



**Universitat de les
Illes Balears**

Debt for nature swaps

**By Sue Ferriol Gil
May 2013**

**University of the Balearic Island's
Faculty of Economics and Business
Business Administration Bachelor Degree (GADE)
Final Project Tutor: Bartolomé Deyà**

CONTENTS INDEX

Executive Summary	3
Foreword and purpose of this work	3
Abbreviations.....	4
Methodology.....	5
1. Context of Debt for Nature Swap. A global perspective.....	5
1.1 The debt problem and the negative results on environment.....	5
1.2 Historical overview and reaction to the debt problem	9
1.3 Beyond the figures: Debt and United Nations Millennium Development Goals	12
2. What is a Debt for Nature Swap?	14
2.1 Types of swaps	14
2.2 Types of Debt for nature swaps.....	16
2.2.1 Bilateral Debt Swaps.....	16
2.2.2 Commercial debt swaps	16
2.2.3 Private-to-private debt swaps	18
2.2 Key roles and Motivations	18
2.2.1 Debtor.....	18
2.2.2 Creditor.....	18
2.2.3 Conservation Investor	19
2.2.4 Donor	19
3. How does it work?.....	20
3.1 Steps of a Debt-for-Nature-swap.....	20
3.2 What are the success factors?	24
4. Case study: Ecuador and Spain in 2005. From theory to praxis.	25
5. Analysis. Pros and cons of DFNS.	30
5.1 Arguments against and in favor of debt-to-nature swaps.....	30
6. Concluding remarks: The way ahead	33
Glossary	35
Bibliography.....	41
Additional attachments	44
Att1: Debt structure in Ecuador, IDS from World Bank.....	44

Att2: Index of Human development by PNUD.....	46
Att3:Debt swap agreement Spain-Ecuador 2005.....	47
Att4: 38/2006 Spanish law for Management of external Debt.....	52

Flowcharts

Flw1 DFNS at a glance. Show case Bolivia.....	11
Flw2 Millennium Development goals.....	13
Flw3 Types of Swaps.....	15
Flw4 Steps of a bilateral debt for Nature Swap with assistance of a third Party.....	23

Tables

Table 1 Top ten Borrowers-External Debt Stock 2011and net Inflows.....	6
Table 2 HIPC listed by country.....	7
Table 3 HIPC Debt Indicators.....	8
Table 4 Commercial debt swap: a way of laundering illegitimate debt?.....	17
Table 5 Specifics of transaction Spain-Ecuador.....	27
Table 6 Arguments against and in favor DFNS	32
Table 7 Key concluding remarks.....	35

Graphics

Graphic 1 Composition of the debt table 2011. Middle income countries.....	7
--	---

Executive Summary

Debt -for-nature swaps (DFNS) involve an exchange or cancellation of a foreign country's debt in return for the debtor country's commitment to use a given amount of local currency funds to protect national parks, establish environmental education programs or train people in natural resource conservation and management.

DFNS have been used worldwide since the 80's and the first record we have dates back to Bolivia in 1987. During those years, many commercial banks and multinational corporations found this to be a cheap way of financing new investment and reducing debt at the same time.

However, although in the market for 26 years now, DFNS are not as common as one could expect. Their practical application can be a quite complicated process involving as many as twelve steps. It starts with a common interest from the creditor and the debtor, followed up by serious negotiations, the draft of a formal debt conversion agreement and finally executes the conservation program.

On the other hand, nature is starting to be scarce resource and more valuable every day. Therefore, I believe DFNS have a lot of potential and can become more widely utilized if properly structured and understood by all parties.

Foreword and purpose of this work

From June 2010 to June 2012 I worked for the Fundacion Vicente Ferrer in Anantapur, (Southern India) and I am currently collaborating with Unicef in Mallorca. Although I have learned many things during these experiences, I believe two lessons to be particularly relevant to this project:

- Firstly, we need to acknowledge that beyond the economic figures commonly used, there is an individual face behind each statistic. We all know there are millions of people that live in very hard conditions, but we sometimes forget that poverty has many faces (ie; gender, environmental, health and children), and that we need to keep the “human” approach at all times.
- Secondly, it is quite important to see things globally, and not limited to what you see. A holistic approach is very effective to face challenges such as external debt, environmental challenges and poverty. In this context, specific tools such as DFNS can be very successful.

Over the years, the debt crisis has brought attention to the importance of the debt at a global level, especially in middle and low income countries. Now, the current financial crisis has heightened awareness in developing countries of the importance of managing their external debt obligations.

Lately, the external financial options available to developing countries have evolved, sometimes requiring solutions that face not only economical problems but

also environmental and social issues (for instance DFNS). Therefore, the purpose of this work is to (1) provide a context for DFNS in a global perspective and in relation to issues like poverty and environmental challenges (2) understand what are DFNS and how they work (3) illustrate a practical case from Ecuador and Spain, which deals with education and the environment (4) briefly outline the pros and cons of DFNS and (5) provide some open issues and concluding remarks.

Hope you enjoy it.

Abbreviations

AECID	Spanish Agency for International Development Cooperation
DFNS	Debt-for-Nature-Swap
ELAC	Economic Commission for Latin America and the Caribbean (CEPAL)
DAF	Spanish Development Assistance Fund
DCDB	Debt Conversion Development Bond
GDP	Gross Domestic Product
GNI	Gross National Income
ICO	Spanish Official Credit Institute
MDGs	Millennium Development Goals
OHCHR	Office of the United Nations High Commissioner for Human Rights
UNEP	United Nations Environment Programme
UNCTAD	United Nations Conference on Trade and Development
HIPC	Heavily Indebted Poor Countries
MDRI	Multilateral Debt Relief initiative
PV	Present Value
EURODAD	European Network on Debt and Development
ODA	Official Development Assistance
UN	United Nations
PPG	Public and Publicly Guaranteed
TFCA	Tropical Forest Conservation Act
NGO	Non-Governmental Organization
IDA	International Development Association (World Bank)
IDS	International Debt Statistics (World Bank)
LIC	Low Income Countries
LDC	Less Developed Countries
LMIC	Lower Middle Income Country
UNICEF	United Nations Children´s Fund
WFP	World Food Programme
SEGIB	Iberoamerican General Secretary(Secretaria general Iberoamericana)
CME	World Education Campaign (Campaña Mundial por la educación)
ODG	Debt Globalization Observatory (Observatori Deute i Globalització)

Methodology

I have followed a 4-step methodology for this project:

1. Comprehensive research using publicly available information, academic literature and economic journals.
2. Due to the high political content that may involve a DFNS, the sources of this work have been chosen carefully. They include UN agencies, well-respected organizations and NGOs (see bibliography).
3. Specifically, the majority of the data and figures have been retrieved from the most recent World Bank data online available (2011) and the values are in American dollars. Data has been complemented by other official economic sources.
4. I have widely utilized specific terminology. To be coherent, most of it comes from one source, the UNCTAD (UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, 2013). It is explained in detail in the glossary (page 36) and the abbreviation index (page 4).

Any other specific methodology used in the project will be explained when it appears.

Scope of work

DFNS is a wide and a complex subject, therefore this work focus more on developing countries of Latin American, supposed that are member of the Paris Club.

Regarding the Flowcharts, none of them is from external sources, this means they are all an original creation by Sue Ferriol; in fact they have been elaborated exclusively for this project.

Finally, as reference system it has been used APA American Psychological Association (sixth edition).

1. Context of Debt for Nature Swap. A global perspective

1.1 The debt problem and the negative results on environment

Some debtor countries are dealing successfully with their outstanding debt obligations, but others are having a difficult time paying the interest due on this debt, and also the loan principal. A major difficulty for borrowing nations is that payments on these loans must be made in United States dollars or in another hard currency, obtained primarily by selling exports for such currencies. This requires debtor countries to increase production of export commodities or develop non traditional exports and goods that can be traded for hard currency. As example below it shows the top ten borrowers:

TABLE 1 Top ten Borrowers-External Debt Stock 2011 and net Inflows

Table I.3. Top 10 Borrowers-External Debt Stock 2011, and Net Inflows, 2010–2011

\$ billions

Country	External debt stock end 2011		Net inflow 2010	Net inflow 2011	% change in net inflow 2011	% of total net flow 2011
	Amount	% of total	Amount	Amount		
China	685.4	14.1	115.2	127.1	10.3	27.4
Russian Federation	543.0	11.1	31.1	32.8	5.5	7.1
Brazil	404.3	8.3	70.8	51.9	-26.7	11.2
Turkey	307.0	6.3	21.9	7.1	-67.3	1.5
India	334.3	6.9	34.1	44.0	28.9	9.5
Mexico	287.0	5.9	43.9	43.2	-1.5	9.3
Indonesia	213.5	4.4	15.8	18.4	16.4	4.0
Ukraine	134.5	2.8	16.7	18.5	10.2	4.0
Romania	129.8	2.7	4.3	5.5	28.1	1.2
Kazakhstan	124.4	2.6	7.2	5.2	-26.8	1.1
Total top 10 borrowers	3,163.4	64.9	360.9	353.7	-2.0	76.2
Other developing countries	1,712.7	35.1	128.7	110.2	-14.4	23.8
All developing countries	4,876.0	100.0	489.6	463.8	-5.3	100.0

Source: World Bank Debtor Reporting System.

The table above shows that the external debt of developing countries is heavily concentrated in ten **middle-income emerging economies**. From 2005 to 2011 the top 10 borrowers commanded between 56 and 65 percent of annual net debt inflows to developing countries (THE WORLD BANK, 2013) Net debt inflows to the to 10 borrowers fell in a average of 2 percent in 2011 from 2010 to \$3.2 billion compared to a 14 percent fall for other developing countries combined.

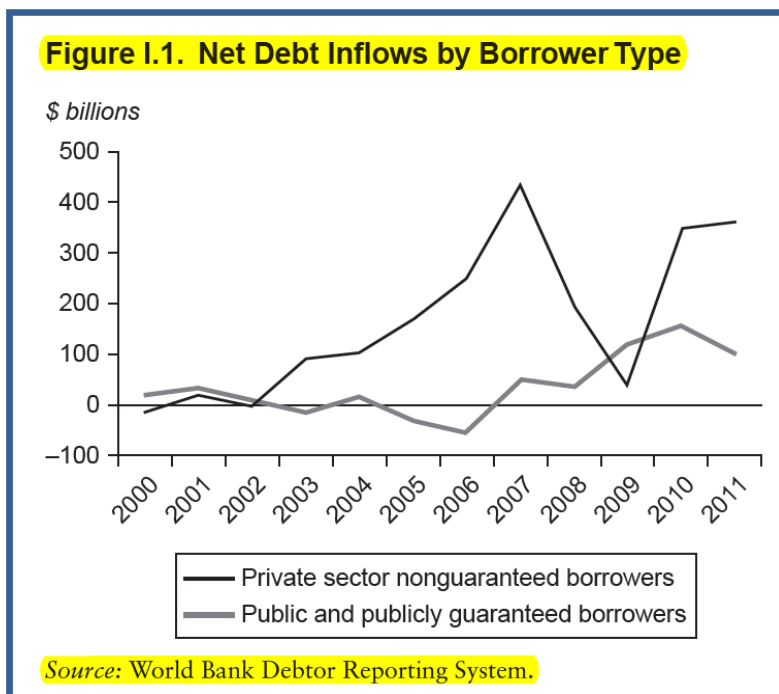
There was a wide disparity in trend among the top ten borrowers in 2011 ranging from a 29 percent increase in net flows to India as compared to a 67 percent decline in Turkey. China dictated the global trend, it's share of developing countries' net debt inflow remained dominant, 27 percent in 2011 up from 24 percent in 2010.

The top 10 borrowers accounted for 65 percent of the end 2011 external debt stock owed by all developing countries

It is important to note that these ten countries (heavy borrowers) are emerging economies, with solid capabilities to repay the debt.

We can also differentiate the debt according to the type of creditor: private sector non guaranteed borrower or public and publicly guaranteed borrowers. This is illustrated in the table below.

Graphic1 composition of the debt table 2011. Middle income countries



Viewed from the borrower perspective, trends in net debt inflow differed sharply in 2011. Those to private sector borrowers proved resilient and increased, albeit by a moderate 4%, in 2011 to 363 billion.

In contrast net inflows to public and publicly guaranteed borrowers plummeted by 36% to \$101 billion.

(THE WORLD BANK, 2013)

However, there are other countries that are HIPC (Heavily Indebted Poor Countries) because they face an unsustainable debt situation after the full application of the traditional debt relief mechanisms (such as the application of Naples terms under the Paris Club agreement).

A country's debt level is considered unsustainable if 1) debt-to-export levels are above a fixed ratio of 150 percent and 2) where countries have very open economies where the exclusive reliance on external indicators may not adequately reflect the fiscal burden of external debt the debt-to-government revenues are above of 250 percent. Source: (THE WORLD BANK, HIPC INITIATIVE, 2013).

TABLE 2. 34 HIPC Listed by country

Afghanistan	Côte d'Ivoire	Liberia	São Tomé and Príncipe
Benin	Ethiopia	Magadascar	Príncipe
Bolivia	Gambia, The	Malawi	Senegal
Burkina Faso	Ghana	Mali	Sierra Leone
Burundi	Guinea	Mauritania	Tanzania
Cameroon	Guinea-Bissau	Mozambique	Togo
Central African Republic	Guyana	Nicaragua	Uganda
Congo, Dem. Rep Of the	Haiti	Niger	Zambia
Congo, Rep. Of	Honduras	Rwanda	

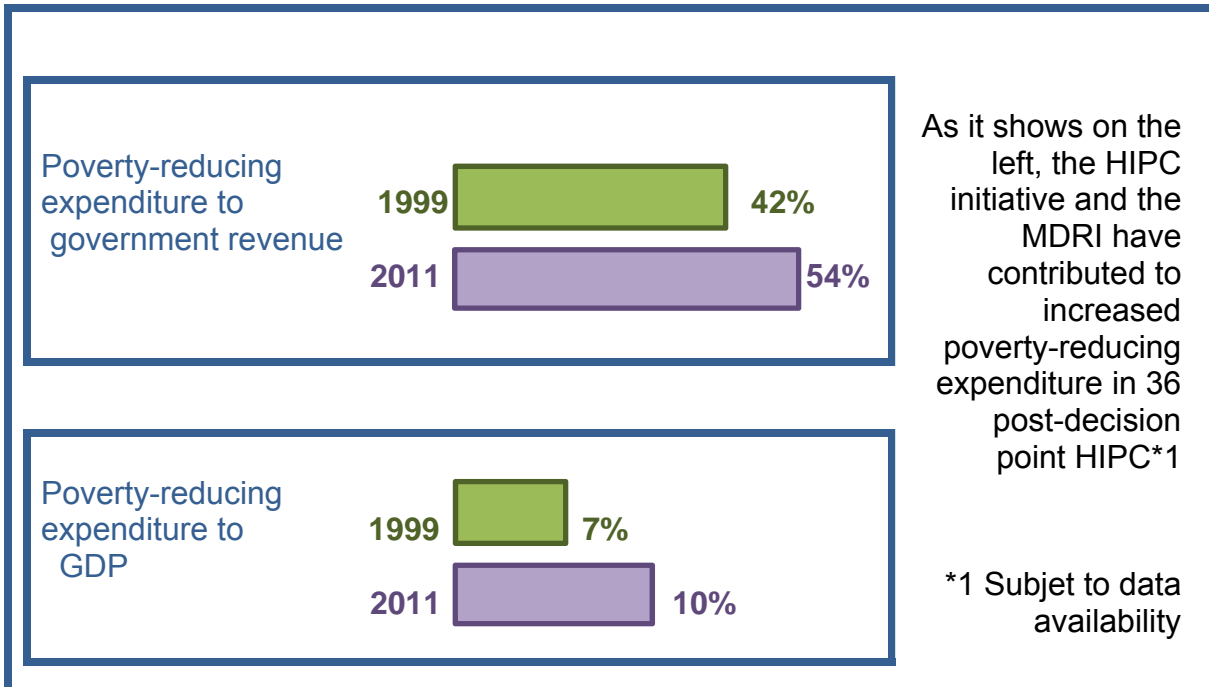
Source: (THE WORLD BANK, HIPC INITIATIVE, 2013)

Specifically, to analyze Debt Sustainability we can use five different types of tools: Present Value of debt-to-exports, Present value of debt-to-GDP, Debt service-to-exports, Present value of debt-to-revenue and Debt service-to-revenue.

TABLE 3 HIPC Debt Indicators

Debt indicators of HIPS have substantially declined since 1999		
	1999	2011
PV of debt to exports	457%	78%
PV of debt-to-GDP	114%	20%
Debt service-to exports	18%	4%
PV of debt-to-revenue	552%	112%
Debt service-to-revenue	22%	6%

Data are simple averages, and subject to availability. In this average we include 36 countries: 34 HIPC (completion point) and Chad and Comoros (Decision point).



As it shows on the left, the HIPC initiative and the MDRI have contributed to increased poverty-reducing expenditure in 36 post-decision point HIPC*1

*1 Subject to data availability

Source (THE WORLD BANK, HIPC INITIATIVE, 2013)

DFNS may help alleviate some of the hard currency pressures for these countries by converting international hard currency debt into a debt instrument that can be paid off with local currency. However, depending on the individual country's situation, while it reduces pressure to earn money through exports; this may contribute to the country's domestic budget and debt obligations.

What was formerly a foreign obligation becomes a local debt obligation.

Regarding the negative results on environment from pressure on debtor countries to pay their debts, we have to keep in mind that the debt problem compounds renewable resource degradation problems in some debtor countries. When some countries rush to obtain hard currency by increasing production of export commodities to pay off external debt, they may put additional pressure on already marginal lands and deteriorating renewable resources. Many debtor countries have policies that encourage developing renewable resources for export production such as harvesting tropical forest timber, or expanding pasture lands for cattle.

These policies may generate short-term income and hard currency, but may also cause severe environmental impacts that erode a country's resource base, potentially undermining sustainable production and possibly threatening long-term economic, social and political stability. Domestic budgets are also under pressure to reduce spending in every possible area in order to provide for debt payments, and this means reduced funding for management of resources, conducting research on sustainable production methods, and protection of areas on parks or reserves.

It was estimated that in 1991 nearly 60 acres of tropical forests were destroyed every minute. At that rate, the world's remaining tropical forest would have been destroyed within 50 years. The current deforestation rate is subject of a lot of controversy, and has been combined with issues like global warming and the increasing use of renewable energies.

Whatever the current rate of deforestation in the tropics, it not only affects the local and regional environment and economies, but is thought to have an impact on weather, climate and hydrological cycles. In addition, tropical forests are the world's richest reservoir of biological diversity. The worldwide population now depends on the tropical forest for medicine, rubber, fibers and hardwoods.

As a result of the severe economic costs associated with the rapid destruction of these forests, the value of tropical forests as part of the global commons, public and private environmental and development policies that have traditionally supports export-led growth.

1.2 Historical overview and reaction to the debt problem

The international debt problem became a crisis worldwide in 1982 when Mexico announced that it would not be able to make payments on its international debt. Since that time, more than other 40 countries have made similar announcements,

and many commercial and public financial lending institutions found themselves holding vast sums of potentially uncollected foreign debt.

One market response to the debt problem was the appearance, in late 1982 and early 1983, of a secondary market for commercial debt where banks could trade or sell their commercial foreign debt at a discounted rate.

Debt equity swaps using this secondary market became increasingly popular during the 80's as many commercial banks and multinational corporations found this to be a cheap way of financing new investment and reducing debt at the same time.

As we can see Debt equity swaps were created before DFNS. The interesting issue is to understand how the link between debt and nature appeared. At the beginning, conservationists were the first to make debt-environment connections and seriously consider a solution that would reduce debt, and at the same time help to increase their ability to fund overseas conservation programs.

In 1984, Thomas Lovejoy of the World Wild Life Fund (WWF) wrote an article (Lovejoy, 1984) suggesting discounts or credits for debtor nations that take steps to solve environmental problems. Later, the WWF and other international conservation nongovernmental organizations (NGOs) began to work toward making Lovejoy's idea a reality. By August 1987, a United States based NGO, completed the first DFNS.

This DFNS was between the Bolivian government and an NGO called International Conservation which together with a Swiss bank acquired US\$650,000 of Bolivia's private debt at a cost of US\$100,000. The Bolivian government swapped the sum at US\$260,000, investing the money in an investment fund for the protection of biodiversity, more concretely to protect its Beni Biosphere Reserve.

This deal was very controversial at the beginning; many Bolivians thought that it was a sovereignty problem. There was however, no transfer of land ownership. The Bolivian government was slow in dispersing the local currency funds, and controversies were arisen over the development use of the buffer areas (Occhiolini, 1990)

Show case Bolivia

Commercial DFNS

Date of agreement 13of July 1987

Face value of debt 650.000

Purchase price 100.000

Conservation Funds 250.000

Purchaser-donor Conservation International (CI) and Frank Weeden Foundation (100,000)

Purpose: Increased legal protection by legislative enactment for the 334,200 acre Beni Biosphere Reserve and the adjoining Yacuma Regional Park and Cordeveni

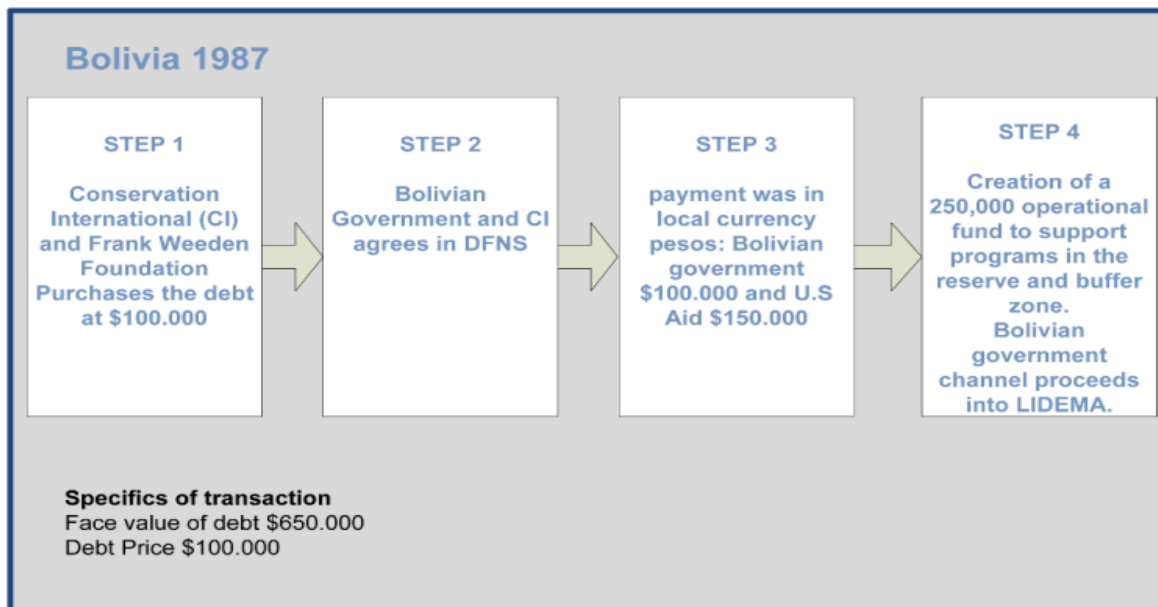
Water Basin. An additional 2.8 million acre buffer zone for sustained development and use in Chimane Forest Reserve, creation of a 250,000 operational fund to support programs in the reserve and buffer zone.

Other terms Debt purchased with assistance of Citicorp.

Bolivian Inter-institutional Technical Commission established. Bolivian Government paid 100,000 in pesos (with delay). USAID paid 150,000 in pesos from local currency PL 480 funds. Dispute arose over the allocation of forestry concessions and indigenous peoples' access in the Chimane forest reserve.

Beneficiary La Liga de Defensa del Medio Ambiente (LIDEMA) (project executor)

Flowchart 1 DFNS at a glance. First DFNS in Bolivia.



Sources: (WORLD WILDLIFE FUND, CONSERVATION FINANCE, 2003)
(MOYE, 2001)

Elaboration: Sue Ferriol

Since this initial swap, other countries have arranged similar debt for nature swaps. During the 90's the use in general of DFNS decreased in countries such as the US. However, other countries like Spain started to participate in a active way to use this financial tool. Concretely, during the first decade of 2000, some of the swaps that took place happened between Spain and Ecuador (described later) and Spain and Honduras.

In the case of Honduras, in 2005 the country swapped as much as 140 million dollars, over a total debt of about 4.000 million dollars. This figure accounted for 3,5% of the total debt, and over 10% of the country's bilateral debt.

In both cases, the impact of the DFNS was relatively high compared to the total debt of the country (VERA, 2007)

1.3 Beyond the figures: Debt and United Nations Millennium Development Goals

Forty years ago, at the first UN environment conference in Stockholm, the then Indian Prime Minister, Indira Gandhi, said:

“Poverty is the worst form of pollution”

The circle of poverty, environment and debt has been a central issue for a very long time now. This was understood to mean that poverty must be alleviated first, and then we can worry about pollution (GERMAN DEVELOPMENT INSTITUTE, 2013)

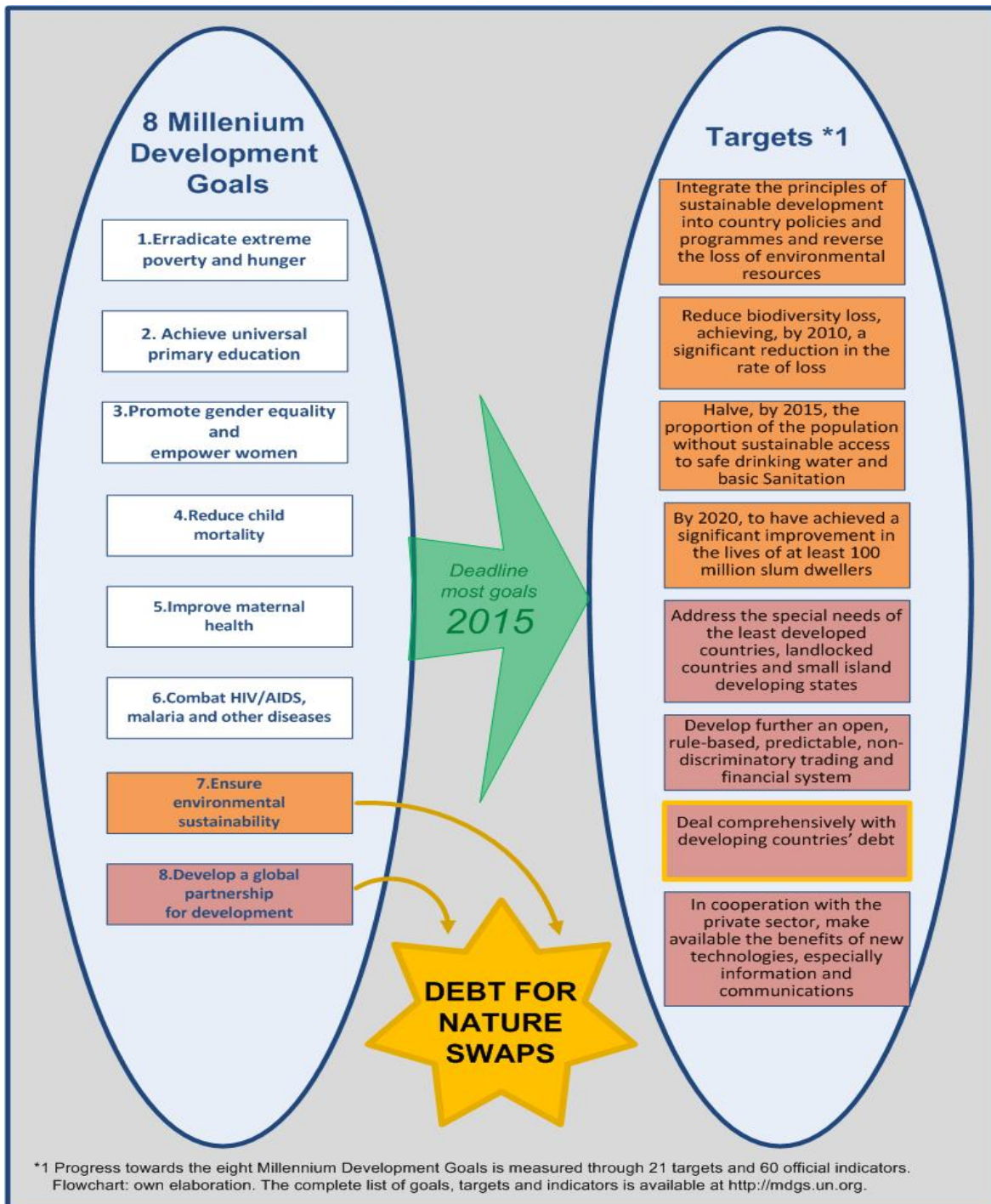
Similar arguments can be heard here at home: environment and climate protection is only for those periods when the whole economy is growing. The link between poverty and environment is directly related: there is no bigger, more serious problem than poverty, which threatens human welfare and, in turn, environmental conservation.

Since they were first adopted, the Millennium Development Goals (MDGs) have raised awareness and shaped a broad vision that remains the overarching framework for the development activities of the United Nations. Achieving the MDGs requires equitable and inclusive economic growth —growth that reaches everyone and that will enable all people, especially the poor and marginalized, to benefit from economic opportunities.

Also, more determined steps are required to protect the ecosystems that support economic growth and sustain life on earth.

The flowchart below shows the MDGs. Targets in orange are from MDG7 and targets in orange are from MDG8. MDG7 is mainly to ensure environmental sustainability and MDG8 to develop a global partnership for development. Both are related to external debt issues and hence to DFNS.

Flowchart 2 Millennium Development Goals



Source: (UNITED NATIONS, 2011)
Elaboration: Sue Ferriol

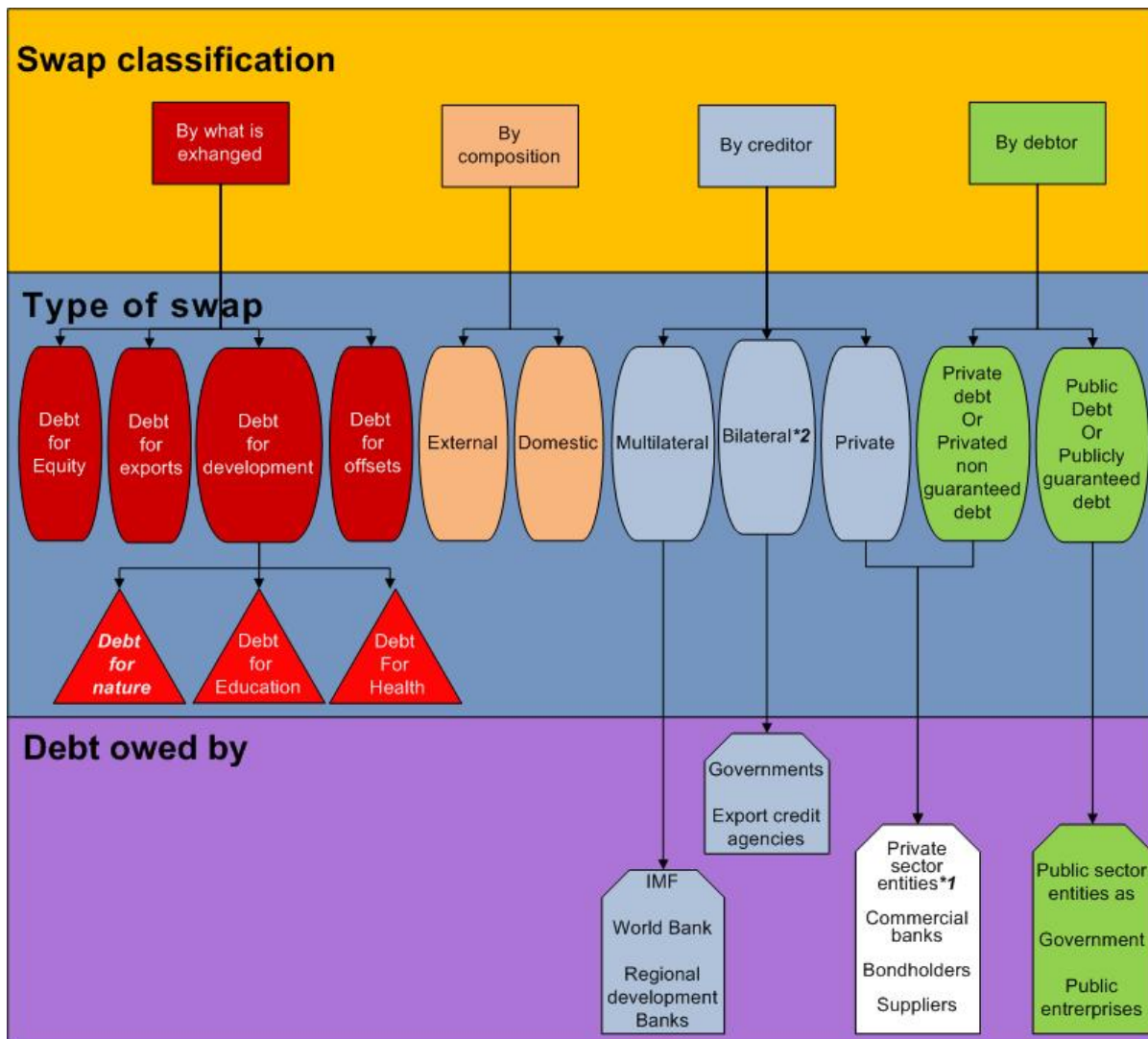
2. What is a Debt for Nature Swap?

Debt -for-nature swaps involve an exchange or cancellation of a foreign country's debt in return for the debtor country's commitment to use a given amount of local currency funds to protect national parks, establish environmental education programs or train people in natural resource conservation and management. Debt-for-nature swaps are similar to debt-equity swaps. With a debt-equity swap an investor buys a portion of a debtor country's debt and exchanges that debt for an equity interest in a local firm or another local asset, instead of collecting the hard currency originally borrowed.

2.1 Types of swaps

There are different types of swaps and one of them is DFNS, as shown in the chart in the next page:

Flowchart 3: Types of Swaps



Sources: (PARIS CLUB, 2013) and (RUIZ, 2007)
 Elaboration: Sue Ferriol

*1Debt owed by private sector entities but guaranteed by public sector entities is often included in the public debt. Additionally, all creditors not mentioned as multilateral or official bilateral creditors are considered private creditors

*2 Bilateral transactions can get the support of a third-party organization: NGOs, UN agencies, Academic institutions, religious organizations. Official bilateral claims result from two types of financing:
 - credits guaranteed by the Governments or their institutions. In most cases, these credits were commercial credits granted to finance imports by the debtor country;
 - direct loans from the Governments or their institutions to the government or other public entities of the debtor country. Government loans may be granted under "Official Development Assistance" (ODA) conditions, as defined by the OECD (low interest loans aimed at supporting the development of the debtor country).

2.2 Types of Debt for nature swaps

2.2.1 Bilateral Debt Swaps

Bilateral debt swaps involve a government creditor and government debtor, and can be assisted by a third-party conservation NGO. In recent years these types of transactions have been the most common ones. Generally they are negotiated between the creditor and debtor directly and typically involves two types of transactions: debt buy-backs and debt forgiveness.

Such transactions typically require that the group of (Paris Club) creditors agree to a debt restructuring plan for the debtor country. This plan includes a debt swap clause (i.e. a provision allowing for debt swaps). Under this type of bilateral transaction, the debtor agrees to invest a specified amount in local conservation or environment projects, in exchange for the creditor canceling or discounting a debt amount of local currency.

This kind of plan usually reflects a discount rate relative to the face value of the original debt, which is subject to negotiation between the two countries. It can also happen that the payment has been made with no discount at all.

Several bilateral creditor governments have debt conversion programs which provide for the conversion Official Development Assistance (ODA) debts and sometimes for buy-backs of publicly guaranteed export credits or even commercial debts. Some debtor governments (e.g. Mexico) have created debt swap “windows”, which allow for ongoing bilateral transactions at any time.

Coordination in bilateral swaps is very important, because it requires the participation of relevant government agencies of both countries and often involves the participation of third-parties (such as local agencies, NGOs, conservation organizations) as intermediaries and/or beneficiaries. The introduction of DFNS, particularly in Latin America through diverse debt conversion programs, has led to the establishment of conservation trust funds which have been capitalized through bilateral swaps proceeds.

2.2.2 Commercial debt swaps

These types of transactions involve a commercial company creditor and government debtor, and are typically brokered by third-party NGOs. Such debt is either sold on the secondary market at a discounted price or donated by the bank for tax advantages. The discount rate to apply depends on the creditworthiness of the debtor country. If there is a high discount (i.e. 50% or more) it shows a debt from a country that is very unlikely to repay (In Spain, the discussion over this discount factor has flooded the media).

In this case the secondary market (or market prices) for Third World debt will establish a base price for the debt of the country. Market prices for Third World debt vary considerably, ranging from few cents on the dollar all the way to parity.

However, market price is also a clear indication of the risks involved.

The secondary market for Low Developed Countries (LDC) debt is highly imperfect. LDC debt cannot be freely sold by banks because of covenants that have been entered into the course of rescheduling negotiations and that essentially ensure that none of the major creditors dispose of the debt without approval from the others.

Transactions can occur only if there is reasonable prospect of obtaining approval from the debtor country (otherwise the debt cannot be converted) so that the debtor country also exerts effective control over the transactions which take place. The prices quoted on the secondary market are not openly established but they represent a best current estimate. As a result, prices are subject to fluctuations and can prove to be negotiable.

TABLE 4

Commercial debt swap: a way of laundering illegitimate debt?

In 2004 a publicly guaranteed commercial debt proposal, a swap, was offered by Norway to Ecuador and refused by the latter. It was argued that cancellation percentage of the transaction was very low, and that the original commercial debt would have served Norwegian interests only (the original component was the purchase of shipping vessels).

Ecuadorian and Norwegian civil society organizations succeed in stopping this process. In fact, by October 2006, Norway cancelled the debt to Ecuador, acknowledging it had been an irresponsible loan. The loan had aimed at rescuing Norway beleaguered shipbuilding industry and not supporting Ecuador's development. This example shows two important lessons:

First, debt is not only about finance but about justice. The origin of a debt is a key component to be analyzed ahead of a debt swap. This is particularly important when it involves commercial debt, because there are many cases similar to Norway. In case that Ecuador had accepted the swap, the debt would have been "laundered" and nobody would know today if this debt was unfair, irresponsible and should be cancelled.

Second, it shows that the power of civil society should not be underestimated and that it can play a fundamental role in pressuring governments to decline debt operations. If in Norway in 2006 this was achieved, now they would had achieved even more, given that the power of society has increased (due to the use of digital social networks).

*Source: (RUIZ, 2007)
Elaboration: Sue Ferriol*

2.2.3 Private-to-private debt swaps

In this case, the creditor and debtor are private sector companies. They can operate in a similar way to what we described in commercial debt swaps.

However, in private-to-private swaps, the government of the debtor country would play a limited (or no) role, except in cases requiring government authorizations (e.g. land transfers). Most private-to-private swaps generally involve debt-for-equity exchanges, although there are some rare cases of DFNS.

2.2 Key roles and Motivations

2.2.1 Debtor

A debtor is the borrower of a certain amount of funds and required to repay the debt. The debtor is usually a government, but can also be a private sector company. For a DFNS to work, the debtor needs to be interested and be able to provide local currency (or other 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 (this means at the lowest possible price). A debtor government will also be interested in the potential to increase capital investment in conservation. It must be kept in mind that DFNS will not be successful if conservation issues are not in the political agenda of the debtor country.

If the debtor is a private sector company, it will be interested in a DFNS (or other type of swap) only if it is able to achieve repayment terms more advantageous than those it might have reached through direct negotiation with a creditor.

2.2.2 Creditor

There are different types of creditors depending on the type of transaction. They can be government export credit agencies, government aid agencies (e.g. AECID in Spain), commercial banks (e.g. Banco Santander), commercial suppliers (e.g. Iberdrola and Endesa).

In general, creditors are willing to donate or sell because they believe the benefits of reducing debt through debt swaps outweigh the benefits of waiting for uncertain future payment. There is one exception with aid agencies: they can be creditors as well as donors, and often value the environmental benefits of swaps. Most of the other creditors are motivated mainly by their desire to recover some portion of a debt that they perceive as unlikely to be repaid at a full face value.

In some cases, commercial creditors may also value potential tax benefits or positive publicity related to debt donations. There also may be incentives for a creditor to sell debt in order to “exit” from a country and thereby reduce its exposure in that country. A creditor might also adopt an “exit” strategy for smaller amounts where the administrative costs of maintaining a loan on its books outweigh any potential prospect of repayment. If a creditor has already written off a bad loan,

debt sales can be viewed as a recovery, with a positive impact on the creditor's financial position.

There is another reason for creditors to participate in DFNS: swaps boost a creditor's ODA figures. Debt swaps helps creditors to achieve the goal of contributing 0.7 percent of GDP to ODA without paying out any additional funds. Basically this is a way of inflating ODA figures through a simple accounting operation. NGOs believe such accounting operations should end and that debt relief operations including swaps should be strictly additional to ODA as set down in Monterrey Declaration. (RUIZ, 2007)

2.2.3 Conservation Investor

Conservation investors are typically the “brokers” in a three-party DFNS. In many cases the conservation investor is an international NGO, but it can also be a private foundation, an international conservation organization such as World Wild Fund, a UN agency, a conservation trust Fund or a research/academic Institute.

Conservation investors are 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.

The environmental groups face a decision: do they get more benefits from a straight donation or from a DFNS? Well, at first glance, it seems that DFNS is the best choice. But, this may not be necessarily true. The break even point for the conservation investor is when the “leveraged” amount received from the swap is equal to the marginal cost of that particular DFNS. The closer the debtor country comes to capturing the entire discount on the secondary market (in the case of a commercial swap), the lower is the leveraged amount from the DFNS, and the higher the probability that the costs of arranging the swap will outweigh the benefits of increased local currency (OCCHIOLINI, 1990)

2.2.4 Donor

Most of the times the donor is the developed country government, which provide the funds that makes DFNS possible. On some occasions the donor can be a private foundation, international conservation organizations and commercial banks. Donors will be interested in leveraging their funds to have the greatest impact on their conservation objectives.

In the case of government donors an additional motivation is to promote economic growth of the developing country through debt reduction, although such benefits are usually minimal. Usually, 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 such as conservation a trust funds, which can result in increased decentralization,

accountability and transparency in management of projects funds, and other benefits. But how do DFNS work in practice?

3. How does it work?

3.1 Steps of a Debt-for-Nature-swap

As shown in tables 2.1 and 2.2 there are different types of DFNS. However in any debt-for-nature swap there are commonalities such as:

- Involvement of a third party
- Discount rate
- Leverage ratio
- Minimized inflationary effects
- Counterpart Fund

Among Bilateral, Commercial and Private- to-private swaps, the most common are bilateral debt Swaps. However, each DFNS is different and the process can take as many as 12 different steps. Below we describe, step-by-step, a generic and most common case: a bilateral swap with support of a third-party.

The first step is to obtain approval from a creditor country. It is possible that they have to meet more than one government in order to determine the level of interest in a DFNS. To carry this step successfully is important to prepare adequate informational materials describing clearly the DFNS mechanism, including examples of its implementation in other countries.

If the NGOs have found a country interested in DFNS, it can proceed with the second step.

The second step is to obtain approval from the debtor country. This can involve negotiation with other key parties (i.e. the government, the central bank, the national debt management agency) and the involvement of an appropriate private conservation organization that will receive the funds and manage the agreed program. (CONVENTION ON BIOLOGICAL DIVERSITY, 2001)

The private conservation organization in the debtor country is arguably the most important of these three parties. Conservation organizations in developed countries are caught in a double role because they must relinquish effective control over the funds to avoid the "imperialism" issue but must, at the same time, ensure domestic donors and tax authorities of the responsible use of these funds. Only strong conservation organizations in the debtor country can meet this double criterion. As well as in the first step is important to prepare material describing clearly DFNS mechanism, including examples of its implementation in other countries.

If the NGOs have obtained approval of the debtor country, it can proceed with the third step.

The third step: The Finance ministry of the debtor government determines the country's debt status and analyzes key swap issues. If the creditor country is a member of the Paris Club, they proceed to consult the Paris Club agreement in order to determine debt eligibility. Additionally, they have to analyze at a macroeconomic level the impact in the country and at a micro level the potential results of the swap.

The fourth step involves the creation of a committee to coordinate the debt conversion program. This means the debtor country should prepare an operating budget to create the team. Ideally the committee should include those involved in planning, macroeconomic policy, debt management, relevant sectorial ministries as well as local conservation NGOs.

The fifth step is related to the NGO expertise and experience. The third-party NGO conducts an independent feasibility assessment of key factors such as: Debt profile, debtor government policy, macroeconomical and political context, potential funding sources for swap, financial and design issues for swap, etc.

Specifically, the in-country work would include an estimate of the transaction costs for executing conversions, as well as an estimate of the HHRRs and technical skills required to execute a DFNS. Financial climate should also be analyzed, to know if there is a political risk of attempting to open a debt conversion operation and to confirm that the climate is stable enough to make a conversion worthwhile. Factors to keep in mind include fiscal policy, foreign exchange risk and potential inflationary impacts of conversions.

The sixth step is the presentation of the feasibility assessment made by the NGO in the fifth step. It should be shared with the other parts involved: the creditor government, the debtor government and stakeholders.

The seventh step gets into formal negotiations with debtor government on DFN transaction. During the negotiations the creditor presents proposal for DFNS, possibly assisted by a third-party NGO.

The eighth step is about holding consultations at a domestic level in order to discuss details of DFNS, such as the strategy for implementing DFNS proceeds. Debtor country consults key domestic stakeholder groups such as Scientifics experts in environmental, business sector and NGOs. (CONVENTION ON BIOLOGICAL DIVERSITY, 2001)

The ninth step: Creditor and debtor governments negotiate details and enter into a debt conversion agreement (this is the transfer title to the debt). This is a technically complex transaction, requiring individual attention. Of course, one important decision is to select the actual purchaser of the debt. In some instances, it may be appropriate for the conservation organization to acquire the debt and donate it to its partner in the debtor country. In others, it may be possible to donate the necessary resources to permit direct acquisition of the debt by the debtor country organization. Furthermore, debt may be donated directly to the LDC

conservation organization, acting as an agent for the developed country organization.

Some concepts to negotiate in the agreement are:

- Rate of redemption
- Amount of debt notes to be purchased for conversion
- Instruments for redemption
- Premium to redemption rate
- Amount of interest
- Interest rate and payment schedule
- Structure of receiving DFN proceeds

The tenth step is the conversion of the debt in accordance with the agreement reached with the debtor. This can involve the issuance of local currency bonds, measures to protect certain sensitive areas, purchase, legislation, etc. It might also include the cash payment of local currency, the redemption of the debt, or any combination of these.

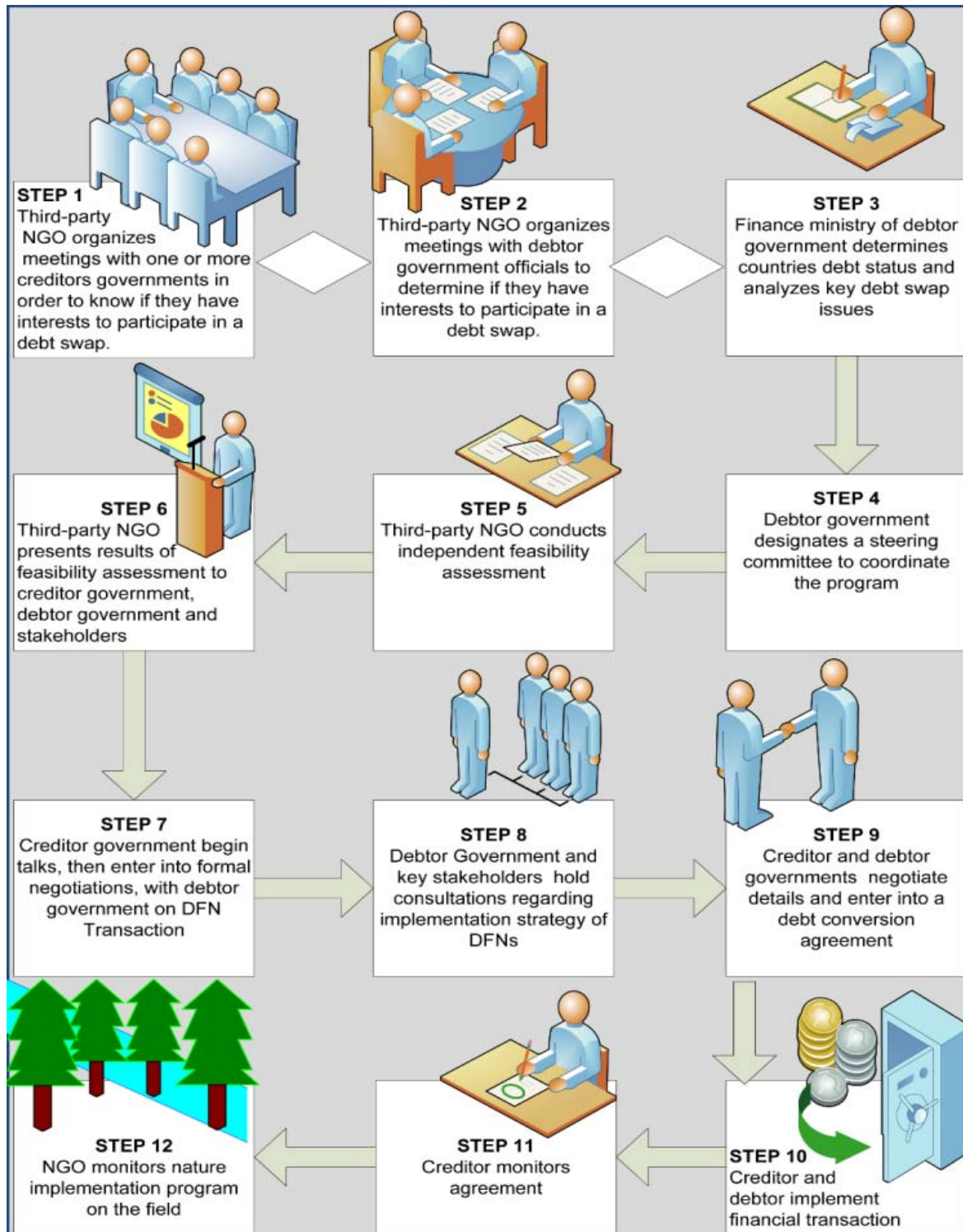
In this step the debtor purchases debt with local currency at the redemption price, and retires debt (if debt reduction or buy back.) The debtor also deposits local currency or bonds in an interest-bearing account or an investment account. Proceeds are often channeled into conservation trust funds and used to implement conservation projects.

The eleventh step is about monitoring the financial transaction. The creditor sets up a committee to monitor implementation of the agreement and the use of proceeds.

The twelfth and final step is the execution of the agreed on conservation program. The importance of this step should not be underestimated. It is the ultimate goal of the entire program. At the same time, the reputation of the creditor country conservation organization can be at stake because it must be in a position to assure donors and tax authorities about the appropriate use of funds.

In the next page I illustrate all 12 steps with a generic example of a bilateral swap with the collaboration of an NGO.

Flowchart 4 Steps of a bilateral DFNS with assistance of a third party



Source: (CONVENTION ON BIOLOGICAL DIVERSITY, 2001)
Elaboration: Sue Ferriol

3.2 What are the success factors?

As shown in the previous flowchart, a DFNS is long and technically complicated. With so many parties/factors involved very few DFNS are carried successfully. However, there are some factors that can effectively contribute to the success of DFNS.

DFNS supported by a broader context: efficiency of the DFNS project increases when the swap proceeds are used in conjunction with environmental policies and other conservation efforts. Debt swaps are best designed as part of a country's overall debt management strategy.

Strong organizational capacity: In order to execute a DFNS, a certain degree of organizational capacity within the debtor governments is required. This might include a dedicated team or even professional managers.

Political support in key ministries and coordination within government: Debt swaps are more effective when they support debtor country investment priorities and are used to attract "additional investment" to the country. The ministry of finance will need to recognize the utility of using debt swaps to achieve biodiversity conservation objectives. Additionally, in the case of bilateral swaps key government agencies need to recognize conservation as a priority under their debt policy. Also, debt swaps require strong coordination among debtor country government agencies, which usually play a key role in negotiating swaps. They also need to work with planning and relevant sectorial agencies (ie. forests, protected areas).

Adequate technical assistance: External technical assistance, specially related to finance and environmental, are typically required to implement the swap and structure effective conservation programs.

Implementation capacity: counterparts organizations (e.g. private conservation trust funds) and projects targeted to receive DFN proceeds must be able to effectively absorb-allocate the funds. The counterpart organizations require having the adequate size, HRRs and experience on the field.

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.

4. Case study: Ecuador and Spain in 2005. From theory to praxis.

Before getting deeper into this case example, we should keep in mind that this is not a traditional debt for nature swap, like the one in Bolivia explained in section 1.3. Specifically, Ecuador-Spain 2005 is a debt swap mainly aimed to help Ecuador develop economically (see 1.1 attachment 3).

This debt swap is divided in two parts: a debt for Education swap and a vague one related to hydropower projects, which can help develop energy resources but have a very negative impact on nature. Interestingly enough, this contradicts the spirit of a DFNS, which aims to protect biodiversity, conserve forestry, establish environmental education programs or train people in natural resource conservation. Therefore, the initial goals of this DFNS seem already somewhat contradictory!

In fact, this case has been chosen for different reasons. First, it involves Spain as the creditor country. Second, it is quite a complex case involving many factors. Third, because the concluding remarks are very interesting, as it shows how debt swaps can be a success and a failure at the same time.

Regarding the involvement of Spain, it is important to know it's role within a broader context. During the last decade, Spain was a Paris Club Donor and the most outspoken debt-for-development advocate. Former Spanish President José Luis Rodríguez Zapatero, during the UN Summit Action against Hunger in 2004, stated that Spain, beyond its HIPC commitments, was planning to have an active role in debt-for-social-development swap transactions.

In practice, during the years prior to the New law NO.38 on External debt Management (2006), debt swaps were primarily conducted with Latin American countries, both HIPCs and non-HIPCs, such as Ecuador.

During those years Spain adopted a differentiated debt swap policy. Mainly, they granted a discount of 60% on the counterpart payments due by HIPC debtor countries. Furthermore, they required full payments from no HIPC countries, like Ecuador.

As described in attachment 4, Spanish law No. 38 aims at:

- Linking external debt management with Spanish development policy
- Promoting principles of debtor ownership and sovereignty
- Promoting (Spanish and local) civil society participation in the process of converting debt.

- Highlights the need to target the poorest developing countries with the highest levels of external debt, preferably partner countries of Spain's development policy. (UNESCO, 2011)

Let us now look at Ecuador, the debtor country. In this tropical nation, blessed with wonderful natural sites (such as the Galapagos Islands) foreign debt has historically been a problem. Since the 1970s, this country has suffered many hardships, and as consequence is burdened with a high degree of foreign debt and fiscal deficit. Therefore the different governments have been forced to negotiate and renegotiate aid loans and debt payments on several occasions.

Although in the 70's Ecuador's external debt was not very high (circa USD 213 million) it has grown exponentially since. More than 80 times in the last 30 years! Therefore, in 2006, the first year of the Ecuador-Spain Swap, the external debt was USD 16.856 million (an astounding 41.9% of the nation's GDP).

The debt problem in Ecuador stems from this negative evolution and some bad monetary policy decisions. For instance, in 1999, due to pressures on the balance of payments, Ecuador's monetary authorities abandoned the crawling-band exchange arrangement and moved their local currency (the sucre) to a floating arrangement. However, the collapse of Ecuador's currency and its foreign exchange value led to the country's dollarization in 2000. That same year, the Ecuadorian government negotiated an aid package with the IMF worth USD 304 million (*OECD, 2009*). This aid was repayable and was contingent on implementation of an extensive list of structural reforms such as the reduction of oil subsidies and a loosening of restrictions on privatization and foreign investment.

In September 2000, Ecuador agreed to restructure its bilateral debt for an amount of USD 880 million with the Paris Club creditors. After an agreement was reached with the IMF in 2003 for a new aid package, the Paris Club renegotiated Ecuador's debt, postponing the payment of USD 81 million of principal which was due between March 2003 and March 2004, and reducing debt service for that same period (*OECD, 2009*)

Although Ecuador was eligible to restructure its debt through the Paris Club, they were not eligible for international debt forgiveness programs such as the HIPC Initiative or the MDRI. These initiatives exclusively benefit LDCs and HIPCs and Ecuador is neither (as shown earlier in table 2). Comparing Ecuador with an HIPC, with 2004 data, Ecuador's debt service ratio was 36 per cent of exports, while Senegal (an HIPC) was 7.6 per cent. In analyzing Human development level in 2012, Senegal holds position 154 and Ecuador position 89 (see attachment 2). To compare, Spain holds position 23. (*PNUD, 2013*)

We have already shown the evolution of the debt (for more detailed 2005-2011 figures see attachment 1) but it is also interesting to see its composition and main creditors. With 2007 data, most of Ecuador's debt is private (more than 58%), 25% is bilateral and the remaining 16.5% is multilateral debt. The main creditors of the

bilateral debt are Brazil with USD 554 million and Spain with USD 375 million. (IOLANDA FRESNILLO, 2009)

After discussing the context, we will now cover the technical part of the Ecuador-Spain 2005 swap, as well as the key actors involved. In March of that year, as part of the new debt-conversion policy, the Spanish government decided to go further than the Paris Club in dealing with Ecuador’s bilateral debt. After extensive negotiation with Ecuadorian authorities, the first development debt conversion scheme, the so-called Ecuador-Spain Debt Swap Program, went into effect in January 2006.

This program will remain in effect for four years and involves USD 50 million: 30 million originally for hydropower projects and 20 million in educational projects (see table the specifics of the debt swap).

TABLE 5 Specifics of transaction Spain-Ecuador

Agreement year	March 2005
Debtor Country	Ecuador
Creditor Country	Spain
Face Value of debt (US\$)	50 million
Discount rate	100%
Recipient	NGO Confederación Andina de Fomento
Type of Swap	Development swap
Swap distribution	60% for small dams for hydro electrical projects (\$30 million) 40% for education sector (\$20 million)

Source: (NACIONES UNIDAS, 2010)
Elaboration: Sue Ferriol

The global impact of the face value of the debt in the total debt of the county is moderate. USD 50 million accounts for 13% of the debt with Spain, 2.4% of the total bilateral external debt from Ecuador (USD 2.100 million) and 0.45% of the total external debt (USD 10.900 million) (VERA, 2007).

This debt-conversion program seeks to carry out development projects in those regions that generate the most emigration to Spain (further information in

attachment 3). This swap involved many actors, which we discussed earlier as being one of the complexities of this kind of deals.

Who are the actors in this scheme?

- Two countries, Spain and Ecuador
- One Spanish-Ecuadorian committee composed of representatives from Ecuador's Ministry of Economics and Finance, Ecuador's Ministry of Foreign Relations, the MEH (through the Directorate General of International Financing) and the Spanish Embassy's Economic and Trade Council. This committee meets approximately once every six months to decide which projects will receive program resources
- CAF, the financial institution that receives the program funds, which also acts as the program's technical secretariat
- INECI, the Deputy Secretariat for Public Credit of the Ministry of Economics and Finance
- The Ecuadorian NGO CLD and the NGO Ayuda en Acción
- AECI, the Spanish Embassy's Economic and Trade Council
- A management committee, comprising the CAF (with voice but no vote), INECI, SENPLADES, CLD, AECI, and the NGO Ayuda en Acción. This committee meets weekly, pre-evaluates projects and sends its analysis to the two-country committee
- A management committee for each project profile, which examines and handles tracking of the profiles
- Finally, a tracking unit to perform these functions

This swap deal was quite complex cause the profiles of the projects were quite different and required specific expertise about educational and hidropower. With all these players, the project started effectively in January 2006. Two years later, as of December 2008, money had been paid to fund 22 projects, in compliance with the commitment to allot USD 20 million to educational programs.

However, the hydropower projects with the remaining (allocated) USD 30 million were cancelled and funds were not disbursed. This reflects a change in the Ecuadorian authorities' priorities. When the hydropower projects were still being negotiated, some controversy arose about their nature and the ties..

In principle, the program sought to offer Spanish business certain advantages, but not to the point of tying aid to the purchase of Spanish goods or services. Thus, rules under which the two-country committee operated state that the goods and services will be Spanish "whenever possible". All things being equal, contracts would be awarded to Spanish companies. This type of tied aid is one of the cons of many swaps (discussed later). In this case it had the disadvantage of displacing local production and fuelling imports while untied repayable aid could produce a knock-on effect in the recipient economy.

This support arises not only in multilateral negotiations, but also in the growing concentration of EU co-operation in projects to support regional economic integration. The priority given to Andean companies over Spanish companies in awarding contracts would align Spain's debt-swap policy with that country's own trade priorities, creating greater coherence between trade policies and foreign-debt management.

In short, the Spanish government's role in managing Ecuador's foreign debt focuses on the bilateral debt embodied in development-related debt-conversion programs. There is no international program to manage the multilateral debt of highly indebted middle-income countries.

In the next section I analyze the pros and cons of DFNS. However, there are some remarks worth mentioning in the Ecuador-Spain case:

- The discount rate shown in table 6 is 100% for Ecuador. This means that they have to put 100% of the face value in the Trust Fund. Ecuador is not a HIPC, and hence in disadvantage compared to HIPC that are debtor countries of Spain
- Generally, transactions are started by an NGO (as shown in Flowchart 2) but in this case the initiative was started by the Spanish government, not by the Ecuadorian government or an NGO
- The amounts redeemed were higher, at least up to the limits set by the Paris Club: redemption of 100% of concessional and 30% of the commercial debt
- Determine higher discount rates, up to 75% in regular countries, and up to 50% in HIPC countries (*CME, 2006*)
- Ensure policy coherence and sustainability criteria between swaps and other Spanish cooperation policies. It is surprising that, at the same time of this swap, the Spanish government signed an AOD of USD 25 million, destined to basic education. This does not seem very coherent with the purpose of Spain to alleviate the external debt of Ecuador (*IOLANDA FRESNILLO, 2009*). A cycle may be created in which a government agency periodically forgives loans granted by another agency of the same government
- Expand the participation of civil society advisory bodies to the decision makers and the design of the operations
- Operations involve the agencies debtor country concerned, such as ministries of education
- Apply principles of transparency and accountability in all phases of the project.
- Ensure that resources are invested in basic social sectors (like education and health) and will primarily target impoverished populations untying the aid, this is disliked by Spanish companies. The hydroelectrical example shows this, as this process was paralyzed by the Ecuadorian government. As discussed, tied aid is an important disadvantage in debt swap transactions.

A frequent recommendation to the government is to stop classifying loans as development aid. The instrument's only goal is to support the internationalization of

Spanish business. Moreover, the review of this instrument that has been underway for several years might lead to splitting it into two entities, each prioritizing one of the tool's two current goals. (OECD, 2009)

At the time of this writing, no additional information was mentioned by the Spanish or Ecuador government regarding the execution of hydropower projects or the related tied aid. Therefore, after the cancellation mentioned in 2008, we can safely guess that only education projects were carried out.

5. Analysis. Pros and cons of DFNS.

5.1 Arguments against and in favor of debt-to-nature swaps

As discussed earlier with the Spain-Ecuador case, debt swaps can be successful, fail, or both at the same time. Many factors are involved and we have repeatedly pointed out that they can be very complex and that every case is unique. However, there are some general arguments against and in favor of DFNS

Arguments against DFNS

- Critics argue that converting international debt to domestic debt does not necessarily help developing countries. In other words, the swaps only transfer debt ownership. What was once the country's external burden simply becomes a burden on the domestic budget, making the commercial banks the primary benefactors of these swaps. Usually is not a new infusion of financial resources. Rather, a redistribution of existing ones
- They also argue that creating incentives for such swaps distorts local priorities, taking needed domestic resources away from other social programs and projects
- These critics support that DFNS threaten the sovereignty of the LDC because they exploit the developing countries' financial weaknesses. One way this exploitation is done is by foreign investors, even well intentioned, essentially controlling domestic policies and assets. It is possible that the perception among some environmental conditions imposed by DFN interfere with debtor country sovereignty
- The costs of implementing and monitoring new conservation programs can be very high, time consuming and labor intensive. In the case of commercial debt swaps, transaction costs (between 1,5% to 5% of the debt's face value) are typically charged by a specialized bank agent or financial company that accesses the debt on the secondary market. Furthermore, many times there are not good or enough monitoring and evaluation procedures, project indicators or accounting systems
- "Moral hazard" can increase for future lending: debtors will enter in future loan agreements assuming some debt repayments will be forgiven or highly discounted

- Negligible overall debt relief for a country. In our example, USD 50 million meant only 0.45% of the total external debt from Ecuador
- There is a risk that the developing country debtor is not able to repay in local currency. In this case there is few risk mitigation or legal recourse options available.
- Currency risk and inflationary risk. Unstable currency can devalue local currency gains that have been invested domestically
- Inflationary impact: High inflation can nullify any expected leverage gains unless counterpart funds are invested in an inflation-adjusted-high-interest or hard-currency denominated fund. If the DFNS means a high increase of local currency in a short period of time this can lead to inflation. However, most DFNS appear to have minimal inflationary impact and many have involved the issuance of environmental bonds and not a lump-sum disbursement of local currency. Generally, issuing environmental bonds does not have an immediate effect on domestic currency; it involves the exchange of an external debt instrument for an internal debt instrument. (OCCHIOLINI, 1990)
- The limitation of fiscal resources of the debtor country can be an extra burden. The conversion of external debt into local currency increases the fiscal expenditure and this can be a problem if the debtor country is in a structural adjustment process or with a severe fiscal policy
- Possible corruption issues: in some cases there might be an inadequate allocation of funds. This can include the illegal transference of funds to offshore accounts

In favor

- Swaps do help foreign countries because they allow debt payment in local instead of hard currency, taking some pressure off these countries to rapidly develop export goods that in the long run may deteriorate their renewable resource base. Debt repayment is eased because payment is in more readily-available local currency instead of foreign currency.
- Some DFNS may effectively result in restructuring and reducing the debt in ways that are favorable to the borrowing country
- On sovereignty, these swaps cannot be arranged without the participation and consent of the debtor country governments. Also, the bulk of these swaps have been initiated by either the debtor country or a local NGO
- Improves the debtor country's credit standing, allowing for greater access to credit markets and improved credibility and rating
- Enhancement of the global values of biodiversity and natural areas. The transfer of financial resources from industrialized to developing countries compensates for the cost incurred at the local and national levels
- Can attract further investments in the debtor country
- Long-term environmental infrastructure. DFNS stimulates the creation of environmental Trust Funds to dispense DFN proceeds, which can serve as long-term funding mechanism and can attract other related investments

- The funds initially destined to pay the original debt can be now directed to finance other priority sectors (such as environment, health system or education)
- Helps to counteracts debt-servicing pressures to exploit natural resources
- Provides an interesting potential for the participation of civil society, increasing awareness about environmental issues, particularly when proceeds are channeled to a private trust fund
- A wide scope of flexibility with DFNS (E.g. Water related issues, forest issues, biodiversity issues). They can also 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. A lot of issues can be covered but the debtor country has to be careful with a possible hidden agenda from de creditor country (i.e Hydroelectrical projects in the Ecuador case)
- Provide an opportunity for socially responsible investors and a country's diaspora.

To finalize this section, the following table summarizes the pros and cons of DFNS:

TABLE 6 Arguments against and in favor DFNS	
Against	In favor
<ul style="list-style-type: none"> • Transfer debt ownership • Distortion of local priorities • Threat to sovereignty • High costs→ lack procedure tools • Moral hazard • Negligible overall debt relief • Risk: debtor unable to repay the debt • Currency risk and inflationary risk • Inflationary impact • Limitation of fiscal resources • Corruption issues 	<ul style="list-style-type: none"> • Debt payment eased in local currency • Debt reduction and debt restructuring • Sovereignty: consent of debtor country • Better credibility of debtor country • Enhancement biodiversity global values • Attraction of further investments • Creation of Long-term Trust Fund • Debt money goes to priority sectors • Counteraction of debt-servicing pressures to exploit natural resources • Potential participation of civil society • Scope flexibility of DFNS • Potential socially responsible investors

6. Concluding remarks: The way ahead

Debt conversion is a highly political process that also demands the creation of delicate technical mechanisms. They also represent a remarkable opportunity not only for conservation, but also for strengthening ties between developed and LDC countries at a time when these are needed.

As with many other issues, it will require the development and involvement of several actors: a sensitive international community, conservation organizations, banks, and government. These actors should be knowledgeable and confident of mutual relationships, to be able to transact many details at a distance. This international community should be ethical and ensure deployed funds are used for the original purpose.

However, a large network of professionals working remotely can lead to bureaucracy, higher costs, inefficiency and ineffectiveness of the processes. To avoid this, an innovative approach could lead to a greater impact of the application of DFNS funds. These types of approaches are becoming a reality in development organizations like UNICEF.

For example, two co-leads of UNICEF's Innovation Unit have just been selected by Time Magazine List of the "World's Most Influential People" in 2013. More concretely, they have spearheaded the development of open source technology (known as RapidSMS), a free platform for data collection, logistics coordination and communication. This platform employs simple cell phones to deliver real-time information critical to improving the health and protection of children. This work has helped UNICEF keep track of the distribution of 63 million insecticide-treated mosquito nets and to register the births of more than 7 million children in Nigeria. Similar initiatives could be applied to many of the steps involved in DFNS that are high technically demanding. *Source: (UNITED NATIONS CHILDREN'S FUND, 2013)*

If a negotiated long term solution is not found by banks and LDCs, most debt will be written down to a level that renders it worthless for most practical purposes. On the other hand, working on Debt-for-Nature programs opens new avenues to achieve the goals of conservation. While these programs may not be around for long, the lessons learned from working together with the banking community may open up unexpected avenues for financing conservation work in selected south countries.

It is a shared responsibility of north and south countries to find a solution to poverty and environmental issues. It would be interesting to review, in a historical perspective, how much has been contaminated and who did it. A change in the life style of the developed countries could also have a very positive impact on the environment.

As discussed earlier, the impact of the external debt of a given country on the global economy is moderate. At first glance it seems that the solution could be to increase the amount of the face value of the DFNS to alleviate external debt. However, this would not make sense to make a positive impact on Nature. In the cases were NGOs having expertise but a limited implementation capacity of channeling funds, alternative options need be explored.

Hence, although DFNS might have a moderate impact on external debt it could have a tremendous impact on nature conservation. For decades, the environment has suffered irreversible damage, with no turning back in areas such as the destruction of native forests, the extinction of endangered species and the reduction of genetic diversity. This damage would require a great effort to recover. For instance, in the case of hydroelectric dams on rivers, DFNS could help to alleviate further irreversible damage. We should learn from the past errors of the civilized economies and think about future generations.

We have discussed the impact of a country's external debt on its environment. In addition, we have to keep in mind that debt also has a very high impact in general development (as shown in the MDGs section). Basic survival gets tricky when a nation's debt is unsustainable. We already covered the ratios that shows the ability of a country to overcome the debt. Specifically, the World Bank and IMF consider a country's debt to be unsustainable when the figure exceeds 150% of the value of the exports (debt-to-exports-ratio). Both organizations also consider that debt to be unsustainable when the debt-to-revenues ratio is higher than 250%

One more remark about these ratios is related to debt forgiveness and the vicious circle debt discussed in MDGs chapter →poverty→development (Health, Education and Environmental among others). These ratios of unsustainable debt are indicators of a debtor-country's inability to repay its debts without exposing it to excessive hardship, social, economic and environmental. Regarding health as part of the vicious circle, for instance, in 2007, countries such as Uganda spend an average of \$3 per person on health care while spending \$15 per person on debt service. Liberia, one of the world's poorest countries, has a total external debt of \$3.7 billion and can only afford to allocate \$7 million of its \$120 million annual budget to fight the HIV/AIDS epidemic, which has infected almost 8% of the country's population.

Uganda, Liberia and many other LDCs believe that their welfare and survival are contingent on the forgiveness of their heavy debt burdens. As concluding remark, I believe it is very important to understand the concept of debt forgiveness, and to explore where this debt comes from and what makes it unsustainable. Otherwise transactions such as DFNS will be ineffective.

The following table summarizes my concluding thoughts:

TABLE 7. Key concluding remarks
<ul style="list-style-type: none">• Strengthening ties opportunity• New ways of technical new approach• Irreversible environmental damage• Vicious circle of poverty and MDGs• Nature damage and human survival• Strategic coherence and consistency• Tied Aid• NGOs limits to implement funds• Shared responsibility, ecology debt

To wrap up, I would like to mention that many things have changed since the first DFNS in the 80. We now have new technologies, new approaches to face challenges and a potential commitment of the governments in the MDGs framework. Maybe DFNS can a more useful tool than in the past. The way ahead depends on us.

Glossary

Debt buy-back: Arrangement between creditor and debtor governments, in which the debtor buys back an existing debt at a discounted price compared to the face value, and agrees to commit local currency funding to conservation. In other words a debt buyback is the repurchase by a debtor of all or part of its own debt, not at its nominal value but at a market value including a discount. .

Debt Capitalization: Conversion of debt into equity

Debt Conversion: See *debt swap* .

Debt-Equity Swap: Also called *debt capitalization* . An arrangement which results in the conversion of a developing country's foreign currency debt into local currency equity in a domestic firm. The investor may be the bank holding the loan or a company which buys the loan from a bank at a discount. The loan is typically sold at near face value to the central bank of the host country for local currency instruments, which in turn are used to make the equity investment. See *debt swap*.

Debt Financing: The use of borrowed money to obtain finance

Debt-for-Cash Swap: When a country's debt is sold for cash at a discount via the secondary market.

Debt-for-Development Swap: When a country's foreign currency debt is sold to a development agency in the local currency which then uses the funds to finance a development project in that country. See *debt swap*.

Debt-for-Export Swap: When a portion of a country's debt obligations are offset by exports of domestic products.

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.

Debt-for-Local Currency Swap: When a central bank issues a local currency debt obligation in exchange for a foreign debt claim. See *debt swap* .

Debt Instruments Existing debt instruments typically arise out of contractual relationships under which an institutional unit (the debtor) has an unconditional liability to another institutional unit (the creditor) to repay principal with or without interest, or to pay interest without principal. These instruments include debt securities, loans, trade credit, and currency and deposits. Debt instruments may also be created by the force of law, in particular, obligations to pay taxes or to make other compulsory payments, or through rights and obligations that result in a debtor accepting an obligation to make future payment(s) to a creditor.

Debt Outstanding and Disbursed – DOD: The amount that has been disbursed but has not, as yet, been paid back or forgiven or, in other words, the total real disbursements minus actual repayments of principal.

Debt Overhang: This can refer either to the total outstanding debt or to the total debt that cannot be readily covered by expected economic growth.

Debt Relief Grants: This may take the form of principal (whether due or not) cancellation or waiver of interest payments or reduction of interest rates. See *grant, principal, interest payments and cancellation*.

Debt Reorganization: Also called *debt restructuring*. Is an action taken jointly by a creditor and a debtor that results in a change of the debt service profile in order to ease the burden of that profile. This action may take the form of debt reorganization lending or debt relief grants. In the latter case the action may be taken unilaterally by the creditor. Debt reorganization includes debt forgiveness, rescheduling, refinancing, conversion and prepayment operations. Currently, it is often used in the context of the Paris club or the London Club.

Debt Reorganization Commission: The commission charged in the context of a debt reorganization (e.g. London Club). See *debt reorganization*.

Debt Reorganization Lending: This may be carried out in various ways falling under the broad headings of debt rescheduling and debt refinancing.

Debt Rescheduling: The postponement of all or part of one or more debt service payments of one or more loans. This term is also used in a general sense for the outcome of negotiations on debt reorganization.

Debt Service Operation: Any financial operation related to principal, interest, commission and, eventually, penalty interest. In DMFAS, debt service operation can take the form of a payment, the creation of an arrear, a rescheduling, forgiveness or a swap.

Debt Service Payment: The actual repayment of principal, payment of interest and the payment of commission/fees and other charges as well as penalty interest. A debt service payment is a type of debt service operation. Furthermore, this value is used for the ratio: debt service to exports.

Debt Service Schedule: An algorithm which defines the dates on which debt service payments are to be made over a given period. These algorithms may be on a loan (bond) and tranche (series) level and apply to all maturities.

Debt Servicing: Any payments made against a loan or a bond: principal repayments, interest and commission payments. "Actual" debt service is the amount actually paid to satisfy a debt, "scheduled" refers to a set of payments contractually required to be made during the life of a debt.

Debt Sustainability: A country may be considered to achieve external debt sustainability when it is able to meet its current and future external debt-service obligations in full, without recourse to debt relief, rescheduling, or the accumulation of arrears. Key indicators of external debt sustainability include the present value of debt-to-exports ratio and the debt-service ratio

Debt Sustainability Analysis: A study of a country's medium- to long-term debt situation. A country's eligibility for support under the HIPC Initiative is determined on the basis of such an analysis, jointly undertaken by the staffs of the IMF, the World Bank, and the country concerned.

Debt-to-revenue or debt-to-income ratio: Is a measure that compares an country's debt payments to the income it generates. This measure is important in the lending industry as it gives lenders an idea of how likely it is that the borrower will repay the loan. The higher this ratio, the more burdens there is on the country to make payments on his or her debts. If the ratio is too high, the individual will have a hard time accessing other forms of financing.

Debt-to-exports: The debt to export ratio is used to calculate a country's total amount of debt in comparison to its total amount of exports. It's an important way for countries to measure their independent sustainability. The percentage can help countries determine their growth rate, but it can also be misleading if the ratio is considered without looking at a particular country's circumstances.

Debt-to-GDP: A ratio of a country's national debt to its GDP national debt to its GDP. The debt-to-GDP ratio is one way to estimate whether or not a country will be able to repay its debt. The higher the ratio is, the more likely a country is to default because its government has borrowed too much relative to the ability of the country as a whole to repay. This may affect the country's sovereign credit rating. However, this ratio is not the only metric used. For example, the United States and the United Kingdom maintain national debts that approach 100% of GDP, but both have AAA credit ratings because the political risk in both countries is very low. Source (THE FREE DICTIONARY BY FARLEX, 2013)

Debt service-to-exports: The debt service to export ratio is defined as the total debt service divided by the sum of exports of goods, services, and income plus workers' remittances. Source (ENCICLOPEDIA OF THE NATIONS, 2013)

Debt Swap Also called *debt conversion* .Debt swaps refer to the exchange of debt, in the form of a loan or, more typically, of securities other than shares, for a new debt contract (i.e., debt-to-debt swap) or to the exchange of debt, typically at discount for a non debt liability, such as equity (also known as debt conversion). Initially, debt swap operations were used to promote private investments in developing countries and they have been particularly used in privatization programs. After, swaps have been extended to sustainable development projects but the financial mechanism remains the same: a charitable organization acquires a hard currency sovereign debt at a discount, the debt is then cancelled in exchange for consideration paid by the debtor country in order to promote programs for the protection of the environment, education, health, etc. If originally debt swaps were undertaken by private organizations, there have been an increasing number of public initiatives relating to swaps, either in debt cancellation programs launched by States which hold the debts, or under periodic swap operations initiated directly between governments.

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

Dollarization: A type of scenario whereby the currency of a foreign country is used as legal tender by another country's citizens because the alternate country's currency value is more stable than the currency normally used in the domestic country. Source (BUSINESS DICTIONARY, 2013)

EURODAD: is a network of 54 non-governmental organizations from 17 European countries who work together on issues related to debt, development, finance and

poverty reduction. The Eurodad network offers a platform for exploring issues, collecting intelligence and ideas, and undertaking collective advocacy.

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.

Genetic diversity: is a basic component of biological diversity. Its analysis is a key element for the study of biodiversity, ecosystem functioning, and the consequences of anthropogenic changes in natural systems due to climate change, habitat fragmentation, or biological invasions. Additionally, genetic diversity is very important for understanding the spread and impact of diseases on natural and managed populations. A better knowledge of genetic diversity is essential for predicting the consequences of developing sustainable agriculture and land management strategies, for environmental change for natural populations and for improving food production and human health. *Source (SWISS FEDERAL INSTITUTE OF TECHNOLOGY ZURICH, 2013)*

Guarantor of the Borrower: An entity defined in a loan contract which is legally appointed to pay all or some of the total amount of funds extended by a creditor to a borrower in the event of non-payment by the borrower.

HIPC initiative: initiative launched in 1996 with the aim to ensure deep, broad and fast debt relief and thereby contribute toward growth, poverty reduction, and debt sustainability in the poorest, most heavily indebted countries

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

MDRI: initiative launched in 2006 by the World Bank to provide additional support to HIPC countries to reach the MDGs.

Millennium Development Goals: they are a set of eight goals that address the world’s main development challenges. They are the central framework for global development and cooperation to improve humanity and life in the world. Leaders of 189 member states of the United Nations adopted at the Millennium Summit in New York in September 2000. MDGs are interconnected and interdependent. Through improved policies and governance, and increased accountability to their own citizens, the poor or developing countries are responsible for achieving Goals 1-7 while Goal 8 requires rich or developed countries to contribute to a global partnership with the poor by providing better aid, resolving debt problems and ensuring a fairer international trading system. In adopting the Millennium Declaration the world leaders agreed to achieve the goals by 2015. In doing so they pledged to “spare no effort to free our fellow men, woman and children from

the abject and dehumanizing conditions of extreme poverty". *Source (UNITED NATIONS, 2013)*

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, Spain is part of it, that negotiates framework debt restructuring. The members are: Austria, Australia, Belgium, Canada, Denmark, Netherlands, Finland, France, Germany, Ireland, Italy, Japan, Norway, Russia,, Sweden, USA Switzerland and United Kingdom

Present Value (PV): PV of debt is also called *net present value* (IMF). It is a measure that takes into account the degree of concessionality. It is defined as the sum of all future debt-service obligations (interest and principal) on existing debt, discounted at the market interest rate. Whenever the interest rate on a loan is lower than the market rate, the resulting present value of debt is smaller than its face value, with the difference reflecting the grant element. The concept of present value of debt is used because the face value of the external debt stock is not a good measure of a country's debt burden if a significant part of the external debt is contracted on concessional terms; for example, with an interest rate below the prevailing market rate.

Private debt: Debt owed by a private sector company.

Public debt: Debt owed by a developing country government.

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.

Total debt service (TDS): shows the debt service payments on total long-term debt (public and publicly guaranteed and private nonguaranteed), use of IMF credit, and interest on short-term debt only. *Source (ENCICLOPEDIA OF THE NATIONS, 2013)*

Bibliography

- BUSINESS DICTIONARY*. (2013). Retrieved from <http://www.businessdictionary.com/definition/dollarization.html>
- ENCICLOPEDIA OF THE NATIONS*. (2013). Retrieved from <http://www.nationsencyclopedia.com/WorldStats/ADI-debt-service-export-ratio-export.html>
- ENCICLOPEDIA OF THE NATIONS*. (2013). Retrieved from <http://www.nationsencyclopedia.com/WorldStats/ADI-debt-service-export-ratio-export.html>
- SWISS FEDERAL INSTITUTE OF TECHNOLOGY ZURICH*. (2013). Retrieved from <http://www.gdc.ethz.ch/about/diversity>
- THE FREE DICTIONARY BY FARLEX*. (2013). Retrieved from <http://financial-dictionary.thefreedictionary.com/Debt-to-GDP+Ratio>
- CARRASCO, E. (2007). *University of Iowa, Faculty of Law*. Retrieved from http://ebook.law.uiowa.edu/ebook/sites/default/files/Part_4_1.pdf
- CONVENTION ON BIOLOGICAL DIVERSITY. (2001, November). *Mobilizing Funding for Biodiversity Conservation: a User-Friendly Training Guide*. Retrieved from https://www.cbd.int/doc/nbsap/finance/Guide_Debt_Nov2001.pdf
- GERMAN DEVELOPMENT INSTITUTE. (2013). *Deutsches Institut für Entwicklungspolitik*. Retrieved from [http://www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/\(ynDK_contentByKey\)/RHIZ-8URBKS?Open](http://www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/(ynDK_contentByKey)/RHIZ-8URBKS?Open)
- INTERNATIONAL MONETARY FUND. (October 2012). *World Economic Outlook: coping with High Debt and Sluggish Growth*. Washington, DC.
- IOLANDA FRESNILLO, A. E.-O. (2009). *Deudas ilegítimas entre Ecuador y el Estado Español*. Observatori Deute Globalització, Càtedra UNESCO de desarrollo.
- LOVEJOY, T. (1984, October 4). Aid Debtor Nations Ecology. *The New York Times*, p. 31.
- MOYE, M. (2001). *Overview on Debt Conversion*. Debt Relief International, United Kingdom.
- NACIONES UNIDAS. (2010). *Objetivos del milenio. Avances en la sostenibilidad ambiental del desarrollo en América Latina y el Caribe*. Santiago de Chile: Naciones Unidas.
- OCCHIOLINI, M. (1990). *Debt-for-Nature Swaps*. Working papers, The World Bank, Policy, Research and external Affairs, Whashington, D.C.

- OECD. (2009). *Coherence of Development Policies: Ecuador economic ties with Spain and their development impact*. Working paper No 280, Organisation for Economic Co-operation and Development, Paris.
- ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. (2009). *Coherence of Development Policies: Ecuador economic ties with Spain and their development impact*. Working paper No 280, OECD, Paris.
- PARIS CLUB. (2013). Retrieved from <http://www.clubdeparis.org/sections/dette-traitee-en-club/dette-des-pays-en/classification>
- PNUD. (2013). *Informe sobre desarrollo humano. El ascenso de ISur: Progreso humano en un mundo diverso*. New York: Communications Development Incorporated.
- PROGRAMA NACIONES UNIDAS PARA EL DESARROLLO. (2013). *Informe sobre desarrollo humano. El ascenso del Sur: Progreso humano en un mundo diverso*. New York: Communications Development Incorporated.
- RUIZ, M. (2007, October). *www.eurodad.org*. Retrieved from European Network on Debt and Development:
[http://www.eurodad.org/uploadedfiles/whats_new/reports/debt_%20swaps_%20eng\(1\).pdf](http://www.eurodad.org/uploadedfiles/whats_new/reports/debt_%20swaps_%20eng(1).pdf)
- THE WORLD BANK. (2013). *International Debt Statistics 2013*. Washington, D.C.
- THE WORLD BANK. (2013). *World Development Indicators*. Retrieved from <http://data.worldbank.org/data-catalog/GDP-ranking-table>
- THE WORLD BANK, HIPC INITIATIVE. (2013). <http://web.worldbank.org/>. Retrieved from <http://go.worldbank.org/76G2TJJO30>
- UNESCO. (2011). *Debt Swaps and Debt Conversion Development Bonds for Education*. Final Report for UNESCO Advisory Panel of Experts on Debt Swaps and Innovative Approaches to Education Financing, UNESCO.
- UNITED NATIONS. (2011). *The Millennium Development Goals Report 2011*. Lois Jensen.
- UNITED NATIONS. (2013). *United nations Papua Guinea*. Retrieved from http://www.un.org.pg/index.php?option=com_content&view=article&id=40&Itemid=21
- UNITED NATIONS CHILDREN'S FUND. (2013). Retrieved from <http://unicefstories.org/2013/04/18/unicef-staffers-make-time-100-list-of-worlds-most-influential-people/>
- UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT. (2013). *UNCTAD Virtual Institute*. Retrieved from <http://vi.unctad.org/debt/debt/m2/GLOSSARY/GlossaryABC.htm#c>

VERA, J. M. (2007). *Experiencias y resultados de los canjes de Deuda por Educación en Iberoamérica*. Secretaría General Iberoamericana. Madrid: Inventa comunicación S.L.

WORLD EDUCATION CONVENTION (CME). (2006). *Luces y sombras. Un análisis de los canjes de deuda por educación en el marco de las cumbres Iberoamericanas*. Campaña Mundial por la Educación.

WORLD WILDLIFE FUND, CONSERVATION FINANCE. (2003). *Commercial debt-for-nature swaps. Fact Sheets*.

Additional attachments

Att1: Debt structure in Ecuador, IDS from World Bank

ECUADOR

(US\$ million, unless otherwise indicated)

	2000	2005	2006	2007	2008	2009	2010	2011
1. Summary external debt data								
External debt stocks	13,338	17,408	17,399	17,868	15,818	13,263	14,963	16,497
Long-term external debt	12,350	15,564	15,328	15,946	14,084	11,426	13,715	15,309
Public and publicly guaranteed	10,915	10,896	10,349	10,763	10,095	6,960	8,633	9,929
Private nonguaranteed	1,435	4,668	4,980	5,183	3,990	4,466	5,082	5,380
Use of IMF credit	191	125	72	52	51	452	444	443
Short-term external debt	797	1,719	1,998	1,870	1,683	1,386	804	745
interest arrears on long-term	3	1	0	0	31	37	37	46
Memorandum items								
Principal arrears on long-term	6	5	0	0	1	1	1	16
Long-term public sector debt	10,915	10,896	10,349	10,759	10,078	6,934	8,605	9,900
Long-term private sector debt	1,435	4,668	4,980	5,188	4,007	4,492	5,110	5,409
Public & publicly guaranteed commitments	404	1,328	1,303	1,248	17	166	4,890	3,608
External debt flows								
Disbursements	1,132	3,154	2,638	3,048	1,369	1,180	2,977	3,370
Long-term external debt	983	3,154	2,638	3,048	1,369	1,180	2,977	3,370
IMF purchases	150	0	0	0	0	0	0	0
Principal repayments	1,067	3,243	2,936	2,363	1,485	4,187	1,260	1,836
Long-term external debt	1,067	3,048	2,878	2,340	1,485	4,187	1,260	1,836
IMF repurchases	0	195	58	23	0	0	0	0
Net flows	-189	-235	-19	557	-334	-3,310	1,135	1,466
Long-term external debt	-84	105	-240	708	-116	-3,007	1,717	1,534
Short-term external debt	-254	-145	280	-128	-218	-303	-582	-68
Interest payments	816	959	1,330	1,364	867	601	526	571
Long-term external debt	708	843	1,176	1,228	847	521	464	534
IMF charges	5	8	5	2	0	1	1	0
Short-term external debt	102	107	149	134	19	79	60	36
2. Other non-debt resource inflows								
Foreign direct investment	-23	493	271	194	1,006	321	158	568
Portfolio equity	0	2	0	0	1	2	0	2
3. Currency composition of public and publicly guaranteed debt (%)								
Euro	..	3.4	3.5	3.3	3.0	4.0	2.8	2.1
Japanese yen	4.5	3.5	3.4	3.1	2.6	3.3	2.6	2.0
Pound sterling	0.8	0.7	0.8	0.7	0.5	0.8	0.6	0.4
Swiss franc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
U.S.dollars	83.0	87.1	87.3	88.4	89.6	86.2	89.9	92.2
4. Average terms of new commitments								
Official creditors								
Interest (%)	6.9	6.6	6.7	5.4	3.0	3.3	5.1	5.4
Maturity (years)	17.2	8.1	16.7	20.9	18.7	23.2	12.0	12.8
Grace period (years)	5.2	2.9	4.5	4.2	2.2	5.6	3.7	2.8
Private creditors								
Interest (%)	7.5	9.3	6.0	0.0	6.3	0.0	0.0	0.0
Maturity (years)	9.9	10.0	10.7	0.0	12.6	0.0	0.0	0.0
Grace period (years)	2.5	9.8	1.9	0.0	3.1	0.0	0.0	0.0
5. Major economic aggregates								
Gross national income (GNI)	14,530	35,127	39,877	43,559	52,747	50,638	56,924	65,613
Exports of goods, services & prim. income	6,163	11,693	14,499	16,431	21,218	15,854	19,686	24,755
Personal transfers & comp. of employees	1,322	2,460	2,934	3,341	3,089	2,742	2,599	2,681
Imports of goods, services & prim. income	6,403	13,880	15,863	17,924	22,692	18,366	23,774	27,755
Primary income on FDI	329	1,004	977	1,160	785	821	539	698
Current account balance	1,113	474	1,740	1,938	1,648	136	-1,613	-259
International reserves	947	1,714	1,489	2,816	3,738	2,873	1,435	1,664
6. Ratios								
External debt stocks to exports (%)	216.4	148.9	120.0	108.7	74.6	83.7	76.0	66.6
External debt stocks to GNI (%)	91.8	49.6	43.6	41.0	30.0	26.2	26.3	25.1
Debt service to exports (%)	30.6	35.9	29.4	22.7	11.1	30.2	9.1	9.7
Short-term to external debt stocks (%)	6.0	9.9	11.5	10.5	10.6	10.4	5.4	4.5
Multilateral to external debt stocks (%)	27.8	21.0	23.2	26.3	27.4	33.1	34.8	31.5
Reserves to external debt stocks (%)	7.1	9.8	8.6	15.8	23.6	21.7	9.6	10.1
Reserves to imports (months)	1.8	1.5	1.1	1.9	2.0	1.9	0.7	0.7

ECUADOR*(US\$ million, unless otherwise indicated)*

	2000	2005	2006	2007	2008	2009	2010	2011
7. Long-term external debt								
Debt outstanding and disbursed	12,350	15,564	15,328	15,946	14,084	11,426	13,715	15,309
Public and publicly guaranteed	10,915	10,896	10,349	10,763	10,095	6,960	8,633	9,929
Official creditors	5,922	5,993	6,180	6,635	6,006	5,895	7,610	8,939
Multilateral	3,710	3,654	4,033	4,702	4,335	4,386	5,207	5,197
of which: IBRD	840	799	746	684	612	532	446	367
IDA	21	15	14	13	12	11	10	8
Bilateral	2,212	2,339	2,147	1,934	1,672	1,509	2,403	3,741
Private creditors	4,993	4,902	4,168	4,128	4,088	1,065	1,023	990
of which: Bonds	3,950	4,600	3,860	3,860	3,860	873	868	868
Commercial banks	910	241	212	194	163	134	105	80
Private nonguaranteed	1,435	4,668	4,980	5,183	3,990	4,466	5,082	5,380
of which: Bonds	0	0	0	0	0	0	0	0
Disbursements	983	3,154	2,638	3,048	1,369	1,180	2,977	3,370
Public and publicly guaranteed	602	991	928	1,357	353	384	2,307	2,342
Official creditors	531	318	844	1,333	343	382	2,305	2,342
Multilateral	454	316	840	1,323	339	377	1,229	629
of which: IBRD	69	39	21	8	5	0	3	4
IDA	0	0	0	0	0	0	0	0
Bilateral	78	2	4	9	5	5	1,075	1,713
Private creditors	71	674	83	24	10	2	2	1
of which: Bonds	0	650	0	0	0	0	0	0
Commercial banks	71	24	22	24	10	2	2	1
Private nonguaranteed	381	2,162	1,710	1,691	1,016	796	670	1,028
of which: Bonds	0	0	0	0	0	0	0	0
Principal repayments	1,067	3,048	2,878	2,340	1,485	4,187	1,260	1,836
Public and publicly guaranteed	550	923	1,586	1,029	964	3,529	637	1,048
Official creditors	399	803	773	964	915	503	593	1,014
Multilateral	326	410	482	686	735	323	407	637
of which: IBRD	89	74	74	70	77	81	89	83
IDA	1	1	1	1	1	1	1	1
Bilateral	73	393	291	277	180	180	185	378
Private creditors	151	120	813	65	49	3,025	44	33
of which: Bonds	0	0	740	0	0	2,987	6	0
Commercial banks	119	101	51	42	41	31	31	25
Private nonguaranteed	517	2,125	1,292	1,311	521	659	623	789
of which: Bonds	0	0	0	0	0	0	0	0
Interest payments	708	843	1,176	1,228	847	521	464	534
Public and publicly guaranteed	536	658	750	736	656	330	326	361
Official creditors	296	275	318	327	311	227	255	292
Multilateral	265	171	221	239	247	178	174	160
of which: IBRD	74	32	40	42	33	23	17	15
IDA	0	0	0	0	0	0	0	0
Bilateral	31	104	97	89	64	49	82	132
Private creditors	240	383	432	409	345	103	71	69
of which: Bonds	140	367	410	392	331	91	61	61
Commercial banks	89	12	16	10	9	7	6	4
Private nonguaranteed	172	185	426	492	191	191	139	174
of which: Bonds	0	0	0	0	0	0	0	0
8. Debt stock-flow reconciliation								
Total change in external debt stocks	-2,737	-139	-9	469	-2,051	-2,554	1,699	1,534
Net flows on external debt	-189	-235	-19	557	-334	-3,310	1,135	1,466
9. Debt restructurings								
Total amount rescheduled	4,674	0	0	0	0	0	0	0
Total amount forgiven	2,522	2	1	4	3	5	6	0
Debt buyback	0	0	0	0	0	2,987	0	0
10. Contractual obligations on outstanding long-term external debt								
	2012	2013	2014	2015	2016	2017	2018	2019
Official creditors								
Principal	1,132	1,020	997	774	869	981	951	692
Interest	421	447	437	412	387	346	300	196
Private creditors								
Principal	1,509	1,073	929	1,195	435	328	272	260
Interest	324	256	199	165	78	59	42	24

Notes:

Short-term debt from 2005 are World Bank staff estimates based on Central Bank data.

Att2: Index of Human development by PNUD

Países y clasificaciones del IDH 2012, y cambios en las clasificaciones de 2011 a 2012

Afganistán	175			Etiopía	173	-1	↓	Namibia	128		
Albania	70	-1	↓	Ex República Yugoslava de Macedonia	78	-2	↓	Nepal	157		
Alemania	5			Federación de Rusia	55			Nicaragua	129		
Andorra	33	-1	↓	Filipinas	114			Níger	186	1	↑
Angola	148			Finlandia	21			Nigeria	153	1	↑
Antigua y Barbuda	67	-1	↓	Fiyi	96	2	↑	Noruega	1		
Arabia Saudita	57			Francia	20			Nueva Zelanda	6		
Argelia	93	-1	↓	Gabón	106			Omán	84	-1	↓
Argentina	45	-1	↓	Gambia	165			Países Bajos	4		
Armenia	87	-1	↓	Georgia	72	3	↑	Pakistán	146		
Australia	2			Ghana	135			Palau	52	2	↑
Austria	18			Granada	63	-1	↓	Panamá	59	1	↑
Azerbaiyán	82	-1	↓	Grecia	29			Papúa Nueva Guinea	156		
Bahamas	49			Guatemala	133			Paraguay	111	-2	↓
Bahréin	48			Guinea	178	-1	↓	Perú	77	-1	↓
Bangladés	146	1	↑	Guinea Ecuatorial	136			Polonia	39		
Barbados	38			Guinea-Bissau	176			Portugal	43	-3	↓
Belarus	50	1	↑	Guyana	118	1	↑	Qatar	36		
Bélgica	17			Haiti	161	1	↑	Reino Unido	26		
Belice	96			Honduras	120			República Árabe Siria	116		
Benin	166			Hong Kong, China (RAE)	13	1	↑	República Centroafricana	180	-1	↓
Birmania	149			Hungría	37			República Checa	28		
Bolivia (Estado Plurinacional de)	108			India	136			República Democrática Popular Lao	138		
Bosnia y Herzegovina	81	-1	↓	Indonesia	121	3	↑	República Dominicana	96	2	↑
Botsuana	119	-1	↓	Irán (República Islámica del)	76	-2	↓	Ruanda	167		
Brasil	85			Iraq	131	1	↑	Rumania	56	-1	↓
Brunéi Darussalam	30			Irlanda	7			Samoa	96		
Bulgaria	57			Islandia	13			San Cristóbal y Nieves	72	-1	↓
Burkina Faso	183			Islas Salomón	143			San Vicente y las Granadinas	83	-2	↓
Burundi	178	-1	↓	Israel	16			Santa Lucía	88		
Bután	140	1	↑	Italia	25			Santo Tomé y Príncipe	144		
Cabo Verde	132	-1	↓	Jamaica	85	-2	↓	Senegal	154	-2	↓
Cambodia	138			Japón	10			Serbia	64		
Camerún	150			Jordania	100			Seychelles	46		
Canadá	11	-1	↓	Kazajistán	69	-1	↓	Sierra Leona	177	2	↑
Chad	184			Kenia	145			Singapur	18		
Chile	40			Kirguistán	125			Sri Lanka	92		
China	101			Kiribati	121			Suazilandia	141	-1	↓
Chipre	31			Kuwait	54	-1	↓	Sudáfrica	121	1	↑
Colombia	91			Lesoto	158	1	↑	Sudán	171	-1	↓
Comoras	169	-1	↓	Letonia	44	1	↑	Suecia	7		
Congo	142			Libano	72			Suiza	9		
Congo (República Democrática del)	186			Liberia	174			Surinam	105		
Corea (República de)	12			Libia	64	23	↑	Tailandia	103	1	↑
Costa Rica	62			Liechtenstein	24			Tanzania (República Unida de)	152	1	↑
Côte d'Ivoire	168	1	↑	Lituania	41	2	↑	Tayikistán	125	1	↑
Croacia	47	-1	↓	Luxemburgo	26			Timor Oriental	134		
Cuba	59			Madagascar	151			Togo	159	1	↑
Dinamarca	15			Malasia	64	1	↑	Tonga	95		
Djibouti	164			Malawi	170	1	↑	Trinidad y Tobago	67	-1	↓
Dominica	72			Maldivas	104	-1	↓	Túnez	94		
Ecuador	89			Mali	182	-1	↓	Turkmenistán	102		
Egipto	112			Malta	32	1	↑	Turquía	90		
El Salvador	107	-1	↓	Marruecos	130			Ucrania	78		
Emiratos Árabes Unidos	41	-1	↓	Mauricio	80	-1	↓	Uganda	161		
Eritrea	181	1	↑	Mauritania	155			Uruguay	51		
Eslovaquia	35			México	61			Uzbekistán	114	1	↑
Eslovenia	21			Micronesia (Estados Federados de)	117			Vanuatu	124	-2	↓
España	23			Moldavia (República de)	113			Venezuela (República Bolivariana de)	71	-1	↓
Estado de Palestina	110	1	↑	Mongolia	108	2	↑	Vietnam	127		
Estados Unidos	3	-1	↓	Montenegro	52	-2	↓	Yemen	160	-2	↓
Estonia	33	1	↑	Mozambique	185			Zambia	163		
								Zimbabue	172	1	↑

Nota: los valores positivos o negativos y las flechas indican la cantidad de posiciones hacia arriba o hacia abajo en que la clasificación de un país cambió de 2011 a 2012 utilizando datos y metodologías consistentes; el espacio en blanco indica que no hubo ningún cambio.

Att3:Debt swap agreement Spain-Ecuador 2005



VICEPRESIDENCIA SEGUNDA
DEL GOBIERNO Y MINISTERIO
DE ECONOMÍA Y HACIENDA

PROGRAMA DE CONVERSIÓN DE DEUDA DE LA REPÚBLICA DE ECUADOR FRENTE A ESPAÑA

El Ministerio de Economía y Hacienda de España y el Ministerio de Economía y Finanzas de Ecuador, a partir de la decisión del Gobierno español de promover las relaciones de cooperación hispano-ecuatorianas y de contribuir al desarrollo ecuatoriano, han acordado el presente programa de conversión de deuda de Ecuador frente a España.

1. Objeto y forma del Mecanismo de Conversión

- 1.1. El objeto del presente acuerdo es contribuir al crecimiento económico y al desarrollo social en Ecuador mediante la puesta en marcha de un Mecanismo de Conversión de la deuda que Ecuador tiene contraída frente a España, en proyectos de desarrollo, preferentemente, en las provincias más afectadas por el proceso migratorio, y en aquellas zonas de especial vulnerabilidad o pobreza.
- 1.2. Este Mecanismo consiste en la constitución de un "Fondo Ecuador-España" que el Gobierno de Ecuador dotará con el 100% del servicio de la deuda convertida. Los recursos ingresados en el "Fondo Ecuador-España" se dedicarán a la financiación de los proyectos señalados en el punto 1.1.
- 1.3. La deuda vinculada a este programa tiene su origen en préstamos otorgados por España con cargo al Fondo de Ayuda al Desarrollo (FAD) y queda especificado, en cuanto a créditos y vencimientos, en el Anexo adjunto. El volumen de deuda objeto de la conversión será de hasta un monto máximo de 50 millones de dólares USA.

2. El Fondo Ecuador-España

- 2.1. El Ministerio de Economía y Finanzas de Ecuador y el Ministerio de Economía y Hacienda de España acuerdan que España transfiera los derechos de cobro del servicio de la deuda citada en el apartado 1.3. al "Fondo Ecuador-España", cuyo funcionamiento se detalla en el apartado 2.2.

En contrapartida, Ecuador transferirá al citado "Fondo Ecuador-España" el 100% de los vencimientos correspondientes al servicio de la deuda vinculada a este programa, según el calendario de pagos fijado en el anexo señalado.

El Ministerio de Economía y Finanzas de Ecuador deberá informar puntualmente al Instituto de Crédito Oficial de España (ICO) y a los miembros del Comité Binacional, de las transferencias efectuadas. Conforme se transfieran los recursos al "Fondo Ecuador-España", España condonará el importe íntegro del vencimiento correspondiente.



- 2.2. Los recursos del "Fondo Ecuador-España" serán ingresados en una cuenta en una entidad financiera acordada por ambas partes. El manejo financiero de los recursos del Fondo será establecido en el Reglamento que aprobará el Comité Binacional.

Todo rendimiento financiero que genere el Fondo Ecuador-España, se sumará a su capital para financiación del programa.

- 2.3. El calendario de vencimientos podrá ser adelantado conforme a lo dispuesto en el apartado 4.4.
- 2.4. El ICO, como agente financiero responsable de la gestión de la deuda afectada, y el Ministerio de Economía y Finanzas de Ecuador instrumentarán el procedimiento concreto que permita formalizar las acciones previstas en los puntos anteriores.

3. Utilización de los recursos convertidos. Proyectos financiados con cargo al programa de conversión.

- 3.1. Los recursos ingresados en el "Fondo Ecuador-España" serán utilizados para financiar los proyectos recogidos en el apartado 1.1. que impliquen la participación de empresas, instituciones u organizaciones no gubernamentales de desarrollo españolas, incluidas las ecuatorianas con participación española.
- 3.2. Los proyectos que se financien con los recursos del "Fondo Ecuador-España" deberán ser factibles en los ámbitos técnico, económico y social, y ser ejecutados por empresas, instituciones u organizaciones no gubernamentales de desarrollo españolas con capacidad técnica y financiera comprobada.
- 3.3. Los proyectos financiados con cargo a este programa deberán incluir una señalización pública que indique que su ejecución se realizó con fondos originados por la conversión de deuda de titularidad española.
- 3.4. La financiación de los proyectos y los bienes y servicios importados al amparo de este Programa no supondrá, en ningún caso, la financiación de derechos arancelarios, tributos y/o gravámenes. El Estado ecuatoriano será responsable del cumplimiento de las obligaciones tributarias que puedan derivarse de la realización de estos proyectos.
- 3.5. Cuando de los proyectos financiados con cargo a este programa se deriven o se puedan derivar Unidades de Reducción de Emisiones de gases de efecto invernadero en el marco del protocolo de Kyoto, éstas corresponderán a España.



4. Dirección del Programa de Conversión. El Comité Binacional Ecuador-España.

4.1. Para la dirección del "Fondo Ecuador-España" se constituirá un "Comité Binacional Ecuador-España" (en adelante, "Comité Binacional").

El "Comité Binacional" estará integrado por dos representantes del Gobierno de Ecuador, un representante del Ministerio de Economía y Hacienda de España y el Consejero Económico y Comercial de la Embajada de España en Ecuador.

4.2. Las funciones del "Comité Binacional" serán:

- La definición de las políticas para la administración de los recursos del "Fondo Ecuador-España" y la adopción de cuantos acuerdos sean necesarios para una ejecución eficaz de sus objetivos.
- El establecimiento de las prioridades anuales de inversión y de desembolso del "Fondo Ecuador-España".
- La aprobación de los proyectos a financiarse con cargo al "Fondo Ecuador-España", de los informes de evaluación respectivos y de las auditorías independientes correspondientes.
- La evaluación del desempeño del Comité Técnico, al que se refiere el apartado 5 de este Programa, y recibir en su caso, sus informes y propuestas.
- Otras funciones que le sean asignadas por el Reglamento del Comité Binacional.

4.3. El "Comité Binacional" tomará sus decisiones por consenso

4.4. En el caso de que el cronograma de pagos de los proyectos aprobados exija un adelanto de los desembolsos al Fondo Ecuador-España, el "Comité Binacional" podrá solicitar al Ministerio de Economía y Finanzas de Ecuador que se realicen desembolsos anticipados al Fondo Ecuador-España, siempre y cuando éstos no excedan el monto total anual presupuestado y correspondan al principal a amortizar.

4.5. Con objeto de cumplir sus funciones, el "Comité Binacional" se reunirá siempre que resulte necesario y, como mínimo, dos veces al año.

4.6. En su sesión constitutiva, el "Comité Binacional" aprobará un reglamento que detalle y concrete el funcionamiento del presente programa.

5. El Comité Técnico

5.1. Para coadyuvar a una adecuada selección y ejecución de los proyectos financiados con cargo a este programa, se creará un Comité Técnico (en



adelante, "Comité Técnico"). El "Comité Técnico" tendrá las funciones y composición que determine el Reglamento emitido por el Comité Binacional.

6. Procedimiento de selección y ejecución de proyectos.

6.1. Fase de presentación y selección de proyectos.

En esta fase, el "Comité Técnico" presentará al "Comité Binacional" un conjunto de proyectos que, por su idoneidad en la consecución de los objetivos del Programa, considere adecuados para ser financiados por el "Fondo Ecuador-España".

Lo anterior no impide que cualquiera de las partes del "Comité Binacional" pueda igualmente presentar proyectos que considere adecuados a los objetivos del Programa.

Una vez seleccionados los proyectos serán presentados para aprobación al Comité Binacional.

6.2. Fase de selección del ejecutor y su adjudicación.

Una vez seleccionado un proyecto para su ejecución se seleccionará al ejecutor entre empresas, instituciones y organizaciones no gubernamentales de desarrollo españolas, o ecuatorianas con participación española.

Esta selección se regirá por los principios de publicidad, transparencia y competencia.

6.3. Fase de ejecución de proyectos.

En esta fase, el "Comité Binacional", asistido por el "Comité Técnico", deberá velar por la correcta gestión de los recursos convertidos así como supervisar la ejecución de los proyectos.

6.4. Fase de seguimiento y evaluación de proyectos.

Anualmente, se realizará con cargo al "Fondo Ecuador-España" una auditoría independiente, que fiscalizará que los desembolsos realizados se corresponden con lo acordado por el Comité. Las conclusiones de la auditoría serán presentadas al "Comité Binacional" para su estudio y para la adopción de las medidas oportunas.

Finalizada la ejecución de cada uno de los proyectos, el "Comité Técnico" presentará al "Comité Binacional" informes de gestión y evaluación de resultados .



7. Gastos financiados con cargo al Programa.

7.1. Adicionalmente a la financiación de los proyectos, se financiará con cargo al Programa:

- Los servicios que el "Comité Técnico" requiera para el cumplimiento de sus funciones, entendiéndose por tales todas aquellas tareas que el Reglamento les asigne en relación a los procesos de selección, ejecución y evaluación de los proyectos que se financien.
- La contratación de los servicios de auditoría
- La contratación de los informes y cualquier otro servicio que decida el "Comité Binacional"

7.2. El importe de los gastos relacionados con estos servicios adicionales a la financiación de proyectos no podrá superar el 4% de los recursos del Programa.

8. Vigencia del Programa de Conversión.

8.1. El presente Programa entrará en vigor el día de su firma y tendrá una vigencia de 4 años para liquidar el servicio de la deuda contemplado en el anexo.

8.2. En el caso de que Ecuador incumpla total o parcialmente sus obligaciones de pago bajo este programa de conversión produciéndose demoras en sus desembolsos al "Fondo Ecuador-España" superiores a los tres meses, los proyectos previamente aprobados y/o en ejecución, se darán por finalizados por falta de financiación apropiada o serán financiados por las autoridades ecuatorianas. Igualmente, en este supuesto España no hará, bajo ninguna circunstancia, pagos compensatorios de sus propios recursos financieros. El Mecanismo de Conversión quedará anulado a partir de ese momento de manera que Ecuador deberá asumir sus obligaciones de pago frente a España, incluyendo los intereses de demora que hayan podido generarse.

En Quito, a catorce de marzo de 2005

Por el Gobierno de España

Pedro Solbes Mira
Vicepresidente Segundo del Gobierno y
Ministro de Economía y Hacienda

Por el Gobierno de Ecuador

Mauricio Yépez
Ministro de Economía
y Finanzas

Att4: 38/2006 Spanish law for Management of external Debt

43050

Viernes 8 diciembre 2006

BOE núm. 293

muchos los que todavía siguen destinando un mayor volumen de recursos al servicio de la deuda que a educación y sanidad.

En respuesta a esa demanda el G-8 en Colonia en junio de 1999, acordó poner en marcha una política más ambiciosa para el alivio de la deuda de los países pobres altamente endeudados (HIPC en sus siglas inglesas) adoptada en 1996, que es lo que hoy se denomina HIPC II. La iniciativa HIPC, en su versión inicial y reforzada ha supuesto un importante alivio para los países en desarrollo beneficiarios de la misma. Sin embargo la experiencia acumulada desde su puesta en marcha demuestra que incluso estos esfuerzos pueden no ser suficientes para dar una solución definitiva al problema de la deuda externa de estos países.

Por ello, no es casual que en la Declaración del Milenio, fruto de la Cumbre del Milenio celebrada en el año 2000, los dirigentes mundiales se comprometiesen a unir sus fuerzas para lograr que, en 2015, se cumplieren 8 objetivos y 18 metas concretas, entre las que figuran, como objetivo 8, «Fomentar una asociación para el desarrollo» y, por otra parte, como meta 15, «Encarar de manera general los problemas de la deuda de los países en desarrollo con medidas nacionales e internacionales a fin de hacer la deuda sostenible a largo plazo». Este compromiso de la comunidad internacional obliga también a España a actuar de una forma más activa en la gestión de la deuda externa.

Por otra parte, y aun cuando se logre ofrecer soluciones al endeudamiento acumulado, es preciso evitar la propensión a un endeudamiento insostenible para evitar que, desde una perspectiva financiera, se den situaciones de riesgo moral, selección adversa y falta de disciplina macroeconómica.

En el caso de España, los tratamientos de la deuda externa son relativamente recientes incorporándose al Club de París como miembro permanente a principios de los 80. La evolución posterior ha supuesto un aumento tanto en el monto total de la deuda, como en el porcentaje condonado, si bien ha dejado traslucir también ciertas debilidades.

Consciente de la necesidad de solventar las mismas y de la importancia del problema, España tiene la posibilidad, por tratarse de una cuestión de implantación reciente, de hacer uso del amplio abanico de opciones disponibles y de la enorme potencialidad de las mismas para integrar instrumentos y enfoques sobre el tratamiento de la deuda externa.

En suma, resulta obligado que España adopte una política de gestión de deuda externa cada vez más sólida y responsable, solidaria con los países en desarrollo e integrada en el marco multilateral internacional.

Medidas que, en todo caso, deberán estar inspiradas en los principios de coordinación multilateral y condicionalidad –como forma de garantizar la efectividad de las medidas– coordinación interna, transparencia y adaptación a las necesidades de desarrollo de los países deudores. En este sentido se dará especial protagonismo a la participación de los países deudores, incluyendo su sociedad civil, en el diseño de las soluciones a sus problemas de sostenibilidad. Asimismo, se dará especial importancia a la prevención de los problemas de sobreendeudamiento, tal y como ha sido contemplado por el Consenso de Monterrey.

En un subcomité del Consejo de Cooperación, órgano previsto en la Ley 23/1998, de 7 de julio, de Cooperación Internacional para el Desarrollo, que se ocupe específicamente de temas de deuda, se analizarán todas las cuestiones relativas a los problemas de sobreendeudamiento externo, incluyendo aspectos relativos al origen de la deuda (carácter democrático de los gobiernos que la contrajeron y uso dado a la misma).

En la gestión de la deuda externa se prestará especial atención a los criterios de coherencia entre los Ministerios de Economía y Hacienda, Asuntos Exteriores y Cooperación e Industria, Turismo y Comercio.

Por último, deben constituir también elementos decisivos en el tratamiento de la deuda externa la creación de los instrumentos necesarios que garanticen el efectivo control parlamentario de la política adoptada por el Gobierno en esta materia, asegurando, no sólo su coincidencia con los objetivos de la cooperación internacional, sino también la transparencia de los datos y cifras sobre la misma.

Al mismo tiempo, el importante grado de sensibilización de la sociedad española en torno al problema de la deuda externa, hace aconsejable que se arbitren los mecanismos necesarios para asegurar la participación de la sociedad civil en esta materia, a través de los órganos previstos en la Ley 23/1998, de 7 de julio, de Cooperación Internacional para el Desarrollo.

Artículo primero. Objeto de la ley. Concepto de deuda externa.

1. La presente Ley tiene por objeto la determinación de los principios y la regulación de los instrumentos en los que ha de fundarse y desarrollarse la gestión de la deuda externa que España ostenta como acreedora.

2. El objetivo de la presente Ley es que la gestión de la deuda externa española esté vinculada con la política de cooperación española, conforme a las prioridades y estrategias del Plan Director de la Cooperación Española, se integre activamente en el marco multilateral internacional, sea solidaria con los países en desarrollo y consistente con la política de la Hacienda Pública.

3. La deuda externa a la que hace referencia esta Ley es la que se deriva de los créditos bilaterales concedidos en términos concesionales por el Estado español con cargo al Fondo de Ayuda al Desarrollo (FAD), así como para la deuda soberana con origen en los seguros de créditos a la exportación concedidos por la Compañía Española de Crédito a la Exportación (CESCE), así como cualquier otro mecanismo de crédito al exterior.

Artículo segundo. Competencias en materia de deuda externa.

La competencia en la gestión de la deuda externa que España ostenta como acreedor corresponde al Ministerio competente por razón de la materia, de acuerdo con la estructuración de los Departamentos ministeriales vigente en cada momento. En caso de modificación de dicha estructuración, la competencia se entenderá atribuida automáticamente al Ministerio a quien, a resultas de la misma, corresponda.

Artículo tercero. Principios rectores de la política española de gestión de deuda externa.

La política española se inspirará en los siguientes principios:

a) Respeto a la estabilidad financiera y de las obligaciones contractuales. Dado que en condiciones normales el endeudamiento externo es un instrumento de financiación al desarrollo que contribuye a paliar la ausencia de recursos internos y permite acometer inversiones de otro modo imposibles, el principio general de actuación de la política de gestión de la deuda externa debe ser el de respeto de las obligaciones contractuales y de estabilidad en las relaciones financieras. Solo se requerirán actuaciones excepcionales en los casos en que el sobreendeudamiento frene el desarrollo del país deudor.

b) Cooperación al desarrollo. Las medidas en materia de deuda exterior se adaptarán a las necesidades de desarrollo de los países deudores y serán proporcionadas

a los problemas financieros de éstos. Estas medidas se dirigirán preferentemente a los países en vías de desarrollo con menor renta y mayor nivel de endeudamiento y, dentro de ellos, a los que sean prioritarios para la cooperación española.

c) Coordinación interna. La política española de gestión de deuda será consistente con la política presupuestaria española y estará vinculada con la política española de cooperación al desarrollo. La coordinación será continuada entre el Ministerio de Economía y de Hacienda, el Ministerio de Industria, Comercio y Turismo y con el Ministerio de Asuntos Exteriores y Cooperación, y se extenderá, caso a caso, a los Ministerios que resulte conveniente. En concreto, el tratamiento de la deuda externa se considerará como una de las actuaciones prioritarias de cooperación financiera dentro de los Planes Directores de la Cooperación Española.

d) Coordinación multilateral. La política española de gestión de la deuda externa será consistente con los compromisos asumidos en el marco multilateral y estará coordinada con las Instituciones Internacionales relacionadas. España optará preferentemente respecto a los países más empobrecidos y endeudados por la atribución de tratamientos concesionales hasta los niveles más ventajosos permitidos por la legalidad vigente y el marco multilateral.

e) Condicionalidad. España se asegurará de que sus actuaciones de deuda exterior sean acompañadas por políticas del país deudor tendentes a solucionar los desequilibrios que les condujeron a una situación de endeudamiento que requiera tratamientos excepcionales. Se prestará especial atención a que los países beneficiarios de tratamientos de deuda se comprometan de forma expresa y verificable a reducir el nivel de pobreza, a avanzar en la democratización del país, a progresar significativamente en el respeto de los derechos humanos, a perseguir el crecimiento económico sostenible y el bienestar y el pleno desarrollo social y humano de sus pueblos y a la conservación del medio ambiente.

f) Las actuaciones en materia de deuda externa dirigidas a los países de origen de los flujos migratorios que recibe España deberían incluir fórmulas de participación de los propios migrantes, de modo que puedan contribuir al desarrollo de sus países.

g) Estos principios se complementan con los generales relativos a la actuación administrativa, de transparencia y control parlamentario, así como la participación de la sociedad civil. Esta última se realizará en el Consejo de Cooperación, órgano previsto en la Ley 23/1998, de 7 de julio, de Cooperación Internacional para el Desarrollo.

Artículo cuarto. *Instrumentos de gestión de la deuda externa.*

1. Los instrumentos principales de la política de gestión de la deuda externa son los siguientes:

a) Las reestructuraciones, aplazamientos y moratorias de los vencimientos de deuda.

b) Las condonaciones de deuda.

c) Las aportaciones a fondos para la reducción de la deuda de los países en vías de desarrollo contraída con las Instituciones Financieras Multilaterales.

d) Las operaciones de conversión de deuda externa por desarrollo humano con inversiones públicas y privadas en función de las prioridades del país receptor. Dentro de estas operaciones se promoverán entre otras medidas, la constitución de fondos de contravalor que vinculen los recursos liberados a la inversión en programas de lucha contra la pobreza.

e) Las operaciones de recobro anticipado, titulación de deuda y venta de deuda.

f) Cualquier otro que contribuya a la consecución de los objetivos que se pretenden con la presente Ley, inclu-

yendo los mecanismos que permitan la prevención del sobreendeudamiento.

2. Las condiciones, modalidades y términos de uso de los instrumentos anteriores serán consistentes con el contexto multilateral.

3. Junto a los instrumentos señalados, se fomentarán los proyectos de fortalecimiento institucional, lucha contra la corrupción y buen gobierno que traigan estabilidad y las condiciones necesarias para generar crecimiento económico y desarrollo humano en los países en desarrollo. Además, los estados receptores de ayuda deberán implementar políticas de servicios e inversión pública que disminuyan las desigualdades sociales y avancen en la redistribución de la riqueza.

Artículo quinto. *La conversión de deuda.*

España promoverá un ejercicio eficiente de la política de conversión española, coherente con las demás actividades de política de cooperación al desarrollo y consistente con el marco del sistema financiero internacional.

La política española de conversión de deuda se guiará por los principios generales de gestión de la deuda externa y, junto a ellos, por los criterios siguientes:

1. La conversión de deuda será consistente con el marco de actuación acordado en el ámbito multilateral.

2. Los programas de conversión se dirigirán a la promoción de inversiones y proyectos que promuevan el desarrollo de los países beneficiarios, en los sectores que éstos consideren prioritarios, de acuerdo con el principio de soberanía local del proceso de desarrollo. Para ello se fomentará, en primer lugar, la participación de actores locales, primando el apoyo al tejido productivo y asociativo local, al objeto de que las operaciones de conversión de deuda maximicen el impacto de desarrollo en los países beneficiarios.

3. Los países beneficiarios de la conversión de deuda serán países con problemas financieros de sobreendeudamiento en coherencia con las indicaciones del Plan Director de cooperación y sus planes anuales.

4. Los países beneficiarios de la conversión de deuda deberán mantener relaciones financieras regulares con España y con la comunidad internacional en general.

5. La firma de un programa de conversión deberá quedar vinculada con la política de cooperación mantenida por España con respecto al país beneficiario.

6. Los programas de conversión deberán ser consistentes con el marco presupuestario español.

7. En las diferentes estructuras de decisión y gestión de los recursos disponibles a partir de operaciones de conversión de deuda, se propiciará la participación de la sociedad civil de España y del país beneficiario, que serán seleccionadas de acuerdo a los criterios de experiencia en el país, transparencia y representatividad.

Artículo sexto. *Mecanismos para la aplicación efectiva de los tratamientos de deuda.*

Los tratamientos de deuda que se acuerden conforme a los principios enunciados por esta Ley se instrumentarán mediante los mecanismos que quedan enmarcados en lo establecido por la legislación vigente, con objeto de garantizar la aplicación efectiva de estos tratamientos.

En este sentido los instrumentos contemplados en el artículo cuarto de la presente Ley son compatibles con la legislación vigente y servirán de vehículo para el tratamiento activo de la deuda externa.