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MEMORANDUM

TO: INTERESTED PARTIES

**FROM: KAREN BUDD-FALEN
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DATE: FEBRUARY 9, 2011

**RE: DEBT FOR NATURE – FINANCING AMERICAN ENDANGERED
SPECIES ON FOREIGN SOIL**

Let me see if I have gotten this straight:

1. President Obama has stated that America is going to be more restrained in foreign internal affairs.
2. Yet the U.S. federal government has listed 568 foreign species on the Endangered Species Act (“ESA”). These are species who never set one paw or foot or leg on American soil, ever.
3. And once listed, the ESA authorizes the U.S. Treasury to spend American taxpayer money acquiring foreign land, water and other property interests to “protect” these species.
4. As one way for America to spend money on foreign property, Congress and the federal bureaucracy have also authorized several “Debt for Nature swaps” which allow the U.S. Treasury to forgive (“trade”) foreign debt or loans made by the American taxpayers to foreign countries with the hope that the foreign country will stop property use and development to protect species on the American endangered species list.
5. Some of these Debt for Nature swaps include non-governmental organizations like The Nature Conservancy or World Wildlife Fund buying the foreign debt to the U.S. for “pennies on the dollar.”

There are several types of Debt for Nature programs which are being used to exert the opinions of a small group of radical environmentalists that “nature is more important than people.” Debt for Nature was modeled after a program started in the early 1990s called Enterprise for the Americas Initiative (“EIA”). Under that program, the U.S. restructured, and in one case sold, debt owed to the American taxpayers by Latin American countries equivalent to a face value of nearly \$1 billion. Basically the U.S. Treasury forgave or restructured monetary debt owed to American taxpayers for the Latin American country’s adoption of certain social and property use goals related to environmental, natural resources, health protection, and child development projects.

An official governmental “Debt for Nature” bill was passed by Congress in 1998 called the Tropical Forest Conservation Act (“TFCA”). Since passage of the TFCA, although the reports are somewhat conflicting, at least \$128.4 million has been used to fund 15 separate transactions which allegedly “conserve” tropical forests within 13 debtor foreign countries.

For example, on August 12, 2010, the U.S. Treasury agreed to cut Brazil's debt payments by \$21 million under a Debt for Nature swap related to “protecting” coastal rainforests. Other foreign countries who no longer have to repay their debts to the American taxpayers are Bangladesh, Botswana, Colombia, Costa Rica, El Salvador, Guatemala, Indonesia, Jamaica, Panama, Paraguay, Peru, and the Philippines.

Funds under these latest Debt for Nature swaps go toward “activities to conserve protected areas, improve natural resource management, and develop sustainable livelihoods for communities that rely on forests.” According to the U.S. Treasury Department, these foreign lands are “under threat from clearing for cattle ranching and agriculture, as well as charcoal production and timber harvesting.”

A second type of Debt for Nature program is financed through private environmental non-governmental organizations (“NGO”). The two groups who have specifically participated and strongly advocated for these swaps are The Nature Conservancy (“TNC”) and the World Wildlife Fund (“WWF”). Similar to the federal government’s program, an NGO purchases a foreign country’s debt for pennies on the dollar and then negotiates the transfer of the remaining debt back to the debtor country. In exchange for not having to pay the American taxpayers the money owed to them, the foreign country agrees to either enact certain environmental policies or endow a government bond in the name of a conservation organization to fund some type of conservation program. Debt for Nature swaps under this system can include either purchase of the foreign debt from an international bank (called three-party swaps) or a bilateral Debt for Nature swaps that are brokered by the NGO but take place between two governments. For example in one bilateral swap, the U.S. totally forgave a portion of Jamaica's debt obligations and then allowed Jamaica’s payments on the balance to go into a fund to finance environmental conservation.

It appears that these NGOs are very proud that they are ensuring that money loaned to a foreign government by the American taxpayers is never repaid to the American taxpayers. One example of a Debt for Nature swap, brokered by TNC, allowed TNC to payoff Panama's debt of \$10 million to the American taxpayers for a payment of \$1.16 million. Although I have not been able to find a legally enforceable contract, the money "given" to Panama based upon the forgiveness of the debt is supposed to focus on preservation on the Chagres River in the Chagres National Park to protect species listed on the American endangered species list.

And this is but one example. In Guatemala, according to TNC's website, TNC has provided around \$1 million to purchase anywhere from \$10 million to \$24 million of the Guatemala's debt from the U.S. Treasury. The federal government then forgave the remaining portion of Guatemala's remaining debt for the "promise" that the money would go into a Conservation Trust Fund which is used to finance forest related projects. TNC has also financed these pennies on the dollar debt buy-outs from the American Treasury in Belize (spending \$1.3 million to eliminate a \$1.4 million debt), Panama (spending \$1.3 million to eliminate an \$11 million debt) and Jamaica (spending \$1.3 million to eliminate a \$13 million debt).

The WWF is also heavily involved in Debt for Nature swaps. WWF's website boasts that it "pioneered commercial debt-swaps" with the first being in Ecuador in 1987. WWF also strongly supports and negotiates Debt for Nature swaps under the Tropical Forest Conservation Act in places like Madagascar, an island off the coast of Africa in the Indian Ocean, and in Peru, where the U.S. government has forgiven a total of \$40 million to protect species on the U.S. endangered species list.

Even though statutes like the TFCA require yearly accounting to Congress, like so many other programs, such accounting either does not occur or is not available to the public. Title 22 U.S.C. § 812 states, "The President shall consult with the appropriate congressional committees on a periodic basis" to review programs or projects funded under the Act and § 813 requires that the President prepare and transmit to Congress an annual report regarding these programs, including the taxpayer money spent.

The question for the American taxpayer is whether these types of expenditures are important and beneficial to America. While some may think America has unlimited financial resources and the national debt is only on paper or like a slot machine ticker on a computer, others believe that America has to prioritize its spending and gain back its strength. There is also a question that if the United States is going to finance issues around the world, should that money be spent on feeding children or on insects and reptiles. The American taxpayers need an accounting of all programs such as these so we can make an informed choice.

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