
Climate Finance Reparations and Debt

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What's the issue?

“Limited to no-capacity to tackle climate change in a fiscally responsible and sustainable manner creates a continuous cycle of i) climate-impacts induced debt, which leads to ii) debt-induced climate vulnerabilities, and repeats.” - Eurodad 2021

Worrying debt & finance trends → climate

“The damage caused by natural disasters can generate debts (...) The impact of these storms leads to deteriorating finances and makes it harder to both meet the needs of citizens and repay debt. This ultimately leads to a situation of debt unsustainability and worsening debt situations.

It is a definitional example of a vicious circle.” Heron Belfon, Jubilee Caribbean

- World Bank -> “the higher frequency and persistence of climate change impacts are likely to increase macroeconomic volatility and reduce long-term growth prospects, posing a growing risk to debt sustainability”.
- IMF -> “large natural disasters causing significant damage can contribute to a significant rise in public debt”.
- IMF “countries with greater vulnerability to climate change face a higher likelihood of debt default compared to more climate resilient countries.”
- Lending to deal with climate disasters, fuels the fire when it’s at its peak

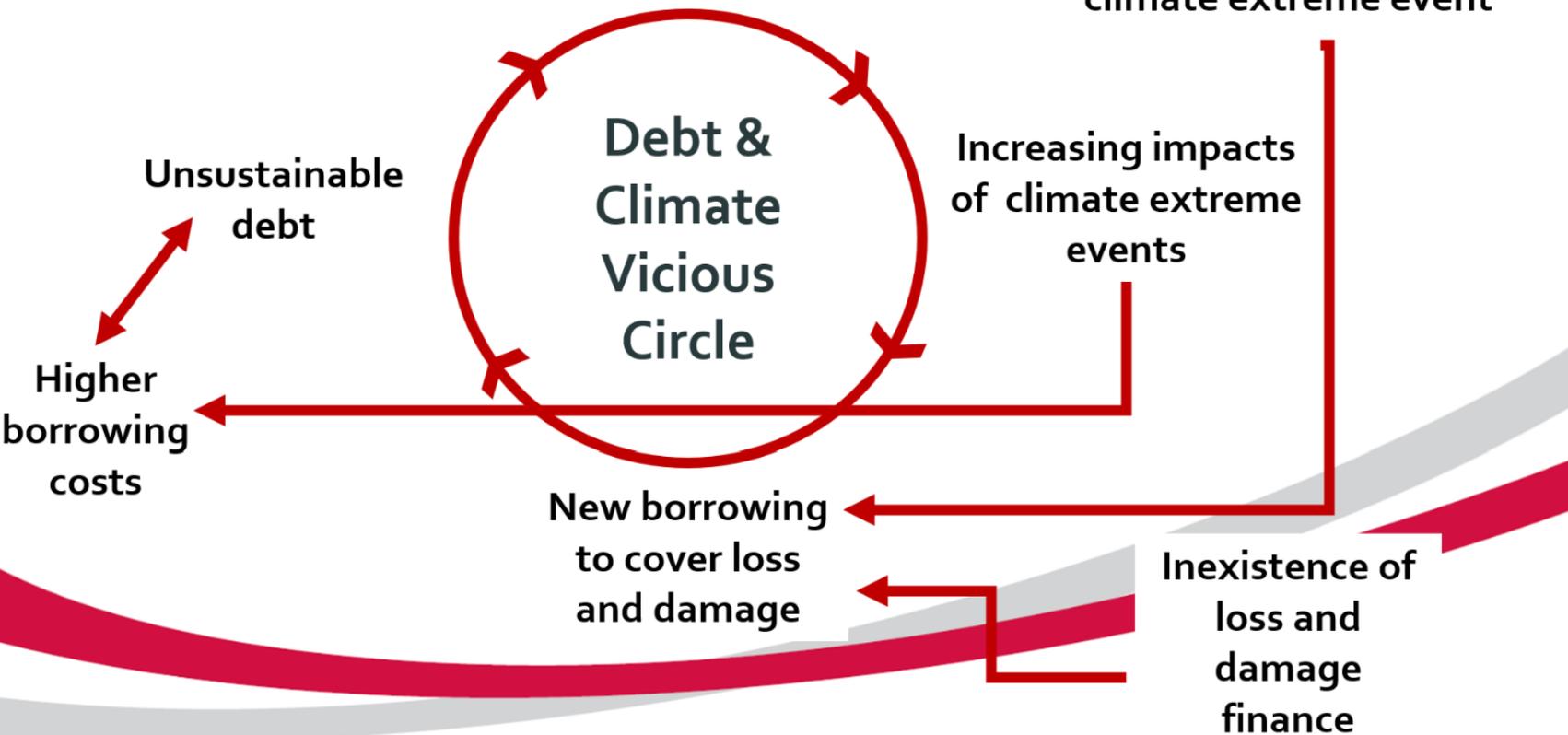
Worrying debt & finance trends → climate

- Debt vulnerabilities weaken countries' capacity (**reduced fiscal space**) to deal with the climate emergency as while governments spend more on paying their debts, they have less resources to invest in adaptation and mitigation, and to face the loss and damages after a climate disaster.
- The **spiraling debt pressure over natural resources** (push for extracting fossil fuels or other natural resources including forest or minerals) is also worsening climate change and its impacts



No fiscal space for climate resilience

Debt payments continue even in the aftermath of a climate extreme event



Worrying climate finance trends → debt

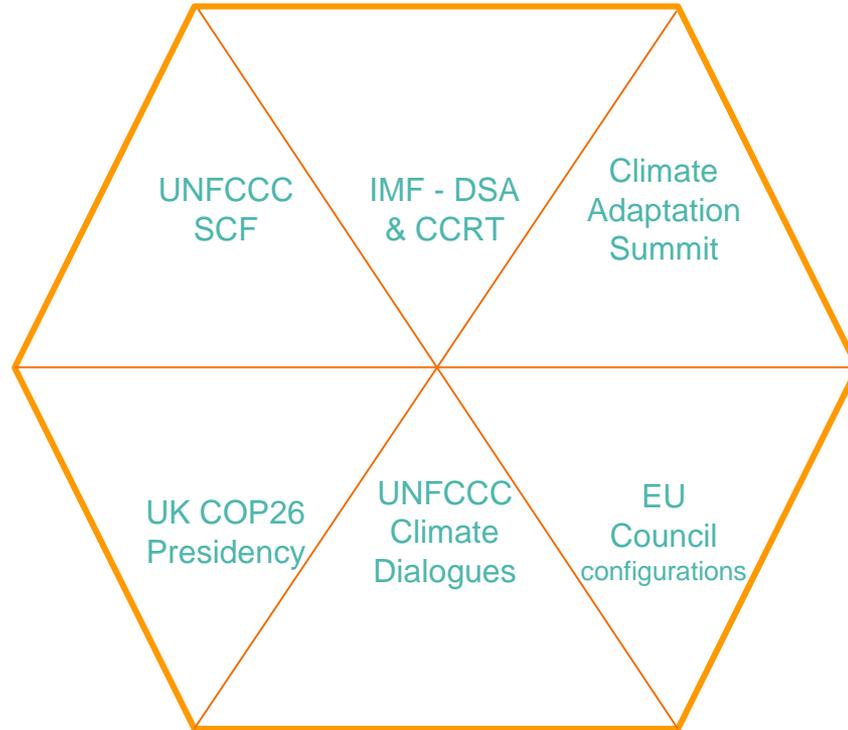
The debt and climate crisis constitutes “piling injustice upon injustice” - United Nations (UN)
Secretary General António Guterres

- The majority of climate finance is provided in the form of loans
- Climate Vulnerable countries pay more interest on loans due to their vulnerabilities
- Clear difference between where climate finance is most needed and where it actually goes.
- Climate finance is being simultaneously over-reported by some climate finance providers and under-reported by others. The Independent expert WG on CF estimates that this over reporting amounts to US\$3-4 billion

Worrying climate and debt trends -> gender inequality

	Climate emergency	Debt crisis
Access to food, water and housing	Loss of harvest, shortage of food and increasing prices, shortage of water destruction of homes ...	Cuts in government social investment, cuts in food subsidies, inability to fund reconstruction of infrastructure
Health	Gender bias in health impact of climate extreme events	Cuts and privatization of health services
Violence against women	Higher risk of being placed in unsafe, overcrowded shelters. Girls taken out of school and increase in forced marriages	Less resources to provide safe shelter after a climate extreme event. Cuts in services for gender based violence survivors
Unpaid care work	Increase in domestic and care work after a climate disaster	Increase in domestic and care work as increasing debt undermines public services

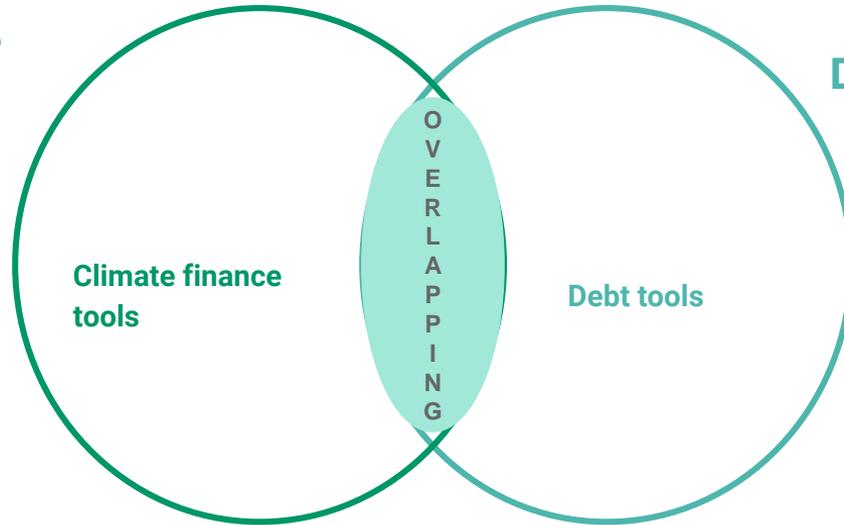
What's happening on the climate and debt nexus?



What financial tools are in the mix?

Climate finance 'tools'

- Blended finance
- Private finance
- Loans
- Climate-risk insurance



Debt 'tools'

- Bonds (green, catastrophe, nature performance, sustainability linked etc)
- Hurricane clauses
- Debt for climate swaps
- Special Drawing Rights (SDR)

Opportunities for debt and climate campaigns in 2021

UNGA,
14 - 30 September,
US

UNCTAD 15
3 - 7 October,
Barbados &
Switzerland

CFCMA
11 October (TBC)
US

**Italian Trio
Presidency**
(Pre-COP, G20, FiC)

COP26 (incl. WIM)
November, Glasgow

Policy & Advocacy asks

- Recognition of climate debt and reparations - every country to do their share in relation to their responsibility (climate finance and mitigation)
- Democratic country ownership of climate finance strategies is a necessity.
- Public climate finance in the form of grants must be prioritised.
- Greater access to climate finance is needed to minimise debt.
- Countries must increase finance for adaptation and to address ongoing losses and damages.
- Timely and sufficient debt restructuring and cancellation
- Debt payments suspension and debt relief in the aftermath of climate disaster
- Timely and sufficient Review the approach to debt sustainability and advance towards a multilateral sovereign debt resolution framework (Debt workout mechanism)
- Climate finance must be gender-responsive.
- Countries should also institutionalise engagement and participation processes.
- Provide emergency additional finance for inclusive and sustainable recovery that does not worsen the debt vulnerabilities

A just, feminist and green recovery that lays the foundations for solving debt and climate crises