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Swapping Debt for Nature: Effective Conservation Policy in the Galápagos

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Executive Summary

In 2023, the Galápagos Islands achieved the world's largest debt-for-nature swap. This groundbreaking deal secures long-term funding for Ecuador's conservation efforts and helps finance the newly created Hermandad Marine Reserve. The deal will set a global precedent in marine conservation — if it can effectively coordinate government, multilateral development banks, marine scientists, NGOs, and local communities to unlock its full potential.

Is the World's Largest Debt-for-Nature Swap Worth the Price?

A debt-for-nature swap is an innovative financial mechanism that restructures a portion of a country's debt in exchange for commitments to conserve globally significant ecosystems. In May 2023, the world's largest debt conversion for marine conservation was finalized to protect the Galápagos Islands. As Table 1 illustrates, the $1.6 billion agreement brought together public and private stakeholders, including the Government of Ecuador (GoE), the U.S. International Development Finance Corporation (DFC), the Inter-American Development Bank (IDB), the Oceans Finance Company, the Pew Bertarelli Ocean Legacy Project, and Credit Suisse, to structure the transaction. The deal exemplifies the intersection of finance and policy, as it deploys innovative instruments to advance conservation strategies that provide global public benefits.

It specifically allocates $323 million in funding to the Galápagos Life Fund (GLF), a conservation trust, to finance the management of the Galápagos Marine Reserve (GMR) and the newly created Hermandad Marine Reserve (HMR), as well as establish an endowment to secure long-term funding for the management of the marine reserves.

Yet, the Galápagos debt-for-nature swap will only realize its full potential if the deal can maintain ongoing coordination across governments, economic industries, local conservation organizations, marine scientists, community members, and international financiers. Equally critical is continuing to ease administrative and procedural requirements for local organizations while strengthening their capacity to successfully deliver on the Galápagos' ambitious conservation goals and objectives.

Table 1. Debt-for-Nature Swap Stakeholders

Government of Ecuador (GoE)	Gain $1.1 billion in debt relief, including $624 million in principal reduction and $502 million in interest savings. Three of its ministers permanently serve on the GLF board of directors.
U.S. International Development Finance Corporation (DFC)	Provides political risk insurance for the debt-for-nature swap deal.
Inter-American Development Bank (IDB)	Provides an $85 million credit guarantee on the deal.
Aqua Blue Investments (ABI)	Worked in partnership with the PBOL to arrange the debt-for-nature swap with all stakeholders. Reserves a permanent board seat on the GLF board of directors.
Pew Bertarelli Ocean Legacy Project (PBOL)	Led the research for the development of the Hermandad Marine Reserve and provided guidance for marine conservation objectives for the established GLF. Represents nonprofit organizations on the GLF board.
Credit Suisse	Structured the deal by facilitating the exchange of $1.63 billions of Ecuadorian debt for a $656 million Galápagos Marine Bond.
Galápagos Life Fund (GLF)	The organization that will manage $223 million in funding for Galápagos conservation over 18 years, with $13 million disbursed annually.
Universidad San Francisco de Quito (USFQ)	Ecuador's largest university and research institution. The USFQ provides critical marine research and support for the collection of marine data on the Galápagos Islands. Represents academics on the GLF board.

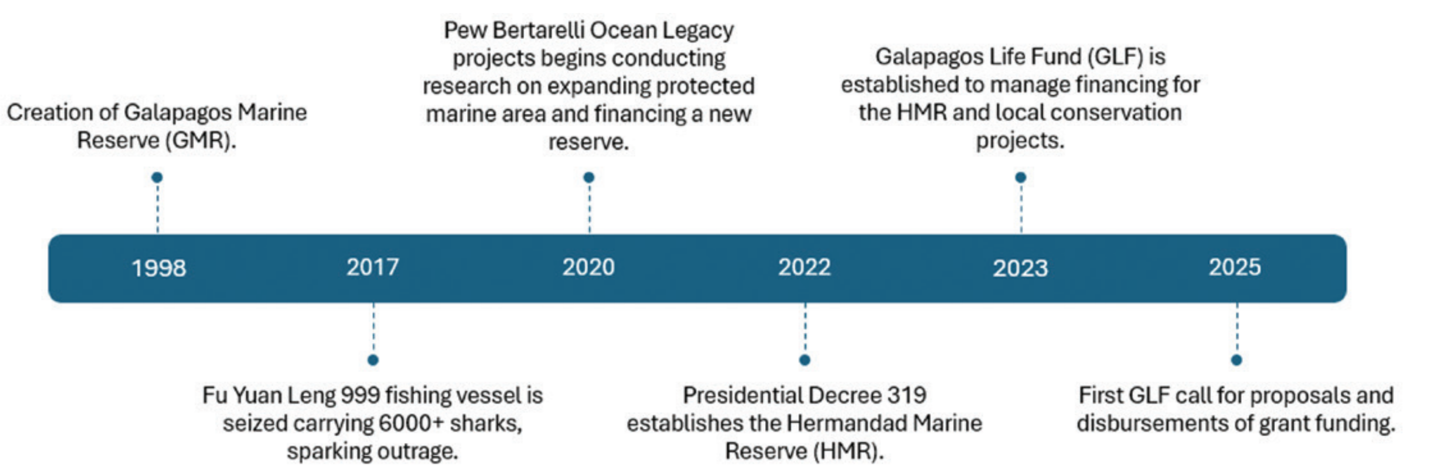
Charting Conservation Efforts in the Archipelago

The Galápagos Marine Reserve & Hermandad Marine Reserve

The Galápagos Marine Reserve (GMR), established in 1998, was designed to safeguard the islands' fragile marine ecosystem. Spanning 198,000 km², it is home to more than 3,000 species, including sea turtles, Galápagos penguins, and marine iguanas. As shown in Figure 1, GMR advanced marine science and monitoring for over two decades, but faced persistent financing challenges in covering the large expenses associated with managing a marine reserve, including park maintenance, equipment, and staffing costs.

In 2017, authorities intercepted the Chinese fishing vessel, *Fu Yuan Leng 999,* carrying more than 6,000 sharks within the GMR (Simm 2017). The incident provoked international outrage and spurred debate about expanding the protected marine reserve. The Pew Bertarelli Ocean Legacy Project identified marine areas of highest ecological value for

Figure 1. Timeline of Ecuador's Debt-for-Nature Swap



protection, but the formal expansion of the GMR required a lengthy legal process. Ecuador thus created a new reserve as an alternative. In January 2022, Presidential Decree 319 established the Hermandad Marine Reserve (HMR), adding 60,000 km² of protected waters. Negotiated with the fishing industry, the HMR protects critical habitats while minimizing economic disruption. As Ecuador's first open-ocean reserve, it safeguards a migratory corridor between the Galápagos and Costa Rica's Cocos Islands used by hammerhead and whale sharks, turtles, whales, dolphins, and albatrosses.

When Reserves Aren't Enough

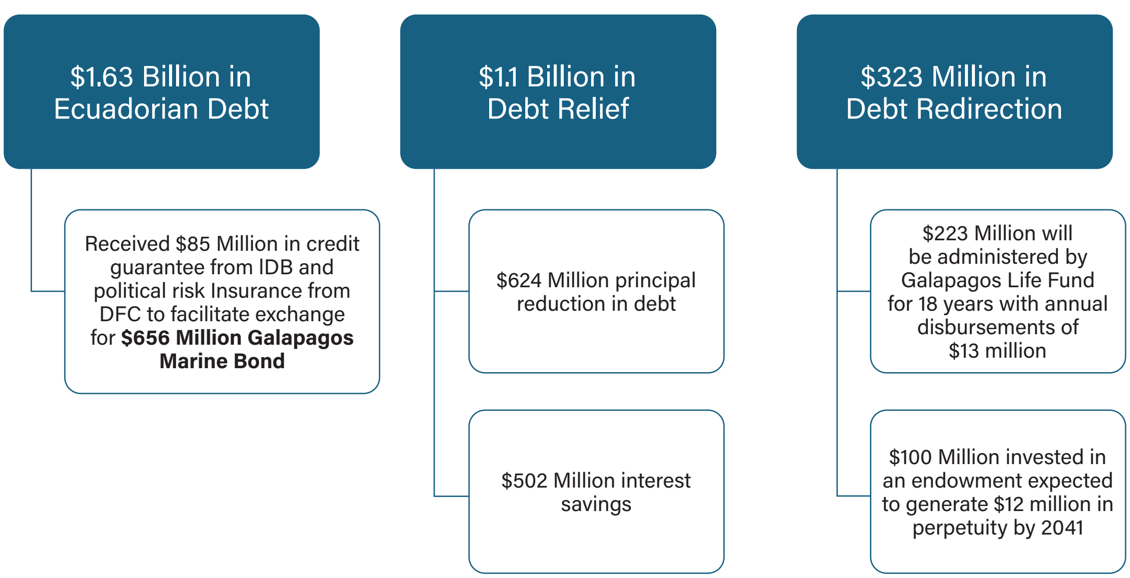
Recognizing the need for further sustainable financing, Ecuador developed a record-setting debt-for-nature swap. Earlier deals in Belize (2021, $364 million) and Seychelles (2015, $21.6 million) were far smaller — the Galápagos swap surpassed $1 billion, setting a new benchmark in conservation finance (Chamon et al. 2022). Credit Suisse exchanged $1.63 billion of Ecuadorian debt for a $656 million Galápagos Marine Bond, backed by political risk insurance from the U.S. International Development Finance Corporation and an $85 million guarantee from the Inter-American Development Bank. These enhancements lowered borrowing costs, earning the bond a high-quality, low-risk Aa2 rating from Moody's and a fixed 6.975% interest rate (Pew Bertarelli Ocean Legacy 2024).

The deal secured $1.1 billion in debt relief, including $624 million in principal reduction and $502 million in interest savings, as Figure 2 illustrates. It also committed $223 million to Galápagos conservation over 18 years, with approximately $13 million disbursed annually. Funds are administered by the GLF, a nonprofit based on Santa Cruz Island that manages conservation grants, though Ecuadorian government agencies may access up to half of the funding to ensure national participation. The agreement also invests $100 million in an endowment projected to grow to $227 million by 2041, generating $12 million annually in perpetuity. GLF funding priorities include enforcement of the GMR and HMR, sustainable fisheries through monitoring, quotas, and gear innovation, as well as environmental education, research, and sustainable tourism. It also supports community-driven projects that advance conservation.

Aligning Multilateral Stakeholders for Effective Implementation

The success of the Galápagos debt-for-nature swap hinges on whether diverse stakeholders are aligned in both vision and execution. In the Galápagos, strong community support for the development of the HMR helped pave the way for the deal, while the economic interests of key industries, such as the national fishing industry, needed to be considered throughout the negotiation of the reserve territory. The biggest challenge for the deal will thus be ensuring that, despite changes in Ecuador's political administration due to elections, all stakeholders remain committed to the conservation goals outlined in the deal.

Figure 2. Debt Relief & Redirection



Community Buy-In and Reducing Economic Tensions

Local support for conservation has been a cornerstone of the Galápagos debt conversion, with polling and consultations showing strong approval for expanding marine protections and involvement in shaping financing mechanisms. In 2020, the Pew Bertarelli Ocean Legacy Project began to organize community focus groups and surveys to understand local perception of the marine reserve in the Galápagos Islands. A survey found that 72% of adults in the Galápagos Islands supported expansion of the Galápagos Marine Reserve (Pew Bertarelli Ocean Legacy 2024). Many cited the conservation of marine environments and the prevention of illegal fishing as their motivation, following the 2017 illegal fishing vessel incident.

Additionally, 87% of surveyed individuals agreed that a larger reserve would help the local community, citing conservation and economic reasons, including tourism, benefits to the local fishing industry due to the "spillover effect," and when species move from protected to unprotected fishing zones (Blok and Norren 2025). Simultaneously, a citizen initiative known as "Mas Galápagos" was gaining support on the islands, advocating for concrete actions to expand the marine reserve. Citizen support for the expansion of the reserve continued to grow; on January 20, 2021, a scientific proposal for the reserve area, and a petition with more than 32,000 signatures supporting the reserve's expansion, was delivered to then Ecuadorian president, Lenín Moreno (Only.One 2021).

The inclusion of the fishing industry was especially important during the negotiation and decision for the HMR territory. The scientific proposal involved looking at marine areas with the greatest ecological impact, while simultaneously considering which areas would impact the national fishing industry. The marine area with the largest ecological impact is the migratory corridor between the northeast of the Galápagos Islands and the Cocos Islands in Costa Rica, where hammerhead sharks, green turtles, whale sharks, dolphins, and other species migrate. "We could see that the area of greatest ecological value…was this migratory route…which is the area where there is less fishing activity," said Danny Rueda, a GLF conservation officer. As a result, the national fishing industry came to an agreement with the Ministry of the Environment on the designated HMR territory to cover this key migratory route.

Partnering with the Government of Ecuador

The Government of Ecuador (GoE) is both a beneficiary of the GLF and a key negotiating party in the debt conversion deal. The GLF allocates 50% of its annual funding to government agencies, such as the Galápagos National Park Service (GNPS) and the National Guard, for the management of both the GMR and HMR. The management of the reserve is an incredibly expensive and important job, as it requires ongoing maintenance of equipment, surveillance, technologically advanced control centers, and continuous efforts to strengthen organizational capacity (Hermandad Marine Reserve Management Plan 2023). Rueda, a former GNPS director who now manages government grants for the GLF, said, "The Galápagos National Park Service sees this funding as an opportunity… (while) the Galápagos Life Fund does not finance everything, we are a great support." This is especially true because the creation of a new marine reserve comes with increased responsibility for the GNPS, which will require significant funding.

Moreover, the GoE was a key stakeholder in the negotiation of the debt-for-nature swap, and government agencies hold five seats on the GLF board of directors. Of the GLF's eleven board seats, four are reserved for representatives from the Republic of Ecuador, including the Ministry of Defense, the Ministry of Environment, and the Ministry of Production, Foreign Trade, Investments, and Fisheries, the Minister of Foreign Affairs, as well as one local representative from the Galápagos Government Council (Galápagos Life Fund 2025a; 2025b). This structure ensures that national interests are represented in the management of the GLF. However, political turnover poses a challenge: Changes in administration can shift the priorities of these ministries, particularly in balancing environmental conservation with economic activities and national security.

Since 2020, Ecuador has had three presidents: Lenin Moreno (2017-2021), Guillermo Lasso (2021-2023), and Daniel Noboa (2023-present). Noboa initially assumed office through a 2023 snap election called by Lasso to avoid impeachment, but he later secured a full mandate in the May 2025 general election (Freemen 2023). Additionally, the GNPS director is politically appointed, so turnover is at the local level as well. This recent history of political instability underscores the potential difficulty of maintaining continuity in government support for the swap, as each administration may approach the fund's objectives differently. Ensuring that government interests remain aligned with long-term conservation goals should therefore be an essential focus for the swap moving forward.

Minimizing the Long Timelines

Critics of debt-for-nature swaps often cite the long negotiating timelines as a drawback of these financing mechanisms. The Galápagos case offers a different perspective: The designation of a new marine reserve was achieved in just two years. While the establishment of the GLF and its governance structures required additional time, the process was completed relatively quickly, considering the need for careful design and stakeholder approval. The Galápagos debt-for-nature swap deal reflects a balance between timely conservation action and the due diligence required to ensure the Galápagos Life Fund's long-term credibility and effectiveness.

Key advantages enabled the swift designation of the new marine reserve. First, "Deciding the (reserve) area… was a quick process due to the amount of information available and the scientific expertise involved…" Rueda said. The proposals for reserve scenarios were led by the Universidad San Francisco de Quito with financial support from the Pew Bertarelli Ocean Legacy Project and collaboration between scientists and experts from all over the world (Hearn et al. 2025). Second, legal analysis found that establishing a new reserve would be more efficient than expanding the existing GMR. Thus, a combination of strong scientific evidence and legal innovation helped create a new marine reserve in two years, with studies beginning in 2020 and the reserve being announced in January 2022. The financing of the reserve followed a year later, in May 2023, as negotiations for the debt-for-nature swap deal were finalized.

The swap was seen as critical to the establishment of the reserve because funding was needed. The development of the deal was initiated in parallel with the development of the reserve proposals. "It was extremely important from the outset to ensure that we secured long-term funding for the reserve," said Susana Cardenas, co-director of the Institute of Applied Ecology at Universidad San Francisco de Quito, Ecuador, and GLF co-board director. The Pew Bertarelli Ocean Legacy Program team contracted Robert Weary, the former deputy director of NatureVest at The Nature Conservancy (TNC), to help lead the development of the new marine reserves financing mechanism. Weary brought a wealth of experience in designing debt-for-nature swaps and was the architect of the Seychelles (2016) and Belize (2022) deals, among other influential conservation deals. "My shareholders are Mother Earth and humankind," Weary said.

Once the reserve was created and the financing secured, the GLF still had to become fully operational and hire local staff. GLF Executive Director Monica Calvopina recalled that "the first year was mostly about putting processes, structures, mechanisms, rules, manuals…And this second year, we have consolidated the office and the technical staff, and launched the first call for proposals." The work to launch the fund was extensive, as reflected in the number of policies and protocols publicly available on the GLF website. Now that the fund is established and distributing its first round of grants, more calls for proposals are anticipated. The strong organizational foundation that the GLF established will be critical for its success.

Poised to Build Local Capacity and Source New Ideas

Some community members initially raised concerns—formalized through a 2024 complaint to the IDB's Independent Consultation and Investigation Mechanism (MICI)—about limited access to information, transparency, and opportunities for participation in the GLF, but it has since taken steps to address these issues directly (MICI 2025). The resolution process facilitated by MICI created a dialogue focused on improving access to information about the fund's creation and operation, as well as strengthening local community involvement in its governance. This process led to a joint proposal responding to concerns and setting a swift path forward with the evaluation and consultation phases of the resolution being completed in less than two months.

The GLF agreed to the following provisions: First, the GLF regularly updates its website and publishes organizational documents. Second, it allows community-elected representatives to serve as observers on the GLF Board and has opened a transparent selection process for Galápagos-based nongovernmental organizations to occupy the NGO director seat. Third, the GLF has committed resources to strengthen local organizations through training and advisory services to support project design, implementation, and reporting. Finally, it has earmarked at least 18% of its resources for nongovernmental projects led by social, community, or local organizations. Rather than excluding local participation, the GLF has responded to the complaint by strengthening the fund through increased collaboration and a renewed focus on empowering local communities to generate new ideas for long-term sustainability.

Building on this foundation, the GLF is investing in community capacity and encouraging innovation, helping local actors generate solutions tailored to the Galápagos context. Its first round of grantees includes nine small-scale education projects, each receiving less than $100,000. To broaden access, the GLF hosted multiple information sessions to guide potential applicants through the funding process and provided detailed feedback to organizations that were not selected. These efforts are designed to build a pipeline of stronger local proposals over time. The GLF still requires applicants to meet technical standards, such as safeguards plans, that may be unfamiliar to smaller community organizations. Going forward, it will be important for the GLF to expand its support to help local groups meet these requirements, ensuring that diverse actors are able to compete for and benefit from funding despite unfamiliarity with these types of technical requirements.

The GLF has already demonstrated its impact through innovative, locally driven projects. Since its first call for proposals, the GLF has supported projects led by community members like Wanner Jeiser, a biologist who received $83,750 in grant funding for his project, "Noise pollution in Coastal Ecosystems." The project seeks to develop the first acoustic maps of Santa Cruz and Baltra Islands, addressing a critical technological gap in the Galápagos, where no system currently exists to measure the impacts of noise pollution on marine coastal environments. The initiative will install four fixed monitoring stations in key sites on both islands, complemented by portable equipment to gather data in areas of high human activity and along biodiversity-sensitive coastlines.

Noise pollution poses serious risks to marine ecosystems, disrupting animal communication, reproduction, and feeding behaviors. Recent studies, for example, show that Galápagos yellow warblers alter their song patterns near noise-heavy areas like roads (Hohl et al. 2025). In addition to data collection, the project emphasizes capacity-building and education. Jeiser plans to train local officials from the Galápagos National Park (GNP) and the municipality of Santa Cruz in the use of acoustic monitoring technologies and to organize community workshops and awareness campaigns on the impacts of noise on coastal habitats. This educational component is designed to ensure the project's long-term relevance and foster good practices among both residents and tourists.

By applying as an individual rather than through an organization, Jeiser demonstrated that locally driven initiatives can introduce innovative solutions. His project represents the first attempt to create a comprehensive noise map of the Galápagos Islands. He said this grant funding is just the beginning of what he hopes will be an "effort to develop acoustic maps across all the Galápagos Islands," with a focus on continuing the project and maintaining the equipment past the project's duration.

Another GLF grant recipient is the Charles Darwin Foundation (CDF), which was awarded $100,000 for its project, "Building Opportunities for Ocean Connection in Galápagos Marine Protected Areas." The CDF has worked on the islands since 1959 and is a trusted organization that has advanced conservation there for decades. Nonetheless, GLF funding is still making a significant contribution to its fundraising efforts. "The GLF funding has the potential to be catalytic," CDF grants manager Daniel Angel said, because it could draw additional co-funding into proposed projects.

Recommendations for Strengthening the Galápagos Life Fund

To ensure the Galápagos debt-for-nature swap reaches its full potential, the following actions are recommended:

Expand technical assistance (TA) for environmental and social safeguards. Many local organizations and community groups applying for GLF funding have limited experience with environmental and social safeguards. The GLF currently offers training to familiarize applicants with its Environmental and Social (E&S) Policy, which aligns with international standards from the IFC, DFC, World Bank, International Union for Conservation Nature (IUCN), and United Nations (Galápagos Life Fund 2025b). These sessions are valuable for building an understanding of safeguard principles, but additional support could help translate that knowledge into practice.

Providing technical assistance (TA), or more tailored, hands-on guidance, would help grantees develop the required Environmental and Social Management Plans (ESMPs) and related safeguard tools, such as grievance mechanisms and stakeholder engagement plans. Since applicants must submit a draft ESMP at the full proposal stage, smaller organizations may find the process demanding without specialized support.

Expanding GLF assistance to include targeted TA would help ensure all applicants can meet safeguard standards while strengthening their long-term institutional capacity. This approach would complement the GLF's existing training, Q&A sessions, and feedback for rejected grantees. This support would not only enhance the quality and effectiveness of project implementation but also strengthen local institutional capacity, generating positive spillover effects beyond individual grants. The ESMPs developed through the GLF could enable grantees to access additional funding opportunities from other donors with similar safeguard requirements.

Establish a feedback mechanism for grantees. Although the GLF only disbursed its first round of grants in 2025, collecting ongoing feedback from grantees will be essential for continuous improvement. Establishing a feedback mechanism would allow grantees to share candid input on challenges, processes, and overall experiences with the GLF. This insight would help the fund refine its operations and better align its support with grantees' needs. Possible approaches include annual anonymous surveys and focus groups to identify which aspects of the GLF partnership have been most effective and where improvements are needed. While the GLF already maintains a grievance mechanism for addressing project-level and fund-level complaints, a dedicated feedback system would serve a different purpose (Galápagos Life Fund 2025c). This feedback mechanism would promote learning, transparency, and stronger collaboration between the GLF and its grantees.

In sum, the GLF is a promising new institution already making a significant financial impact in the Galápagos. However, implementing these measures will further enhance its effectiveness and help ensure the debt-for-nature swap delivers lasting marine protection.

Lessons Learned for Future Debt for Nature Swaps

The Galápagos debt conversion demonstrates both the immense potential and the complexities of debt-for-nature swaps. Several lessons from this deal can inform future initiatives. First, long-term success depends on the continued collaboration of diverse stakeholders, including governments, local communities, and private actors, so collaboration should be central to all debt-for-nature agreements. Second, the development and funding of a marine reserve require time and flexibility. However, using local scientific data to guide decisions and creatively navigating legal or regulatory requirements can expedite the process. Third, debt-for-nature swaps should aim to not only provide funding but also to build local capacity and support innovative, locally driven projects. Applying these learnings can help future deals ensure that ambitious conservation goals translate into lasting environmental and social outcomes.

The Galápagos debt-for-nature swap proves that significant funding can be mobilized for conservation with creative financing mechanisms and collaboration among stakeholders. "Now, it's about how to replicate this in other parts of the world," Cardenas said.

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