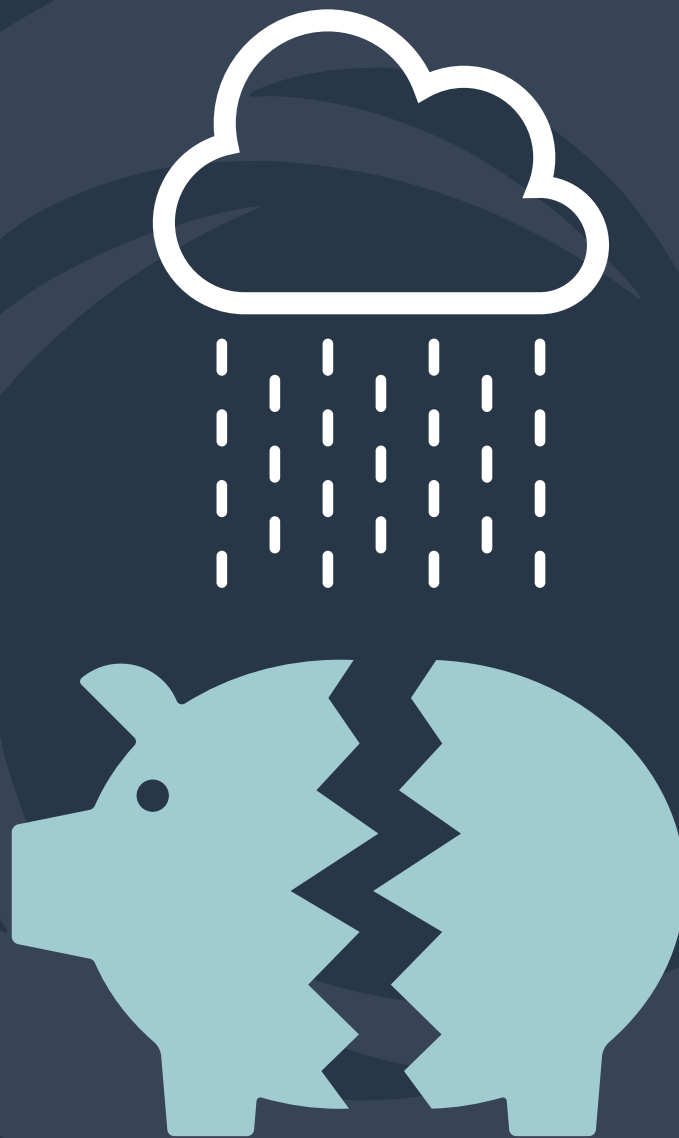




european network on
debt and development

The Climate Emergency What's debt got to do with it?



FREQUENTLY ASKED QUESTIONS ON THE
CONNECTION BETWEEN TWO EMERGENCIES

By Ilaria Crotti
and Iolanda Fresnillo

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This document provides information for activists and social movements working on climate, debt and global economic and environmental justice. It has been published ahead of a global campaign pushing for climate justice and debt justice and includes tips on how to get involved.

Below you will find answers to the following frequently asked questions:



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Summary

What does debt have to do with the climate emergency?



The climate emergency is fuelling the accumulation of debt in countries in the global south. Countries suffering from the impacts of climate change have barely contributed to it, yet are left with little option but to borrow to finance climate mitigation and adaptation, and to fund reconstruction and recovery after a climate extreme event. The countries most vulnerable to the climate emergency are facing more expensive borrowing costs precisely because of their climate vulnerabilities. Furthermore, climate finance is being delivered mainly through loans and debt-creating modalities, putting the financial burden of fighting climate change squarely on the shoulders of the global south.

All this is happening in the context of increasing debt vulnerabilities. Even before the Covid-19 outbreak, countries in the global south were facing an **unfurling debt crisis**, which has been fuelled by the economic impacts of the pandemic. As **Eurodad research** shows, between 2010 and 2020, public debt of developing countries had increased from an average of 40.2 to 62.3 per cent of GDP. More than one-third of the increase took place in 2020 alone. This figure is equivalent to a staggering US\$1.9 trillion. One of the consequences of having high debt levels is a very reduced fiscal space for public spending and therefore limited opportunities to invest in adaptation and mitigation to address climate change, as well as to recover from loss and damage after a climate disaster.

Countries end up in the impossible situation of having to choose between fighting the pandemic and the climate emergency or paying their debts. The existing international financial architecture makes sure there's very little doubt about the outcome: debt payments must never be missed, even at the expense of people's rights, public health and the planet.

The need to transition globally towards a more sustainable and equitable economy has never been more pressing. But it will not be possible without sustainable, responsible, substantial, fair and non-debt creating climate finance, as well as finance for transition that does not exacerbate debt vulnerabilities in the global south. Furthermore, debt cancellation is needed for countries not only to be able to fight the pandemic, but also to face the challenges of climate change and pursue a green and inclusive recovery. In a nutshell, **climate justice will not be possible without economic and debt justice**. And **debt justice won't be possible without environmental and climate justice**.



I would like to call out to re-assess [climate vulnerable] countries' international debt burdens in response to the climate emergency and call international financial institutions, loan providers and donors to declare their consensus in supporting efforts towards restructuring internal loan repayment frameworks for these suffering countries."

Prime Minister Sheikh Hasina of Bangladesh
August 2021

1 How are climate and debt interconnected?

There are several clear connections between indebtedness and climate vulnerability in countries in the global south. For a more complete analysis, please check the Eurodad report **“A tale of two emergencies – the interplay of sovereign debt and climate crises in the global south”**. Here’s a summary:

- The **impacts of the climate emergency in the global south exacerbates the debt problems** in climate-vulnerable countries. This is because most countries have little or no option other than borrowing to deal with recovery and reconstruction costs after a climate extreme event or environmental hazard (see glossary).
 - **The International Monetary Fund (IMF) analysed 11 cases** of major “natural disasters” in developing countries between 1992 and 2016, with a percentage of damage to their Gross Domestic Product (GDP) greater than 20 per cent. The results show that public debt increased from an average of 68 per cent of GDP in the year of the climate extreme event to 75 percent of GDP three years afterwards.
 - In 2018, the **Jubilee Debt Campaign UK published a report** that exposed how debt sustainability indicators worsen after a climate-related disaster: in over 80 per cent of 21st century cases, government debt was higher two years after the disaster. In a context where the public debt of developing countries “has increased from an average of **40.2 to 62.3 percent of GDP between 2010 and 2020**”, this is particularly worrying. The majority of this increase took place last year.
 - More recently, a report published by Erlassjahr.de and Bread for the World, indicates that **climate-induced loss and damage is an important driver of debt**, and proposes a “Climate Disaster and Debt Risk Index” that assesses the combined vulnerabilities to climate and debt.
- When an over-indebted country is affected by an **extreme climate event**, existing debt makes it more difficult for that country to respond to the emergency needs. The impacts also extend into the future, as pre-existing debt, together with the costs of reconstruction worsen the chances of economic recovery. The coexistence of high debt and climate extreme events also makes it more difficult for the country to repay the debts it already owes.



Comparing a map of the countries most severely affected by climate change with a map of the most heavily indebted countries does reveal an incomplete but discernible congruence between the threat of climate change and impending or existing over-indebtedness.”

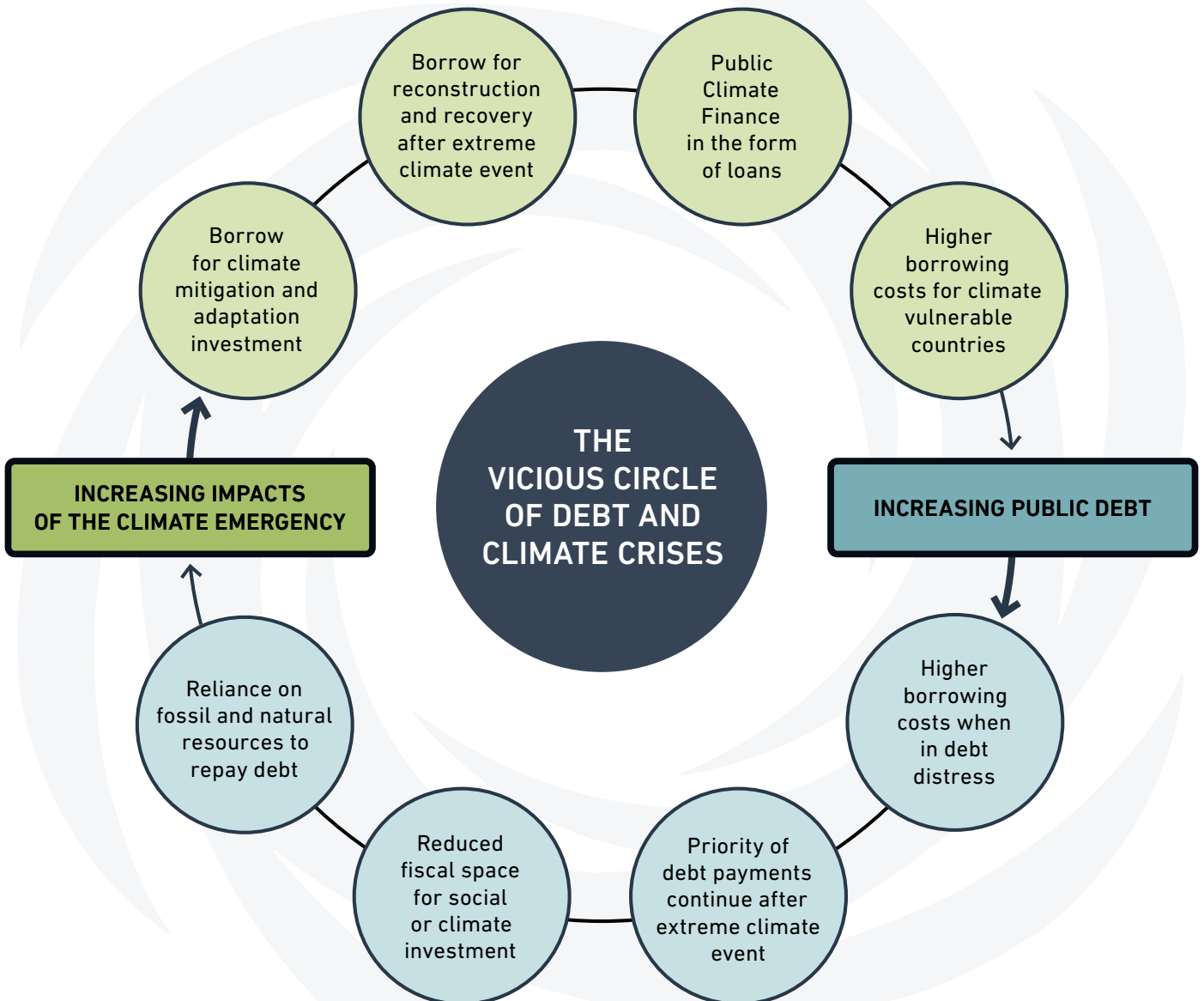
Jürgen Kaiser
Jubilee Germany

- Over the last decade, **climate finance** (see more details in questions 3 – 5) has mostly been provided through **debt-creating instruments**. Continued use of loans to fulfil climate finance obligations sharply reduces a country’s ability to achieve fiscal stability and debt sustainability, and helps to **fuel the debt crisis** in the global south. This in turn impacts on a country’s ability to provide adequate public services during the ongoing health crisis and in the wake of a climate extreme event; public services that are greatly needed particularly by marginalised groups including women, children, indigenous peoples and the transgender community.
- Furthermore, climate vulnerabilities **increase the costs of borrowing** from private creditors for countries in the global south. This recent **report** shows how climate risks increased the cost of debt for the countries in the **Vulnerable Twenty (V20)** group, adding US\$ 40 billion of additional interest payments over the past 10 years – US\$ 62 billion if we include the private sector. Over the next decade, this number is set to increase to US\$ 168 billion. The higher the existing debt, the more reluctant creditors will be to lend to a country already struggling with payments and climate vulnerabilities, and if they do, the **interest rates will be higher**.

- There is also a **debt-induced climate impact**. High public external debt levels translate into more revenues spent on servicing that debt. This makes it more difficult to invest limited domestic resources in climate adaptation and mitigation, or to respond to the challenge of loss and damage after a climate extreme event. Furthermore, when a country is struggling to repay its unsustainable debts, it might look for options that include **exploiting its natural resources**, including fossil fuel, mining or forests, in order to increase exports and therefore revenues, that it will then use to repay its debts. This, in turn, contributes further to climate change by facilitating, for instance, desertification. This trend is especially worrying in the aftermath of the

Covid-19 crisis, when an increasing number of countries in the global south are facing a **surge in their public debts**. With more debt and no relief in sight, developing countries will be forced to implement austerity measures on an unprecedented scale. In fact, a large number of countries in the developing world are already allocating more resources to debt service than to either public health care or education. **According to IMF** projections (analysed by Eurodad), primary expenditures will contract below pre-crisis levels in at least 60 countries by 2025. The widespread decline in expenditures runs counter to the investments required to meet the commitments under the 2030 Agenda, the Beijing Declaration and the Paris Climate Agreement.

In conclusion, the countries that struggle the most with debt tend to be more vulnerable to the impact of climate change; on the other hand, climate change exacerbates debt vulnerabilities. This is extremely problematic, as it **creates a vicious circle**.



2 Which countries are the most affected by climate change and debt distress?

Developing countries, and particularly small island developing states (SIDS) and least developed countries (LDCs), are particularly vulnerable to the impacts of climate change. In absolute monetary terms, the losses of richer countries due to climate events tend to be higher, but economic losses relative to GDP, and especially, loss of life, biodiversity, culture, heritage and livelihoods, human and animal displacement, personal hardship and existential threats, have been much more widespread in **low- and middle-income countries**, as the **Global Climate Risk Index** by Germanwatch shows. A group of systemically climate vulnerable countries termed the **V20** was also created in 2015. Today it has 48 members from the global south that cooperate to strengthen economic and financial responses to climate change.

If we look at debt vulnerabilities, we find a fundamental problem with the concept of **debt sustainability** and debt distress. For the IMF and the World Bank, and therefore for most creditors, global institutions and analysts, debt remains sustainable as long as it can be repaid, and debt distress is only a case of having difficulties paying the creditors, ignoring whether before reaching that state, the increase in debt levels has caused cuts in social and development policies. Debt vulnerabilities should be considered far beyond a country's capacity to repay debts. Instead, debt sustainability assessments (DSA) should integrate development priorities and independent human rights impact assessments to assess countries' ability to cover the needs of their populations. Gender inequalities and climate vulnerabilities, for instance, should be considered when assessing those impacts.

Erlassjahr.de, the German jubilee debt cancellation campaign, publishes an annual Global Sovereign Debt Monitor, which analyses the debt vulnerabilities of almost 150 countries worldwide, using different indicators. Their latest report showed that, by the end of 2020, **132 out of 148 countries surveyed in the Global South were critically indebted.**



Countries that lie between the tropics of Cancer and Capricorn are more vulnerable to rising sea levels, to warmer seas, to more ferocious storms, and to more flooding and drought. Tackling natural disasters, and protecting the environment are the single most significant causes for increases in our debt."

Mia Mottley

Prime Minister of Barbados

The problems of dividing the world by wealth per capita

The **World Bank** classifies countries depending on their level of income per capita. This classification has been generally adopted worldwide, and it divides the world into low-income (LICs), middle-income (MICs) – which are also divided between lower middle income countries and upper middle income countries – and high-income countries (HICs). Falling in one group or another will mark whether a country can access concessional finance (lending with better conditions than the ones offered by the financial markets) or debt relief initiatives.

A definition as a middle-income country, and therefore not being eligible for concessional finance, is a key factor to understand debt vulnerabilities. For instance, SIDS that are eligible for non-concessional finance only are the very countries where debt problems have been prominent. If concessional finance (including climate finance) is not available, the only option for green and climate investment is more debt, and more expensive debt.

As **Ambassador Webson of Antigua and Barbuda, Chair of AOSIS** stated, eligibility criteria for concessional finance and debt relief based on GDP/capita is an "outdated and illogical criterion", especially "when our debt-to-GDP ratios are beyond maxed out and when even in the best of times, a hurricane can easily wipe out an entire year's GDP in one fell swoop".

In response to this problem, the Association of Small Island States (AOSIS) **calls for a multi-dimensional vulnerability index**, and several authors supported by Erlassjahr.de and Brot für die Welt recently launched a proposal for a **Climate Disaster and Debt Risk Index**. It uses 16 indicators to assess a country's multidimensional risk. This approach to debt sustainability and climate vulnerabilities would serve countries such as **Belize**. Belize does not qualify for low-interest loans or for debt relief due to its status as an upper-middle income country, but in the last year it has faced multiple emergencies: debt default, tropical hurricanes impact, decrease in tourism, CRAs downgrading and the Covid-19 pandemic. As a consequence, now Belize's foreign debt amounts to 85 per cent of its entire national economy, preventing the government from pursuing climate action.

3 What do we mean when we talk about climate finance?

Climate finance refers to international financing that provides resources to developing countries to address climate change, and specifically to support mitigation and adaptation actions. **The United Nations Framework Convention on Climate Change (UNFCCC) (1992), the Kyoto Protocol (1997) and the Paris Agreement (2015)**, all require developed countries to provide climate finance to developing countries. The UNFCCC specifically highlights SIDS and LDCs as those in urgent need of climate finance.



Climate finance is part of the reparations for the huge climate debt owed by governments, elites, and corporations of rich, industrialized countries. It is an obligation of 'developed countries' to 'developing countries'."

Lidy Nacpil
APMDD

What is climate finance for?

- Climate finance is crucial for **mitigation**, as large scale investments are required to drastically reduce greenhouse gas (GHG) emissions, allowing a transition to a sustainable development model;
- There's also urgent need for finance for **adaptation**, which allows countries to prepare for and reduce the impacts of climate change and adapt to them;
- As climate change is generating impacts today that cannot be avoided, developed countries must agree as well on making finance available for **loss and damage**, providing relief and financial support to vulnerable communities and countries to cover the costs of emergency, recovery and reconstruction from increasingly severe climate extreme events, slow onset events and environmental hazards.
- It is also important that the climate finance channelled to developing countries is **gender-transformative**, integrating a gender perspective from the outset of any programme or project.

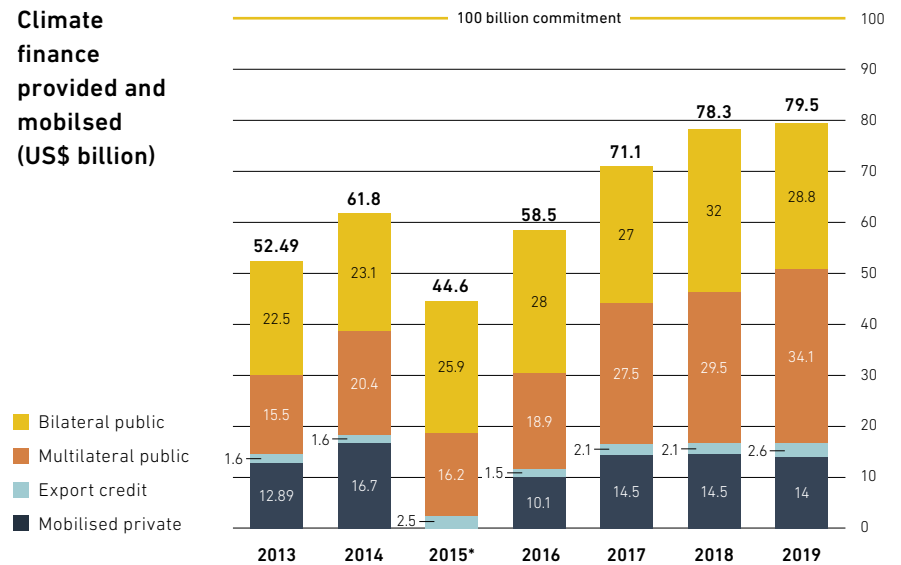
The **majority of existing climate finance** is earmarked for mitigation and the rest for adaptation. There is currently no support allocated to loss and damage. Investments in mitigation and adaptation, and resources to cover for loss and damage after a climate event, are particularly out of reach in the global south where there are limited fiscal resources for such investments. Increasing debt makes those fiscal resources even more limited. Climate finance is therefore key to fighting inequalities, eradicating poverty, ensuring human rights, and achieving climate justice for all.

Developed countries have committed to mobilise up to **US\$100 billion** per year by 2025, a goal that is neither close to being achieved, nor sufficient to deal with the challenges that countries in the global south have to face. Actually, this figure is widely considered to be a compromise figure meant to present COP15 as not being a failure, as opposed to being a figure based on current and future needs identified by developing countries. A new climate finance goal will be agreed before 2025. According to **Oxfam's latest calculations**, based on current pledges and plans, "wealthy governments will continue to miss the \$100 billion goal and reach only \$93 billion to \$95 billion per year by 2025, five years after the goal should have been met. This means that climate-vulnerable countries could miss out on between \$68 billion and \$75 billion in total over the six-year target period".



The most recent **OECD progress report on climate finance** affirms that financing provided by developed countries for climate action in developing countries reached US\$79.6 billion in 2019. This includes both public (US\$62.9 billion, of which US\$ 28.8 billion is bilateral financing and US\$ 34.1 billion multilateral public climate finance attributed to developed countries), publicly supported finance through Export Credit Agencies (US\$2.6 billion), and private funds (US\$14.0 billion).

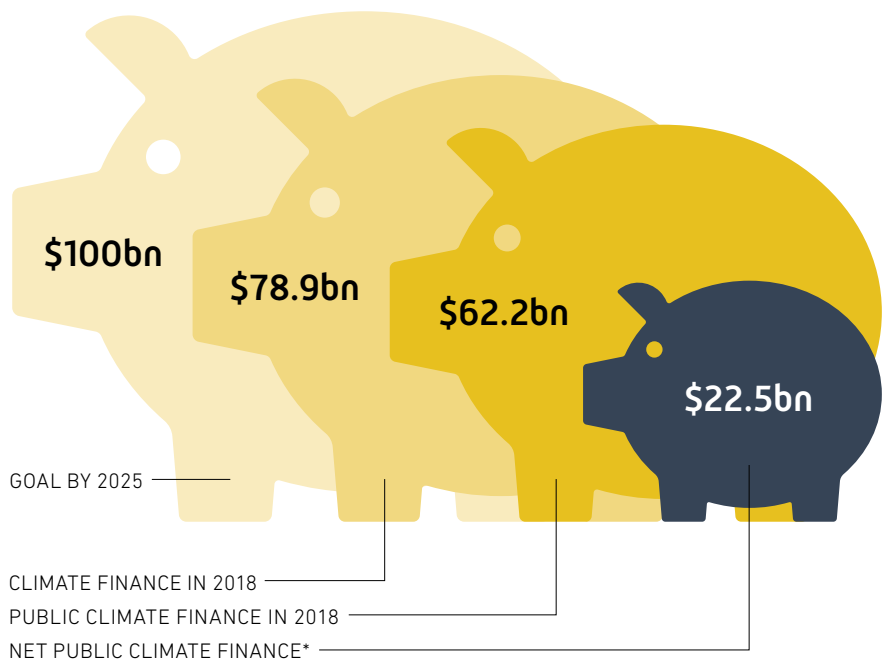
Climate finance provided and mobilised (US\$ billion)



Source: OECD, **Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data**, September 2021

*In 2015 there was a data gap on mobilised private climate finance, according to the OECD report.

However, the total public climate finance provided could be much less. According to **Oxfam calculations** there are inaccuracies in how the climate component of the financed projects is counted, and most loans offered as climate finance are counted "at their full-face value, rather than as the amount of money given to a developing country once repayments, interest and other factors are accounted for (the grant equivalent)". Considering these elements, Oxfam estimates that public climate net assistance in 2018 could be as low as US\$19 to US\$22.5 billion.



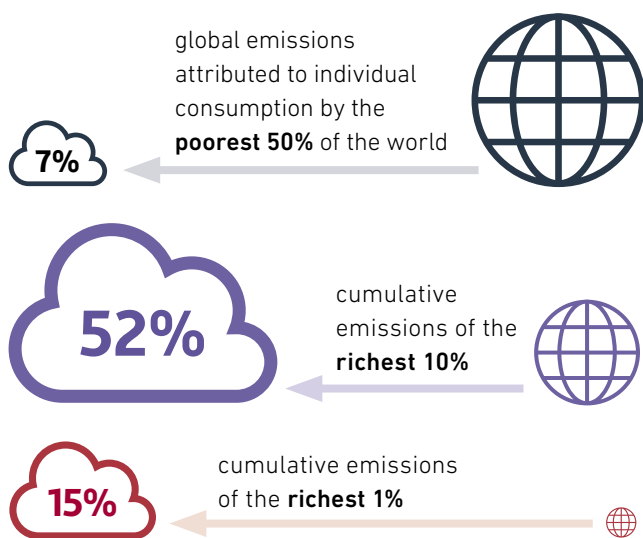
Source: OECD, **Climate Finance Provided and Mobilised by Developed Countries in 2013-18** and Oxfam, **Climate finance Shadow Report 2020**

*Net Public Climate Finance refers to the grant equivalent of climate finance, this is the amount of money actually received by developing countries once you retrieve debt repayments, including interests.

4 Why do

governments in the global north need to provide climate finance to the global south?

When we think about climate and debt in the framework of environmental justice, inequality becomes the operative word. There is a **disproportionate gap** between countries that are responsible for most of the historic and present carbon and greenhouse emissions, colonialist dynamics and uneven exploitation of resources, and those that are suffering from the consequences of those actions. For instance, **Small Islands Developing states (SIDS)** contribute **less than one per cent** to the world's greenhouse gas emissions, but they are amongst the countries that are the most affected by climate change and debt vulnerabilities.



Source: <https://www.oxfam.org/en/research/confronting-carbon-inequality>

To acknowledge the different responsibility that the most industrialised countries have with respect to climate change, the **Common But Differentiated Responsibilities (CBDR)** principle was enshrined in 1992 by the United Nations Framework Convention on Climate Change (UNFCCC). The CBDR principle acknowledges all states have a shared obligation to address the climate emergency while acknowledging the higher responsibility of developed countries. Following this principle, developed countries should contribute more to the solution by providing, for instance, climate finance to support developing countries in their mitigation and adaptation efforts.

Climate finance to retribute climate debt

Beyond the institutional commitment included in the different climate agreements, from Rio to Kyoto and to Paris, climate finance is seen by social movements as a way of restituting the climate debt that the global north owes to the global south.

Climate debt: Social movements and some academics coined the expression "**climate debt**" to reflect the historical debt that most polluting economies have acquired due to their disproportionate contribution to carbon and other greenhouse emissions.

Reparations and restitutions: In this context, developed countries' contributions to finance for climate is more than an institutional commitment, it is a moral obligation, a **reparation** (including **restitution**, compensation and rehabilitation) for the climate and ecological debt the global north owes to the global south. For this reason, debt cancellation and climate finance should be framed as issues of social and economic justice and not aid or charity.

Change the system not the planet: The concept of climate debt calls for systemic change. Such a change entails not only a recognition of climate debt, but also restitution and reparation for the debt owed by the global north to the global south, built in the colonial past and involving neo-colonial dynamics. However, it is not just about contributing financially through climate finance as a form of restitution, it's about **ecological restoration, ending extractivism, and shifting to new modes of production, distribution and consumption.**



The global nature of climate change calls for the widest possible cooperation by all countries and their participation in an effective and appropriate international response, in accordance with their common but differentiated responsibilities and respective capabilities and their social and economic conditions."

UNFCCC

5 What's wrong with climate finance in relation to the debt crisis?



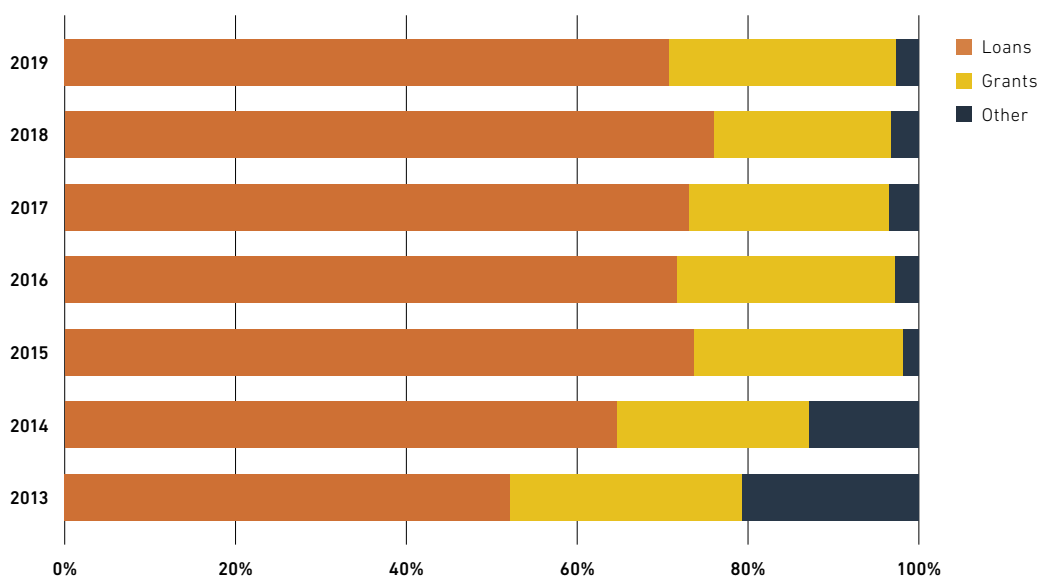
The world's poorest countries and communities should not be forced to take out loans to protect themselves from the excess carbon emissions of rich countries."

Oxfam

We've seen that countries in the global north offer climate finance mostly in the form of loans, not grants, increasing the level of indebtedness of recipient countries in the global south (see Question 1). In fact, according to the OECD, between 2013 and 2019 two thirds of public climate finance was delivered through loans. Loans accounted for 60 per cent of bilateral and 88 per cent of multilateral finance. Between 2013 and 2019, the amount of grants available for developing countries have apparently changed, from US\$10.3 billion to US\$16.7 billion, but loans have increasingly been reported as public climate finance. Countries in the global south therefore end up paying for the climate mitigation of and adaptation to a problem that they have not caused, as those loans ultimately need to be repaid.

Loans can be concessional (better conditions than lending from the private sector) or non-concessional. When we look at climate finance, the vast majority of bilateral loans (72 per cent) were concessional while the majority of multilateral loans (76 per cent) were non-concessional. Middle-income countries have very little or no access to concessional lending, meaning that, besides having to pay back the loans received as climate finance in the first place, they have to do so at high interest rates.

Bilateral and multilateral public climate finance by OECD countries (2013-2019)



Source: OECD, Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data, September 2021.

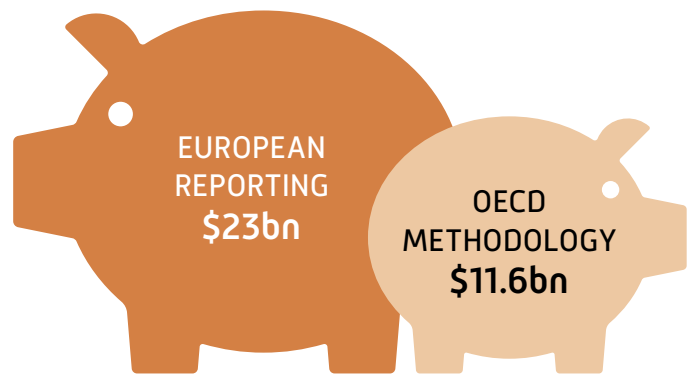


Beyond lending, over the last decade, other tools have been put in place to address mitigation needs or the impacts of climate change and the financing needs that arise after a climate-extreme event. Most of these instruments are market-based options, such as green bonds, risk insurance or catastrophe bonds, usually non-compliant with a human rights-centred approach. A human rights based assessment of these tools by Action Aid International reveals that they put the financial burden back on developing countries, **increasing debt and worsening the fiscal imbalances**; not to mention that they fail to enhance accountability and transparency.

In order for climate finance to adequately support vulnerable communities' efforts to tackle climate change and develop sustainably, the climate finance agenda must be driven by the most vulnerable, considering not only climate, gender justice and human rights aspects, but also the impact on the indebtedness of the country, in order to tackle the multiple layers of these interconnected crises. **Democratic country ownership** is key for vulnerable countries to address their local needs. This entails developing a common strategy between climate-vulnerable countries that balances needs and interests, as opposed to prioritising the interests of the climate finance provider. Also, it would require disbursing funds to both governments and civil society organisations, in particular to those who are locally based, women-led or with a focus on the indigenous population, as they are best placed to reach affected communities.

Fair and transparent reporting of climate finance is also essential. Climate finance has been simultaneously **over reported** by some providers and **under reported** by others. The Independent Expert Working Group on Climate Finance estimates that the over-reporting from bilaterals amounts to **US\$3-4 billion. ACT Alliance confirms the trend**, and states that European climate finance is mainly in the form of loans and significantly over-reported: using the OECD methodology for reporting grant equivalent overseas development assistance, the total EU climate finance in 2018 drops from €23 billion to €11.6 billion.

Accountability and transparent reporting is strictly linked to debt, because the majority of public climate finance is provided **in the form of loans**. Nevertheless, at the moment loans can be reported as if they were directly equivalent to grants, which is incorrect and misleading. The grant equivalent must be reported, particularly with regard to concessional loans, instead of simply reporting the 'face-value' of finance provided.



Source: Act Alliance (2021) **Setting the standard: Climate finance from EU and EFTA member states**. January 2021

Climate finance must also be "**new and additional**", and a consensus must be reached on what that means. A **recent analysis** looks at OECD countries' climate finance between 2009 and 2018, and concludes that almost half of the reported amount was not additional "and largely came from the **re-badging** or re-focussing existing development efforts. Several countries—including Canada, Spain, and the US—actually reduced their finance levels over the period". New and additional means that funds for climate finance cannot be diverted from other areas, such as official development aid, where they are also much needed, particularly in post-Covid-19 times.

6 What is the impact of climate change and debt on gender equality and women's rights?

In the case of gender justice, women and children are **disproportionately impacted** by climate change as well as by austerity measures that usually follow a debt crisis. Women are often responsible for gathering and producing food, collecting water and sourcing fuel for heating and cooking, which is affected both by **climate extreme events** and by elimination or reduction of food or energy subsidies because of high debt levels. **Their access to gender specific health services is also increasingly compromised** both by the impacts of climate extreme events and cuts in public services to repay sovereign debts. Climate disasters also **aggravate women's unpaid care and domestic work** in their homes and communities, in the same way that **debt does**. In addition, women face a **heightened risk of gender-based violence** during and following disasters, while fiscal consolidation to bring debt levels down usually affects public services for gender violence survivors.



Women are simultaneously the most adversely impacted by climate change and environmental degradation, and yet are indispensable actors and leaders of just and effective solutions."

Women's Earth and Climate Action Network

Cumulative impacts of climate and debt crises on women's rights and gender justice

	Impacts of the climate emergency	Impacts of the debt crisis
Access to food, water, housing and income	Loss of harvest, shortage of food and increasing prices, shortage of water, destruction of homes and loss of jobs and salaries.	Cuts in government social investment, cuts in food subsidies, inability to fund reconstruction of infrastructure after a climate extreme event.
Health	Higher incidence of the health risks related to the climate crisis, including undernutrition and malaria	Cuts and privatisation 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 of domestic and care work after a climate disaster.	Increase of domestic and care work as increasing debt undermines public services

Source: Iolanda Fresnillo Sallan (2020) **Debt and climate: entangled emergencies derailing women's rights and gender justice**. Gender & Development, 28:3, 499-513

Women's leadership in decision-making around climate and environmental policies, as well as in financial and debt policies is critical. Yet **women are still under-represented** in climate and economic policy development, decision making and implementation, especially indigenous women and the transgender community.

Beyond the cumulative **impact on women's rights and gender justice**, debt and climate vulnerabilities also have impacts on **migration flows**, and **human rights** protection.

7 What can governments and international institutions do to tackle the interlinkages between debt and climate crises?

In order to not only tackle the debt and climate emergencies, but also pursue a fair, feminist and sustainable recovery from the Covid-19 health and socio-economic crisis, here are some recommendations:

- ▶ There must be the recognition of the existence of a **climate debt** that the global north owes to the global south, that leads to **reparations**, including delivery of climate finance obligations and debt cancellation, as well as ecological restoration, phasing out of fossil fuel subsidies, ending extractivism, and shifting to decarbonized modes of production, distribution and consumption.
- ▶ Climate finance should be non-debt creating and without conditions. This means it should be primarily delivered in the form of grants. Highly concessional loans should be used only under certain conditions. Climate finance should also be public and disbursed for public and publicly accountable programs and projects rather than private for profit initiatives or public-private partnerships
- ▶ Urgent delivery of new and additional climate finance beyond the **unfulfilled \$100 billion per year target**, that is sufficient and responsive to the climate mitigation, adaptation and loss and damage needs of the peoples and communities of the global south. The priority given to mitigation in climate finance needs to be reversed, addressing and prioritising the needs that climate vulnerable communities have to adapt and address ever worsening losses and damages. Climate Finance delivery must have an inclusive process that will ensure the contributions are based on fair-shares and lead to equitable allocation and access, especially to the most vulnerable nations.
- ▶ An automatic mechanism for **debt payments suspension, debt cancellation and debt restructuring**, covering public and private lenders, in the aftermath of extreme climatic events, in addition to immediate access to non-debt creating **resources for loss and damage**.
- ▶ Lenders and IFIs should take immediate action to implement ambitious and unconditional **cancellation of unsustainable and illegitimate debts**, particularly those generated by funding fossil-fuel projects.
- ▶ In addition to climate finance and debt cancellation, governments in the global north should provide sufficient **additional non-debt creating resources** to support developing countries to **tackle the health, social and economic crises**, favouring **grants over loans**. Any new lending and borrowing should be made following responsible lending and borrowing rules, including hurricane clauses and other state contingent clauses, so that debt cancellation is automatically granted in the case of climate, health and other emergencies.
- ▶ Governments and international organisations should promote an open review of the approach to **debt sustainability**, with UN guidance and civil society participation. This will facilitate a move towards a debt sustainability concept that has at its core **environmental and climate vulnerabilities**, together with **human rights and other social, gender and development considerations**. Debt cannot be considered sustainable if its payment prevents a country from affording climate resilience plans.
- ▶ Governments and international organisations should support and work towards the **reform of the international financial architecture** and the creation of a permanent and independent **multilateral sovereign debt workout mechanism**, under the auspices of the United Nations, that provides fair, transparent, comprehensive and timely debt resolution, considering the countries' climate vulnerabilities, as well as human rights and gender inequality.
- ▶ Governments and international organisations should focus on actions that **address the root causes and historic responsibilities for the present debt and climate emergencies**. Peoples' right to participate in and control decision-making and the implementation of policies to ensure a just and inclusive transition must be guaranteed. There are a number of initiatives being discussed, such as debt-for-climate swaps, and market-based solutions like green bonds and nature-performance bonds, that are unlikely to generate fair outcomes in this regard, and could actually add to the debt burden of climate vulnerable countries.

8 How can I get involved?

There are some open spaces where activists and civil society can participate. This includes getting involved in fighting the debt and climate crisis together, and keeping updated on news and actions about debt and climate related issues:

The campaign for **Debt Justice and Climate Justice** will take place in October and November 2021. You can join our campaign actions and participate in the preparations. Write a message to icrotti@eurodad.org to know more about it and to debtgwa@gmail.org to be included in the mailing list. You can keep informed on the campaign on the **debtGWA website** and by following [@debtgwa](https://twitter.com/debtgwa) on Twitter.

To learn and explain the interplay between debt and climate from a young age, Erlassjahr.de produced **educational material** on the complex topic of sovereign debt and climate change, targeted at students in secondary education (age 16 to 19). The activities complement the brochure "**Debt crises affect people**".

If you are interested in finding out more about economic justice and development finance topics, including debt justice and climate finance, you can **subscribe** to Eurodad's bi-weekly newsletter and receive the latest analysis and research from Eurodad, Eurodad members and allies.

You can also follow the CSOs and social movements events around the many advocacy opportunities in the following months and where governments and international institutions will discuss and decide on debt and climate policy:

Date	Event	Description
3 – 7 October	UNCTAD XV	The UN agency that deals with Trade and Development has a key conference to approve its workplan every four years. In 2021 it holds its 15th conference , which includes a Civil Society Forum.
11 – 17 October	Annual meetings	Twice a year, the IMF and the WBG have their Annual and Spring meetings and host one week of discussion and events on global economic issues. The annual meetings are the main decision-making moment, with the IMF & World Bank Board of Governors. CSOs take part in the spring and annual meetings through the Civil Society Policy Forum (CSPF) , where they can convene side events. This year's annual meetings will have a lot of emphasis on the climate crisis. There will also be discussions on how to increase funding for developing countries, debt relief and debt restructuring. Check out the Eurodad toolkits for advocacy to learn more about the IMF and the World Bank .
19-20 October	Finance in Common Summit	The first Finance in Common Summit (FiC) took place in 2020 and brought together 450 Public Development Banks (PDBs). The summit aimed to align PDB activities with the objectives of the Paris Agreement and advance commitments towards delivering global public goods, including universal healthcare. According to CSOs' analysis , the summit failed to contribute concrete actions in key areas that would make a substantial contribution to 'build forward better' for people and the planet. A second edition of the FiC summit is scheduled for October.
30-31 October	G20 Summit	G20 countries hold several meetings throughout the year, including finance minister's or climate/environment ministers meetings. End of October will be the time for the heads of state of the G20 countries to meet in Rome for the G20 Leaders Summit. In 2020, the G20 took the lead in proposing (very limited) responses to the debt crises, including the Debt Service Suspension Initiative (DSSI) and the Common Framework for debt treatment . This year's summit can be a moment to take stock of the implementation, impacts and shortcomings of these initiatives and call for genuine debt cancellation.
31 October – 12 November	UNFCCC: COP26	COP26 is the next annual UN climate change conference. COP stands for Conference of the Parties , and the summit will be attended by the countries that signed the United Nations Framework Convention on Climate Change (UNFCCC). COP26, which will take place in Glasgow, is set to be the moment (delayed by a year due to the pandemic) when countries update their plans for reducing emissions. Climate finance, including loss and damage, and other issues will also be discussed at the COP. CSOs participate both as observers in the negotiations and they organise side events within the COP official spaces, as well as staging multiple actions around the COP.



Besides the above institutional advocacy opportunities, civil society and social movements organise multiple actions around debt and climate. Some of the dates to be taken into account for mobilisation are:

15th October

THOMAS SANKARA DAY

Global days of action for justice and debt cancellation

15th October marks the **assassination of Thomas Sankara** in 1987, Burkina Fasso's president that called for repudiation of external debt. Around this date is when the debt movement chooses to organise the global days of action for justice and debt cancellation, which this year will take place between 15th – 30th October and will also be focusing on debt and climate justice, among other debt justice issues.

22nd October

GLOBAL CLIMATE STRIKE (Fridays for Future)

Details on this second global debt strike are still to be released. Within the Global days of action for debt cancellation CSOs are calling for a social media storm on October 22nd under the slogan "No climate justice without debt justice".

5th-6th November

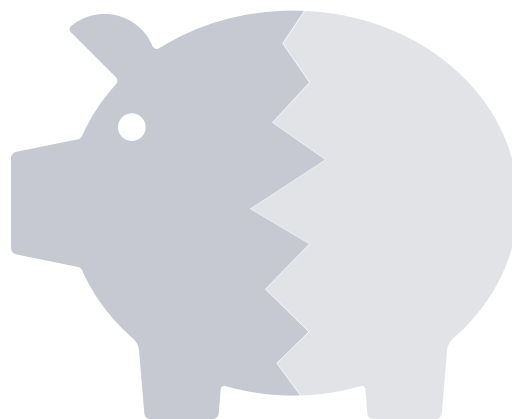
GLOBAL DAYS OF ACTION

The **COP26 Coalition** (that brings together UK CSOs) is calling for days of action during the celebration of the COP26, to happen both in Glasgow and in a decentralised manner around the UK and the World.

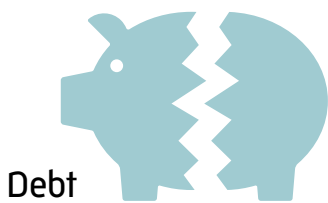
7th-9th November

PEOPLE'S SUMMIT

A Global Gathering for Climate Justice that will bring together the international climate movement for an inspiring four-day alternative summit outside the official COP space in Glasgow and virtually.



9 How can I monitor the debt and climate finance situations worldwide?



The World Bank's International Debt Statistics provide plenty of data on debt in developing countries – here you have access to [all the data](#) and here to [selected debt data](#) (you can also check the [WB update on DSSI](#) – Check-out the [Eurodad shadow report on the DSSI](#) to contrast official information).

Erlassjahr's [Global Sovereign Debt Monitor](#), 2021. 132 out of 148 countries surveyed in the global south are critically indebted. 21 countries are currently in partial default.

Jubilee Debt Campaign's [Debt Data Portal](#). It tracks a country's debt situation through six categories, including the organisation's own risk analysis. According to it, there are 52 countries that are suffering from a debt crisis as of September 2021. You can also check their "[Guide to understanding and accessing debt information](#)"

Latindadd has recently published a report on debt in the Latin American region "[Latin America: Between debt and the pandemic. Guarded prognosis](#)". For updates on debt in sub-saharan africa you can check the African Sovereign Debt Justice Network (AfSDJN) [Sovereign Debt News Updates](#). Eurodad has also recently published a report on the "[2020 Debt Pandemic](#)" and on "[Sovereign Debt Bonds](#)" (you can download a dataset built for this report).



[OECD data](#) and [report](#) on Climate Finance mobilised by developed countries (2013-18). To get an alternative view of the OECD data, you can check the [Climate finance shadow report 2020](#) produced by Oxfam.

The European Commission also reports on European [international climate finance](#). For a critical analysis you can check the report "[An analysis of the climate finance reporting of the European Union](#)" by Act Alliance.

We also recommend the Eurodad report "[How lessons from development finance can strengthen climate finance](#)" (2021)

For a more comprehensive set of data, you can check the UNFCCC's [biennial assessments and overview of climate finance](#). As for general progress in climate change mitigation and adaptation, the Enhanced Transparency Framework (ETF) will become effective in 2024. It requires countries to transparently report on support received and provided. In the meantime, citizens can monitor their own country's climate finance commitments on the Biennial Reports and the Common Tabular Format (CTF) submitted by Annex 1.

- **Climate change adaptation:** refers to “adjustments in ecological, social, or economic systems in response to actual or expected climatic stimuli and their effects or impacts. It refers to changes in processes, practices, and structures to moderate potential damages or to benefit from opportunities associated with climate change”. (UNFCCC, 2021)
- **Climate change mitigation:** involves “human interventions to reduce the emissions of greenhouse gases by sources or enhance their removal from the atmosphere by “sinks”. A “sink” refers to forests, vegetation or soils that can reabsorb CO₂”. (UNFCCC, 2009)
- **Loss and Damage:** refers to harms “associated with climate change impacts, including extreme weather events and slow onset events” (UNFCCC, 2021). The Warsaw International Mechanism for Loss and Damage is the main instrument under the UNFCCC process that deals with it. **CSOs are calling** for a more prominent role of Loss and Damage and finance to address Loss and Damage during this year’s COP26, which seems determined to ignore it in favour of Adaptation and Resilience. Impacts of climate change include slow onset events and extreme weather events, which may both result in loss and damage.
- **Extreme climatic events and environmental hazards:** refers to severe hazards, that with climate change have become more frequent, of a greater intensity and more destructive, and that have an impact both on natural environments as well as on people. There is a consensus among the climate community not to use the term “**natural disaster**” as it excludes the responsibility that humans, particularly in the global north, and the capitalist economic system, has in the creation of climate change.
- **Slow onset events:** evolve gradually from incremental changes occurring over many years or from an increased frequency or intensity of recurring events. They were introduced by the Cancun Agreement (COP16), and **refer to the risks and impacts associated with:** increasing temperatures; desertification; loss of biodiversity; land and forest degradation; glacial retreat and related impacts; ocean acidification; sea level rise; and salinization.
- **Debt cancellation:** an agreement between the creditor and the debtor to cancel or write-off part or total of the debt owed.
- **Debt repudiation:** a unilateral act by the debtor country not to pay part or all of the debt owed to one or several creditors, on the basis of this debt being illegitimate. On **Illegitimate debt and debt audits** you can check out this recent short guide published by Eurodad.
- **Debt restructuring:** an agreement between a creditor and a debtor to change the conditions in which part or all of the debt owed is to be paid. It can include debt write-offs. When the agreement only implies a change in conditions (ie. reduction of interest rates and/or increasing the period for repayment) the process is known as debt reprofiling.
- **Debt swaps:** an agreement between the creditor, who cancels a quantity of debt owed to them, and the debtor, who commits to mobilise the equivalent of the reduced amount in local currency for a particular investment or any established purposes on agreed terms.
- **Debt workout mechanism:** an independent, permanent and multilateral body that would ensure a systematic and timely approach to orderly, fair, transparent and durable sovereign debt crisis resolution, binding to all creditors and with a human rights- centered approach. Here you can check the “**10 civil society principles for sovereign debt resolution**”.

You can also read the glossary that Fridays for Future has prepared for the 24th September Global Climate Strike [here](#).



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debt and development

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