

Sovereign Debt Conversion Practice

**Experience in Sovereign Debt Conversions,
Political Risk Insurance, and DFI Guarantees**



HUNTON

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Hunton has a willingness to find creative solutions to difficult and unique scenarios and situations.

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The team is the most responsive, timely and strategic of any firm I have worked with in the development space.

Chambers USA
2025

Why Hunton

Hunton has advised on over \$3 billion in successful sovereign debt conversions and is currently advising on billions more

Sovereign debt conversions require technical rigor, cross-disciplinary fluency, and disciplined execution. We deliver market-leading counsel at the intersection of sovereign exposure, structured finance, and agency finance with the following three distinct advantages:

International Recognition. Our team is consistently ranked by *Chambers*, *The Legal 500*, and *IJGlobal*, and has earned more than a dozen “Deal of the Year” awards in the past five years alone.

Worldwide Experience. We advise multilateral and bilateral development finance institutions (DFIs), export credit agencies, private lenders, sponsors, and sovereign counterparties across emerging and developed markets.

Agency Perspective. We do not merely participate in sovereign debt conversion and political risk insurance (PRI) transactions—we help define them. Through our work as programmatic counsel to the US International Development Finance Corporation (DFC), in particular, we have developed the core form documentation and structuring frameworks that underpin modern sovereign debt conversions utilizing capital markets and PRI.

Highlighted Experience

Belize Blue Bond

Represented DFC in connection with the \$364 million Blue Bond transaction with the Nature Conservancy (TNC) and the Government of Belize. The innovative debt conversion, which DFC made possible through \$610 million in political risk insurance (covering loan principal and interest), will provide sovereign debt relief and simultaneously fund projects in support of Belize's commitment to protect 30 percent of its ocean.

Awards: Award for Innovation—Bond Structure (Sustainability Bond) and the Award for Sustainability Bond of the Year—Sovereign by *Environmental Finance's* Bond Awards in 2022.

Galápagos Blue Bond

Represented DFC in the provision of \$656 million in political risk insurance for a sovereign-debt-for-nature swap in Ecuador in connection with a Galápagos marine conservation-linked bond, which is expected to generate \$323 million for marine conservation in the Galápagos Islands over the next 18.5 years.

Awards: ESG Finance Deal of the Year at *Latin Lawyer's* Awards in 2024 and the Award for Innovation—Bond Structure by *Environmental Finance's* Sustainable Debt Awards in 2025 for this transaction. Read more about this landmark project in the [New York Times](#).

Gabon Blue Bond

Represented DFC in connection with risk insurance support for an innovative debt conversion in support of environmental conservation efforts in Gabon. The marine conservation enabled through a debt conversion that will create an estimated \$178.5 million of dedicated funding for biodiversity protection and nature-based resilience through management of Gabon's Marine Protected Areas and improve Gabon's debt profile.

Awards: *IFLR Africa Awards* Capital Markets Deal of the Year in 2024 and Bonds, Loans & ESG Capital Markets Africa Award for Ground-Breaking Deal of the Year in 2024 for this transaction.

Barbados Debt Swap

Represented the InterAmerican Development Bank (IDB) and the European Investment Bank (EIB) as guarantors in the refinancing of \$293.3 million of public debt owed by the Government of Barbados. This unique debt swap transaction will provide Barbados significant debt relief while generating over the life of the loan about \$125 million in savings that will be dedicated to enhancing resiliency programs addressing the impacts of climate change.

Awards: Recognised for the most innovative debt swap in Latin America and the Caribbean by Prime Minister Mia Amor Mottley at the [2025 TIME Earth Awards](#).

Amazon Biocorridor Program

Represented DFC in connection with its provision to an insured party of political risk insurance of up to \$1 billion in support of a debt conversion for impact in Ecuador intended to fund terrestrial and aquatic biodiversity conservation, climate change mitigation, and investment in the human well-being of the indigenous communities in the Amazon Biocorridor region.

Awards: Award for innovation—bond structure (green bond) by *Environmental Finance's* Sustainable Debt Awards in 2025. Best Multilateral-backed Deal of the Year, and Most Impressive Liability Management of the Year, by *GlobalCapital* Latin America Bond Awards 2025.

DFC Impact Bonds

Advising DFC on its Impact Bonds program for the development of model templates, including the insurance contract and the project implementation agreement in relation to DFC's insurance product that supports the creation of funding for targeted impact programs through the issuance of bonds that facilitate external debt management or conversions for eligible host country governments.

What Is Sovereign Debt Conversion?

Transforming Existing Debt Into Fiscal Relief and Strategic Impact

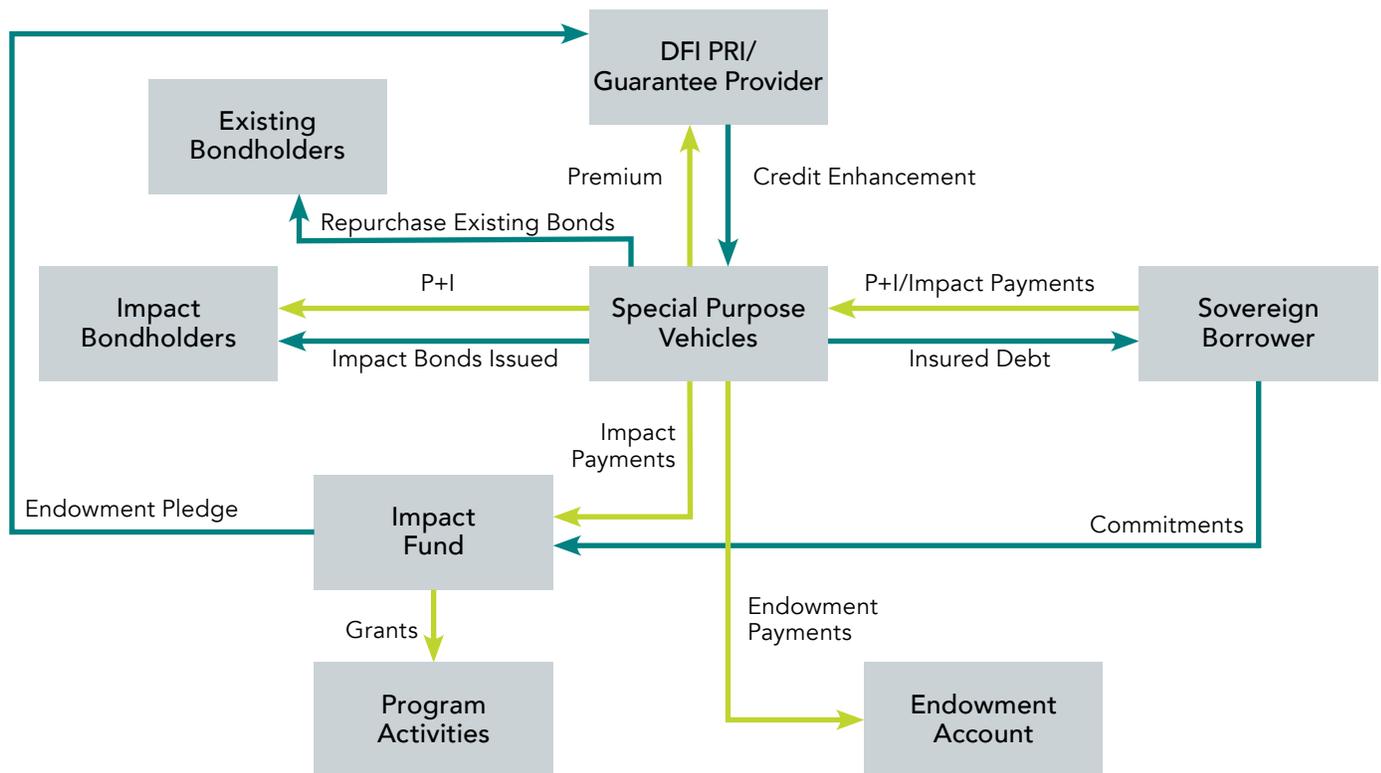
A debt conversion is a structured transaction in which a sovereign’s existing debt is replaced, exchanged, or otherwise restructured, often with support from DFIs or other credit enhancement providers.

These transactions generate fiscal savings, enhance debt sustainability, and mobilize capital to advance policy, social, or environmental objectives.

They generally involve three interdependent components:

<p>Debt Exchange</p> <p>Existing sovereign debt is repurchased, restructured, or swapped for new financing with credit enhancements from a DFI.</p>	<p>Commitments</p> <p>As consideration for the debt conversion, the sovereign agrees to achieve specific policy, conservation, or social objectives.</p>	<p>Impact Funding</p> <p>A portion of the savings from the debt conversion flows into an independent endowment fund or program to achieve the commitments.</p>
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The typical structure for many sovereign debt conversions is as follows:



Our Approach to Sovereign Debt Conversion Transactions

Comprehensive Experience from Structuring and Documentation
Through Execution and Post-Closing Stabilization



Structural Diagnostics and Risk Mapping

Assess capital stack dynamics, stakeholder constraints, and regulatory risk. Structure the transaction to optimize economics, governance alignment, enforceability, and credit outcomes.

Negotiation and Documentation

Negotiate and draft the political risk insurance contract, the project implementation agreement, the commitments agreement, the project funding agreement, and other project agreements.

Execution

Coordinate cross-border closings, monitor rating agency engagement, obtain legal opinion coverage, and drive complex transaction consummation on compressed timelines.

Post-Closing Stabilization

Monitor sovereign compliance with commitments, manage covenant and reporting frameworks, and align stakeholders to preserve credit integrity and long-term transaction durability.



Case Study

Galápagos Blue Bond

In 2023, Hunton represented DFC in providing \$656 million of political risk insurance for a record-setting sovereign debt-for-nature swap in Ecuador. The transaction involved a marine conservation-linked bond (the Blue Bond) supported by the Government of Ecuador, IDB, Oceans Finance Company, and Pew Bertarelli Ocean Legacy.

The Challenge

Ecuador sought to refinance \$1.628 billion of existing international bonds amid elevated borrowing costs while securing durable funding for marine conservation in the Galápagos Islands. The deal required coordinated multilateral credit enhancement, enforceable sustainability commitments, and successful capital markets execution.

The Solution

Hunton advised DFC in structuring a \$656 million political risk insurance policy covering arbitral award default and denial of justice under a new sovereign Facility Agreement. The Blue Bond issuance, which closed on May 9, 2023, financed a debt conversion exchanging Ecuador's existing bonds for a \$656 million loan, backed by DFC's PRI and an \$85 million guarantee from IDB. The structure included a bankruptcy-remote issuer, binding conservation commitments, and a dedicated funding mechanism through the Galápagos Life Fund (GLF) to implement and oversee conservation activities.

The Impact

The transaction is projected to generate more than \$1.126 billion in lifetime fiscal savings for Ecuador through reduced debt service costs. Over an 18.5-year period, it will direct approximately \$323 million to marine conservation for conservation activities and to seed a long-term endowment for the GLF. By 2041, the endowment is expected to exceed \$227 million, supporting conservation efforts in perpetuity. Combined sources of funding from the conversion and endowment will exceed \$450 million for Galápagos conservation.

The transaction demonstrates how PRI-backed sovereign debt conversion structures can deliver meaningful fiscal relief while generating durable and measurable environmental impact.

Key Contacts

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