

DevelopmentAid Dialogues



Season 2. Episode 14: Can One Crisis Solve Another? Debt-for-Nature Swaps with Sawsan Bou Fakhreddine

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Hisham Allam: Hello everyone and welcome to DevelopmentAid Dialogues, the podcast where we speak directly with the people working to rethink how aid, development and sustainability actually function in practice. I'm your host, Hisham Allam.

Today we are looking at a bold idea that sits right at the intersection of two major global pressures, economic debt, and environmental collapse. Around the world many developing nations are drawing in external debt, some paying more in interest than they spend on health or education. At the same time, climate change and biodiversity loss are accelerating with few reliable financing solutions on the table. But what if one problem could help solve the other? That is the promise and the challenge of debt-for-nature swaps.

A mechanism where part of a country is forgiven in return for serious environmental commitments. Some say it could free up billions for conservation and climate resilience. Others warn it is a complex, often poorly executed tool with limited reach.

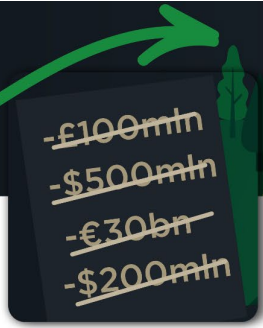
To make sense of what is real, what is possible, and what is next, we are joined by Sawsan Bou Fakhreddine the director general of Lebanon's Association for Forest Development and Conservation, and a senior advisor to the Minister of Agriculture in Lebanon. For over two decades, she worked at the crossroads of environmental policy, sustainable land use, and disaster risk reduction across the Middle East.

Her experience brings depth and clarity to a topic that is gaining attention, but still not well understood. Sawsan, it is great to have you with us today.

Sawsan Bou Fakhreddine: Thank you very much, Hisham. Thank you for hosting me.

Hisham Allam: Thank you. Sawsan, let's begin by setting the scene to those new to this concept, how exactly that debt-for-nature swaps work and why is it becoming a popular topic among both environmentalists and finance experts?

Sawsan Bou Fakhreddine: Actually, this concept has been growing lately, and we've seen that in many countries as you said in your introduction because simply it's an opportunity maybe for some developing countries to revert or to recover its debt for the hazard within a severe financial crisis that they are



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witnessing. It's like financial agreement where part of developing countries external debt as you said, is forgiven or maybe returned for a commitment where the government or the developing country can seriously commit and can do at national level some conservation and long term and sustainable conservation projects within the country what would reflect later on climate change, land degradation, and many things. Actually, it's a smart concept. However, as you said, there are many burdens for this, especially in developing countries like Lebanon, for instance. And we're going maybe to discuss this more in detail but generally speaking I think the concept rises within searching for climate fund, it is in response to face climate change and the impact of climate change on our ecosystems.

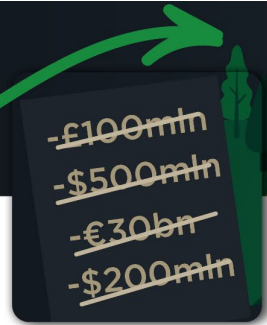
And as you said in the introduction, if we compare the level or the degree of degradation of land and ecosystems and natural resources. It's way faster than recovery or restoration. So what we lose in one day, for instance, in wildfire would need like a decade or more to be restored if we are able to restore it because as you said those countries are in depth simply because they have a crisis and they don't have enough resources to invest in sustainability and in vital sector. And when it comes to the environment it's not always the priority to invest and put real actual investment in the environment and in the protection of natural resources because there are many other sectors that are critical, like education, health, economy. So, it's all related.

The importance of this mechanism, if applied, is to bring attention to the economic value of ecosystems and natural resources.

Hisham Allam: Sawsan, we have seen projections that these swaps could unlock up to \$100 billion for nature restoration and climate adaptation. In your view, what is the real-world potential of this mechanism in today's economic and ecological landscape?

Sawsan Bou Fakhreddine: I think there is a lot of potential. However, it is relative. It is relative to the area, to the country, to the level of political will. Before I talk about political will, I will talk about political decision maker awareness about the impact of the deterioration of our ecosystems.

Unfortunately, decision makers are not aware of that. That's why they're not taking serious action. They're not taking it because they don't see it in figures. So, I think if we manage to valorize the ecosystems and like put a dollar value for the land degradation on different sector, not only on the environment, but the impact of this ecosystem, deterioration on health and economy, I think then they would start really trying to understand this kind of concept, and they will see in it an opportunity. Because as you said, it's a win-win for the government that is in debt. It is a great opportunity for them to reduce the debt that they have, and at the same time, they can create something sustainable that can create many economic opportunities and can improve livelihoods and the quality of life. So, there is a lot of potential. But I think we are still not ready because we have lacked this kind of awareness and the exact know-how and the actual value of ecosystems.



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Hisham Allam: At what level, who doesn't have this knowledge.

Sawsan Bou Fakhreddine: If you talk about the concept of debt-for-nature swap concept, I can think it's at all levels. At the government level, they don't see it as an opportunity. And there, there is not much work that has been done at a higher political level.

So, for instance, I give an example here in Lebanon, if I talk to the highest authority who put policies and legislations. So, if I tell them now about this consultation they don't know about it. So, there is a misunderstanding about it. You have also the level of lower administration, working on putting strategies and plans. We've been thinking lately about climate change in a very conventional way. Like we're looking for Greek climate fund. We work a little bit about carbon trade. But still the concept of debt-for-nature swaps is not yet highlighted enough at the government level.

And then even if I talk about NGOs or lower level like local communities, local authorities. It's still a concept that is growing in developing countries. Although we have seen many different successful examples in many countries where they can, they turn this into opportunity, but it started with the political will and the political decision that they want to do to do that.

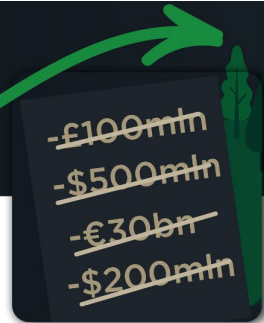
It's complex, as you said in your introduction, it's not an easy thing to do. It's a bit complicated when it comes to this kind of swab. And I see that the problem lies at different levels but starting by raising awareness about this concept and what is the added value of it.

Hisham Allam: I agree that many development countries are biodiversity rich like Lebanon, but governance poor. How serious are the governance and institutional capacity gaps when implementing these agreements?

Sawsan Bou Fakhreddine: Actually, since you talk about Lebanon, you know that developing countries are still developing because they have witnessed lot of crisis for the last decades and this stopped them from developing good governance structure and to think about future and to think really about sustainability and scalability of things.

So poor governance is I think the first burden or first threat against not only for this concept but for everything. Because even if I tell you about before we talk about this kind of initiative, the swap. If you talk just about the strict protection in actions like if we have to put policies to stop fires, for instance. It's one example, one threat existing a lot in the Mediterranean region in general and, and Lebanon in specific. Although we have strategies and we have plans at the government level, to try to limit the threat, because we have a very poor and very weak governance structure, we are not able to implement even those strategies. We have a lot of laws, like forest law, the ecosystem conservation. Conventions that we have signed for, we start almost all the conventions, the DRR, the SDGs, Paris Agreement, Biodiversity Convention. However, we don't have the tools, the good governance to implement those strategies. So, our poor governance is really a problem against any kind of really sustainable improvement.

You know, in the developing countries there is no continuity of operations or continuity of decisions when you have succession in administrations. So, this is another problem, and this is due because we have poor



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governance. And this is not only in the environmental sector, but in different sectors we have this problem. And this is also related to the economic situation, political situation, and security situation. For many years, we didn't have a government. So, the situation is boiling. We always have something important, but there is something more important, the security and the livelihood of people. And so, this kind of situation, recurrent situations are also weakening the government and weakening any opportunity to put sound governance structure and to work toward achieving it. Because for the last 10 years, we've been in crisis mode. We are just responding to the crisis and trying to adapt and respond to those kinds of urgent needs that arise from each crisis.

Hisham Allam: That is clear, but what impact do these swaps have on rural or traditional communities that depend heavily on natural resources?

Sawsan Bou Fakhreddine: Actually, the impact is huge. Especially if we are talking about communities in areas in countries rich with biodiversity, you can see by all natural resources, there are a lot of projects that are economically beneficial for the community. If you talk about agroforestry, if you talk about ecotourism, if you talk about direction sites. So, everything is around those areas and land degradation and not having this kind of swap is contributing to the loss of areas and subsequently is leading to losses at the economic level.

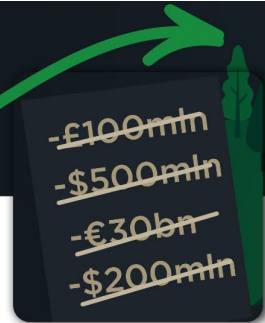
And this is affecting the community a lot because they live from these resources. And not only about tourism. When we talk about agriculture, when we talk about people living from thing of aromatic and plants when you talk about people living from fruit stones, trees from wood from many derivatives and products that can be collected and harvested from those ecosystems.

So of course this is affecting a lot, but the thing is that it is not seen very clearly. It's like progressive, and that's why it's never been an emergency for the government because the impact of this kind of deterioration is gradual. So, you cannot see it directly. And again, it's because, we lack a lot in this aspect.

We lack a lot of figures and numbers like evidence about the impact by numbers of this on the communities. And again, when you don't have three figures you cannot convince decision makers because from my experience when you don't have clear studies and researchers and evidence-based material to showcase with decision makers you cannot break through, and you cannot make a change.

Hisham Allam: Speaking about decision makers and governments, some experts warn about the risk of corruption and elite capture in fragile states. How can we design mechanisms to ensure transparency and accountability in swap funded projects?

Sawsan Bou Fakhreddine: Actually, to have successful swaps, it relies on strong governance. And strong governance means to have a real mechanism for forming transparency and the whole process from beginning, by the selection of the areas to be protected by the initiatives, by the people who will be working there. And it's not only about one administration; there should be like an independent oversight body with civil society representation overseeing this kind of projects that can publish and monitor and disseminate



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information and talk with the communities. So, there should be somebody independent from the people who take decisions and who make the plans.

Hisham Allam: Something given that valuation is crucial, how do we even begin to quantify the economic value of nature and negotiations that pick ecosystems against dollar figures?

Sawsan Bou Fakhreddine: Actually, in some areas it's easier because when you look at an ecosystem you have to value the ecosystem services. Like when I have a forest, if I calculate this forest, how much, how many people from the community are benefiting from it? What are the services provided by this ecosystem to the community, to the local economy, and to the national economy?

And there are a lot of examples and studies in that. Like now in Lebanon, we have. Studies about one hectare of pine trees, how much it can generate income for the different kinds of landscapes. And even for agroforestry projects, we can have these numbers. So, the idea is to partner with academic institutions and with entities that can provide this kind of valorization.

The most difficult part is to valorize carbon. But however, now we have some modules that we can adopt and valorize the carbon capture in those ecosystems, not only above the ground, like we can also valorize the carbon in the soil.

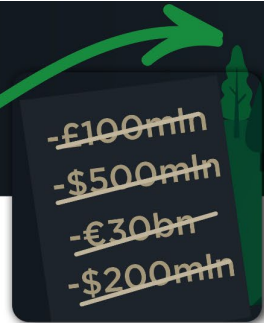
There are many ways and tools, and we are adopting and using this and in Lebanon have been many workshops where we see different modalities on how we can valorize economic value of ecosystems. And this is important for decision makers. So, this is the corner step where we can start to convince the decision makers to do this kind of swabs and to identify which areas are more important to be protected in terms of biodiversity conservation on about socioeconomic impact and where we can guarantee sustainability.

Hisham Allam: How can we make sure these programs do not just protect nature, but also improve livelihoods and address poverty in affected regions? Is it possible?

Sawsan Bou Fakhreddine: It is possible simply by applying this rule, never bring to the community ready-made projects. Consult, consult, and consult. Because they are the owners of the land. They live there. They benefit from the service of the ecosystem and from our long experience in wildfire management where we are able to succeed is where we build trust with the local community.

We convinced them what the value of this ecosystem is. And it's a continuous operation. It is not by force; it should be by consensus. It should be clear to the community about the value of this ecosystem and the risk affecting this ecosystem. Before doing any kind of intervention to really understand the risk and the hazards existing and to see it from the perspective of the community, not from my perspective as a technician or practitioner in the field. No, I have to see it from their eyes.

And when we do this, we can reduce this kind of resistance by the community. For instance, now in Lebanon, I can give example when you talk that you want to make a protected area, some communities would feel a



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lot of resistance. However, the government was clever enough to put different kind of protection schemes. It's not only a protected area, it shouldn't be closed to the community, to the contrary, they should be partners in this protection. They should be within the strategic plan and management. And there are many different kind of management schemes that we can use that is suitable for the community. So, in this sense, we don't have one rule that applies to all. No. It should be tailored for each community by itself, considering its culture, its socioeconomic aspect, its attachment to the ecosystem itself and how much they are reliant on this ecosystem in their livelihood.

Hisham Allam: Moving away from this, how do things like market ups and downs or changes in debt value affect these swaps? Do they make the process more risky or less effective?

Sawsan Bou Fakhreddine: Actually, yes, fluctuation is an important risk factor because there are also different modalities when doing these swap projects. Sometimes it's directly from government to government. Sometimes you can have creditors and like investors working on that as an opportunity also for them. So, this kind of fluctuation can create a risk. And this is also associated, and it should be in the business plan. Of course, this, I think, make the investors a bit hesitant to make this kind of investment, if we call it this, in developing countries because as I said from the beginning, it's not stable.

Currency fluctuation, security, stability the governance also.

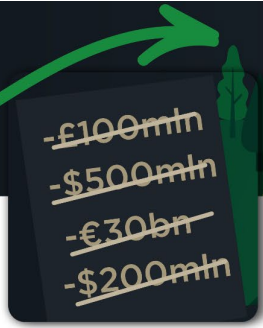
So of course, it's directly affected, and it is, I think, one of the risks why still in the developing countries, we are not moving forward in this kind of things. And I know that Egypt started doing something. I'm not sure how much to which extent.

Hisham Allam: Let me ask you to follow up on that. Political instability can also disrupt even the best laid plans. If there is a risk that long term conservation commitments will not survive, changes in government or rising conflict.

Sawsan Bou Fakhreddine: If you don't have clear laws and strategies to regulate this, of course it won't sustain. It's not only about the decision of one government. It should be embedded in the development strategies, in the sector strategies.

And when we talk about these kinds of swaps, we are talking about long-term commitment to be sustainable. So of course, political challenge and conflicts as well are critical, as we were saying from the beginning, is the cornerstone, the critical will is, and not only the will the will that is that go alongside with written, endorsed, recognized rules and regulations and policies and strategies and with budget. Because for instance, in Lebanon, we have lot of strategies, and we have lot of policies and frameworks, and you name it. However, we don't have budget for it. So, the government has to commit a budget for this kind of project. So far, we are a little bit far because of this political instability and the conflicts that we are facing.

So, another way to maybe overcome this is maybe to apply decentralization. So, we can take decisions and make policies and strategies not only at the government level.



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Like for instance, if we have an area where we can commit to protect any swap project, maybe we can come up with a local or re mechanism with the local authorities that can guarantee its success. And in this way, we can minimize the disruption of national political instability or conflicts.

So, this is a way to adapt to this, but it should be case by case.

Hisham Allam: This leads to a broader question. What role should multi literal donors and development banks play in scaling up and supervising debt-for-nature swap frameworks?

Sawsan Bou Fakhreddine: First of all, of course they can be funders. They can purchase and they can fund this project to assist the government and in developing countries.

They can also be like brokers. They can facilitate negotiation between the government in debt and the other government that can do the swap with. They can also, as you said, they can oversee the swap. They can be as monitors. They can play a role, very important role in overseeing the whole process and secure transparency. This kind of monitoring it's crucial because it can bring more funds.

So, if you start with a small swap project and if you were successful and you show an example that is recognized by the international community as an adaptation project, I think this can bring more investment and more money to be invested by the multilateral donors.

And of course they can make some guarantees to minimize the risk. So, they have wide range of contribution that they can make. But for the developing countries, I think the role would be crucial as founders, because initially we started our talk by saying that developing countries they lack financial resources.

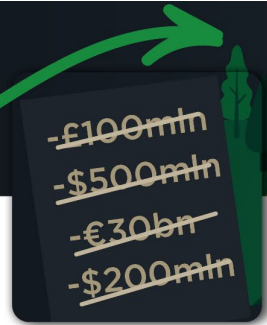
So, to commit in this kind of swap they would need support in loans or grants or they can just be funded by multilateral donors.

Hisham Allam: One powerful insight you shared was about the importance of community inclusion in designing these swaps. What does your meaningful inclusion look like in practice?

Sawsan Bou Fakhreddine: In practice, as I mentioned, it should be starting by designing the project together with the community. Like a local protection measure with the local authority to protect an area from wildfire.

We have lot of successful examples in Lebanon and AFDC last year was recognized as one of the UN Decade flagship for best practice in the Mediterranean restoration of ecosystems. And we applied this this prototype with the community that we are now moving to other areas in the country to build the same kind of approach with the communities.

It starts first, Hisham by really sitting with the community and doing everything from scratch, from zero, like doing the mapping of resource together with the community, identifying the risks and the hazards. So, we do field and risk and hazard as. Assessment of the natural resources that we want to protect.



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And together with the community who identify who are the stakeholders mainly involved in managing this ecosystem, whether they have negative impact or positive impact. And for that once we identify the risk and the hazards, and we identify stakeholders, we come up with what we call prevention action plan where we put like adaptation measures and interventions to prevent the risk from happening, like are in initiatives to protect the land. In the case of forest fires, for instance, we identify where we have to make fire prevention lines.

We do work with farmers. We do work with people and have access to the forest. So, a lot of activities are tailored based on the needs of the community. And we make sure in whole, in the whole process is whatever local governance structure we want to put or suggest it should be applicable.

It is accepted by the community. There is no dispute about it. Because, even in a small community, you might have disputes in politics and interests. So, whatever we have to propose, we have to propose it and to be compatible and agreed about by all the community because it's very easy to sabotage a natural ecosystem, very easy to put a fire.

And I'm very honest; in many places we didn't succeed because we weren't able to have this kind of commitment from the whole community despite of all the other disputes and other disagreements about many things.

And we have to be transparent with them so they should understand the community.

The community, to go with you in long-term commitment, should see the start and the end of the project, so all the steps should be clear. We don't have to make it beautiful. We have to let them see things as it is and this is what we do in our intervention in the community.

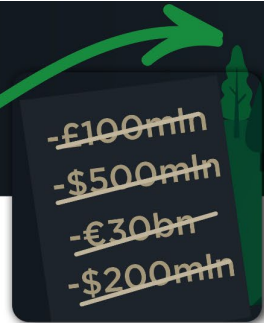
And after we do this, of course we need to, to empower them. So, we did the assessment, we identified what we want to do, who will do what, and we put like a scheme together about the management, a vision, how we wanted to be done. But now comes the capacities.

So, if you want to implement it, you have to make sure that you have the capacity to do it, technical and financial. And for this, we make like capacity building for the community about the plan that we have put together.

So, we try to provide the minimal requirement to implement the plan because it's very dangerous. It's very dangerous, not a little bit, it's very dangerous just to make a plan and leave the community. It won't, can you lose the momentum? So, when we decide to work in any community, we make sure that we have the resources, we have the capacity to do it till the end, and otherwise we don't do it.

Like for instance, in forest fires, when we do all this and we identify fire risk area where we establish what we call first responders' teams, we bring in the project, we have funds to train. Equip local groups who are like firefighters who can intervene.

The minute they detect smoke in the area who are first responders, they can extinguish the fire within 10 or 15 minutes. And that way you don't have expanded fire in the region. So, if you don't have the capacity, we



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don't do it. I don't go to a community. I tell them, listen, you have to make a forest fire management plan, but I don't equip them, or I don't train them. So, this is crucial for working on that.

So, we guarantee it's sustainable because now we have like communities where we already have established mechanism, as I said. And now our intervention is minimal. We don't work with them. We just follow up with them, and we are supported to them in case they need any technical assistance. But it's a standing alone mechanism.

And at a rocky level, they are managing to do it. And the nice thing about this mechanism is that those first responders' teams that we established with the community, they are responding not only to natural events, they respond to any crisis in the community and they become like an important asset for them and this is why the community are holding them and they are helping them to grow and to keep them sustainable because they are serving the whole community.

Hisham Allam: You made it clear and clean as well. Sawsan, I'm curious about the models that plan, the public debt restructuring the private sector investment that could make this tool more powerful.

Sawsan Bou Fakhreddine: I'm sure that if we engage private sector investment it would be very helpful. Like, especially in the big private sector companies who have like they are committed to climate change adaptation and this is a growing movement by the way, in worldwide and even in Lebanon you can see a lot of now of private sector. They are investing in sustainable projects and this is returning in good for them. So, this combination, this pairing between public and private partnership I think is important and it's a way out for the government that is in depth.

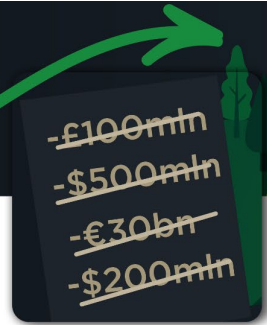
Hisham Allam: In your view, what are the biggest misconceptions about debt-for-nature swaps among policy makers or even the public?

Sawsan Bou Fakhreddine: There is a weak understanding about the concept. So, they say it's like symbolic.

It's not something that is efficient. You know? But because there is lack of awareness about it, so they don't know the mechanism, how it works, who regulated, what are the rules, the policies, how we should do this, who would be involved. So that's why till now there is lot of misconceptions about it and this kind of swap.

But again, with good awareness about it and more folks, maybe more conferences. With the ministry is concerned, more visualization of the economic value, I think can bridge this gap and can really show this swap can really impact many sectors at a time.

It's not only at environmental project, no, it's a project that can benefit the communities, the economy, the social wellbeing, and even the health, because we have a bill that we are paying on the health-related issues because of vector climate change. So, it's interrelated and we have to build this concept with the decision makers and with the people as well.



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Hisham Allam: Finally, if you had to draft a minimum checklist for a successful swap, what would be on the list?

Sawsan Bou Fakhreddine: The first one, as I said from the beginning, is political will. And there should be a political commitment otherwise, and it won't help if I work on it. It should come up to bottom approach.

There should be a mechanism to manage the funds. Especially in developing countries, some may question transparency and the structure of the government. There should be like legal text and the regulations that put the standards, the norms, and can guide the projects should be clear, recognized by the highest authority and the government, by the council, by the parliaments, by the ministers the highest authority is legal and institutional setups. There should be a strategy, maybe I think, or something like a master plan where the government should put a clear target. Like for instance, in Lebanon we have the SDCs, the country program for climate change.

So maybe this can be a good start. But we have to put clearer and more tangible target that, we need to achieve. We really need to apply in the checklist, the approach that I was talking about the real engagement of community inclusion and benefit sharing.

So, it's not a project for investors, it's not a project for the government. It should be a project for the community that everybody should benefit from. Otherwise, it'll be stopped and it won't be sustainable. There should be an independent monitoring and reporting mechanism. It should stand alone. It should be based on the national indicators and strategies in place that are endorsed by the government. And I think maybe some work on good special communication with potential multi-lateral donors.

And there should be alignment as well with the international agenda. Which is driving also multinational donors to put their funds in the countries. We should have like a sustainability plan that is independent from political disturbances, from conflicts.

Otherwise, it won't be successful. So, I think those main ideas, if we manage to do them, I think we can achieve a good debt-for-nature swap project.

Hisham Allam: That brings us to the end of this episode of DevelopmentAid Dialogues. A warm thank you Sawsan Bou Fakhreddine for helping us explore both the promise and the complexity of debt-for-nature swaps.

What we have here today is that these mechanisms are not silver bullets, but when built on transparency, strong institutions, and local ownership, they can open up real space for progress. As global debt and ecological crisis converge, tools like these may become not just useful, but necessary. If this conversation sparked ideas, questions, or debates, don't give them to yourself.

Share within your network and subscribe for more. Until next time, I'm Hisham Allam. Thank you for listening and keep questioning what development should really look like. Stay engaged. Stay tuned. Goodbye.