

No Climate Justice without Debt Justice

The climate emergency is fuelling the accumulation of debt in countries in the global south.

Countries suffering from the worst impacts of climate change have contributed very little to it, yet they are facing more expensive borrowing costs because of their climate vulnerabilities. They are left with almost no option but to borrow to finance climate mitigation and adaptation, and fund reconstruction and recovery after an extreme climate event. Countries that have accumulated unsustainable debt levels have reduced fiscal space and opportunities to invest in adaptation and mitigation, as well as to recover from loss and damage from increasingly severe climate extreme events, slow onset events and environmental hazards. At the same time, climate finance - which should respond to the principle of common but differentiated responsibilities, as formulated in the 1992 Rio Principles to reflect historical climate debt - is being delivered mainly through loans and debt-creating modalities, placing the financial burden onto the shoulders of the global south.

All this is happening in a 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. Lending to fund fossil fuel projects, by multilateral development banks, export credit agencies and other financial institutions in the global north, has added to the unsustainable and illegitimate debts in the global south.

One of the consequences of having high debt levels is a sharply reduced fiscal space for public spending and therefore very limited opportunities to invest in the adaptation and mitigation measures necessary to guarantee people's right to a healthy environment. Moreover, this puts countries in an even worse situation when recovering from loss and damage after a climate disaster. The demand that countries prioritise debt payments, often at high interest rates, means that they cannot respond adequately to the emergencies faced by their populations, such as the pandemic and the climate emergency. The cost of servicing debt has also largely affected women and children who are the most vulnerable groups in society in most countries in the global South. This is so because when governments reduce public spending especially on social protection women and children will suffer the most.

On the other hand, the global north economies have built up an enormous climate debt to the people and countries in the global south due to their disproportionate contribution to carbon and other greenhouse emissions, amounting to nearly two-thirds of aggregate 'carbon space' since the 1800s. The concept of climate debt calls for systemic change. Such change entails not only a recognition of climate debt, but also restitution and reparation for the multiplicities of financial, social and ecological debt owed by the global north to the global south, built in the colonial past and through neo-colonial dynamics today.

In this context, the need to transition globally towards a more sustainable and equitable economy will not be possible without sustainable, responsible, sufficient, 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 Covid-19 pandemic, but also to address the challenges of climate change and pursue a green and inclusive recovery. The urgent message is precisely that: climate justice will not be possible without economic and debt justice. And debt and economic justice won't be possible without environmental and climate justice.

This means recognising the climate debt that the global north owes to the global south, and providing sufficient and quality debt-free climate finance as partial restitution for that climate debt. Climate debt reparations also mean that global north countries must contribute to ecological restoration, end extractivism and the use of fossil fuels, and shift to low and zero carbon modes of production, distribution and consumption, rooted in legal and policy paradigm changes for technology transfer and equitable trade rules. Debt cancellation is also necessary, recognising the role that it has historically played in promoting and imposing a "development" model that is unjust and unsustainable, and the obstacle it represents today for a fair, equitable and sustainable recovery.

We demand much more than piecemeal flows of climate finance and one-off instances of "debt relief," we demand a guarantee of non-repetition through structural change for climate justice and debt justice. We demand systemic change.

We call on world leaders, national governments, public and private financial institutions, to take urgent, just, ambitious action, in compliance with their obligations and responsibilities and commit to the following:

1. Recognition of the existence of a **climate debt**, additional to a historical, financial, ecological and social **debt**, that the global north owes to the global south. This recognition should lead to structural and financial **reparations**, including delivery of climate finance obligations and debt cancellation, as well as ecological restoration, phasing out fossil fuel subsidies, ending extractivism, and shifting to decarbonized modes of production, distribution and consumption.
2. Urgent delivery of **new and additional, non-debt creating 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 prioritizing the needs that climate vulnerable communities have to adapt and address every worsening losses and damages. Climate Finance delivery must have an inclusive process that will ensure the contributions are based on fair-shares and will warrant equitable allocation and access, especially to the most vulnerable nations.
3. Climate finance should be **non-debt creating and without conditions**. This means it should be primarily delivered in the form of grants. If loans are to be used, it should only be in highly concessional terms and only for certain purposes and programs that will not lead to the accumulation of unsustainable and illegitimate debt burdens. 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.
4. Lenders and IFIs should take immediate action to implement **ambitious [unconditional debt cancellation of unsustainable and illegitimate debts](#)**, particularly those generated by funding fossil fuel projects, in order to enable sovereign and participatory policy decisions by those countries so they can meet their human and nature rights' responsibilities.
5. **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 damages**. A disaster related to a weather, climate or water hazard [occurred every day on average over the past 50 years](#) – killing 115 people and causing US\$ 202 million in losses daily. Governments in the global north must set up a separate and additional mechanism for loss and damages in recognition of their responsibility in causing the increased frequency and severity of these extreme events.
6. In addition to climate finance and debt cancellation, governments in the global north should provide sufficient **additional non-debt creating resources** to support countries in the global south to **tackle the health, social and economic crises**. 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.
7. Governments and international organisations should promote an **open review of the approach to debt sustainability**, with UN guidance and civil society participation, in order to 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.
8. Governments and international organisations should support and work towards the **reform of the international financial architecture**, in order to bring international finance in line with universally accepted human rights obligations, including the right to development, gender equality and the right of all to live in a healthy environment. Such reform should address the need for a fair, transparent and multilateral framework for debt crisis resolution, under the auspices of the UN and not in lender-dominated arenas, that addresses unsustainable and illegitimate debt;
9. Governments and international organisations should focus on actions that **address the root causes and historical responsibilities for the present debt and climate emergencies**. Peoples' rights to participate in and control the decision-making and 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.