

Debt Restructuring Programs

Tropical Forest Conservation Act (TFCA)

FY2005 Appropriation	FY2006 Request
\$19,840,000	\$99,750,000 ¹

The Tropical Forest Conservation Act (TFCA) provides debt relief for low and middle-income countries with tropical forests to support conservation of endangered forests. The TFCA was reauthorized in 2004. Since 1998, Congress has appropriated over \$90 million for this initiative.

The Administration received \$19.83 million for TFCA activities in FY2005. For FY2006, the Administration has requested \$99.75 million for debt restructuring programs overall and flexibility in determining the amount to allocate for each program, including TFCA.

Under the program, eligible countries can, through negotiation with the United States, treat a portion of their debt to the U.S. by engaging in one or more of the following activities: a debt buyback, a debt swap with an eligible third party (usually an international environmental NGO), or a debt reduction/restructuring. The U.S. uses appropriated funds to pay for the associated budget costs.

Resulting local currency payments are used to establish a Tropical Forest Fund or equivalent mechanism in the country that will in turn make grants to local NGOs and other entities engaged in a variety of forest conservation activities. Such conservation activities may include: research on the protection and sustainable use of local plants and animals, development of sound forest management systems, training of local organizations in forest conservation management, and establishment and maintenance of protected areas.

The TFCA program is modeled after the Enterprise for the Americas Initiative (EAI) established by the Bush Administration in 1992, which supported environment and child survival programs in seven Latin American and Caribbean countries. Argentina, Bolivia, Chile, Colombia, El Salvador, Jamaica, Peru and Uruguay have all received debt relief through the EAI.

Key Facts:

- The TFCA received bipartisan support and was signed into law in 1998. The TFCA was reauthorized in 2001, and again in 2004.

¹ The Administration has requested a total of \$99.75 million for Treasury debt restructuring programs overall, to be available for bilateral HIPC and poorest country debt reduction, contributions to the HIPC Trust Fund, and TFCA debt reduction. It has also requested flexible authority to determine the proportion of this amount to be used for each program.

- During FY00, the first debt reduction agreement under the TFCA was signed, with Bangladesh. This agreement will allow Bangladesh to save over \$10 million in U.S. dollar payments in return for setting aside \$8.5 million (dollar equivalent) in local currency to protect and conserve mangrove forests and Bengal tigers.
- During FY01, a TFCA debt reduction agreement was negotiated with El Salvador. Also, the first debt swap agreement under the TFCA was signed with Belize.
 - Together with The Nature Conservancy, the USG negotiated a debt swap which will allow Belize to contribute \$9 million towards conservation of the Maya Mountain Marine Corridor. The TFCA agreement with El Salvador will generate \$14 million toward conservation activities to protect El Salvador's cloud forest, home to exotic and endangered flora and fauna such as orchids, rare spider monkeys, pumas, toucans and striped owls.
- During FY02, two agreements were negotiated: a debt swap with Peru, and a debt reduction agreement with the Philippines.
 - A first-ever partnership among Conservation International, World Wildlife Fund, and The Nature Conservancy raised more than \$1 million toward a debt swap. This debt swap will provide over \$10.5 million toward conservation of ten protected areas in Peru, including the Pacaya Samiria National Reserve, and the Machu Picchu Historical Sanctuary. The TFCA agreement with the Philippines will generate more than \$8 million toward forest conservation activities in the Philippines. This agreement will facilitate the protection of tropical and coastal forest areas in the Luzon, Visayas, and Mindanao regions.
- During FY03, a debt swap was negotiated with Panama.
 - The debt swap, to which The Nature Conservancy contributed nearly \$1.2 million, will generate \$10 million for protection and conservation of the Chagres National Park, which is home to endangered species such as jaguars, mantled howler monkeys and anteaters.
- During FY04, debt swaps were negotiated with Colombia, Panama, and Jamaica.
 - The debt swap with Colombia, to which The Nature Conservancy, World Wildlife Fund, and Conservation International Foundation contributed, will generate over \$10 million for the conservation of several important areas within Colombia. The areas benefiting from the agreement include the forests of the northeastern tropical Andes, the Llanos region in the Orinoco Basin, and the Caribbean. A second debt swap was negotiated with Panama, also with a contribution from The Nature Conservancy. This swap will generate nearly \$11 million for conservation and protection of the Darien region. The debt swap with Jamaica, to which The Nature Conservancy contributed, will generate nearly \$16 million for the protection of several key sites in Jamaica such as the Blue and John Crow Mountain Forest Reserve/National Park,

home of the endangered Giant Swallowtail Butterfly, and the Portland Bight Protected Area, home of the Jamaican Iguana, once thought to be extinct.

- Paraguay was recently declared eligible for the TFCA programs. Eligibility reviews for other countries are currently underway. Additional countries may be declared eligible in the future based on their interest and U.S. determination that they meet eligibility criteria established in the TFCA Act. The fact that a country has been determined to be eligible does not necessarily ensure that the U.S. will fund a program in that country.

Supporting U.S. Objectives

The TFCA helps developing nations strengthen their economies while achieving the goal of protecting tropical forests and bio-diversity.

- Countries are able to re-direct some of their debt payments to domestic forest protection.

The TFCA also indirectly encourages economic reform and strengthens democracy. In order to qualify, countries must demonstrate that they have in place a credible economic reform program, an open investment regime, a democratically elected government, and that they do not engage in terrorism, narcotics trafficking, or gross human rights violations.

Performance Results and the PART

Most local TFCA programs have become operational only recently and have not yet been reviewed. TFCA as a whole underwent a PART (Program Assessment Rating Tool) review by the Office of Management and Budget in 2004, and received a rating of “results not demonstrated”, largely due to the fact that the program did not have performance measures in place that would enable a meaningful evaluation. As a result of the PART exercise, the Administration has developed an evaluation system that provides for consistent, on-going evaluation and reporting across local TFCA programs. This evaluation system will measure each local program’s success in, among other things, developing a strategic plan with key objectives and timeframes and conducting annual reviews on progress toward fulfilling that strategic plan. In addition, in the recent reauthorization process, the Administration requested and received authorizing language that would allow for independent evaluations of TFCA programs to be paid for out of TFCA annual appropriations.