



Stanford eCorner

Debt-for-Nature

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Video URL: <http://ecorner.stanford.edu/videos/1332/Debt-for-Nature>

Seligmann explains the concept of debt-for-nature that is used by many organizations like World Wildlife Fund and Nature Conservancy to make deals all around the world: exchanging debt and converting it into local currency.



Transcript

The original idea that we have for the debt-for-nature swap was one of these kind of flashes that you have. And I know exactly where I had it. I was in Peru on a boat. First of all, there's a co-evolution of the idea. Different people had this idea. Where it came to me was in Peru in a boat. I was canoeing on a river and I noticed a headline with the President of Peru, Alan Garcia, said, we're not going to pay our debt. And I said, boy, these guys are getting screwed over by interest rates and yet, look what they have that the world doesn't have. They have this extraordinarily beautiful forest. And so, we ended back in the States and looked into the idea of can we buy debt? We found that you could buy debt for seven or eight cents in a dollar.

So we acquired a debt portfolio and went to the president of Bolivia. Because it was actually, the Peruvian president wasn't interested in talking but the Bolivian president said he'd love to. His name was Paz Estenssoro. Someone gave us a grant. We bought debt in the secondary market. We went to the government of Bolivia. We said, we got your debt, how about a deal? And they said, great, we'll do a deal. So we exchanged about a million dollars worth of debt for setting up the Beni Biosphere Reserve, which is about 2 1/2 million acre reserve in the Beni province of Bolivia. And that was the first debt-for-nature deal. It was done without attorneys and it was done in a very simple agreement.

The transactions have evolved significantly, and what they've involved into are really exchanging debt and converting it into currency, into local currency. And many organizations, World Wildlife Fund, Nature Conservancy, many, many institutions have taken advantage of that and we as well, doing debt-for-nature deals all over the world.