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Africa's debt meets climate innovation

With COP30 around the corner, Africa's debt crisis risks climate resilience — 'debt-for-blue' swaps could forge a new model of EU-Africa partnership

As negotiations resume ahead of COP30, Europe cannot afford to view Africa's debt and climate crisis as a distant problem. The stakes for both Europe and Africa are high and immediate. The UN currently estimates that Africa will face a US$2.5 trillion shortfall in climate resilience investment by 2030 due to heavy debt burdens. Africa's debt thus directly hinders climate adaptation, which in turn deeply impacts its neighbour and partner, Europe. Climate change-induced migration, disruptions to trade and supply chains for critical minerals, and the recurring instability in the Sahel and the Gulf of Guinea are some of the already-emerging security and economy-related consequences for Europe.

One promising way forward lies in rethinking how debt and climate finance intersect. The model of 'debt-for-nature' or 'debt-for-climate swaps' – where a portion of a developing country's debt is bought at a discount and cancelled in exchange for commitments to protect the environment – has already shown its value. Building on this idea, an 'AU–EU debt-for-blue swap' could be developed to focus specifically on the blue economy — oceans, fisheries and coastal systems. Such a mechanism would allow Africa's external debt to be restructured in exchange for commitments to marine conservation and blue economy investment.

While such 'debt-for-blue' initiatives have already emerged in a couple of individual cases, an intercontinental AU–EU framework could elevate this approach from isolated experiments to a strategic partnership. Such an approach represents an opportunity for Europe to shift its relationships with African countries from conditional aid to co-ownership. As conventional climate finance mechanisms falter, the swaps could become one of Europe's best tools for averting future climate crises. They also have the potential to position the AU-EU partnership as a global model for innovative development finance.

Why debt-for-blue swaps matter

This year's International Conference on Financing for Development in Sevilla reignited the conversation about Africa's rising debt and the structural gaps in global development finance. However, the conference concluded with declarations rather than tangible solutions.

Although participants – including development professionals, negotiators and policymakers – agreed on the urgent need to reform the current global development finance system, no concrete mechanism for achieving this was identified. As it stands, the current system compels developing countries to spend more on debt servicing than on climate resilience. As COP30 negotiations intensify, the inadequacy of this system is becoming increasingly clear. Without new climate finance instruments, the cycle of debt and underinvestment in climate adaptation will persist, and the partnership structures that the EU has built for decades will be undermined.

The idea of a debt-for-nature swap is not entirely new. Belize, Ecuador and Seychelles have successfully shown how to restructure external debt in return for commitments aimed at defending biodiversity and enhancing climate resilience. What is new is the application of the tool to the blue economy, which is vital to both African livelihoods and European trade and food security, and its intercontinental focus.

Restructured debt initiatives linked to the blue economy could enhance fiscal viability while advancing adaptation strategies that mitigate long-term climate risks for both Europe and Africa.

In 2016, Seychelles restructured $21.6 million of its debt in exchange for designating 30 per cent of its marine area as protected. The swap contributed to global biodiversity goals and stabilised a fishery industry that is vital to Europe. Similarly, Gabon's 2023 debt-for-nature swap refinanced about $500 million of its national debt, generating $163 million to be invested in the country's ocean. These cases underscore the potential of debt swaps to generate conservation benefits while improving debt sustainability.

The potential impact is even higher for Nigeria, Kenya, Mozambique, Senegal and other African countries with larger coastal areas. Most of these countries have external debts exceeding 30 per cent of their GDP, and debt service is taking up valuable fiscal strength. Redirecting portions of debt payments towards coastal protection, mangrove rehabilitation and blue economy infrastructure would safeguard fisheries and guarantee the livelihoods of millions of people. It would also stabilise the economies

of a region that trades closely with Europe.

The scale of Africa's debt challenge underscores the urgency of integrating swaps into climate finance discussions. The continent owed $685.5 billion in external debt as of 2023, with debt service projected to reach $88.7 billion in 2025. That is more than the continent's total annual climate finance. Nearly 60 per cent of low-income African countries are already in or at high risk of debt distress. This overhanging debt diverts essential investments away from adaptation and social priorities.

For example, Ghana spent nearly 70 per cent of its 2023 tax revenue on debt service, leaving little for climate action or blue economy infrastructure. Similarly, Mozambique, although highly vulnerable to cyclones, allocates significant resources to debt repayment while underfunding health and education. In both cases, restructured debt initiatives linked to the blue economy could enhance fiscal viability while advancing adaptation strategies that mitigate long-term climate risks for both Europe and Africa.

The economic argument for Europe is clear. It imports fisheries products worth billions from West Africa annually. It also depends on the African shipping routes in the Gulf of Guinea and the Red Sea. As a result, climate-related instability in the African region, especially in the coastal areas, directly threatens European economic and food security, as well as its trade routes. Reinforcing ocean resilience and fiscal stability through debt-for-blue swaps would act as a form of climate insurance for Europe and its partnership with Africa.

A blueprint for AU-EU debt-for-blue Swaps

Debt-for-blue swaps, in themselves, are not the solution. Rather, it depends on how they are structured and implemented. The operation of the debt-for-blue swaps would involve the EU and AU collectively creating an AU-EU Blue Finance Facility (BFF). This blended-finance platform could be integrated into Europe's global development finance strategy and would combine grants, concessional loans and debt guarantees to restructure eligible African sovereign debt in exchange for verifiable blue economy and marine conservation investments. National implementation would be coordinated by the AU's Sustainable Environment and Blue Economy Directorate to ensure alignment with regional strategies of the AU-EU partnership and blue economy goals. The European Investment Bank and the African Development Bank

could jointly manage financing instruments and credit enhancement mechanisms.

For too long, Africa-Europe relations have been framed around aid and dependency.

Countries entering into the debt-for-blue swaps agreement would need to fulfil specific eligibility criteria. Funded projects must protect marine diversity and create jobs in the blue economy. These, among other conditions, would be certified by independent monitoring organisations. Operationalising the initiative will also involve incentivising private creditors through partial guarantees and blue bond insurance backed by the BFF. This arrangement would ensure a transparent, result-driven model. It focuses on Africa's financial resilience while anchoring Europe's climate and economic security. Using joint governance and shared accountability, the model could finally end the traditional donor-recipient relationship between the EU and the AU. Instead, it would create a genuine partnership of co-owners of a global climate action.

Ahead of COP30, Europe must choose between making promises or embracing practical innovations that deliver measurable results. As a tool, the debt-for-blue swaps provide a tangible mechanism to break the stalemate. It aligns with Europe's strategic interests, addresses Africa's financial and climate constraints and shows how climate finance can be restructured to serve mutual prosperity.

For too long, Africa-Europe relations have been framed around aid and dependency. By embracing debt-for-blue swaps, both continents can forge a partnership built on shared risks and shared solutions. The Sevilla conference highlighted the costs of delaying development finance. The upcoming COP30 must lead to actions. An AU-EU debt-for-blue facility would be an excellent place to start.



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