> </ul>

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| <p>serve as long-term funding mechanisms and can attract other investments</p> <ul style="list-style-type: none"> <li>• Money that would have been used to service the debt can be directed to other priority sectors</li> <li>• Helps to counteract debt-servicing pressures to exploit natural resources</li> <li>• Can promote participation by civil society, particularly when proceeds channeled to private trust fund</li> <li>• Flexible in scope (e.g., the DFN concept could be extended to cover debt-for-indigenous territory swaps in which national governments agree to restore and protect indigenous land rights, and indigenous groups agree to protect such lands, in return for debt reductions)</li> </ul> | <p>recourse options</p> <ul style="list-style-type: none"> <li>• Increased “moral hazard” for future lending (debtors will enter future loan agreements assuming some debt repayments will be forgiven / highly discounted)</li> <li>• Unstable currency can devalue local currency gains that have been invested domestically; high inflationary risks can nullify any expected leverage gains unless counterpart funds are invested in an inflation-adjusted high-interest or hard-currency denominated fund</li> </ul> |
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## 1.5 Success Factors

A variety of factors will impact the likelihood of success, including:

- **Political support in key ministries and coordination within government.** The debtor country, particularly the ministry of finance, will need to recognize the utility of using debt swaps to achieve biodiversity conservation objectives. Debt swaps are most effective when they support a country's *investment priorities* and are used to attract "additional" investment to the country. For bilateral DFNs, key government agencies in the creditor country also need to recognize conservation as a priority objective under their debt policy. Also, debt swaps require strong coordination among debtor country government agencies. The debtor country's debt management agency generally plays a lead role in negotiating swaps, but needs to work with planning and relevant sectoral agencies (e.g., forests, protected areas).
- **DFN supported by broader context.** Proceeds from a swap are most effective when they are used in conjunction with environmental policies and other conservation efforts. Also, debt swaps are best designed as part of a country's overall debt management strategy. Through net present value analysis, the debtor government can review potential restructuring terms for different categories of debt and identify debt that may be suitable for conversion.
- **Adequate technical assistance.** External technical assistance is typically required to implement the swap and structure effective conservation programs.
- **Strong organizational capacity to execute DFN.** A certain degree of organizational capacity within the debtor government is required to execute DFN transactions.
- **Stable economic and political conditions.** Conservation investors usually require stable economic and political conditions within the debtor country.
- **Inflation controls.** Adequate controls for inflation are needed, particularly if large projects are involved.
- **Implementation capacity.** Counterpart organizations (e.g., private conservation trust funds) and projects targeted to receive DFN proceeds must be able to effectively absorb/ allocate the funds.

## 1.6 Step-By-Step Methodology

The following methodology walks through the general steps in a *bilateral* DFN assisted by an experienced third-party NGO (could also be an independent consultant). A straight bilateral debt swap, *without* the assistance of a third-party NGO, and a commercial, third-party swap, would entail similar, slightly modified, steps. Special steps required under a U.S. Tropical Forest Conservation Act (TFCA) transaction are also referenced in bracketed text. It is important to note that precise sequencing and implementation of these steps will vary, depending on many circumstances specific to the locality and transaction. Similar methodologies for other types of debt swaps will be provided in future versions of this Guide.

**Step 1:** Third-party NGO organizes meetings with one or more creditor governments to determine level of interest in debt swap.

- Prepare informational materials and presentations describing DFN mechanism, including examples of its implementation in other countries
- Organize meetings with Finance, Development Aid or other agencies

### IF INTEREST IN DFN EXISTS:

**Step 2:** Third-party NGO organizes meetings with debtor government officials to determine level of interest in DFN.

- Prepare informational materials and presentations describing DFN mechanism, including examples of its implementation in other countries
- Organize meetings with the Finance Ministry, the national debt management agency, central bank, and conservation officials

### IF INTEREST IN DFN EXISTS:

[TFCA STEP: Debtor gov't sends letter of interest in TFCA to U.S. Treasury Dept. – see sample letter below]

[TFCA STEP: U.S. Government determines eligibility of country to participate in TFCA program]

**Step 3:** Finance Ministry of debtor government determines country's debt status and analyzes key debt swap issues.

- Identify and analyze bilateral debt, consulting Paris Club agreements (<http://www.clubdeparis.org/en/index.php>) to determine debt eligibility.
- Conduct a coordinated analysis of the macroeconomic impact and potential micro-level results (e.g., financial benefits to conservation) of the swap.

**Step 4:** Debtor government designates a steering committee to coordinate the debt conversion program.

- Reallocate or hire new personnel and approve an operating budget. Include those involved in debt management, planning, and macroeconomic policy, relevant sectoral ministries, and local conservation NGOs.
- Recruit advisory and technical services from NGOs and governments that have participated previously in swaps.

**Step 5:** Third-party NGO conducts independent feasibility assessment (see Terms of Reference below).

- Assess such factors as: debt profile, debtor government policy, macroeconomic and political context, potential funding sources for swap, financial and design issues for swap, etc.

**IF DFN DETERMINED FEASIBLE:**

**Step 6:** Third-party NGO presents results of feasibility assessment to creditor government, debtor government and stakeholders.

- Presentations made to relevant agencies and stakeholders

**Step 7:** Creditor government begin talks, then enter into formal negotiations, with debtor government on DFN transaction.

- Creditor presents proposal for DFN transaction, possibly assisted by third-party NGO.
- Creditor and debtor government begin negotiations on DFN transaction.

**Step 8:** Debtor government and key stakeholders hold consultations.

- Debtor government convenes meetings to consult with key domestic stakeholder groups (e.g., NGOs, business sector, scientific experts) regarding details of DFN, including strategy for implementing DFN proceeds.

**Step 9:** Creditor and debtor governments (either Finance Ministry or Central Bank) negotiate final details and enter into a debt conversion agreement (see sample below).

Agreement to cover, for example:

- amount of debt notes to be purchased for conversion
- rate of redemption
- instruments for redemption
- premium to redemption rate
- amount of interest
- interest rate and payment schedule
- structure for receiving DFN proceeds

**Step 10:** Creditor and debtor implement financial transaction.

- Debtor purchases debt with local currency at the redemption price, and retires debt (if debt reduction or buy-back).
- Debtor deposits local currency or bonds in an interest-bearing account or invested. Proceeds often channeled into conservation trust funds and used to implement conservation project(s).

**Step 11:** Creditor monitors agreement.

- Set up oversight committee to monitor implementation of agreement and use of proceeds.

## 2 FEASIBILITY ASSESSMENT PHASE

### 2.1 Overview of feasibility assessment

Typically, an NGO or bilateral donor government agency will commission an expert to conduct an in-depth feasibility study of DFN opportunities. Such studies often take roughly six months to complete, and can cost in the \$25,000 - \$50,000 range. More rapid, less expensive feasibility assessments can be conducted using the tools provided below, the resources listed in this Guide, and limited technical assistance. Below are generic terms of reference for a DFN feasibility study, two worksheet tools for

summarizing and analyzing data collected during the feasibility study, and a generic letter for initiating the U.S. Tropical Forest Conservation Act process, which would trigger an early assessment of country eligibility by the U.S. Government. All of these tools can (and should) be adapted to your specific needs.

## 2.2 Generic Terms of Reference (TOR) for feasibility assessment

[NOTE: Information to be inserted is referenced in brackets]

### 2.2.1 SUMMARY OF TOR

[SUMMARY OF FINANCIAL / CONSERVATION CONDITIONS LEADING TO STUDY]. To explore these opportunities [NAME OF CONTRACTING ENTITY] is commissioning a feasibility study. The consultant will work with [RELEVANT PARTIES] to conduct a feasibility study of debt-for-nature conversion (DFN) opportunities for financing conservation, including protected areas management, IN [NAME OF COUNTRY]. The study will evaluate key issues and conditions influencing the feasibility of DFNs in [NAME OF COUNTRY]. In-country work will include an analysis of [NAME OF COUNTRY]'s debt market, an estimate of the transaction costs for executing conversions, and an estimate of the human resources and/or technical skills necessary for executing conversions. The study should also determine whether the financial climate is sufficiently stable to make debt conversions worthwhile, and address the political risks of attempting to open a debt conversion window. The study should also identify the individuals or institutions within the [NAME OF COUNTRY] government who would be willing and able to promote the idea of implementing DFN conversions. Additional analysis will identify sources of bilateral, multilateral and commercial-held debt, and evaluate the advantages and disadvantages of working with the respective creditors. The consultant will also monitor debt prices on secondary markets and begin the process of identifying potential donors (either of debt or of funds to purchase debt). In-country and out-of-country consultations will be held with a wide range of actors, including: government officials, NGOs and other stakeholders in [NAME OF COUNTRY], various creditor governments, technical experts, secondary debt brokers, and others.

### 2.2.2 TERMS OF REFERENCE

#### Objectives:

The overall objective of the consultancy is to explore the feasibility of introducing DFN IN [NAME OF COUNTRY], based on an evaluation of [COUNTRY] debt profile, government policy relative to potential DFNs, potential risks and constraints in implementing conversions and potential funding and/or debt donations for DFNs. The study should focus sharply on the three prerequisites for a DFN: (i) availability and eligibility of debt for conversion at a discount from face value; (ii) the debtor government's desire and ability to implement DFN; and (iii) a conservation project/program that donors are willing to fund through a DFN. Since it is hoped that the feasibility report will be the first phase in executing a DFN, another objective of the consultancy is to recommend a step-by-step *follow-up strategy* for implementing DFN, including recommendations regarding design options (e.g., entities that could receive proceeds, conservation strategies for programming of fund proceeds, etc.).

#### Tasks:

1. Analysis of debt profile
  - Present a profile of [NAME OF COUNTRY]'s debt by type and major creditor;
  - Identify debt which may be available for conversion and evaluate creditor policies and legal considerations which may affect the debt's eligibility for conversion;
  - Analyze current market conditions and factors which may influence future pricing of [COUNTRY]'s debt, such as negotiations on debt restructuring;

- Research will be conducted through: (i) reviewing published sources of information about [COUNTRY]'s debt profile (e.g., Global Development Finance debt tables of The World Bank, press reports); (ii) contacting debt traders to assess market conditions (e.g. pricing) for [COUNTRY]'s debt traded on the secondary debt market; and, (iii) conducting interviews with a representative sample of bilateral, commercial and multilateral creditors for external public debt. (Depending on the creditor, interviews may need to be conducted by telephone or in person at the creditor's headquarters and/or in [COUNTRY].
2. Debtor government policy on debt-for-nature conversions
    - Provide a preliminary indication of the government's interest in / capacity to implement DFNs;
    - Identify government officials who would be key players in advocating / approving a DFN;
    - Summarize government concerns and conditions regarding a potential conversion;
    - Research will be conducted through interviews with relevant government officials (Ministry of Finance, Central Bank, Ministry of Environment, Protected Areas Agency, etc.).
  3. Macroeconomic and political context
    - Analyze macroeconomic and political context and identify potential risks and constraints for DFN. Factors that should be considered include: fiscal policy, foreign exchange risk, potential inflationary impacts of conversions and political risk;
    - Research will be conducted through a review of published sources of information about current economic and political conditions in [COUNTRY] and interviews with analysts and economists focusing on [COUNTRY] (pvt. sector, IMF, World Bank, government, embassies).
  4. Potential funding sources for debt-for-nature conversion
    - Identify potential funding sources and/or debt donations for DFN. Focus on bilateral donor DFN programs and [COUNTRY]'s eligibility for participation in existing or future bilateral programs. Evaluate the potential for multilateral donors to fund or facilitate DFN. Research will be conducted through interviews with selected bilateral and multilateral donors.
  5. Recommendations on preliminary design of a debt-for-nature conversion and a follow-up strategy for implementing a DFN transaction
    - Based on the research conducted above, make a recommendation on the feasibility of going forward with a DFN transaction. Analyze and present design options for a transaction, including such issues as (i) the pricing of debt; (ii) payment mechanisms for redeeming the debt; (iii) funding channel mechanisms for receiving debt proceeds; and (iv) specific next steps in a follow-up strategy to advance a DFN initiative.

#### **Deliverables:**

1. Feasibility report. A preliminary report capturing all of the task points outlined above will be submitted to a "Review Team" for comments and discussion prior to the finalization of the report for submission to the contractor. A final report will be submitted in written and electronic form.
2. Contact list. A list of key contacts (name, title, address, email, phone number) will be attached to the final report.
3. Briefings. Concluding briefings will be provided in [LIST CITIES] to summarize preliminary results for contractor and other interested stakeholders.

#### **Staffing and timetable:**

The project will be implemented during the period [FILL IN DATES]. A preliminary report will be due on [FILL IN DATE] and a final report will be due on [FILL IN DATE]. The level of effort will require a total of [FILL IN #] consultant days. [IF A TEAM OF CONSULTANTS:] The consulting team will consist of: [FILL IN NAMES, BREAKDOWN OF DAYS AND ROLES].

## 2.3 Worksheet tools for carrying out feasibility assessment

TWO WORKSHEETS HAVE BEEN DEVELOPED TO ASSIST THE FEASIBILITY STAGE. INSTRUCTIONS FOR HOW TO USE THESE TOOLS, FOLLOWED BY THE WORKSHEETS THEMSELVES, ARE PROVIDED BELOW. THESE WORKSHEETS ARE INTENDED AS GENERIC TOOLS TO HELP SUMMARIZE AND ANALYZE RELEVANT INFORMATION GATHERED DURING THE FEASIBILITY STAGE. THEY WILL NEED TO BE CUSTOMIZED TO SOME DEGREE FOR EVERY SITE.

### 2.3.1 Instructions for DFN1

DFN1 is designed to help analyze the overall debt profile of the country, and to help target debt with the highest potential for DFN transactions.

- Review the general structure of the worksheet, including data input categories (columns and rows) provided as defaults; modify as needed.
- Based on research in the TOR, list all the *bilateral* creditor agencies holding debt under the column marked CREDITOR.
- For each *bilateral* creditor, fill in the columns of data: enter the amount of total debt, the amount of debt eligible for potential DFN transactions, the potential discount rate (expressed as a %), and the level of creditor interest in DFN (1 – 5 ranking scale, with 5 being the highest level of interest). In the notes column, add any further information particularly relevant to analyzing the debt profile, covering: debt eligibility, creditor interest, market conditions, debt restructuring negotiations, etc. Embedded formulas in the spreadsheet will automatically calculate totals for amount of total debt and amount of eligible debt.
- Based on research in the TOR, in the row marked *banks*, fill in the key data input columns. List all known debt available on secondary markets (names and amounts of specific bonds being traded) and the price range of this debt. Record whether the debt is being actively traded on secondary markets. List the major creditor banks that have significant debt exposure. In the notes column, add any further information particularly relevant to analyzing the debt profile, covering: debt brokers, bonds being traded, market conditions, bank creditors that might be directly approached, etc.
- Repeat similar step for *supplier companies*.

### 2.3.2 Instructions for DFN2

In analyzing the debt profile, the following key analysis questions should be answered:

FOR BILATERAL DEBT, WHICH CREDITORS CLEARLY HAVE THE HIGHEST LEVEL OF INTEREST IN DFN, AND HAVE SUFFICIENT ELIGIBLE DEBT TO MAKE DFN WORTH PURSUING? WHICH CREDITORS MIGHT BE PREPARED TO ACCEPT SIGNIFICANT DISCOUNT RATES IN A DFN TRANSACTION?

- For commercial debt, which bonds are being traded at a discount rate significant enough to make a DFN transaction attractive to conservation investors?
- Which creditor banks have the highest debt exposure? Of these, which might be open to *direct* approaches to discuss potential debt donations or discounts?

DFN2 is designed to help analyze the key conditions needed for successful DFNs.

- Review the general structure of the worksheet, including data input categories (columns and rows) provided as defaults; modify as needed.
- Column 1 lists a variety of conditions under the general headings: political, economic, legal and other. For each condition, assign a relative ranking score (1 – 5 scale, with 5 being the highest) in the appropriate column to the right.

In analyzing these conditions for success, the following key analysis questions should be answered:

ARE THERE SOME CONDITIONS WHICH ARE PARTICULARLY IMPORTANT IN THIS LOCAL SETTING? WHAT ARE THEIR SCORES? HOW COULD THESE CONDITIONS BE IMPROVED IF NECESSARY?

Are there a sufficient number of medium (3) or higher scores, suggesting a good likelihood of success?

[Click here to link to DFN Worksheets](#)



DFN1: WORKSHEET FOR ANALYZING DEBT PROFILE					
CREDITORS	Amount of debt (\$)	Eligible amount	Potential discount rate	Creditor interest in DFN (1 - 5 scale)	Notes on eligibility, creditor interest, market conditions, debt rescheduling agreement, etc.
<b>BILATERAL DEBT</b> (owed to governments)					
<b>Names of creditor agencies</b>					
<b>TOTAL</b>					
<b>COMMERCIAL DEBT</b> (owed to banks and commercial supplier companies)					
	<b>Debt available on secondary markets</b>	<b>Price range of debt</b>	<b>Debt actively traded</b>	<b>Major creditors</b>	<b>Notes on debt brokers, bonds being traded, market conditions, major creditors, etc.</b>
Banks					
Suppliers					

DFN2: SUMMARY OF ANALYSIS OF KEY CONDITIONS FOR SUCCESSFUL DFNs						
CONDITIONS RANKINGS (1 - 5 scale; 5 being the highest)						
CONDITIONS	VERY LOW [1]	LOW [2]	MEDIUM [3]	HIGH [4]	VERY HIGH [5]	
<b>Political Conditions</b>						
Support for DFN within Finance Ministry						
Support for DFN within Central Bank						
Support for DFN within Sectoral Ministry (specify)						
Support for DFN within Sectoral Ministry (specify)						
Government prioritization of environment						
Political stability (minimal political risk)						
Previous experience with swaps						
Existence of an official debt swap program						
Other						
<b>Economic Conditions</b>						
Relative size of debt burden						
Inability to service debt						
Stable currency (minimal foreign exchange risk)						
Other						
<b>Legal Conditions</b>						
Existence or likelihood of debt conversion clause in Paris Club debt restructuring agreement						
Likelihood of obtaining waivers (if no clause or low likelihood)						
Other						
<b>Other conditions</b>						
Organizational capacity of government to execute DFNs						
Support of other key domestic stakeholder groups						
Other						

### 2.3.3 DFNs through Tropical Forest Conservation Act

#### **Generic letter for initiating the process**

Hon. Paul O'Neil  
Secretary of Treasury  
[FILL IN ADDRESS]  
U.S. Government  
Washington, DC USA

Dear Secretary O'Neil:

Ministry of Finance officials in [NAME OF COUNTRY] have recently been briefed on the general objectives, debt reduction options, eligibility criteria and other aspects of the Tropical Forest Conservation Act (TFCA). I am writing to express the interest of the Government of [NAME OF COUNTRY] in this new forest conservation mechanism.

We understand that the TFCA provides opportunities for countries with significant forest resources -- such as [NAME OF COUNTRY] -- to negotiate with the U.S. Government debt-for-nature transactions by which an amount of bilateral debt held by the U.S. is written down in exchange for an agreed amount, in local currency, to be committed to a forest conservation fund.

As you know, [NAME OF COUNTRY] possesses significant tropical forests. We have long been committed to responsible stewardship of these resources, and our interest in the TFCA reflects this commitment. Furthermore, we believe that such innovative mechanisms as the TFCA are valuable dual-purpose tools for addressing both debt-related issues and biodiversity conservation needs.

We would welcome a briefing by Embassy or other U.S. Government officials on more details concerning the TFCA.

Sincerely,

Minister of Finance (or other high-level Finance Ministry official)

## 3 IMPLEMENTATION PHASE

### 3.1 Overview

If the feasibility assessment concludes that DFNs are indeed viable, then the key actors enter into an implementation phase, which can take several months to complete, depending on the complexity of the transaction, potential bottlenecks which often accompany government approval processes and other factors. The key step in this phase is negotiating and completing the *debt conversion agreement*. (Prior to this, *debt purchasing agreements* need to be completed in the case of *third-party* DFNs.) Below are two tools to assist this phase: a sample debt conversion agreement from a Costa Rican DFN transaction and a worksheet tool (DFN3) for analyzing financial data and deciding on specific debt conversion terms. Some of the key negotiating issues are highlighted in the debt purchasing agreement section below.

### 3.2 Debt purchasing agreement

In a third-party DFN transaction, the investor (usually an NGO) typically works with by a bank or other financial intermediary specializing in debt conversion transactions. Together, they develop the key terms of a DPA, and negotiate and complete a DPA with the creditor. After deciding on the specific terms, the investor submits a letter to the creditor outlining a *formal bid* for purchase of the debt at a discount from the face value of the original debt. In negotiations, the investor is usually represented by the financial intermediary; frequently, the intermediary will purchase debt on behalf of the investor. On the closing date, the DPA is signed and payment is made in exchange for assignment of the debt. In general, commercial debt that trades frequently on the secondary market is much easier to purchase than bilateral (government) debt, which requires consultation with, and often approval by, multiple agencies within the creditor government.

A sample DPA can probably be obtained from one or more of the technical experts listed in the above Resources Section. The most important elements of these agreements include: name of obligor; amount and type (e.g., principal, interest) of debt; purchase price; conditions for payment of interest; conditions for closing (date, payment account); and an "unwind clause" in the event the swap is not completed.

### 3.3 Worksheet tool for carrying out implementation phase

#### 3.3.1 Instructions for DFN3

DFN3 is designed to help support financial analysis to inform decision-making during the final planning and negotiating processes. In its current, or a slightly modified form, this worksheet could be useful for conservation investors, creditors, and debtors.

- Review the general structure of the worksheet, including data input categories (columns and rows) provided as defaults; modify as needed.
- Start with the top half of the worksheet. For each debt (e.g., Debt 1 associated with creditor X, Debt 2 associated with Creditor Y), insert data for each of the debt conversion terms.) Adjust the four key negotiating variables as needed (discount rate, purchase price, redemption price and any additional premium) to determine the resulting *leverage ratio*. Embedded formulas in the worksheet will automatically calculate this ratio once you input data in the purchase price and redemption price rows.
- Move to the bottom half of the worksheet. This is designed to estimate the growth of DFN proceeds (funds) over a ten-year period, given quantitative assumptions on debtor payment schedule, return on

investment for endowment funds, and annual expenditures on fund management and conservation projects. This is one of the most complex worksheets in this Guide, and will require a fair amount of technical expertise to complete, and will likely need to be modified in significant ways. Because of this, we have not incorporated embedded formulas, which the user will need to do.

- As a first step, enter the desired debtor payment schedule under the column DFN payment by debtor. Next, enter a formula indicating the return on investment (ROI) for these funds. If the funds are primarily being channeled into an endowment with investments in international securities markets, 8% is a common benchmark used for this purpose. If an endowment is not anticipated, you may want to enter a 3% ROI for money market. Next, enter estimates for Years 1 - 10 for annual expenditures for fund management and administration. Then, enter estimates for Years 1 - 10 for annual expenditures on conservation programs.
- Insert formulas in the starting balance column that calculate the balance at the beginning of each year. (These formulas will be complex, drawing on the four other data columns.) Finally, input formulas that calculate 10-year totals for relevant columns.

[Click here to link to DFN Worksheets](#)

DFN3: WORKSHEET FOR FINANCIAL ANALYSES TO SUPPORT IMPLEMENTATION OF DFNs					
<b>DEBT CONVERSION TERMS</b>					
	<b>Debt 1</b>	<b>Debt 2</b>	<b>Debt 3</b>	<b>Debt 4</b>	<b>Debt 5</b>
Face value (US \$)					
Discount rate (%)					
Purchase price (US \$)					
Redemption price (US \$)					
Additional premium (US \$)					
<b>Leverage ratio</b> (redemption price / purchase price)					
<b>DFN PROCEEDS</b>					
	<b>Starting balance</b>	<b>DFN payments by debtor</b>	<b>Average return on investment</b>	<b>Annual expenditures (mgmt/admin)</b>	<b>Annual expenditures (Conserv. Programs)</b>
Year 1					
Year 2					
Year 3					
Year 4					
Year 5					
Year 6					
Year 7					
Year 8					
Year 9					
Year 10					
<b>Total</b>					

### 3.3.2 Sample debt conversion agreement (DCA)

#### OVERVIEW

A DCA is required in all DFN transactions. In the case of a third-party DFN, an NGO will again typically collaborate with a financial intermediary to develop, negotiate and complete a DCA. In the case of a bilateral DFN with no third-party involvement, a creditor government will negotiate directly with the debtor government. The key steps in this process are outlined below:

- Investor submits a debt conversion proposal to the debtor government, delineating key terms.
- Debtor government negotiates the debt conversion terms with the investor; debtor government authorizes the debt conversion and the two parties sign a DCA containing specific terms.
- Investor tenders the debt being converted to the debtor government for cancellation.
- Debtor government performs under the terms of the DCA by paying debt conversion proceeds (usually into a commercial bank account or a designated account at the Central Bank).
- Recipient of proceeds (e.g., national conservation trust fund, investor NGO) allocates the proceeds toward the agreed purpose.
- Debtor government and investor monitor compliance with the terms of the debt conversion.

A sample DCA is provided below. The most important elements include:

- amount and type of debt to be converted;
- redemption price;
- form the debt swap proceeds will take (e.g., cash, bonds, etc.);
- applicable exchange rate;
- debtor government tax treatment or commissions;
- schedule and procedures for debtor government payment;
- legal documentation required;
- investor terms for utilization of debt conversion proceeds;
- rules on repatriation of dividends (for debt-equity swaps); and,
- procedures for compliance with debt conversion terms (e.g., quarterly expenditure reports).

#### Sample Debt-for-Nature Swap Agreement

##### *An Agreement Between WWF and the Government of Costa Rica*

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This DEBT-FOR-NATURE AGREEMENT is dated as of March 20, 1990 between WORLD WILDLIFE FUND, INCORPORATED, MINISTERIO DE RECURSOS NATURALES, ENERGIA Y MINAS AND FUNDACION DE PARQUES NACIONALES.

#### Preliminary Statements.

**(1) WHEREAS** Costa Rica is one of the most ecologically diverse countries of its size in the world. Its various habitats, including numerous tropical forest types, harbour some 10,000 plant species, over 200 species of mammals, and more bird species than are found in the United States of America and Canada combined.

**(2) WHEREAS** the government of Costa Rica, represented by the Ministerio de Recursos Naturales, Energia y Minas (the "Ministry") has requested the Central Bank of Costa Rica (the "Central Bank") to

permit the financing of conservation activities through the use of the existing mechanism for the exchange of external debt, which was approved by the Central Bank in Junta Directiva No. 4338-89, Article 7, dated February 8, 1989.

**(3) WHEREAS** Fundacion de Parques Nacionates (the “Foundation”) is a leading private, non-profit conservation organization engaged in activities relating to the establishment, development and protection of Costa Rica’s national parks and equivalent reserves as well as promotion of educational activities related to the environment and scientific research as applied to the conservation of natural resources.

**(4) WHEREAS** at meeting no. 438S-89, Article 3, held on November 22, 1989 and meeting no. 43891-89, Article 4, held on December 22, 1989, the Board of Directors of the Central Bank empowered the Central Bank to accept an exchange of US\$ 10.8 million aggregate principal amount of Costa Rican external debt for monetary stabilization bonds denominated in Colons, the proceeds of which will be devoted to financing activities relating to the conservation of Costa Rica’s natural resources. Such exchange and the terms of the Bonds will comply with all applicable requirements of Costa Rican law.

**(5) WHEREAS** World Wildlife Fund, Incorporated (WWF) has provided financial assistance and other support to the Foundation for the purpose of financing qualifying activities relation to the planning, development, administration and protection of Costa Rica’s national parks and reserves, through the debt exchange mechanism approved by the Central Bank.

**(6) WHEREAS** the Regional Conservation Unit of Talamanca, located in the Talamanca mountain range, has great natural, cultural, and hydroelectric resources. This 622,000 hectare conservation Unit covers approximately 12% of the country’s national territory. Under the name of La Amistad, it was accepted as a biosphere reserve by the United Nations Educational, Scientific and Cultural Organization on August 12, 1982.

**(7) WHEREAS** the Foundation, as Trust Creator, and Banco Cooperativo Costarricense, R.L., as Trustee, have entered into Trust Agreement No. 10-90, dated March 20, 1990, a copy of which is annexed hereto as Attachment B. Pursuant to the Trust Agreement, the Trustee will disburse the proceeds of the monetary stabilization bonds it receives from the conversion described in Section 1 below to finance the activities of the Regional Conservation Unit of Talamanca as provided in Attachment A.

**THEREFORE, the parties agree as follows:**

**Section 1. Debt-for-Nature Swap.** WWF will arrange for the acquisition of public sector indebtedness of Costa Rica in an aggregate principal amount of up to US\$ 600,000 (the “Indebtedness”). The Indebtedness will be exchanged, in accordance with all applicable requirements of Costa Rican law into monetary stabilization bonds issued by the Central Bank (the “Bonds”) in an aggregate principal amount in Colones equivalent to 100% of the aggregate principal amount of the Indebtedness exchanged therefore. The Bonds will be delivered to the Trustee, who shall be entitled to receive all payments of principal and interest thereon in accordance with the terms of the Bonds. The Trustee will follow the instructions of the Foundation in making disbursements of these proceeds to finance the activities of the Regional Conservation Unit of Talamanca.

Section 2. Use of Proceeds

A. The proceeds payable on the Bonds will be used to finance the following activities:

1. Planning, administration, protection and management of protected areas and their buffer zones (including, but not limited to, boundary demarcations, elaboration of management plans, development of infrastructure and implementation of other activities in the general fields of nature interpretation, environmental education and sustainable use of natural resources); and,

2. Training a cadre of conservation professionals through the organization and implementation of in-country workshops, field courses, university training programs and related activities to improve the local capacity for protecting and managing Costa Rica's natural resources, especially its parks and reserves.

B. The foundation will cooperate with WWF in selecting, developing and implementing specific projects within the framework of Section 2(a) in accordance with WWF's country Plan and the National Conservation Strategy of Costa Rica. Proceeds payable on the Bonds will be dedicated to projects of the type specified in Attachment A to this Agreement, as mutually agreed from time to time by the Foundation and WWF.

C. Projects under this Agreement will be compatible with the national policies of the Costa Rican government, and with the objectives of the Foundation, the Ministry and WWF.

D. The expenditure of the proceeds of the Bonds will be verified by, and new projects will be selected upon the basis of reports, budgets and proposals submitted every six months by the Foundation.

**Section 3. Administration.** The Foundation and the Ministry will cause a representative of WWF's selection to be appointed to serve on the Comision Coordinadora Interinstitucional de la Reserva de la Biosfera de la Amistad.

**Section 4. Other Participants.** This Agreement does not preclude the participation of other non-profit conservation organizations committed to our mutual goals of wise use of Costa Rica's natural resources, whenever such participation will enhance the success of a project.

**Section 5. Controlling Language.** This Agreement shall be executed in two versions, one in English and the other in Spanish, both of which shall bind the parties hereto and constitute but one instrument; provided, however, that, in case of doubt as to the proper interpretation of this Agreement, the English text shall be controlling in all cases, except in connection with any legal action or proceeding brought in respect of this Agreement in the courts of component Jurisdiction of Costa Rica, in which case the Spanish text shall be controlling.

**MINISTERIO DE RECURSOS NATURALES, ENERGIA Y MINAS,  
FUNDACION DE PARQUES NACIONALES  
WORLD WILDLIFE FUND, INCORPORATED**

Acknowledged by



## CENTRAL BANK OF COSTA RICA

### Attachment A

#### To Debt-For-Nature Agreement

Proceeds in Colones paid on the Bonds pursuant to this Agreement shall be used as follows:

#### 1. Protected Areas Management

Protection and management of the Regional Conservation Unit of Talamanca (including but not limited to, boundary demarcation, elaboration of management plans, infrastructure, and implementation of activities in the general fields of nature interpretation, environmental education, and sustainable use of the natural resources).

##### Regional Conservation Unit of Talamanca ("La Amistad")

Area: 622,000 hectares

Location: Talamanca Mountain Range, Eastern Costa Rica

Features: The Regional Conservation Unit of Talamanca contains some of the greatest biological diversity in all of Costa Rica. It contains large areas of virgin forest and many species of mammals, including the country's largest population of tapir. Also contained in the region are numerous species of birds, amphibians, reptiles and fish.

Threats: Poaching and deforestation.

#### 2. Training

Training programs shall be designed to improve the ability of the National Park Service, Forest Service, Wildlife Department and the Ministry to administer the Regional Conservation Unit of Talamanca.

#### 3. Other

Other needs of the Regional Conservation Unit of Talamanca as identified in the National Conservation Strategy and such institution-building needs as may be mutually agreed upon by the Foundation and WWF.

#### 4. Allocation of Proceeds

Proceeds from the Bonds will be allocated to specific projects (and subject to appropriate requirements as to qualifying activities) as agreed by the Foundation and WWF from time to time.

## 4 RESOURCES

### 4.1 Bibliographic references

To open a document via the internet, click on the URLs showing download locations. In addition some hyperlinked document names point to files available on this CD.

Curtis, R. (1996). *Bilateral Debt Conversion for the Environment: Peru - An Evolving Case Study*. IUCN World Conservation Congress Workshop on Debt and Debt Conversion. Montreal.

Gibson, J.E. and Curtis, R. (1990) "A Debt-for-Nature Blueprint" in *Columbia Journal of Transnational Law*. Vol. 28. No. 2. New York.

Guerin-McManus, Marianne (2000). "The Greening of International Finance: 10 Years of Debt-for-Nature Swaps" (unpublished) (email: [m.guerin-mcmanus@conservation.org](mailto:m.guerin-mcmanus@conservation.org)).

Kaiser, J. and Lambert, A. (1996). *Debt Swaps for Sustainable Development: A Practical Guide for NGOs*. IUCN/SCDO/EURODAD, 72 pp. IUCN Gland, Switzerland, and Cambridge, UK. (<http://biodiversityeconomics.org/finance/topics-42-00.htm>)

Debt Relief International (2000). *Overview of Debt Conversion*. Debt Relief International, 46 pp.

World Bank (2000). *Global Development Finance, Analysis and Summary Tables*. Contains statistics on bilateral debt conversion. 1998 edition contains the latest chapter on conversion of commercial debt. Also see earlier editions of *Global Development Finance* and the World Bank Debt Table for historical data on debt swaps.

### 4.2 Contacts

#### Technical assistance

Randy Curtis, Director of Conservation Finance and Policy- Latin America and Caribbean Region, The Nature Conservancy. Phone: +1.703.841.4864; Email: [rcurtis@tnc.org](mailto:rcurtis@tnc.org)

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Dirk Kloss, Independent consultant. Phone: +1.202.489.6718; Email: [dirk.kloss@gmx.net](mailto:dirk.kloss@gmx.net)

Melissa Moye, Senior Fellow, World Wildlife Fund- US. Phone: +1.202.686.0946 (home); +1.202.413.8894 (cell); Email: [mgmoye@aol.com](mailto:mgmoye@aol.com)

New York Bay Company, Ltd, Phone: +1.212.344.5450; Email: **[FILL IN]**

#### Bilateral government donor agencies

[TO BE COMPLETED]

Belgium:

European Union:

France:

Germany:

Netherlands:

Switzerland:

United States: Peter Gore, Director, Secretariat Office, Tropical Forest Conservation Act Program,  
USAID

United Kingdom:

**[This is a deliberately short list of key resources, but suggestions are welcome.]**

### 4.3 Web sites

**BradyNet** <http://www.brady.net>

Information about debt on secondary markets.

**Debt Channel** <http://www.debtchannel.org/guide/front.shtml>

Contains news and information from debt-related organizations, opinions and features, news about debt campaigns, online debates and conferences, search engine. Discussion forum.  
<http://forum.oneworld.net:8080/~debtchannel>

**Emerging Markets Traders Association (EMTA)** <http://emta.org>

Extensive background information on the secondary market and emerging markets debt.

**Eurodad** <http://www.eurodad.org/>

Network of European NGOs working on Third World debt. Contains debtor and creditor profiles.

Paris Club <http://www.clubdeparis.org/en/>

Bilateral credit information from Paris club members.

The Swiss Debt Reduction Facility

[http://www.seco.admin.ch/entwicklung/e\\_ZEET/entsch\\_fazilitaet.htm](http://www.seco.admin.ch/entwicklung/e_ZEET/entsch_fazilitaet.htm)

Information on eligible instruments for financing.

U.S. Tropical Forest Conservation Act

<http://www.usaid.gov/environment/>

Information about TFCA, including application procedures, eligibility criteria, etc.

## 4.4 Contacts

### Technical assistance

Randy Curtis, Director of Conservation Finance and Policy- Latin America and Caribbean Region, The Nature Conservancy. Phone: +1.703.841.4864; Email: [rcurtis@tnc.org](mailto:rcurtis@tnc.org)

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### Bilateral government donor agencies

#### [TO BE COMPLETED]

Belgium:

European Union:

France:

Germany:

Netherlands:

Switzerland:

United States: Peter Gore, Director, Secretariat Office, Tropical Forest Conservation Act Program, US AID

United Kingdom: