Investing in Climate Adaptation and Marine Conservation: The Seychelles Debt Swap

**The Challenge:** The Seychelles is a nation of 115 islands in the Western Indian Ocean. Its “Blue Economy” is based on tuna and tourism, which, along with its low-lying island geography, makes its people and economy particularly vulnerable to the threats of climate change. Increasing incidence of severe storms and rising sea levels are battering coastal areas that attract important tourist dollars; warmer ocean temperatures are diminishing fish stocks; and increasing ocean acidity from rising carbon levels are destroying coral reefs that buffer the force of storms and provide vital habitat for numerous marine species.

**The Solution:** NatureVest is acting to mobilize a $78 million sovereign debt swap for the government of the Seychelles in exchange for a commitment to invest in climate adaptation and marine conservation projects in Seychelles, including expanding and improving management of marine protected areas; improved coastal zone management, fisheries, and marine policy and regulatory protection regimes; coral and mangrove restoration projects; and others. Once complete, this project will result in the Indian Ocean’s second largest marine reserve, with approximately 400,000 square kilometers of the Seychelles territorial waters classified as marine protected areas and 200,000 square kilometers classified as fish ‘replenishment grounds’.

**Investment Vehicle:** NatureVest is supporting the government of Seychelles in the creation of a special purpose vehicle the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT) which will be capitalized through a blend of institutional impact loans and philanthropic funding. SeyCCAT will be used to (i) seek bi-lateral swaps on a portion of the country’s outstanding Paris Club concessional and non-concessional sovereign debt and (ii) purchase the remaining portion of the Paris Club debt based on agreed-upon rates. Through these swaps, the government of the Seychelles will receive immediate debt relief, while an equivalent amount will be made available for adaptation to climate change and marine ecosystem preservation.

**Key Features:**

- Impact loans used to finance the initial buyback of outstanding, un-swapped sovereign debt to be repaid from the proceeds of a dollar-denominated promissory note issued by the government of the Seychelles. Impact loan tenor of 10 years anticipated.
- After 7 years, the capitalization level of the endowment will match the balance of the outstanding note to impact investors, fully collateralizing the loan.
- Two additional promissory notes to be issued in a combination of USD and local currency from the government of the Seychelles to SeyCCAT, which will fund and endow for future adaptation and conservation projects on the ground. Promissory note tenor of 20 years at 4% interest.
- After 20 years, the endowment is expected to be fully capitalized at nearly $38.6 million and will pay out approximately $1.9 million per year to fund continued marine conservation and climate adaptation activities.

**Current Deal Status:** Negotiations with the Paris Club are ongoing.

**About TNC’s NatureVest:** NatureVest is a new initiative of the Nature Conservancy, which, in collaboration with founding sponsor J.P. Morgan Chase & Co., aims to transform the way we manage, invest in and sustain our natural capital. The Seychelles Debt for Adaptation Swap Program complements The Nature Conservancy’s existing Climate Risk and Resilience Strategy, which seeks to employ natural solutions to make communities more resilient to climate change, as well as the Conservancy’s Marine Strategy, which looks to promote sustainable development solutions for our oceans and coasts. The Conservancy has more than one million members across 35 countries globally with whom we actively work to conserve the lands and waters upon which life depends. To date, the Conservancy has protected more than 48 million hectares of land, more than 8,000 kilometers of rivers and is the largest marine conservation organization in the world.

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