

Gabon launches tender for Africa's first debt-for-nature swap

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26 Jul 2023

Gabon launched what is set to be Africa's first debt-for-nature swap on Tuesday, with a plan to buy up at least \$450m of its government debt and switch it to an eco-friendly blue bond.



Source: Reuters. A view shows an ecoguard walking on a path in the Arboretum Raponda Walker during a press visit of this protected forest area on the eve of the opening of the One Forest Summit in Libreville, Gabon, February 28, 2023.

Gabon's beaches and coastal waters host the world's largest population of leatherback turtles, with estimates putting it at nearly a third of the global population of the endangered species.

At their simplest, debt-for-nature swaps see a country's debt bought up by a bank or specialist investor and replaced with cheaper ones, usually with the help of a multilateral development bank "credit guarantee" or "risk insurance". The savings are intended to be used to fund conservation.

In a regulatory filing by the central African country on the London Stock Exchange, it said it had "launched invitations to tender for purchase by the Republic for cash its 2025 Notes and 2031 Notes".

This prompted the three Eurobonds that it referred to rise as much as 2.2 cents on the dollar.

The February 2031 maturity rose 2.203 cents to 83.702 cents and November 2031 maturity jumped 2.129 cents to 83.573 cents, compared to Gabonese government's offer to buy back the bonds for 85 cents per \$1 of the bond.

The 2025 maturity rose 1.194 cents to 95.4 cents, also still below the offer price of 96.75 cents..

The deal has long been anticipated. Industry sources said this year that the US International Development Finance Corporation (DFC) would provide political risk insurance as it has in similar recent deals in Ecuador and Belize.

Global momentum for debt-for-nature swaps

Ecuador pulled off a record \$1.1bn debt-for-nature swap in May, freeing up \$18m annually for the next 20 years for conservation of the Galapagos Islands.

A handful of other African countries are also working on debt-for-nature deals, bankers have said, along with Sri Lanka and a clutch of Caribbean and Indian Ocean islands.

The African Development Bank and European Investment Bank are interested in providing credit guarantees. Multi-country deals could also be on the horizon in the fast-developing asset class.

Bank of America is helping to orchestrate the Gabon deal according to media reports. A spokesperson declined to comment.

Spokespeople for Gabon's government and DFC did not immediately respond to a request for comment.

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