DEBT JUSTICE FOR CLIMATE REPARATIONS

April 2022

climate + community project

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Debt Justice for Climate Reparations

April 2022

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The **Climate and Community Project (CCP)** works to connect the demands of the climate justice movement to the policy development process. We aim to do this by developing new, investment-forward public policy proposals under the framework of the Decade of the Green New Deal that target the intersection of climate justice and the built environment. We support efforts to address the climate emergency at the scale, scope, and pace needed to confront our overlapping crises.

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EXECUTIVE SUMMARY

> The world faces twin debt crises...Action is imperative. Many of the poorest countries on Earth are also the most vulnerable to climate change, but climate-vulnerable countries already incur higher borrowing costs because of the risks of natural disasters and other social disruptions brought on by climate change.

The world faces twin debt crises. On the one hand, a well-publicized financial debt crisis looms for countries across the Global South, limiting governments' ability to take public health action, alleviate poverty, adapt to a warming world, or pursue ambitious low-carbon development.[1] Policy makers in the rich world seldom discuss the other debt crisis: the ecological and economic debts the Global North owes for historical and ongoing plunder, extraction, and climate pollution threatening lives and livelihoods in the Global South—all of which are key components driving the financial debt crisis.[2] These intertwined crises require urgent action beyond the paltry steps taken since the start of the pandemic.[3]

Action is imperative. **Many of the poorest countries on Earth are also the most vulnerable to climate change, but climate-vulnerable countries already incur higher borrowing costs because of the risks of natural disasters and other social disruptions brought on by climate change.**[4] This relationship is creating a doom loop that will drag poor countries further into debt while environmental and social conditions continue to deteriorate, limiting opportunities for green, inclusive development and driving the need for further borrowing.

To break this cycle and achieve climate justice, the United States and other Global North countries should take the first steps toward a larger climate reparations program through wholesale debt restructuring and cancellation on the path toward debt justice. Critically, climate reparations should not be thought of simply

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1. Reuters, "IMF: Poor Nations Could Face 'Economic Collapse' Unless G20 Extends Debt Relief," *CNBC Africa*, December 3, 2021, https://www.cnbcafrica.com/2021/imf-poor-nations-could-face-economic-collapse-unless-g20-extends-debt-relief/.

2. Andrew Simms, "Ecological Debt—Balancing the Environmental Budget and Compensating Developing Countries," International Institute for Environment and Development, September 1, 2001, http://www.jstor.org/stable/resrep16610.

3. Ilaria Crotti and Iolanda Fresnillo, "The Climate Emergency: What's Debt Got to Do with It?," European Network on Debt and Development, September 2021, https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2510/attachments/original/1634117579/climate-and-debt-faqs-EN-final.pdf?1634117579.

4. Ulrich Volz, John Beirne, Natalie Ambrosio Preudhommem, Adrian Fenton, Emilie Mazzacurati, Nuobu Renzhi, and Jeanne Stampe, "Climate Change and Sovereign Risk," SOAS University of London, Asian Development Bank Institute, World Wide Fund for Nature Singapore, and Four Twenty Seven, October 2020, https://eprints.soas.ac.uk/33524/1/Climate%20Change%20and%20Sovereign%20Risk_final.pdf.

as compensation for past environmental, economic, and social damages, but as world making—that is, debt justice and enhanced climate finance should help build a platform for countries in the Global South to achieve low-carbon development and robust, resilient infrastructure.[5]

The need has never been more urgent, particularly since the pandemic added several degrees of difficulty for the Global South to pay for green development and climate adaptation. Costs mount as the Global North repeatedly misses modest domestic mitigation and international climate finance targets, global warming impacts become more severe, and improved standards of living remain elusive in many places. Achieving debt justice entails prioritizing the needs of the public and nature in front of creditors' balance sheets. It is progress toward climate justice, where the countries responsible for the vast majority of carbon emissions pay their fair share for decarbonization and adaptation, while the people least responsible for climate breakdown are not burdened with the most dire impacts—as is the case now.[6]

Building on dialogues with climate and debt justice movement partners including Third World Network and 350Africa.org, scholarly research, and the overarching aims of the Green New Deal, this report outlines key economic and environmental issues and offers US-targeted policy recommendations. Reparations campaigns including the Caribbean Reparations Commission and the Latin American Pacto Ecosocial del Sur have explicitly called for debt cancellation as an aspect of reparation; this report amplifies those voices and foregrounds debt as a climate issue for movements and policy makers in the US .

Our findings and recommendations fall into five categories:

1. **Immediately cancel publicly held debt and implement public sector actions like enhanced debt restructuring mechanisms to manage privately held debt.** Previous debt cancellation and restructuring programs like the Heavily Indebted Poor Countries Initiative demonstrated that reductions in debt payments can significantly boost spending on social priorities in poor countries—exactly what is needed to contend with the impacts of climate change. T**his report finds that the debts of 19 of the 20 most climate-vulnerable countries are held mostly, or entirely, by "official" public creditors, making debt relief for the most vulnerable imminently feasible, but steps must be taken to cancel and restructure both publicly and privately held debt.**

2. **Meet existing climate finance commitments and significantly scale up future commitments. The rich world has never met their stated (yet still insufficient) goal of disbursing $100 billion per year in climate finance**—and given the way that rich governments have counted private investment and further debt-creating loans as part of their contributions, in reality they have never come close. The countries that bear the vast majority of the responsibility for climate change should bear the cost for climate action in the countries that are most vulnerable—and all of this new funding must be additional to what has already been promised, including funding for loss and damage.

3. **Progressively redistribute IMF Special Drawing Rights.** While there were encouraging signs that Special Drawing Rights (an IMF instrument that allows countries to access foreign currency at moments of crisis) were to be overhauled in light of the pandemic, those hopes are beginning to fade as the United States and other major economies stick with business as usual. **A program similar to the IMF's proposed Resilience and Sustainability Trust must be implemented, but it also must not become a new vehicle for conditionality, austerity, and debt dependency that re-creates Structural Adjustment (or "fiscal consolidation") in the name of climate action.**

4. Use major economy financial regulators to contend with Global South debt. One key problem in earlier debt restructuring programs was their inability to convince nonofficial creditors to take part; this was true in both the late 1990s and in pandemic-era debt suspension programs. **Central Banks and**

5. Olúfẹmi O. Táíwò, *Reconsidering Reparations* (New York: Oxford University Press, 2022).

6. Intergovernmental Panel on Climate Change, 2022, Summary for Policymakers [H.-O. Pörtner, D.C. Roberts, E.S. Poloczanska, K. Mintenbeck, M. Tignor, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem (eds.)], in *Climate Change 2022: Impacts, Adaptation, and Vulnerability*, Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)] (New York: Cambridge University Press, forthcoming), https://report.ipcc.ch/ar6wg2/pdf/IPCC_AR6_WGII_SummaryForPolicymakers.pdf.

Treasuries should develop regulations that limit private creditors' ability to pursue debts to the detriment of debtor countries' ability to invest in climate action, for example by imposing higher reserve requirements on distressed debt holdings.

5. **Direct civil and criminal penalties against fossil fuel companies to climate action in the Global South.** Courts around the world have been increasingly sympathetic to legal arguments that fossil fuel companies should be held liable for climate damages. Where courts rule against fossil fuel companies, some of those damages should be routed (as grants) to climate finance mechanisms that benefit vulnerable countries, as a way of privately compensating for loss and damage.

The recommendations should form the backbone of an ambitious policy initiative that represents a down payment on climate reparations for the North's ever-accruing ecological debt, to begin reckoning with incalculable harms visited on the South through historical and ongoing economic, social, and ecological violence. Ultimately, the Global South must have financial self-determination to identify and undertake locally appropriate responses to climate change and poverty—not have their priorities set by Global North governments, the IMF, or private investors.

RESUMEN ESTRATÉGICO

“El mundo se enfrenta a dos crisis de deuda paralelas... Es imperativo que tomemos medidas. Muchos de los países más pobres del planeta son también los más vulnerables al cambio climático, pero los países más vulnerables a nivel climático soportan ya costes de endeudamiento mayores debido al riesgo que suponen los desastres naturales y las perturbaciones sociales inherentes al cambio climático.”

El mundo se enfrenta a dos crisis de deuda paralelas, pero solo una ha suscitado un gran interés político y periodístico mientras la pandemia continúa perturbando la economía global. Por un lado, una crisis de deuda financiera se cierne sobre los países del Sur global, limitando la capacidad de sus gobiernos para actuar en materia de salud pública, mitigar la pobreza, adaptarse al calentamiento global o llevar a cabo medidas ambiciosas de desarrollo hipocarbónico. Hay, por otro lado, otra crisis de deuda que los actores políticos de los países ricos raramente tienen en cuenta: las deudas ecológicas y económicas del Norte Global a raíz del expolio histórico y persistente, el extractivismo y la contaminación climática que amenaza las vidas y el sustento de las personas en el Sur Global, todos ellos factores causales claves de la crisis de deuda económica. Estas crisis entrelazadas deben afrontarse con urgencia más allá de los exiguos pasos tomados al inicio de la pandemia.

Es imperativo que tomemos medidas. Muchos de los países más pobres del planeta son también los más vulnerables al cambio climático, pero los países más vulnerables a nivel climático soportan ya costes de endeudamiento mayores debido al riesgo que suponen los desastres naturales y las perturbaciones sociales inherentes al cambio climático. Esto está creando un círculo vicioso que hará que los países pobres se suman en la deuda cada vez más mientras las condiciones medioambientales y sociales continúan deteriorándose, limitando así las oportunidades para su desarrollo y forzándolas a seguir endeudándose aún más.

Para romper este círculo y con la justicia climática como objetivo, los Estados Unidos y los demás países del Norte Global deberían dar los primeros pasos hacia un programa integral de reparaciones climáticas basado en la condonación y la reestructuración de la deuda mayorista como punto intermedio hacia la justicia crediticia. Es crucial que las reparaciones climáticas dejen de considerarse meras compensaciones por los perjuicios medioambientales, económicos y sociales causados en el pasado para pasar a concebirse como herramientas de reorganización mundial, es decir: la justicia crediticia y una mayor financiación internacional orientada a la lucha contra el cambio climático deben sentar los cimientos sobre los que los países del Sur Global puedan articular un desarrollo hipocarbónico y una infraestructura robusta y resiliente.

Todo esto urge ahora más que nunca, especialmente debido a que la pandemia ha intensificado las dificultades que tiene el Sur Global para financiar el desarrollo verde y la adaptación al cambio climático. Los costes se acumulan mientras el Norte Global continúa ignorando sus modestos objetivos de mitigación nacionales y de financiación de la lucha contra el cambio climático, el impacto del calentamiento global se recrudece y una

mejora de los estándares de vida continúa siendo algo muy lejano en muchos lugares. Alcanzar la justicia climática implica anteponer las necesidades de la sociedad y la naturaleza a las cuentas de los acreedores. Es un paso en el camino hacia la justicia climática, según la cual los emisores históricos deben contribuir de manera justa a la descarbonización y la adaptación, y las personas menos responsables de la contaminación climática no acarrear con los impactos más graves del calentamiento global, tal y como está ocurriendo ahora.

A partir de un diálogo con nuestras compañeras de los movimientos de justicia crediticia y climática del Sur Global, la investigación académica y los objetivos generales del nuevo pacto verde, este informe señala cuestiones claves a nivel económico y medioambiental y ofrece recomendaciones de políticas orientadas al contexto estadounidense. Existen ya campañas que reivindican explícitamente la condonación de la deuda como una factor intrínseco de las reparaciones, como es el caso de la Comisión de Reparaciones del Caribe o el Pacto Ecosocial del Sur para América Latina. Este informe pretende amplificar estas voces y situar la deuda como una cuestión climática de primera línea para los movimientos y los actores políticos en Estados Unidos.

Nuestras conclusiones y recomendaciones pueden clasificarse en cinco categorías:

1. Condonación inmediata de la deuda pública y acción por parte del sector público para gestionar la deuda privada. Programas de condonación y reestructuración de deuda anteriores, como la Iniciativa de los países pobres muy endeudados, han demostrado que la reducción de los pagos del servicio de la deuda puede estimular el gasto social de los países pobres, que es precisamente lo que se necesita para hacer frente a los impactos del cambio climático. Señalamos que prácticamente la totalidad de los acreedores con los que mantienen su deuda 19 de los 20 países más vulnerables a nivel climático son acreedores «oficiales» públicos, lo cual hace perfectamente factible una condonación inminente de la deuda de los países más vulnerables.

2. Cumplimiento de los compromisos de financiación de la lucha contra el cambio climático y aumento significativo de los compromisos futuros. El mundo rico nunca ha cumplido su objetivo declarado de destinar 100 000 millones de dólares estadounidenses al año a la lucha contra el cambio climático y, teniendo en cuenta que los gobiernos ricos han contabilizado la inversión privada como parte de su aporte, en realidad ni tan solo se han acercado a esta cifra. Los países más responsables del cambio climático deben asumir los costes de la acción climática en los países más vulnerables, y los fondos destinados a ello deben ser nuevos y sumarse a la financiación que ya ha sido prometida, incluyendo los fondos por daños y pérdidas.

3. Redistribución progresiva de los Derechos Especiales de Giro del FMI. Si bien hubo señales alentadoras de que los Derechos Especiales de Giro (un instrumento de FMI que permite a los países a acceder a divisas extranjeras en momentos de crisis) iban a ser revisados a raíz de la pandemia, la esperanza empieza a desvanecerse mientras los Estados Unidos y otras economías importantes mantienen sus viejas costumbres. Debe implementarse el Fondo Fiduciario para la Resiliencia y la Sostenibilidad (o un programa similar), pero es necesario evitar que se convierta en otro vehículo para que los bancos multilaterales de desarrollo impongan sus condiciones y nuevos ajustes estructurales en nombre de la acción contra el cambio climático.

4. Uso de los agentes reguladores financieros de las economías principales para enfrentarse a la deuda privada. Uno de los problemas principales de los programas de reestructuración de la deuda hasta la fecha ha sido su incapacidad para convencer a acreedores no oficiales para que participaran. Eso ocurrió tanto en los programas de suspensión de la deuda en los años noventa como en los de la era de la pandemia. Los Bancos Centrales y los tesoros públicos deben desarrollar normas que limiten la capacidad de los acreedores privados para exigir el cobro de las deudas si eso limita la capacidad de inversión en la lucha contra el cambio climático de los países deudores. Un ejemplo en ese sentido sería la imposición de un coeficiente de reservas mayor para los tenedores institucionales de deuda con riesgo de impago.

5. Redirección de las sanciones civiles y penales a empresas de combustibles fósiles hacia la lucha contra el cambio climático en el Sur Global. Los tribunales de todo el mundo son cada vez más sensibles a los argumentos legales de los activistas que reclaman que las empresas de hidrocarburos deben poder ser consideradas responsables a nivel legal de los daños climáticos que ocasionan. En los casos en los que los tribunales dictan sentencia en contra de las compañías de combustibles fósiles, parte de estas indemnizaciones deberían destinarse a mecanismos de financiación de la lucha contra el cambio climático que beneficien a los países vulnerables, convirtiéndose así en mecanismos de compensación privada por daños y pérdidas.

Las recomendaciones deberían constituir el eje principal de una iniciativa política ambiciosa que represente un anticipo en el pago de reparaciones climáticas derivadas de una deuda ecológica acumulada cada vez mayor. Esta iniciativa debe impulsar también un rendimiento de cuentas por parte del Norte Global por el daño incalculable perpetrado al Sur Global mediante la violencia económica, social y ecológica, tanto histórica como persistente. El fin último de todas estas medidas debe ser la soberanía financiera del Sur Global para identificar y llevar a cabo las estrategias más apropiadas a nivel local para combatir el cambio climático y la pobreza, en lugar de ver sus prioridades marcadas por el FMI o los inversores privados.

SOMMAIRE

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Le monde est confronté à deux crises jumelées de la dette... Il est impératif d’agir. Bon nombre des pays les plus pauvres de la planète sont également les plus vulnérables aux changements climatiques, mais ceux-ci supportent déjà des coûts d’emprunt plus élevés en raison des risques de catastrophes naturelles et d’autres perturbations sociales découlant des changements climatiques.

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Le monde est confronté à deux crises jumelées de la dette, quoiqu’une seule ait fait l’objet d’une grande attention de la part de la presse ou des pouvoirs publics alors que la pandémie continue d’ébranler l’économie mondiale. D’une part, une crise financière de la dette menace les pays du Sud, limitant la capacité des gouvernements à prendre des mesures de santé publique, à réduire la pauvreté, à s’adapter au réchauffement climatique ou à poursuivre un développement ambitieux à faibles émissions de carbone. D’autre part, l’autre crise de la dette est rarement abordée par les personnes responsables de la prise de décision dans le monde riche : les dettes écologiques et économiques que le Nord mondial a contractées en raison du pillage, de l’extraction et de la pollution climatique, historiques ou actuels, qui menacent des vies et les moyens de subsistance dans le Sud. Tous ces éléments sont les facteurs clés qui aggravent la crise de la dette économique. Ces crises imbriquées exigent une action urgente au-delà des maigres mesures prises depuis le début de la pandémie.

Il est impératif d’agir. Bon nombre des pays les plus pauvres de la planète sont également les plus vulnérables aux changements climatiques, mais ceux-ci supportent déjà des coûts d’emprunt plus élevés en raison des risques de catastrophes naturelles et d’autres perturbations sociales découlant des changements climatiques. Ce rapport crée un cercle vicieux qui entraînera davantage les pays pauvres dans la dette, tandis que les conditions environnementales et sociales continuent de se détériorer, limitant les possibilités de développement et rendant nécessaire de nouveaux emprunts.

Pour briser ce cycle et parvenir à la justice climatique, les États-Unis et d’autres pays du Nord devraient prendre les premières mesures menant à un programme plus ample de réparations climatiques grâce à la restructuration et à l’annulation de la dette globale. Essentiellement, les réparations climatiques ne devraient pas être considérées simplement comme une compensation pour les dommages environnementaux, économiques et sociaux passés, mais comme un moyen de façonner le monde. C’est-à-dire que la justice de la dette et le financement climatique renforcé devraient aider à construire une plateforme pour que les pays du Sud se dirigent vers un développement à faible émission de carbone et la création d’une infrastructure robuste et résiliente.

Le besoin d’agir dans ce sens n’a jamais été aussi grand, d’autant plus que la pandémie a ajouté plusieurs degrés de difficulté pour les pays du Sud à financer le développement vert et l’adaptation au changement climatique. Les coûts augmentent à mesure que le Nord continue de manquer les modestes objectifs d’atténuation nationale et de financement climatique international, que les impacts du réchauffement planétaire s’aggravent et que

l'amélioration du niveau de vie reste difficile à réaliser dans de nombreux endroits. Pour parvenir à la justice en matière d'endettement, il faut accorder la priorité aux besoins des individus et de la nature plutôt qu'aux bilans des créanciers. C'est un pas sur la voie de la justice climatique, en vertu de laquelle les pays émetteurs historiques payeraient leur juste part pour la décarbonation et l'adaptation, tandis que les personnes les moins responsables de la pollution climatique ne seraient pas accablées par les effets les plus désastreux du réchauffement climatique, comme c'est le cas aujourd'hui.

S'appuyant sur les dialogues menés avec les partenaires du mouvement climatique et de la justice de la dette du Sud, sur la recherche scientifique et sur les objectifs globaux du « Green New Deal » américain, ce rapport décrit les principaux problèmes économiques et environnementaux et propose des recommandations politiques ciblant les États-Unis. Des campagnes de réparation, y compris la Commission de réparation des Caraïbes auprès du Pacto Ecosocial del Sur latino-américain, ont explicitement appelé à l'annulation de la dette en tant qu'aspect de la réparation. Ce rapport amplifie ces voix et met en avant la dette en tant que question climatique pour les mouvements et les personnes responsables de la prise de décisions politiques aux États-Unis.

Nos constatations et recommandations se répartissent en cinq catégories :

1. Annulation immédiate de la dette publique et intervention du secteur public pour gérer la dette privée. Des programmes antérieurs d'annulation et de restructuration de la dette, tels que l'Initiative en faveur des pays pauvres très endettés, ont démontré que la réduction des paiements de la dette peut considérablement accroître les dépenses consacrées aux priorités sociales dans les pays pauvres. C'est exactement ce qui est nécessaire pour faire face aux impacts du changement climatique. Nous constatons que les dettes de 19 des 20 pays les plus vulnérables au changement climatique sont principalement, ou entièrement, détenues par des créanciers publics « officiels », ce qui rend l'allégement de la dette des pays les plus vulnérables immédiatement réalisable.

2. Respecter les engagements existants en matière de financement climatique et augmenter considérablement les engagements futurs. Le monde riche n'a jamais atteint son objectif déclaré de débourser 100 milliards de dollars par an pour le financement climatique, et étant donné la façon dont les gouvernements riches ont compté l'investissement privé dans leurs contributions, en réalité ils ne s'en sont jamais approchés. Les pays portant la plus grande part de responsabilité du changement climatique devraient supporter le coût de l'action climatique dans les pays les plus vulnérables, et tous ces nouveaux financements doivent s'ajouter à ce qui a déjà été promis, y compris le financement des pertes et des dégâts.

3. Redistribution progressive des droits de tirage spéciaux du FMI. Bien que des signes encourageants indiquaient que les droits de tirage spéciaux (un instrument du FMI qui permet aux pays d'accéder aux devises étrangères en période de crise) devaient être révisés à la lumière de la pandémie, ces espoirs commencent à s'estomper à mesure que les États-Unis et d'autres grandes économies s'en tiennent au statu quo. Le Fonds fiduciaire pour la résilience et la durabilité (ou un programme similaire) doit être mis en œuvre, mais il ne doit pas non plus devenir un nouveau vecteur pour la conditionnalité de la Banque multilatérale de développement qui recrée l'ajustement structurel au nom de l'action pour le climat.

4. Utiliser les principaux organismes de réglementation financière de l'économie pour affronter la dette privée. L'un des principaux problèmes des programmes antérieurs de restructuration de la dette était leur incapacité à convaincre les créanciers non officiels d'y participer ; cela était vrai à la fin des années 1990 et pour les programmes de suspension de la dette en période de pandémie. Les banques centrales et les Trésors publics devraient élaborer des règlements qui limitent la capacité des créanciers privés à recouvrer des dettes au détriment de la capacité des pays débiteurs à investir dans l'action pour le climat, par exemple en imposant des exigences plus élevées en matière de réserves aux détenteurs de dettes institutionnelles en difficulté.

5. Mettre en place des sanctions civiles et pénales contre les entreprises de combustibles fossiles pour faciliter l'action climatique dans le Sud. Partout dans le monde, les tribunaux se montrent de plus en plus sensibles aux arguments juridiques des militant·e·s selon lesquels les compagnies de combustibles fossiles devraient être tenues responsables des dommages causés au climat. Lorsque les tribunaux se prononcent contre ces entreprises, certaines de ces indemnisations devraient être acheminées vers des mécanismes de financement climatique qui profitent aux pays vulnérables comme moyen de compensation privé pour les pertes et les dégâts causés.

Ces recommandations devraient former les piliers d'une initiative politique ambitieuse qui représente un acompte sur les réparations climatiques de la dette écologique sans cesse croissante du Nord, afin de commencer à tenir compte des dommages incalculables

infligés au Sud à travers la violence économique, sociale et écologique historique et permanente. En fin de compte, les pays du Sud doivent avoir l'autodétermination financière pour définir et mettre en œuvre des réponses aux changements climatiques et à la pauvreté qui soient appropriées au niveau local, et non pas avoir leurs priorités fixées par le FMI ou des investisseurs privés.

INTRODUCTION

Even before the onset of the pandemic, countries around the world were facing a double crisis of climate change and unpayable debt; worse, these crises are mutually reinforcing. Despite bearing the least responsibility for climate breakdown, countries across the Global South are already bearing the brunt of global warming, from changing precipitation patterns to extreme heat; increasingly regular disasters will pose huge costs to countries and communities while reversing development gains and stunting economic activity.[7] Meanwhile, the buildup of international debt that has accrued to many Global South countries since 2008 chokes governments of the fiscal space they need in order to make investments in climate adaptation and clean development. At the same time, the Global North countries, responsible for the vast majority of historic and current greenhouse gas emissions, drag their feet on climate action at home and climate finance abroad.[8] **The double crisis is untenable, but debt's contribution to it is also imminently resolvable.**

Achieving debt justice entails prioritizing the needs of the public and nature in front of creditors' balance sheets. It is a step on the way to climate justice, where historical emitters pay their fair share for decarbonization and adaptation while the people least responsible for climate pollution are not burdened with global warming's most dire impacts—as is the case now. To achieve debt and climate justice, this report outlines a program of immediate public debt cancellation, policy actions to facilitate the restructuring of privately held debt, and monetary reparations to begin to compensate the South for the North's social and ecological debts in the form of scaled up, public climate finance. These actions are demonstrably within reach, particularly after Global North governments have shown themselves able to rapidly deploy previously unimaginable resources for pandemic response.[9]

This report will amplify voices calling for debt justice and foreground international debt as a climate issue for social movements and policy makers in the US. This report frames these debt justice actions as climate reparations to begin a long-overdue reckoning in the Global North with the manifold social, ecological, and economic harms unleashed on the South both historically and through the contemporary operations of the global economy.[10]

Both our global political order and the climate crisis itself were built by colonialism and slavery. The climate crisis followed the Industrial Revolution in the British empire, simultaneously driven by profound transformations in production/labor processes, the expansion of trade networks, and the formation of a world market built and maintained by colonial conquest and expansion, and the dispossession and occupation of Indigenous land, all paid for with wealth built by slave labor.[11] The large uptick in emissions caused by the Industrial Revolution and the resultant changes to the global energy system caused anthropogenic global warming.[12] The political and economic structures that maintain the present global energy system include a balance of power largely inherited from these

7. Intergovernmental Panel on Climate Change, 2022, Summary for Policymakers [H.-O. Pörtner, D.C. Roberts, E.S. Poloczanska, K. Mintenbeck, M. Tignor, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem (eds.)], in *Climate Change 2022: Impacts, Adaptation, and Vulnerability*, Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)] (New York: Cambridge University Press, forthcoming), https://report.ipcc.ch/ar6wg2/pdf/IPCC_AR6_WGII_SummaryForPolicymakers.pdf.

8. Ilaria Crotti and Iolanda Fresnillo, "The Climate Emergency: What's Debt Got to Do with It?," European Network on Debt and Development, September 2021, https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2510/attachments/original/1634117579/climate-and-debt-faqs-EN-final.pdf?1634117579.

9. Chantal Line Carpentier, Drew D'Aleilio, Burno Cardoso Zuccolo, Olivier Combe, and Raymond Landveld, "Unprecedented COVID-19 Stimulus Packages Are Not Being Leveraged to Accelerate SDG Investment," UNCTAD, December 11, 2020, https://unctad.org/news/unprecedented-covid-19-stimulus-packages-are-not-being-leveraged-accelerate-sdg-investment#_ftn1.

10. While acknowledging that Global North and South are problematic categories that can flatten differences within countries and reinforce implicit hierarchies between them, here the terms are a useful shorthand that highlights durable divisions and structural inequality in the world.

11. Eric Williams, *Capitalism and Slavery* (Chapel Hill: University of North Carolina Press, 2021). Third Edition.

12. Helon McGregor, Joelle Gergis, Nerilie Abram, and Steven Phillips, "The Industrial Revolution Kick-Started Global Warming Much Earlier than We Realised," *The Conversation*, August 24, 2016, https://theconversation.com/the-industrial-revolution-kick-started-global-warming-much-earlier-than-we-realised-64301.

past centuries, and built into the multinational institutions that have been produced to manage global economic and political affairs. Many important institutions, including what became the World Bank and the International Monetary Fund, were designed at a 1944 conference in Bretton Woods in the United States.[13] That conference featured scant representation for any of the colonies of the participating countries and produced a system affords disproportionate influence to yesterday's overtly colonial powers.[14]

This international system was designed with little thought to the possibility of decolonization, so it is no wonder the global economy bears a striking resemblance to a supposedly bygone, less enlightened era. The world continues to be organized through outdated notions like stages of development and "comparative advantage," relegating much of the world to caches of resources exploited (or waiting to be exploited) for production and consumption elsewhere. In the Global South, raw materials, agricultural products, and treasured landscapes are exploited at the lowest cost while higher value-adding production takes place elsewhere. Most attempts by Global South countries to capture more of the value of their resources are quashed by trade rules in the name of a "level playing field." But given the starting positions of the game, and the dogged persistence of Global North countries in maintaining the rules that cement the North's dominance, this level playing field simply locks in inequities, leading to accelerating global inequality, turbo-charging rich-world consumption that drives up emissions, and leaving the Global South with little recourse but to borrow to meet basic needs—never mind confronting climate change. As the economist Ha-Joon Chang says, "leveling the playing field" actually amounts to kicking away the ladder right at the time when we should be devoting more resources and making structural reforms that enable Global South countries to reach higher ground.[15]

Various political movements and collaborations have risen up to call for reparations in response to this ignoble history and its modern structural dynamics, producing a rich and varied set of aspirations and demands. Many of these movements, in contexts and geographies as varied as the Pan-African Conference on Reparations' Abuja Proclamation,[16] the Caribbean Reparations Commission's 10 Point Program,[17] and the Latin American Pacto Ecosocial del Sur,[18] have explicitly called for debt justice as one component of a broader set of reparatory actions. The specific demands issued by these groups are wide ranging: from demands for technology transfer for decarbonizing energy to the resources for comprehensive transformation of public health. These groups have been joined by a number of groups focusing specifically on debt justice as a political issue, including the Jubilee Debt Campaign and the Committee for the Abolition of Illegitimate Debt, explicitly linking excess debt to stalled progress on climate, health, education, and an array of other pressing issues.

This long-standing question of debt justice takes on new urgency in response to the converging ecological, political, and economic crises that confront the world today. **UN experts have predicted that the climate crisis itself could "undo the last 50 years of development" and create a system of "climate apartheid" where rich communities and countries manage to confine the worst impacts of the crisis to the world's most vulnerable.**[19] The climate crisis threatens the habitability of vast swaths of the world where billions of people live, which will likely intensify social breakdown in parts of the world without

13. Eric Toussaint, "Concerning the Founding of the Bretton Woods' Institutions," Committee for the Abolition of Illegitimate Debt, February 19, 2020, https://www.cadtm.org/Concerning-the-founding-of-the-Bretton-Woods-Institutions.

14. In the IMF, for every vote that the average person in the Global North has, the average person in the Global South has only one-eighth of a vote. Jason Hickel, "Apartheid in the World Bank and the IMF," *Al Jazeera,* November 26, 2020, https://www.aljazeera.com/opinions/2020/11/26/it-is-time-to-decolonise-the-world-bank-and-the-imf/.

15. Ha-Joon Chang, "Kicking Away the Ladder: An Unofficial History of Capitalism, Especially in Britain and the United States," *Challenge* 45, no. 5 (2002): 63–97, http://www.jstor.org/stable/40722165.

16. Organization of African Unity and Its Reparations Commission, "The Abuja Proclamation," 1993, http://www.africanconstitution.org/home/abuja-proclamation.

17. Caricom Reparations Commission, "10 Point Reparations Program," https://caricomreparations.org/caricom/caricoms-10-point-reparation-plan/.

18. Pacto Ecosocial del Sur, https://pactoecosocialdelsur.com. Accessed April 2022.

19. UN News, "World Faces 'Climate Apartheid' Risk, 120 Million in Poverty: UN Expert," *UN News: Climate and Environment*, June 25, 2019, https://news.un.org/en/story/2019/06/1041261.

20. Chi Xu, Timothy A. Kohler, Timothy M. Lenton, Jens-Christian Svenning, and Marten Scheffer, "Future of the Human Climate Niche," Proceedings of the National Academy of Sciences 117, no. 21 (2020): 11350–11355, https://www.pnas.org/content/117/21/11350; Ed Pilkington, "Climate Crisis Likely to Fuel Conflicts over Water and Migration, US Analyses Say," The Guardian, October 21, 2021, https://www.theguardian.com/environment/2021/oct/21/climate-crisis-conflicts-water-migration-us-analyses.

the resources required for sufficient adaptive capacity—leading to misery for those least responsible for climate and economic breakdown, and in turn producing instability that threatens the global order as it is currently constituted.[20] It is a recipe for climate apartheid, as the North abandons the South to the ravages of climate change while hardening their borders. For some countries, particularly Small Island Developing States in the Pacific and the Caribbean, the crisis is even more existential: a third of the population of such countries lives less than five meters above sea level, putting basic survival of communities at risk from the sea-level rise associated with higher temperatures.[21] Debt, particularly in the wake of the social and economic calamities brought on by the COVID-19 pandemic, threatens to lock these dismal scenarios into place. Kristalina Georgieva, chief of the International Monetary Fund, predicted "economic collapse" in the world's poorest countries in the absence of immediate debt relief, calling instead for the rich world to show "solidarity" with the poor.[22] This is a dramatic change in tone from one of the primary institutional architects of Structural Adjustment—the suite of policies enforced around the world during the last global sovereign debt crisis. Structural Adjustments Policies (SAPs) were (in theory) designed to restructure Global South economies such that they could, above all, pay their debt while eking out some development gains in the process; in practice, they often led to even more debt, austerity, lost development gains, environmental degradation, and the perpetuation or even deepening of global inequality.[23] **But the high-minded rhetoric of solidarity has not been matched by action.** Instead, the debt crisis has been met with business-as-usual, interest-bearing loans that forced the Global South deeper into debt, restricted government spending on critical services in the name of fiscal responsibility, and left intact the structural relations that produced the debt crisis. In short, a new round of Structural Adjustment is being witnessed across the world as a response to the new debt crisis.[24]

But the ledgers of financial debt—on whose account 60 percent of the world's low-income countries are in danger of economic freefall—are limited as to what they can tell us about the confluence of economy and environment. To focus on economic debt to the exclusion of other understandings of the give and take between countries and regions is an excuse for inaction—or worse, retrenchment further into the status quo.[25] In an ecological register, the Global South are the creditors. A holistic look at the moral and political inequalities of the colonialism and slavery that built our present circumstances ought to include accounting for the ecological ramifications of past centuries of politics. Groups like Ecuador's Accion Ecologica refer to "the debt accumulated by the Northern industrial countries toward Third World countries on account of resource plundering, environmental damage, and the free occupation of environmental space to deposit wastes" as ecological debt that the Northern industrial countries owe the Global South. Thinkers like Mohamed Adow of Power Shift Africa and activists like Regina Cabrera of Fridays for Future Mexico strike similar notes about climate reparations and the "climate debt" that the "West owes the rest."[26]

The current distribution of financial debt is not only misleading, but a practical obstacle to the construction of a world that could be vastly more climate-resilient and just than it currently is. The global inequality that deepened during the COVID-19 pandemic reflected the fact that rich countries had vastly more "fiscal space" to spend on stimulus packages aimed at resuscitating their economies.[27] Spending by developing countries of the world was hamstrung by the sovereign debt crisis that

21. Nicholas O'Regan, "Opinion: Why Infrastructure Is Key to the Battle of Survival in Small Island Nations," *DevEx*, November 24, 2020, https://www.devex.com/news/opinion-why-infrastructure-is-key-to-the-battle-for-survival-in-small-island-nations-98628.

22. Reuters, "IMF: Poor Nations Could Face 'Economic Collapse' Unless G20 Extends Debt Relief," *CNBC Africa*, December 3, 2021, https://www.cnbcafrica.com/2021/imf-poor-nations-could-face-economic-collapse-unless-g20-extends-debt-relief/.

23. Ndongo Samba Sylla, "Descent into Hell," *Development and Cooperation,* August 1, 2018, https://www.dandc.eu/en/article/africa-structural-adjustment-did-not-trigger-fast-growth-had-contractive-impact.

24. Nona Tamale, "Adding Fuel to the Fire: How IMF Demands for Austerity Will Drive Up Inequality Worldwide," *Oxfam Briefing Paper,* August 2021, https://reliefweb.int/sites/reliefweb.int/files/resources/bp-covid-loans-imf-austerity-110821-en.pdf.

25. Reuters, "IMF: Poor Nations Could Face 'Economic Collapse' Unless G20 Extends Debt Relief," *CNBC Africa*, December 3, 2021, https://www.cnbcafrica.com/2021/imf-poor-nations-could-face-economic-collapse-unless-g20-extends-debt-relief/.

26. Mohamed Adow, "The Climate Debt: What the West Owes the Rest," Foreign Affairs, May/June 2020, https://www.foreignaffairs.com/articles/world/2020-04-13/climate-debt; Anita Bhadani, "A Guide to Climate Reparations," *Yes Magazine,* November 29, 2021, https://www.yesmagazine.org/environment/2021/11/29/climate-reparations.

27. Chantal Line Carpentier, Drew D'Aleilio, Burno Cardoso Zuccolo, Olivier Combe, and Raymond Landveld, "Unprecedented COVID-19 Stimulus Packages Are Not Being Leveraged to Accelerate SDG Investment," UNCTAD, December 11, 2020, https://unctad.org/news/unprecedented-covid-19-stimulus-packages-are-not-being-leveraged-accelerate-sdg-investment#_ftn1.

deepened in the wake of the pandemic and associated economic slowdowns.[28] This is not merely a passing, one-off feature of the pandemic. **Global South debt service further exacerbates the massive gap between current levels of climate funding and actual needs.**[29] That gap itself is widened by the long-standing, persistent failure of rich countries to provide funding commensurate with their promises—or to make promises commensurate with the actual scale of the climate problem in the first place.

This report outlines the scope of the twinned debt/climate crisis and highlight some overarching actions that should be taken to move toward debt justice for Global South countries that act as a form of climate reparations. These are actionable guidelines and achievable within the current set of national and international institutions. They are first steps toward climate reparations, which in the long run may require the thorough reconstruction of our global political and economic institutions leading toward a broader redistribution of resources and power, and perhaps new institutions entirely.[31] Nevertheless, debt justice would represent a significant and meaningful step in the direction of reparations. There is no time to waste.

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28. United Nations Department of Economic and Social Affairs, "UN/DESA Policy Brief #72: COVID-19 and Sovereign Debt," May 14, 2020, https://www.un.org/development/desa/dpad/publication/un-desa-policy-brief-72-covid-19-and-sovereign-debt/.

29. Beh Lih Yi, "Analysis: Poor Nations 'Squeezed' as Debt Surges and Climate Adaptation Cash Falls Short," Reuters, November 4, 2021, https://www.reuters.com/business/cop/poor-nations-squeezed-debt-surges-climate-adaptation-cash-falls-short-2021-11-04/.

30. Mariama Williams, "The State of Play of Climate Finance—UNFCCC Funds and the $100 Billion Question," *South Centre Climate Policy Brief* 21, December 2019, https://www.southcentre.int/climate-policy-brief-21-december-2019/.

31. Keston Perry, "Realising Climate Reparations: Towards a Global Climate Stabilization Fund and Resilience Fund Programme for Loss and Damage in Marginalised and Former Colonised Societies," March 1, 2020, available at SSRN, https://ssrn.com/abstract= 3561121.

THE BURDEN OF DEBT

The crises of escalating debt, the pandemic exacerbated by vaccine inequality, and a deteriorating socioenvironmental outlook driven by climate change are roiling much of the world. Worse, these crises are mutually reinforcing. High debt burdens weaken states' capacity to borrow for social and environmental spending, limiting ambition and potential positive outcomes. Meanwhile, public health systems long burdened by austerity require further borrowing and take attention and resources away from adaptation, green development, and other public policy priorities. Poor environmental outlooks drive up borrowing costs, leaving countries ever more vulnerable to new environmental crises that will merge with extant public health problems while creating new ones. **This constellation of cascading crises requires concerted, urgent action.**

Even before COVID disrupted the world economy in early 2020, debt burdens across the Global South have been escalating since the 2008 financial crisis after falling earlier in the century. As of 2019, "in low-income countries debt-to-GDP percentages rose by almost 20 percent in only ten years (from 48 to 67 percent). In 63 impoverished countries, the average government external debt payments rose from 5.5 percent (as part of government revenue) in 2011 up to 12.4 percent,"[32] but these figures are as high as 48 percent in Sri Lanka, 37 percent in Ghana, 24 percent in Brazil, and 20 percent in Malawi, as debt grows in countries across the world and at different income levels.[33] At the outset of the pandemic, Global North countries were able to borrow at near zero interest, while African interest rates ranged between 5 percent and 16 percent on 10-year government bonds. As Bhumika Muchhala with the Third World Network notes, "for [many] African economies, interest repayments constitute the highest, and fastest-growing, expenditure item in their public budgets"[34]; advocates have termed this the "African interest rate," pointing out that countries in other regions with the same economic indicators have lower interest rates, thus reflecting how systemic racism is baked into the international financial system. **Escalating debt bills represent a massive transfer of wealth from South to North**, and continue the long legacy of financial extraction that has seen Southern countries send more than $4 trillion in interest payments North since 1980,[35] never mind the other mechanisms of extraction, from 19th-century colonial plunder and mass enslavement to modern trade misinvoicing and multinational tax avoidance, that has deprived the South of people, capital, and resources.[36]

These debts are not simply bad in the abstract; they have a real human cost. **Every dollar spent servicing debt—be it to the World Bank, to a private bond holder, or to a Chinese state–backed development bank—is a dollar not spent on public health, clean energy, improved sanitation, or any of the myriad other public services that communities need.** A number of the poorest countries already spend more on debt service than they do on vital social programs. In 2021, UNICEF reported that one in eight countries spend more on debt than social services as a whole; South Sudan spent more than 11 times as much on debt payments as on social services, while Haiti, Gambia, and Chad all spent more than three times more on debt than on education, health, and social protection combined.[37] These costs are heaped on top of the incalculable costs already borne by the Global South following 500 years of plunder, genocide, and ongoing resource extraction, now compounded by the ecological instability of climate change. These are the costs for which the South is owed reparations, in addition to the decades of lost development after independence that were stymied by endless struggles to repay debt. Of course, debt is not always bad—many of the things countries will need to adapt to a warmer world, like sewer systems and renewable energy, are "lumpy" in terms of funding—that is, they are expensive one-time costs. Financing these projects through debt smooths out the payments and allows the costs to be borne

32. Amanda Starbuck, "Why We Need to Talk about Debt Cancellation for Global South Countries," *Greenpeace*, May 22, 2020, https://www.greenpeace.org/international/story/43410/debt-cancellation-global-south/.

33. World Bank DataBank, "Interest Payments (% of Revenue)," https://data.worldbank.org/indicator/GC.XPN.INTP.RV.ZS?most_recent_value_desc=true.

34. Bhumika Muchhala, "The Urgency of Fiscal Justice," *Third World Resurgence* No. 345/346, 2020, 73–75, https://twn.my/title2/resurgence/2020/345-346/econ2.htm.

35. Jason Hickel, "Aid in Reverse: How Poor Countries Develop Rich Countries," *The Guardian,* January 14, 2017, https://www.theguardian.com/global-development-professionals-network/2017/jan/14/aid-in-reverse-how-poor-countries-develop-rich-countries.

36. Jason Hickel, *The Divide: A Brief Guide to Global Inequality and Its Solutions* (New York: Random House, 2017).

37. Catherine Agg, "COVID-19 and the Looming Debt Crisis," UNICEF Office of Research, April 2021, https://www.unicef-irc.org/publications/pdf/Social-spending-series_COVID-19-and-the-looming-debt-crisis.pdf.

by multiple generations of beneficiaries.[38] But the current constitution of the international debt system is unfit and unable to offer lending to the South on equitable terms—this is why a debt reset is necessary, but not sufficient, to realign the global economy based on the long-standing and emerging needs of the vast majority of humanity.

On the other side of the ledger, the Global South debt stock has been growing in absolute terms, but some kinds of debt are growing more rapidly than others, often in troubling ways. While debts to multilateral development banks like the World Bank and the African Development Bank grew from $482 billion in 2010 to $792 billion in 2020, these figures are dwarfed by the rise of private creditor–owed debt, which rose from $753 billion to $2.2 trillion over the same period,[39] mostly to Middle Income Countries (MICs) like Brazil, Indonesia, and Egypt. This poses a challenge for a number of reasons, not the least of which is that it is often unclear who actually has a claim to a debt because much of it was issued through bonds, which then are bought and sold on secondary markets. This means that debt relief will have to coordinate with a huge number of unknown creditors, which is much more complicated than suspending or writing off debts from development banks or bilateral state-to-state lending through Official Development Assistance programs, as has been seen in preliminary G20 and IMF debt relief programs since the onset of COVID.

Beyond the simple volume of debt, the rates of interest that Global South countries are made to pay further sap governments of their ability to spend for the benefits of their people. In the aftermath of the financial crisis, interest rates in the US fell close to zero, and in Europe, some countries actually had negative interest rates, meaning that buyers of debt were effectively paying a fee to lend these governments money; this has not been the experience of countries in the Global South, where borrowing costs are generally much higher, if borrowing money on international bond markets is an option at all. Pre-pandemic, South Africa's market-rate borrowing for 10-year debt was 9.3 percent, while India paid 6.7 percent.[40]

The vast majority of Global South governments, however, do not have access to international credit markets, and instead rely on lending from official sources—primarily multilateral development banks and bilateral concessional lending facilities, as well as varying levels of domestic private borrowing or commercial finance that works like a bank loan. But even here, where most lending is backstopped by multilateral development banks' superior credit ratings that allow institutions like the World Bank to borrow money more cheaply than on-lend to "less creditworthy" borrowers, poor countries pay far more to borrow than their rich-world counterparts. The World Bank's International Development Agency lending programs that are targeted at the poorest countries can have rates as high as 6.8 percent, while private borrowing from nontraditional lenders, particularly Chinese development and Import–Export banks, can also carry high interest rates and further often include provisions that countries offer natural resources as collateral. **The inclusion of resources as collateral incentivizes environmentally damaging extraction and can lock Southern countries into resource dependency.**[41]

The overarching contours of this lending landscape indicate that much of the debt owed by the poorest countries is held by official creditors, making a cancellation of this debt relatively more easy to envision than of much of the privately held debt owed by MICs; but on the flip side, the pandemic has pushed more than 150 million people into poverty, primarily in MICs that owe large and growing privately held debts, making debt justice all the more pressing, particularly in South Asia and Africa.[42] The urgency is even greater because, as the World Bank itself notes, the 80 percent of the world's population that is vulnerable to flooding—a major impact of climate change—are in MICs, and the poor in those countries are disproportionately at risk from disasters. **Debt justice for both low- and middle-income countries will mean more fiscal space to prepare for disasters, making the lives of people who fall in**

38. See, for example, Noel Castree and Brett Christophers, "Banking Spatially on the Future: Capital Switching, Infrastructure, and the Ecological Fix," Annals of the Association of American Geographers 105, no. 2 (2015): 378–386, https://doi-org/10.1080/00045608.2014.985622.

39. World Bank Group, "International Debt Statistics, 2022," World Bank, 2021, https://openknowledge.worldbank.org/bitstream/handle/10986/36289/9781464818004.pdf.; all money in US Dollars unless otherwise stated.

40. Statistics Denmark, MPK100: Government bond yields by country, https://www.statbank.dk/statbank5a/SelectVarVal/Define.asp?MainTable=MPK100&PLanguage=1&PXSId=0&wsid=cftree.

41. Ammar A. Malik, Bradley Parks, et al., "Banking on the Belt and Road: Insights from a New Global Dataset of 13,427 Chinese Development Projects. Executive Summary," AIDDATA, 2021, https://docs.aiddata.org/ad4/pdfs/Banking_on_the_Belt_and_Road_Executive_Summary.pdf; Kay Atanda and Alexandru Cojocaru, "Shocks and Vulnerability in Middle-Income Countries," *World Bank Blogs*, March 21, 2021, https://blogs.worldbank.org/developmenttalk/shocks-and-vulnerability-poverty-middle-income-countries.

42. Nancy Lee and Rakan Aboneeaj, "MDBs to the Rescue? The Evidence on COVID-19 Response," Center for Global Development, May 21, 2021, https://www.cgdev.org/publication/mdbs-rescue-evidence-covid-19-response.

and out of poverty at least somewhat less precarious.[43]

While debt and the cost to service it was reaching untenable levels in many countries before the pandemic, the global slowdown and macroeconomic tumult coupled with local public health measures and emergency borrowing has pushed debt to crisis levels almost across the board. Across Africa, debt hit 70 percent of GDP in 2020, up from 60 percent in 2019, while in climate-vulnerable Small Island Developing States, average debt hit nearly 50 percent of GDP, and as high as 96 percent in Jamaica and Cabo Verde.44 These debt levels are comparable to, or worse than, the height of the so-called Third World Debt Crisis that kicked off in the early 1980s and festered for nearly 20 years. During this period, the World Bank and IMF tinkered with Structural Adjustment Programs that led to a race to the bottom in social and environmental protections while stunting development in much of the world, but did little to address the underlying dynamics that drive Southern indebtedness. In many countries, especially those most vulnerable to climate shocks, total debt levels, and the cost of servicing that debt, are higher than they were on the brink of the global debt crisis.

The pandemic has made a bad situation worse. Not only has debt escalated, but incoming investments have seesawed wildly, putting pressure on currencies and entire banking systems while money flooded back to the Global North from the South because rich countries' currencies are seen as a safe haven during a crisis. This means that, structurally, investors can create a lot of instability in the Global South in return for a little stability in the North, because even when countries borrow in their own currency, the large outward capital flows cause local currencies to depreciate, leading to short-term price shocks that can have long-term macroeconomic impacts. This was the case at the beginning of the pandemic in the first quarter of 2020, when $83 billion flowed out of Global South economies—"the largest capital outflow ever recorded," according to the IMF.[45] This led to currency shocks that can impact indebted countries' ability to service debt, including falls of 25 percent for the Brazilian real, 20 percent for the Mexican peso, and 18 percent for the South African rand between January and May of 2020. While investment returned over the course of 2021, these kinds of hot money flows show the destabilizing impact of capital flight from exogenous shocks that will become more regular as the climate continues to warm. Countries that are dependent on tourism remain especially vulnerable, given that they rely on Global North visitors to maintain their balance of payments; tourism remains deeply depressed, which is especially troubling for countries like Kenya and the Seychelles that have high external debt service costs and fund much of their environmental policy through ecotourism.[46] A lack of fiscal space is exacerbating the crisis; while middle-income countries were able to spend 6 percent of GDP on pandemic response in 2020 with their greater access to private debt markets, low-income countries spent only around 2 percent of a much smaller pot.[47] This situation is a preview of what is to come as the climate changes in a world where the most vulnerable have the least access to resources to adapt.

The response to the unfolding debt-climate-pandemic crisis has been predictably, and catastrophically insufficient. While the G20 moved quickly in the spring of 2020, its flagship Debt Service Suspension Initiative (DSSI) was primarily meant to ease pressure on low-income countries already facing debt distress before the

43. Nancy Lee and Rakan Aboneeaj, "MDBs to the Rescue? The Evidence on COVID-19 Response," Center for Global Development, May 21, 2021, https://www.cgdev.org/publication/mdbs-rescue-evidence-covid-19-response.

44. African Development Bank, "African Development Outlook, 2021," African Development Bank, March 2021, https://www.afdb.org/en/documents/african-economic-outlook-2021; Cecilia Piemonte, "The Impact of the COVID-19 Crisis on External Debt in Small Island Developing States," OECD, August 2021, https://www.oecd.org/dac/financing-sustainable-development/External-debt-in-small-island-developing-states(SIDS).pdf.

45. Nancy Lee and Rakan Aboneeaj, "MDBs to the Rescue? The Evidence on COVID-19 Response," Center for Global Development, May 21, 2021, https://www.cgdev.org/publication/mdbs-rescue-evidence-covid-19-response; International Monetary Fund, "The Great Lockdown: Worst Economic Downturn since the Great Depression," IMF, March 23, 2020, https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency.

46. Patrick Greenfield and Peter Muiruri, "Conservation in Crisis: Ecotourism Collapse Threatens Communities and Wildlife," The Guardian, May 5, 2020, https://www.theguardian.com/environment/2020/may/05/conservation-in-crisis-covid-19-coronavirus-ecotourism-collapse-threatens-communities-and-wildlife-aoe.

47. Nancy Lee and Rakan Aboneeaj, "MDBs to the Rescue? The Evidence on COVID-19 Response," Center for Global Development, May 21, 2021, https://www.cgdev.org/publication/mdbs-rescue-evidence-covid-19-response.

shocks of COVID. But, as the Jubilee Debt Campaign notes, "this was only ever a stopgap solution and has had only limited success."[48] Between May 2020 and June 2021, the 46 countries that applied for debt suspension under DSSI had less than a quarter (23 percent) of their debt suspended; $10.3 billion worth of payments were delayed, while countries in enough distress to seek relief through the program have made $36.4 billion in payments over the same period (including to the World Bank, which chose not to participate in the initiative[49]). Perversely, more than a third of these payments have been to private creditors that generally charge higher interest rates. More debt payments have gone to private lenders than any other type of creditor, meaning that "public money [in the form of debt suspension] intended to help lower income countries has instead gone to banks, hedge funds, and oil traders."[50] Of course, these sums look like rounding errors in big economies' COVID stimulus measures, but are matters of life and death for millions of people and portend even worse outcomes as climate shocks become more regular. In another perverse outcome, some countries chose not to participate in DSSI at all in fear that doing so would send the wrong message to financial markets; countries with large fiscal overhangs like Nigeria and Ghana that can access international debt markets could not take the risk that creditors would interpret seeking debt relief as a sign of impending default, which would raise already high borrowing rates, or worse, cut them off from international private finance altogether.[51]

For its part, in its role as the guarantor of global macroeconomic stability, the IMF claims to have helped 86 countries with $110 billion in financing as part of its newfound interest in solidarity.[52] But virtually all of this support comes in the form of new debts, and nearly half comes in the form of Flexible Credit Lines of over $51 billion for Colombia, Chile, and Peru. During the first year of the pandemic, the Fund had distributed only about $250 billion, less than half of which went out during an unprecedented global emergency and was less than a quarter of the Fund's available $1 trillion in capital.[53] Activists at Third World Network report that this fiscal support often comes with predictable strings attached. **To access IMF emergency financing, recipient countries were made to commit to policy changes include regressive taxation in the form of value added and goods and services taxes; public sector wage cuts and expenditure reductions, particularly in health, education, and social protection; further privatization of public services and state-owned enterprises; labor market flexibilization measures; inflation targeting; liberalization and deregulation of government contracts, especially in infrastructure; central bank "independence"; and natural resource extraction expansion, among other stipulations.** In short, the IMF is pursuing many of the same policy measures that fell under the heading of Structural Adjustment in the 1980s and '90s, with devastating results.

HEAVILY INDEBTED POOR COUNTRIES (HIPC)

As the debt crisis that erupted in 1982 ground on, various half-hearted and piecemeal attempts were made at debt relief throughout the 1980s and '90s, generally on the condition of vicious austerity and deregulatory Structural Adjustment Programs administered by the IMF and World Bank that helped set the stage for today's debt and state capacity crises.[54] But by the late 1990s, there was increasing recognition that the debt crisis had both metastasized and stagnated into

48. Larry Elliot, "The Next Global Economic Emergency? Deepening Debt in the Developing World," *The Guardian*, October 17, 2021, https://www.theguardian.com/business/2021/oct/17/the-next-global-economic-emergency-deepening-debt-in-the-developing-world.

49. John Smith, "The Greatest Debt Crisis in History Is Upon Us," OpenDemocracy, March 19, 2021, https://www.opendemocracy.net/en/oureconomy/greatest-debt-crisis-history-upon-us/.

50. Jubilee Debt Campaign, "How the G20 Debt Suspension Initiative Benefits Private Lenders," Jubilee Debt Campaign, October 2021, https://jubileedebt.org.uk/wp-content/uploads/2021/10/How-the-G20-debt-suspension-initiative-benefits-private-lenders_10.21.pdf.

51. Sejal Patel, Paul Steele, Laura Kelly, and Jean-Peal Adam, "Innovative Financing for Africa: Harnessing Debt for Climate and Nature," IIED, October 2021, https://pubs.iied.org/sites/default/files/pdfs/2021-10/20486IIED.pdf.

52. International Monetary Fund, "The IMF's Response to COVID 19," IMF, April 8, 2021, https://www.imf.org/en/About/FAQ/imf-response-to-covid-19#Q1; Kristalina Georgieva, "Solidarity and Cooperation: Europe's Response to the Crisis," IMF, February 2, 2021, https://www.imf.org/en/News/Articles/2021/02/22/sp022221-keynote-speech-EU-Parliamentary-Conference-KristalinaGeorgieva.

53. International Monetary Fund, "The IMF's Response to COVID 19," IMF, April 8, 2021, https://www.imf.org/en/About/FAQ/imf-response-to-covid-19#Q1.

54. Patrick Bigger and Sophie Webber, "Green Structural Adjustment in the World Bank's Resilient City," *Annals of the American Association of Geographers* 111, no. 1 (2021): 36–51.

a long-term poverty crisis, as debts and indicators of extreme poverty in the poorest countries persisted or worsened. Against this backdrop, **the IMF along with the Paris Club of rich-world creditor countries launched the Heavily Indebted Poor Countries (HIPC) Initiative in 1996, eventually writing off more than $70 billion in debt for 37 countries.** As a result, debt service for participating countries fell by about 1.5 percent of GDP between 2001 and 2015, while an independent evaluation found that "poverty-reducing expenditures in 28 countries . . . increased from 6.4 percent to 8.1 percent of GDP from 1999 to 2004, about four times higher than their average debt service payments in 2004."[55] Which is to say: debt cancellation works. Reducing fiscal pressure on the state leads to increased spending for social benefit.

HIPC led to some good outcomes and was a victory for global movements against oppressive debt, but it was not perfect; its primary failure was an inability to garner participation from private lenders—the largest and growing class of creditors in the current debt crisis. While some private lenders did participate—and on average settled debts for 8.3 percent of face value—to the tune of $13.8 billion in private debt write-offs, many did not. In fact, some commercial lenders pursued dogged legal action to collect debts from the poorest countries in the world, while others sold the rights to debt onto "vulture funds" that went so far as to use Global North courts to authorize seizing foreign assets of poor-world governments.[56] **Any new debt cancellation program will have to make a more concerted effort to bring private creditors on board, going further than carrots and moral suasion to use sticks harmonized across G20 governments and Central Banks, particularly the US Federal Reserve, that can put pressure on investors to participate in debt restructuring.**

55. Shonar Lala, Rupa Ranganathan, and Brett Libresco, *Debt Relief for the Poorest: An Evaluation Update of the HIPC Initiative* (Washington, DC: World Bank Publications, 2006).

56. Dev Useree, "Redesigning Debt: Lessons from HIPC for COVID, Climate and Nature," International Institute for Environment and Development, 2021, https://pubs.iied.org/20276iied.

FINANCIAL DEBT MEETS CLIMATE CRISIS

As was the case in many other middle-income countries, Ecuador's sovereign debt was already on the rise before the pandemic, as low oil prices depressed government revenues, and the country continued to recover from the calamitous 2016 earthquake that caused more than $3 billion in damages.[57] Lockdowns, steep declines in tourism, and the need to spend on public health measures forced the country to accelerate borrowing and, in turn, to scale up emergency assistance from the IMF. The IMF has a long, checkered track record in Ecuador, mandating the country drink from the poison chalice of structural adjustment time and again since the 1980s. This crisis is no different, but with even higher stakes, as the pandemic still rages and the need for low-carbon development intensifies. In 2016, the IMF loaned the country more than $350 million for earthquake reconstruction,[58] followed by a much more substantial $4 billion package in 2019 as macroeconomic conditions further deteriorated. That "extended finance facility" package included expectations that Ecuador was to "transform its current account deficit of 0.7 per cent of GDP in 2018 to a surplus of 0.4 per cent in 2019, including through the 'strengthening of controls on expenditure commitments [in the health sector]' and 'realigning the public sector wage bill.'"[59]

Unsurprisingly, these mandatory cuts to the health service had devastating impacts as the pandemic spread in 2020. In 2019, 4.5 percent of employees at the Ministry of Health were laid off, leading Ecuador to one of the highest rates of excess mortality in the world during the first year of COVID. Even after seeing the results of its work in Ecuador, the IMF has doubled down on austerity in subsequent agreements: in its COVID relief package in 2020, the IMF set an expectation that government spending would shrink by more than 6 percent of GDP from 2019 to 2025.[60] This is a devastating fiscal demand of a country that is already wracked by austerity and in dire need of stimulus to promote economic activities other than oil, which the government relies on for export earnings and which has severe ecological and human impacts at the site of extraction in addition to its contribution to global warming.[61] And yet, activists with Third World Network told the authors that the latest IMF package (agreed in October 2021) came with the provision that Ecuador only use those funds to repay debts and forbade spending on decarbonization or climate adaptation. In short, the IMF is locking Ecuador into a high-carbon, low-development trajectory.

This story of Ecuador is illustrative of the constraints that debt, and conventional responses to it, put on countries across the Global South. The debt crisis, compounded by COVID economic shocks and unprecedented, costly public health responses, foreshadows the ruinous economic and social costs that are beginning to arrive as the climate changes. Some of these macroeconomic impacts are creeping into view: a study by the V20 group of climate-vulnerable countries demonstrated that climate risks resulted in higher borrowing costs of 1.17 percent on average above what they would expect to pay otherwise.[62] These higher borrowing costs in vulnerable countries are compounded by the lack of fiscal space for spending on adaptation. The Jubilee Debt Campaign shows that 34 of the poorest countries are spending nearly six times ($29.4 billion vs. $5.4 billion) as much on debt annually as they are on climate adaptation and mitigation.[63] To meet just the adaptation needs, never mind clean energy

57. Andrew Pestano, "Ecuador Earthquake Reconstruction to Cost $3.3b," United Press International, June 2, 2016, https://www.upi.com/Top_News/World-News/2016/06/02/Ecuador-earthquake-reconstruction-to-cost-33B/5231464880611/.

58. Francesco Grigoli, "Ecuador Gets $364 Million IMF Loan to Tackle Earthquake Reconstruction," IMF News, September 9, 2016, https://www.imf.org/en/News/Articles/2016/07/21/18/20/NA070816-Ecuador-Gets-364-Million-IMF-Loan-to-Tackle-Earthquake-Reconstruction.

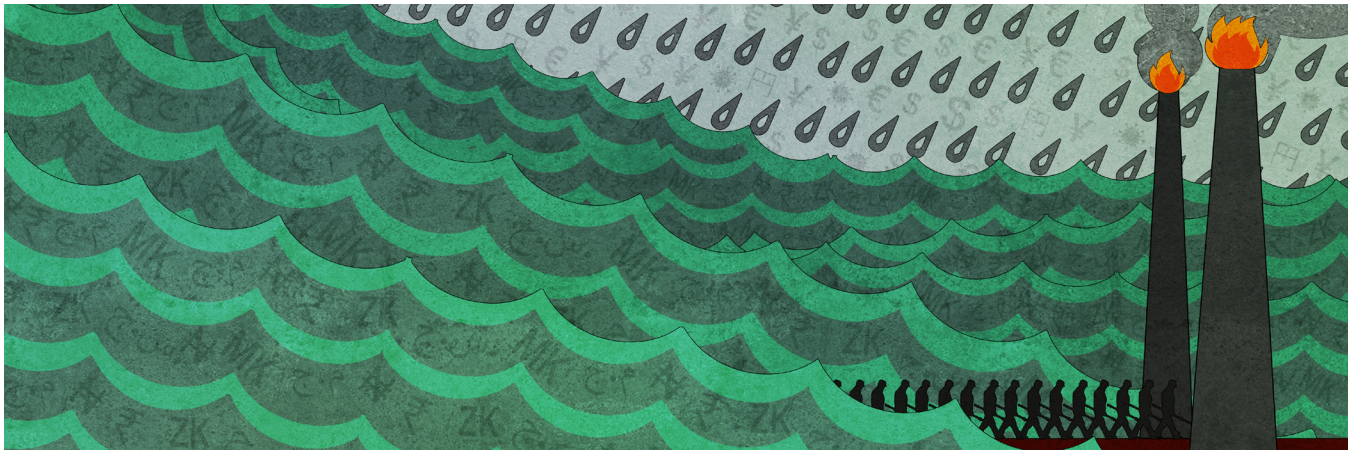
59. Pablo Iturralde, "The IMF's Role in the Devastating Impacts of Covid-19—The Case of Ecuador," The Bretton Woods Project, July 16, 2020, https://www.brettonwoodsproject.org/2020/07/the-imfs-role-in-the-devastating-impacts-of-covid-19-the-case-of-ecuador/.

60. Ibid.

61. For a full account of IMF conditions and their impacts in Ecuador, see Third World Network (TWN) and Ecuadorian Center for Economic and Social Rights (CDES), "Gendered Austerity in Ecuador During the COVID-19 Era," Third World Network, February 2022, https://www.twn.my/title2/briefing_papers/nontwn/Gendered%20Austerity%20TWN&CDES.pdf.

62. V20 Presidency, "V20 Statement on Debt Restructuring Option for Climate-Vulnerable Nations," Vulnerable 20 Group, October 27, 2021, https://www.v-20.org/our-voice/statements/group/v20-statement-on-debt-restructuring-option-for-climate-vulnerable-nations.

63. Jubilee Debt Campaign, "Lower Income Countries Spend Five Times More on Debt Payments than Dealing with Climate Change," Jubilee Debt Campaign, October 2021, https://jubileedebt.org.uk/wp-content/uploads/2021/10/Lower-income-countries-spending-on-adaptation_10.21.pdf.



or other development priorities, in the poorest countries, this ratio needs to be flipped—but the trajectory is in the other direction. **Of the paltry climate finance the Global North has managed to disburse or mobilize, most of it is distributed as debt;** in 2018, only one fifth of the $78.9 billion that donor countries mobilized for all climate action was distributed as grants, leaving the Global South $63 billion more indebted, with about half of that debt at nonconcessional (or market) rate—the same market that charges vulnerable countries more to borrow.[64]

Table 1 shows the high-level ownership of official government debt among the twenty countries most vulnerable to climate disruption. The key takeaway is that for 19 of the 20, the majority of debt is held by public or multilateral lenders that have the ability to unilaterally write off debt. The only country in this group whose debts are primarily held by private lenders is the Solomon Islands, whose total debt is less than $400 million—a rounding error in the global economy, but a millstone that holds back investment in desperately needed adaptation measures as the seas rise around the small, low-lying island country.

As concerted, progressively financed adaptation measures languish while countries service their debt, existing vulnerabilities deepen and new ones emerge; the risk of drought intensifies, sea levels rise unabated, and infrastructure to cope with extreme weather goes unhardened, leaving billions of people around the Global South at risk. Beyond the social ramifications of vulnerability, "The International Monetary Fund . . . warns that a 10 percentage-point rise in climate change vulnerability, as measured by the Notre Dame Global Adaptation Initiative index, is associated with an increase of over 150 basis points in long-term government bond spreads for developing nations."[65] **Moreover, continued rich-world inaction on climate will have a destabilizing effect on the global economy as a whole.** These impacts will undoubtedly be painful for many in the Global North, but they will be catastrophic in the Global South. A recent report shows that in a high-emissions scenario, rich-world debt will become more expensive, and by 2100, reserve currency economies could see credit rating downgrades of four or five notches.[66] This will drastically raise borrowing costs in the US and Europe, the countries with currencies in which international lending is most common, costs that are magnified, then passed on, when Global South countries take out loans denominated in these currencies. The conditions are set for a slow-motion, high-intensity repeat of the 1980s debt crisis where rising interest rates in the US led to a debt contagion that ravaged much of the Global South for 15 years.

This scenario is avoidable through a combination of action on climate by the biggest emitters, increased solidarity funding to enable low-carbon development and adaptive measures in the Global South, and debt justice to both right past wrongs and allow Southern governments to prioritize socioecological spending.

64. Chloé Farand, "OECD: One-Fifth of Climate Finance Goes to Adaptation as Share of Loans Grows," *Climate Home News*, November 6, 2020, https://www.climatechangenews.com/2020/11/06/oecd-one-fifth-climate-finance-goes-adaptation-share-loans-grows/; Gerhard Kling, Yuen C. Lo, Victor Murinde, and Ulrich Volz, "Climate Vulnerability and the Cost of Debt," June 27, 2018, available at SSRN, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3198093.

65. Dhara Ranasinghe and Karin Strohecker, "Analysis: Debt in a Warm Climate: Coronavirus and Carbon Set Scene for Default," *Reuters,* August 13, 2021, https://www.reuters.com/business/sustainable-business/debt-warm-climate-coronavirus-carbon-set-scene-default-2021-08-12/.

66. Patrycja Klusak, Matthew Agarwala, Matt Burke, Moritz Kraemer, and Kamiar Mohaddes, "Rising Temperatures, Falling Ratings: The Effect of Climate Change on Sovereign Creditworthiness," Bennett Institute Working Paper, Bennett Institute for Public Policy, March 18, 2021, https://www.bennettinstitute.cam.ac.uk/wp-content/uploads/2020/12/Rising_Climate_Falling_Ratings_Working_Paper.pdf.

TABLE 1

LONG-TERM DEBT HOLDERS OF 20 MOST CLIMATE-VULNERABLE COUNTRIES (USD MILLION)[67]

NATION	MULILATERAL DEVELOPMENT BANK	BILATERAL	PRIVATE	TOTAL	TOTAL PUBLIC	PERCENT PUBLIC
Niger	3,084.20	727.8	219.3	4,031.20	3,812.00	95%
Somali	373.5	2,265.10	0	2,638.60	2,638.6	100%
Guinea-Bissau	377.4	119	212.5	708.8	496.4	70%
Chad	692.5	995.3	1,257.50	2,945.30	1,687.8	57%
Sudan	3,731.30	8,025.50	4,827.60	15,584.40	11,756.80	71%
Liberia	833.4	132.9	41.4	1,007.70	966.3	96%
Mali	4,024.50	1,292.50	0.2	5,317.20	5,317.00	99%
DRC	2,289.80	2,070.90	134.9	4,495.60	4,360.70	97%
Eritrea	587.8	106.8	34.9	729.4	694.6	95%
Uganda	7,215.10	3,600.50	519.3	15,246.40	10,815.60	71%
Benin	2,667.00	527.9	1,210.40	4,405.30	3,194.90	73%
Afghanistan	967.8	990.7	17.7	1,976.20	1,958.5	99%
Tonga	77.2	107.6	0	184.8	184.8	100%
Rwanda	3,737.30	639.5	2918	7,295.00	4,376.80	60%
Solomon Islands	117.8	6.3	252.8	376.8	124.1	33%
Sierra Leone	853.1	238.3	187	1,278.40	1,091.4	85%
CAR	176.7	245.8	46.2	468.8	422.5	90%
Ethiopia	14,023.60	8,481.30	6,510.60	29,105.50	22,504.90	78%
Burundi	353.2	140.1	0	493.3	493.3	100%
Mauritania	2,481.30	1,729.30	0	4,210.60	4,210.60	100%
Totals	48,664.50	32,443.1	18,390.3	103,409.30	81,107.60	78%

67. Vulnerable according to the ND-Gain Vulnerability Index. All data from World Bank International Debt Statistics 202; long-term debt only; Micronesia excluded for lack of data

These two maps (Figures 1 and 2, next page) demonstrate both the ethical and economic rationales for using progressively financed Global North balance sheets to pay for climate measures around the world—not through more debt for the South, but from an array of funding sources including debt cancellation/restructuring, increased solidarity payments, and even traditional capital markets that could all fall under the banner of climate reparations.[68] **Figure 1 visualizes an index that combines the ND-GAIN climate vulnerability index[69] with Trading Economics' composite credit score for national governments.**[70] On this map, darker colors indicate that countries have a low vulnerability to climate shocks coupled with positive credit ratings that correspond to low borrowing costs. The index demonstrates that the countries that are most vulnerable to climate shocks have the highest cost of borrowing, if they have access to borrowing at all, while those with the lowest cost of capital are already reasonably well placed to respond to emerging socio-environmental threats. **Figure 2 spatializes an index that combines countries' historical total contribution to greenhouse gas pollution[71] with their ND-GAIN "adaptive capacity," or capacity to respond to climate shocks.**[72] Darker colors indicate a country has both a large historical responsibility for climate breakdown and the capacity to cope with warming. It demonstrates quite clearly that the world's largest contributors to the climate crisis also have the most ability to adapt their economies and societies to the new climate reality, while those who have contributed the least will also struggle the most. Unsurprisingly, these maps correspond fairly neatly to a conventional North/South axis, reflecting the ongoing harms of colonialism and structural underdevelopment. Of course, there are outliers in each map, but in sum, these indexes demonstrate the historical responsibility of high emitters—especially the US—to share their adaptive capacity with the most vulnerable, particularly given their ability to access cheap capital and then pass it along.

There is no shortage of evidence demonstrating that higher debt burdens in the Global South result in poor social and environmental outcomes. Beyond the obvious link between higher debt service costs leaving less money to spend on public goods, debt denominated in global reserve currencies drives governments to prioritize attracting foreign investment. Given that most African manufacturing was decimated by Structural Adjustment, that means the only industries that are investable tend to be extractive—in mining, forestry, or agriculture—contributing, in turn, to the supercharging of global production and Northern consumption that, circularly, drives climate pollution.[73] This process can be seen in action right now in Zambia, where the government will have to cut noninterest expenditures in half over the next five years after it was the first African country to default on external debts during the pandemic. As part of the response to the fiscal crisis, Zambia is eliminating mining royalties in a bid to attract foreign extractive investment and boost exports that it needs to earn foreign currency to service its debt.[74] This is a process that has played out time and again since Structural Adjustment; one study found that the exigencies of debt repayment and austerity led to significantly higher levels of deforestation for plantation agriculture in places as diverse as Bolivia, Indonesia, and Cameroon.[75] By continuing to organize the global economy through debt managed by the unreformed institutions that produced these problems in the first place, the Global North is putting the world on a path of cascading crises, piecemeal responses, and ambitions weighed down by shackles of debt.

Many of these dynamics can be seen in action simultaneously in South Africa. The state-owned power utility, Eskom, has rung up huge debts with capital markets, the World Bank, and Chinese Development Banks, in large part because of investment in two new coal-fired power plants approved in 2010 and completed in 2020. Campaigners

68. See appendix 1 for methodological explanation.

69. ND-Gain, "Rankings," Notre Dame Global Adaptation Initiative, 2021, https://gain.nd.edu/our-work/country-index/rankings/.

70. Trading Economics, "Credit Rating," Trading Economics, https://tradingeconomics.com/country-list/rating.

71. ND-Gain, "Adaptive Capacity," Notre Dame Global Adaptation Initiative, https://gain-new.crc.nd.edu/ranking/vulnerability/capacity.

72. Global Carbon Project and Hannah Richie, "Who Has Contributed Most to Global CO2 Emissions?," Our World in Data, October 1, 2019, https://ourworldindata.org/contributed-most-global-co2.

73. Ilaria Crotti and Iolanda Fresnillo, "The Climate Emergency: What's Debt Got to Do With It?," *European Network on Debt and Development,* September 2021, https://www.eurodad.org/climate_debt_faqs.

74. Chris Mfula, "Update 4—Zambia Pledges to Slash Deficit as It Seeks IMF Deal, Restructuring," *Reuters,* October 29, 2021, https://www.reuters.com/article/zambia-economy/update-4-zambia-pledges-to-slash-deficit-as-it-seeks-imf-deal-restructuring-idUSL8N2RP5VX.

75. D. Kaimowitz, O. Ndoye, P. Pacheco, and W. Sunderlin, "Considering the Impact of Structural Adjustment Policies on Forests in Bolivia, Cameroon and Indonesia," *Unasylva* 49, no. 194 (1998): 57–64.

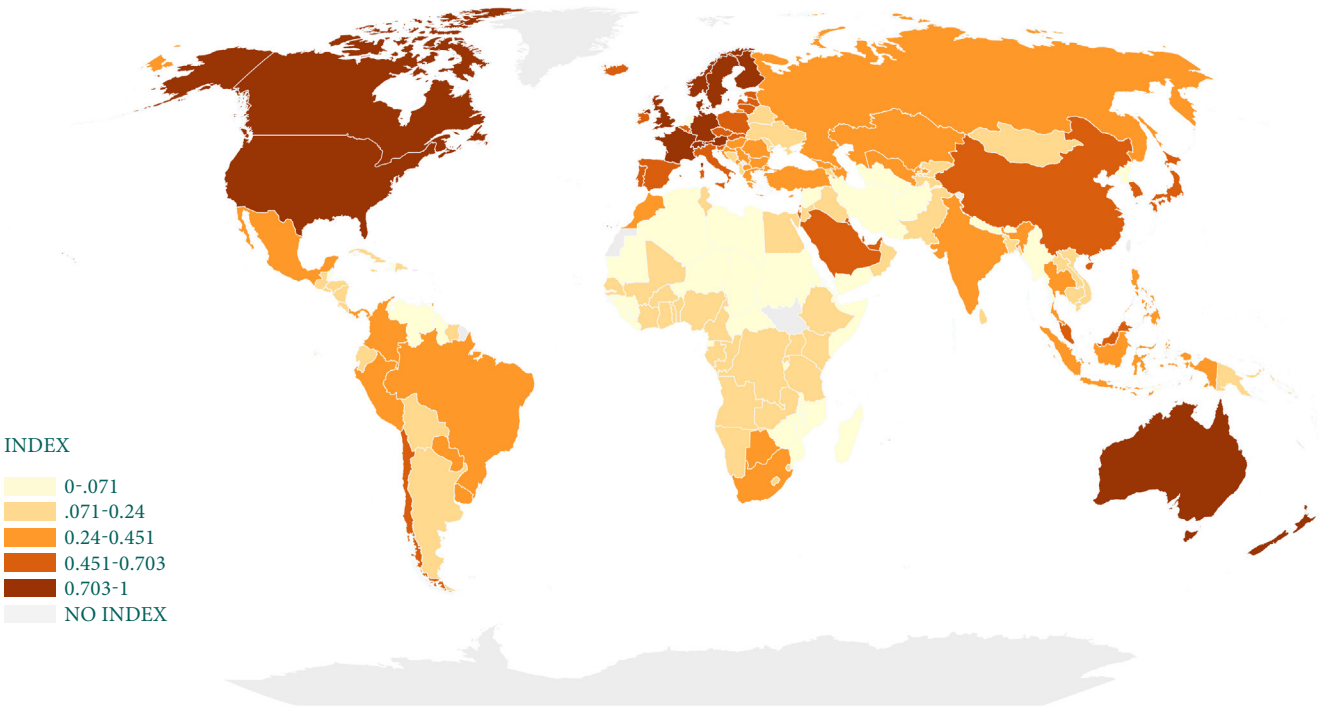


FIGURE #1 Market-rated creditworthiness indexed to climate vulnerability. A higher score and a darker color indicates that a country is less vulnerable to climate change and has a higher TE score. The TE Score indicates the creditworthiness of a country.

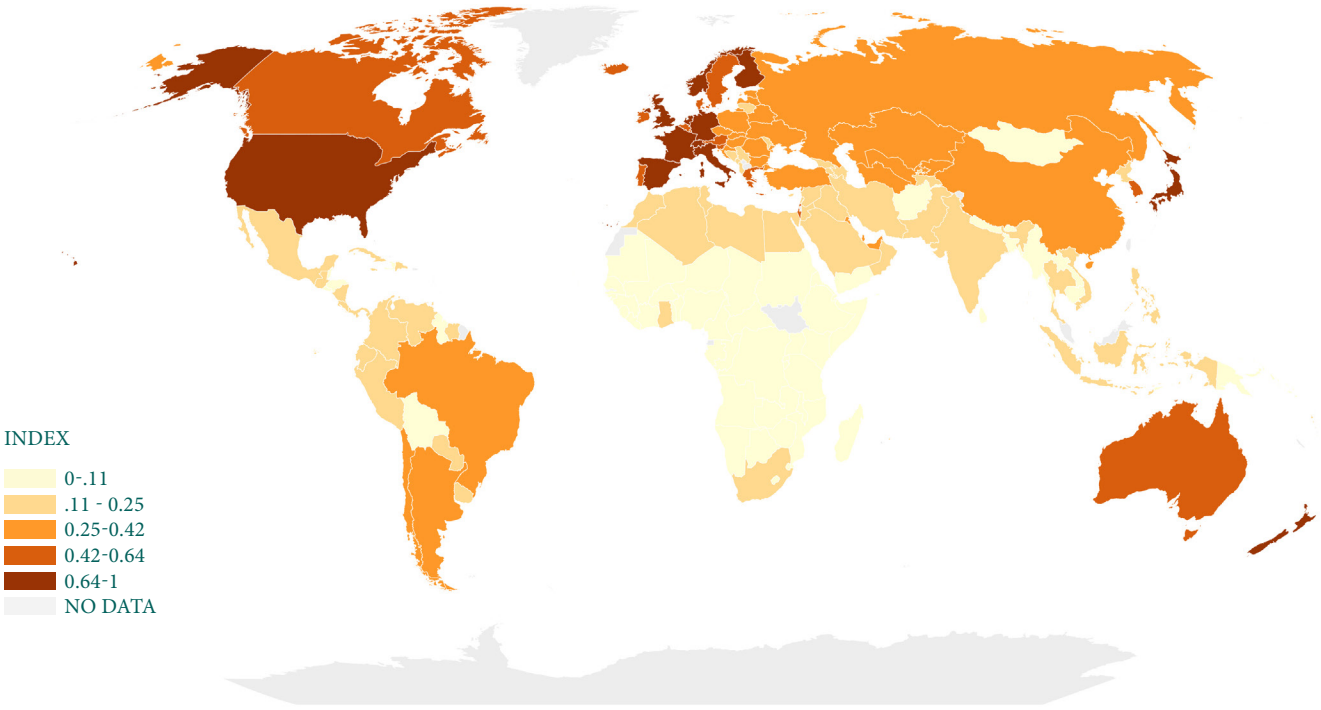


FIGURE #2 Adaptive capacity indexed to historical greenhouse gas pollution. A higher score and a darker color indicates that a country is more able to adapt to climate change and has higher historical Greenhouse Gas emissions.

at the Climate Justice Coalition in South Africa argue that the US$7.7 billion in debt that Eskom (and, by extension, the South African government) incurred in building these projects ought to be written off as an "odious debt"—a legal term for debt that was contracted under an illegitimate government or in other nefarious circumstances against the interests of the people it ostensibly represents.[76] Given that the climate risks of building new coal capacity were well known to the World Bank, its costs massively overran in flagrantly corrupt circumstances, and coal-generated electricity is far more expensive than renewables in South Africa, this debt certainly seems to meet the odious criteria.

While the conditions under which this debt was taken are specific to South Africa, the imperative to borrow in order to provide power for development will resonate around the world, particularly given the World Bank's long-standing penchant for funding particularly polluting power sources, even after it announced it would no longer finance coal-fired power in 2010.[77] South Africa has access to coal, and mining is a politically powerful constituency; given the paucity of international funds available to aid Global South energy transitions, continuing to exploit fossil resources is understandable, if increasingly undermined as the cost of renewables continues to fall. This helps explain why coal and mining retain political support even after solar and wind technology have become cheaper than coal in South Africa.[78] However, Eskom now lacks fiscal space to move quickly on renewables buildout, and the South African state, as the ultimate guarantor of most of Eskom's debts, is similarly constrained on acting on other low-carbon development and adaptation priorities—this is especially urgent given South Africa's well- publicized struggles with water scarcity as the climate changes. The World Bank and other official responses have been predictable: to restructure debt in ways that ensures that creditors are made whole, and to carve up, then move Eskom toward privatization so that profit-driven investors can "rationalize" the utility. Any rationalization under market logics would likely further raise electricity rates that disproportionately burden the poor, and privatization would reduce the public oversight of the utility. By keeping Eskom in public hands through relief from its corrupt, coal-fueled debt, South Africa would have more fiscal space to push further and faster toward renewables in ways that most directly benefit the communities that have long suffered economic marginalization and will be disproportionately impacted by climate change.[80]

76. Stephen Mandel, "Odious Lending: Debt Relief as If Morals Mattered," New Economics Foundation, 2006, https://neweconomics.org/uploads/files/fff4a8929678dfec38_e5m6bdjp4.pdf; 350Africa.org, "Green New Eskom," 350Africa.org, https://350africa.org/greenneweskom/.

77. Isabelle Gerretsen, "World Bank Branch Indirectly Backs Coal Megaproject Despite Green Pledge," *Climate Home News*, October 22, 2020, https://www.climatechangenews.com/2020/10/22/world-bank-branch-indirectly-backs-coal-megaproject-despite-green-pledge/.

78. Sasha Planting, "Best Plan to Keep the Lights On: Solar and Wind Power Officially Cheaper than Coal," *Daily Maverick*, November 4, 2021, https://www.dailymaverick.co.za/article/2021-11-04-best-plan-to-keep-the-lights-on-solar-and-wind-power-officially-cheaper-than-coal/.

79. F. E. L. Otto, P. Wolski, F. Lehner, C. Tebaldi, G. J. van Oldenborgh, S. Hogesteeger, R. Singh, et al., "Likelihood of Cape Town Water Crisis Tripled by Climate Change," *Environmental Research Letters* (2018), https://www.worldweatherattribution.org/the-role-of-climate-change-in-the-2015-2017-drought-in-the-western-cape-of-south-africa/.

80. Alex Lenferna, "SA's Climate-Finance Deal: Opportunity or Trap?," *New Frame*, November 22, 2021, https://www.newframe.com/sas-climate-finance-deal-opportunity-or-trap/.

CONCLUSION: DEBT JUSTICE NOW

This report ends with a slate of suggestions and recommendations. There are a wealth of resources available for more technical proposals, but these broad-stroke suggestions should help civil society organizations and decision makers consider the types of actions that movements around the world are pushing for. This platform of actions could form the scaffolding for a broad-based movement for climate reparations, helping to build a strong fiscal base that accounts for past and ongoing wrongs and on which countries can build a safer, more just future.

OUR RECOMMENDATIONS:

1. Declare an immediate jubilee on public debt and implement policy to encourage discounted debt sales by private holders to G20 governments for cancellation.

It is well within creditors' ability to unilaterally write off debts—especially "official" multilateral and sovereign lenders like the World Bank or the United States. They should do so. Cancellation of debt held by official creditors—development banks and individual governments—would immediately free up important fiscal space for the poorest countries, who generally hold little private debt but are still suffering from the crushing weight of interest payments. **While it would be more technically challenging, governments and their organizations, like the G20, should coordinate policy to facilitate the public purchase of privately Global South debt at steep discounts, then cancel that debt too.** Private creditors have consistently refused to participate in debt relief programs, so reform is needed such that burdens can be shared between debtor and creditor.[81] Creditors must acknowledge that the risk of default was baked into the original lending terms, so nonpayment is a plausible outcome. Creditors should seek to minimize this risk by participating in debt relief programs, while reform to bond financing terms must explicitly reshape investor expectations. Time is of the essence for debt justice—rising interest rates in the US and Europe will cascade through global balance sheets, raising the cost of borrowing for all but disproportionately hurting countries with the lowest ability to pay.

2. Move both sides of the ledger—debt justice is critically necessary but not sufficient for just transitions. There must be at least an order of magnitude scale-up of climate finance to build toward climate reparations.

The total gap between available finance and the requirements of a just transition in our global energy and political systems has been measured in the trillions.[82] Thus, debt justice should be a part of this effort, but cannot be decisive on its own. How this financing is provided is also of crucial importance: finance by way of market-rate loans, for example, would compound many of the problems that this report has discussed and that debt justice would seek to alleviate. Public–private partnerships likewise can serve as vehicles to place Global South governments in a "de-risking" role for shareholders, stabilizing returns for the few at the expense of financial and environmental risk for the many.[83] **Climate finance must be scaled up through direct funding, not as projections of "leveraged" private finance, which often fail to materialize and sidestep the Global North's historical and ongoing responsibility for climate breakdown.** Further, this climate finance must not only be scaled up, but made predictable, and growing. Climate finance currently varies from year to year, dependent on the whims of donors, which makes it challenging for recipients to plan long-term investments; a preparatory program of climate finance must have a foundation that enables countries to plan their climate investments. The North has currently pledged, and failed, to deliver $100 billion in climate finance per year—that must increase to $1 trillion as part of a truly reparative program of solidarity that reckons with historical and ongoing harms, and even the future harms that are locked in as the planet continues to warm.

For these reasons, whole new institutions may need to be created to manage these flows: Keston Perry, for instance, has called for a Global Climate Stabilization

81. Ulrich Volz, Shamshad Akhtar, Kevin P. Gallagher, Stephany Griffith-Jones, Jörg Haas, and Moritz Kraemer, "Debt Relief for a Green and Inclusive Recovery: Securing Private-Sector Participation and Creating Policy Space for Sustainable Development," Heinrich Böll Stiftung, SOAS, University of London, and Boston University, June 2021, https://eprints.soas.ac.uk/35254/1/DRGR%20Report%202021.pdf.

82. Mariama Williams, "The State of Play of Climate Finance—UNFCCC Funds and the $100 Billion Question," *South Centre Climate Policy Brief* 21, December 2019, https://www.southcentre.int/climate-policy-brief-21-december-2019/.

83. Daniela Gabor and Ndongo Samba Sylla, "Planting Budgetary Time Bombs in Africa: The Macron Doctrine en Marche," Committee for the Abolition of Illegitimate Debt, September 18, 2021, https://www.cadtm.org/Planting-budgetary-time-bombs-in-Africa-the-Macron-Doctrine-En-Marche.

Fund and Resilience Fund for loss and damage in formerly colonized countries.[84] **Regardless of how it is distributed, all debt relief and new finance must be additional to existing Global North climate finance commitments—these governments have already committed to compensation for loss and damage, and reparations must be paid on top of this.** Finally, these funds should be allocated unconditionally, or with extremely tailored and flexible conditions—they should not re-create the ordeals of Structural Adjustment, nor should they be designed solely to increase private investment in mitigation or adaptation in the Global South. However, some movement partners reported that inserting targeted conditions about the scope of climate ambition could be a useful way of giving civil society levers to push governments even harder to prioritize inclusive, community-defined climate action. These kinds of conditions would need to be developed by recipient countries and communities themselves, not the funders.

3. Redistribute IMF Special Drawing Rights (SDRs)

SDRs are a policy instrument of the International Monetary Fund that are distributed to member countries and can be exchanged for hard currency that, in turn, can be used to expand public spending on the priorities of Global South governments themselves, rather than their creditors. In the latest allocation of SDRs issued in response to COVID, low- and middle-income countries received $250 billion, while the rich world was issued nearly $400 billion.[85] **A reparative allocation strategy would reverse the disproportionate allocation of SDRs, giving the lion's share to the Global South, with further allocation that accounts for climate vulnerability.**[86] Building on the Barbadian Prime Minister Mia Amor Mottley's powerful call for increased SDR allocation at COP26 in Glasgow, Jayati Ghosh has spelled out how a reform of the SDR system could alleviate Global South debts while driving climate action by making SDR issuance more frequent, sending Global North SDR allocations to regional development banks, and using SDRs to create a climate action trust fund.[87] **Recently, the IMF proposed a "Resilience and Sustainability Trust" as a mechanism through which to redistribute SDRs as both a response to the pandemic and to spur climate action, but serious concerns linger about the IMF's commitment to imposing structural adjustment–like conditions through this new Trust.**[88]

4. Use Central Bank and Treasury levers to push for debt justice and foster conditions for a just transition

While unable to directly regulate lending practices, Central Banks and other financial regulatory authorities, like treasuries, can play a useful role in debt justice by making it harder or more expensive for private lenders to keep Global South sovereign debt on their balance sheets. For example, **raising the capital reserve requirements on domestic lenders could compensate for the higher risks posed by climate change to Global South borrowers, as campaign groups have called on Central Banks to do for climate-financial risks more broadly.**[89] By making this debt more costly to hold, Central Banks can nudge lenders to offload these debts to public lenders for subsequent cancellation. Further, **Central Bankers with reserve currencies, like the US and EU, must consider the global debt repercussions of changes to interest rates, which are amplified as they move out of the Global North through the international financial system, resulting in higher interest repayment costs for the poorest countries.** Central banks should explicitly account for the global impacts of interest rate changes and take steps to alleviate negative consequences for poor countries, while IMF and bi/multilateral trade agreement rules against the imposition of capital controls by Global South Central Banks in response to volatile capital outflows should be relaxed or scrapped.

84. Keston Perry, "Realising Climate Reparations: Towards a Global Climate Stabilization Fund and Resilience Fund Programme for Loss and Damage in Marginalised and Former Colonised Societies," March 1, 2020, available at SSRN, https://ssrn.com/abstract= 3561121.

85. Jayati Ghost, "Free the Money We Need," Project Syndicate, February 14, 2022, https://www.project-syndicate.org/commentary/imf-sdrs-equitable-sustainable-global-recovery-by-jayati-ghosh-2022-02.

86. Michael Franczak and Olúfẹ́mi O Táíwò, "Here's How to Repay Developing Nations for Colonialism—and Fight the Climate Crisis," *The Guardian*, January 14, 2021, https://www.theguardian.com/commentisfree/2022/jan/14/heres-how-to-repay-developing-nations-for-colonialism-and-fight-the-climate-crisis.

87. Jayati Ghost, "Free the Money We Need," Project Syndicate, February 14, 2022, https://www.project-syndicate.org/commentary/imf-sdrs-equitable-sustainable-global-recovery-by-jayati-ghosh-2022-02.

88. Chiara Mariotti, "Why the IMF Resilience and Sustainability Trust Is Not a Silver Bullet for COVID-19 Recovery and the Fight Against Climate Change," European Network on Debt and Development, January 13, 2022, https://www.eurodad.org/resilience_and_sustainability_trust_not_silver_bullet_covid19_climate_change.

89. Hilal Atici, "Report Finds Central Banks Failing on Climate Action," Green Central Banking, August 24, 2021, https://greencentralbanking.com/2021/08/24/report-finds-central-banks-failing-on-climate-action/.

5. Direct civil penalties against fossil fuel companies to climate action in the Global South.

Climate activists around the world have been honing legal strategies to hold polluting companies to account for the damages they have caused while hiding what they knew about how fossil fuels would damage the planet.[90] Courts have been increasingly likely to rule in favor of communities and cities that have been, or will be, harmed by the impacts of climate change caused by reckless fossil fuel firms.[91] But it is likely that any civil or damages awarded will be returned to those who bring the suit, or more commonly that courts will impose policy restrictions in the future rather than compensation for ongoing damages.[92] Damages can and should be awarded, and have been—but, so far, mainly to Global North recipients.[93] A substantial portion of the damages awarded to injured parties should be directed to countries in the Global South through a dedicated trust fund that vulnerable communities can access.

These suggestions are both necessary and politically possible. There is precedence for sweeping reform to the sovereign debt policies of the IMF and World Bank. The Heavily Indebted Poor Countries (HIPC) Initiative (see box), started in 1996 and enhanced in 1999, ultimately provided substantial debt relief to 36 of the most indebted countries, leading to better public policy outcomes: most notably, increasing "fiscal space" for Southern governments to expand public investment according to their own priorities—a critical outcome from the perspective of climate justice organizations that want to expand the possibilities for self-determination, not just green investment.[94] **While HIPC and other debt relief programs clearly did not unravel the structural causes of debt accumulation, they demonstrate that change is possible, but only if consistently, vociferously pushed by social movements across the North and South.**

It is not as though the institutional power centers of the global debt system are unaware of the challenges facing the Global South. The IMF and World Bank have talked a big game about climate for the last decade, while the G20 was the primary architect of the biggest debt suspension program following the onset of the pandemic. **But thus far, actions to achieve debt justice in an effort to raise climate ambitions, much less for reparations, have been woefully insufficient, and as seen in the cases above, the actual practices of the biggest institutions have often been outright harmful.** In the first year of the pandemic, the IMF required cuts to public services for 73 of the 85 countries that took out loans in response to the pandemic—the exact opposite move needed to support climate action and development priorities more generally.[95] Meanwhile, the major funds designated for international climate action have, if anything, exacerbated debt while falling astonishingly short on delivering to their commitments, let alone paying a fair share. The Global North has never met their stated goal of providing $100 billion per year even according to their own measurements; social movements and Global South governments dispute that the actual funding mobilized even comes close to this target, and some big emitters, particularly the US, are nowhere near distributing funds that would represent a proportional contribution to the harms they have caused. The most recent budget proposal offers a derisory $1 billion in 2022.[96] Even worse, a substantial part of what is counted as Global North climate finance is distributed in the form of loans, pushing the most environmentally vulnerable countries into even worse financial positions, limiting their capacity to make meaningful progress on green development and adaptation.[97]

90. J. Setzer and C. Higham, Global Trends in Climate Change Litigation: 2021 Snapshot (London: Grantham Research Institute on Climate Change and the Environment and Centre for Climate Change Economics and Policy, London School of Economics and Political Science, 2021), https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/07/Global-trends-in-climate-change-litigation_2021-snapshot.pdf.

91. Center for Climate Integrity, "Climate Liability Litigation," Pay Up Climate Polluters, https://payupclimatepolluters.org/cases.

92. Jeff Brady, "In a Landmark Case, a Dutch Court Orders Shell to Cut Its Carbon Emissions Faster," National Public Radio, May 26, 2021, https://www.npr.org/2021/05/26/1000475878/in-landmark-case-dutch-court-orders-shell-to-cut-its-carbon-emissions-faster; Joana Setzer and Catherine Higham, "Climate Change Litigation Is Growing and Targeting Companies in Different Sectors," LSE Business Review, October 4, 2021, http://eprints.lse.ac.uk/112632/1/businessreview_2021_10_04_climate_change_litigation_is_growing_and.pdf.

93. Alex Lenferna, "US Cities Sue Big Oil, but Ignore Their Own Climate Guilt," *Climate Home News*, May 30, 2018, https://www.climatechangenews.com/2018/05/30/us-cities-sue-big-oil-ignore-climate-guilt/.

94. Danny Cassimon, Bjorn Van Campenhout, Marin Ferry, and Marc Raffinot, "Africa: Out of Debt, into Fiscal Space? Dynamic Fiscal Impact of the Debt Relief Initiatives on African Heavily Indebted Poor Countries (HIPCs)," *International Economics* 144 (2015): 29–52.

95. Nona Tamale, "Adding Fuel to the Fire: How IMF Demands for Austerity Will Drive Up Inequality Worldwide," *Oxfam Briefing Paper,* August 2021, https://reliefweb.int/sites/reliefweb.int/files/resources/bp-covid-loans-imf-austerity-110821-en.pdf.

96. Somini Sengupta, "The U.S. Has Made Big Promises. Where's the Money?," *New York Times*, March 15, 2022, https://www.nytimes.com/2022/03/15/climate/united-states-climate-pledges.html.

Meanwhile, the total cost of immediate debt justice in the form of a debt jubilee for the 20 most climate-vulnerable countries is about $1 trillion. This may sound like a lot of money, but it pales in comparison to other US government and multilateral spending. For example, the US Federal Reserve, the European Central Bank, and the Bank of Japan have cumulatively pumped more than $9 trillion into capital markets since 2020 through their quantitative easing programs to support investors and the banking system.[98] The lifecycle of the F-35 fighter jet, a single defense program, costs the United States $1.7 trillion—nearly double what debt cancellation for the 20 most climate-vulnerable countries would cost.[99]

Debt justice is both a practical and moral imperative as the world heats up; the Global North owes substantial debt to the South for five centuries of exploitation, and debt justice for climate action is a critical place to make a down payment on its obligations. There is no shortage of evidence concerning the steps needed to free the Global South of the shackles of financial debt to build more robust futures for people around the world who have been harmed by the North's fossil-fueled colonialism and ongoing plunder. The question is whether these institutions will take such steps and how Northern social movements can support their partners in the South calling for debt justice.

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97. Jocelyn Timperley, "The Broken $100-billion Promise of Climate Finance—And How to Fix It," *Nature* 598, no. 7881 (2021): 400–402.

98. Malcolm Scott, Paul Jackson, and Jin Wu, "A $9 Trillion Binge Turns Central Banks into the Market's Biggest Whales," *Bloomberg*, July 7, 2021, https://www.bloomberg.com/graphics/2021-central-banks-binge/.

99. Valerie Insinna, "Watchdog Group Finds F-35 Sustainment Costs Could Be Headed Off Affordability Cliff," *DefenseNews*, July 7, 2021, https://www.defensenews.com/air/2021/07/07/watchdog-group-finds-f-35-sustainment-costs-could-be-headed-off-affordability-cliff/.

APPENDIX: Map indices and explanation

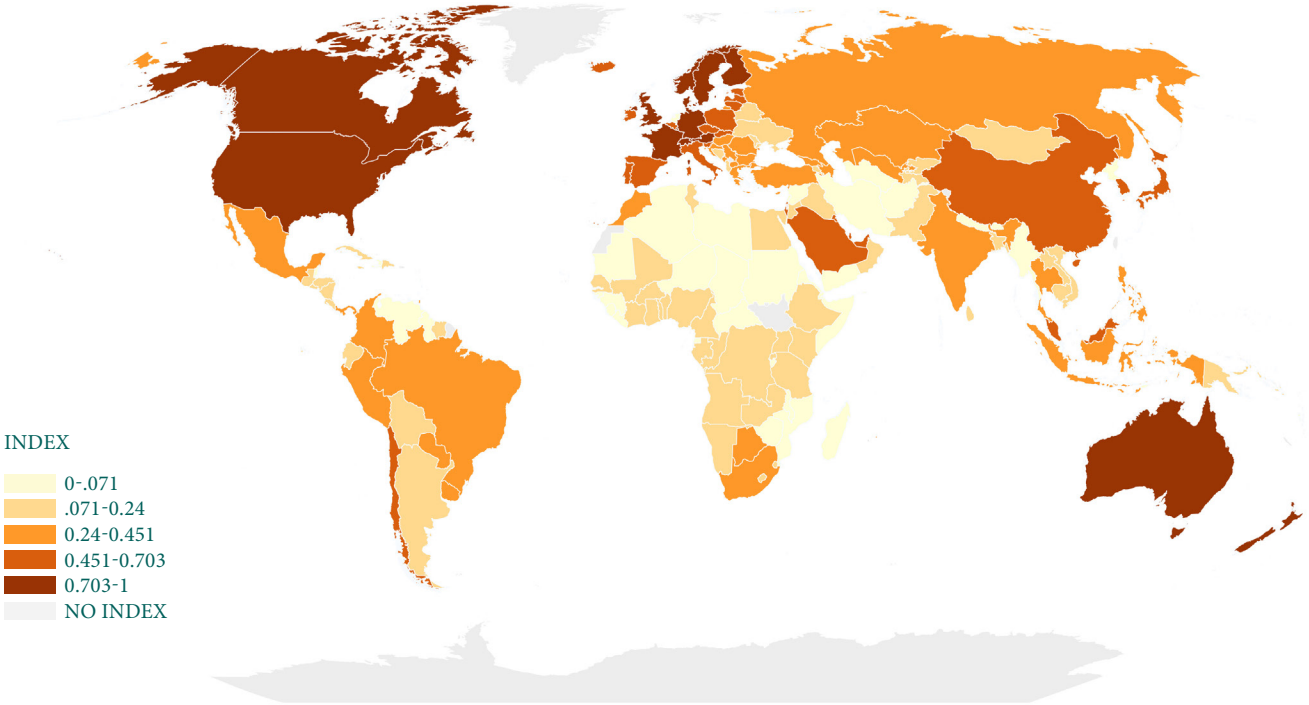

FIGURE #1 Market-rated creditworthiness indexed to climate vulnerability. A higher score and a darker color indicates that a country is less vulnerable to climate change and has a higher TE score.

This index was calculated using a nation's Trading Composite credit score and the ND-GAIN Country Vulnerability Index. The inverse of the vulnerability score was used in the calculation of this index to make the numbers comparable to the Trading Composite credit score. This number was then multiplied by the Trading Composite credit score. The yielded value was fit to a range from 0 to 1 based on the value's percent in the range of values. Larger scores for the calculated index thus indicate that a country is both less vulnerable to climate change according to the ND-GAIN Index and more creditworthy according to the TE score, while lower scores indicate that a country is more vulnerable to climate change and has a lower credit rating, raising borrowing costs or cutting countries off from international credit markets altogether. Countries without a vulnerability score are indicated by "no data."

The following two maps visualize the index components separately.

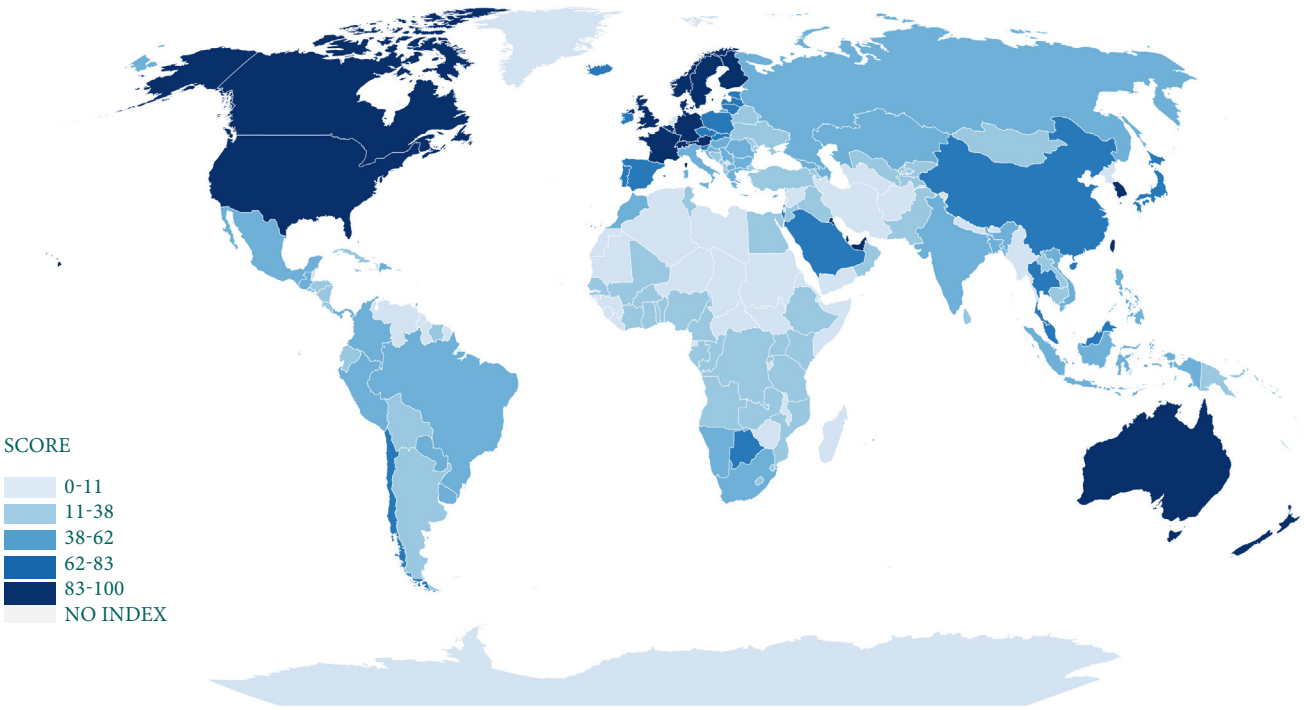

FIGURE #3 Composite creditworthiness score. The TE Score indicates the creditworthiness of a country from 0 (likely to default) to 100.

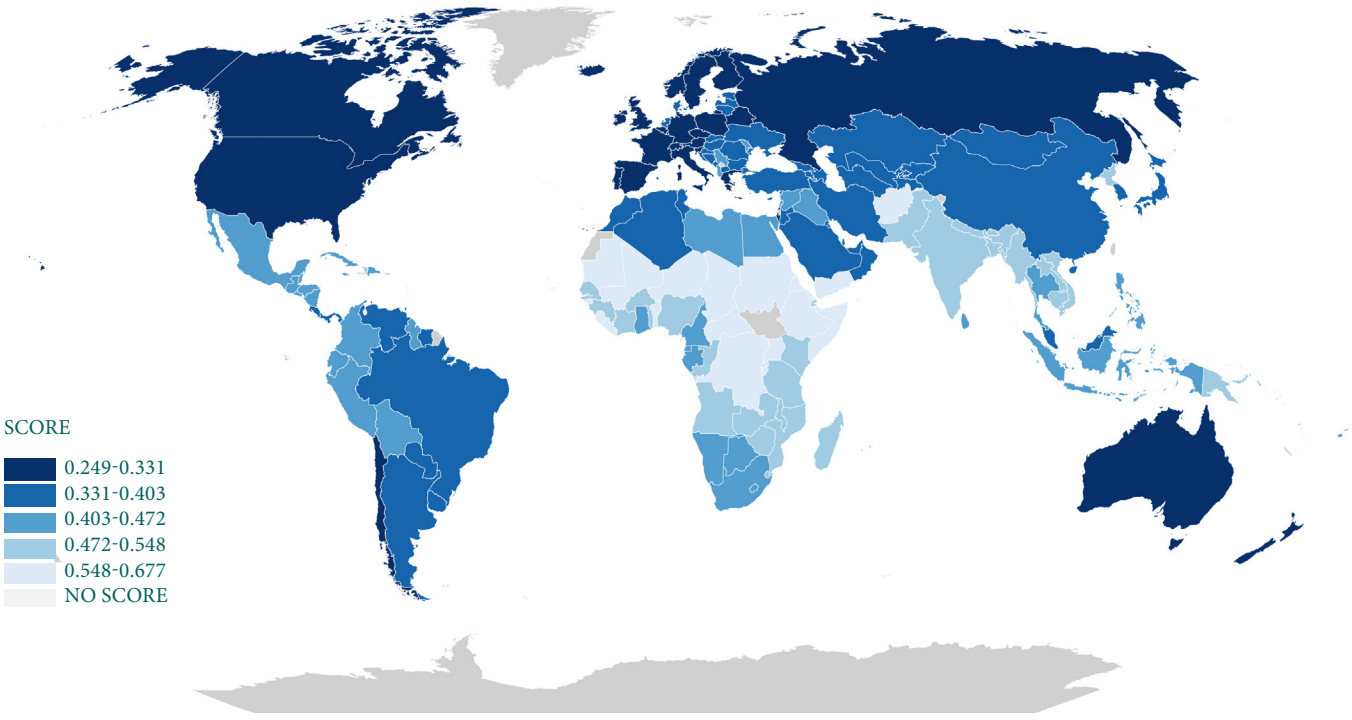

FIGURE #4 : Vulnerability Score. A lower score indicates that a country is less vunerable according to its exposure, sensitivity and ability to adapt to the negative impacts of climate change (Notre Dame Global Adaptation Initiative).

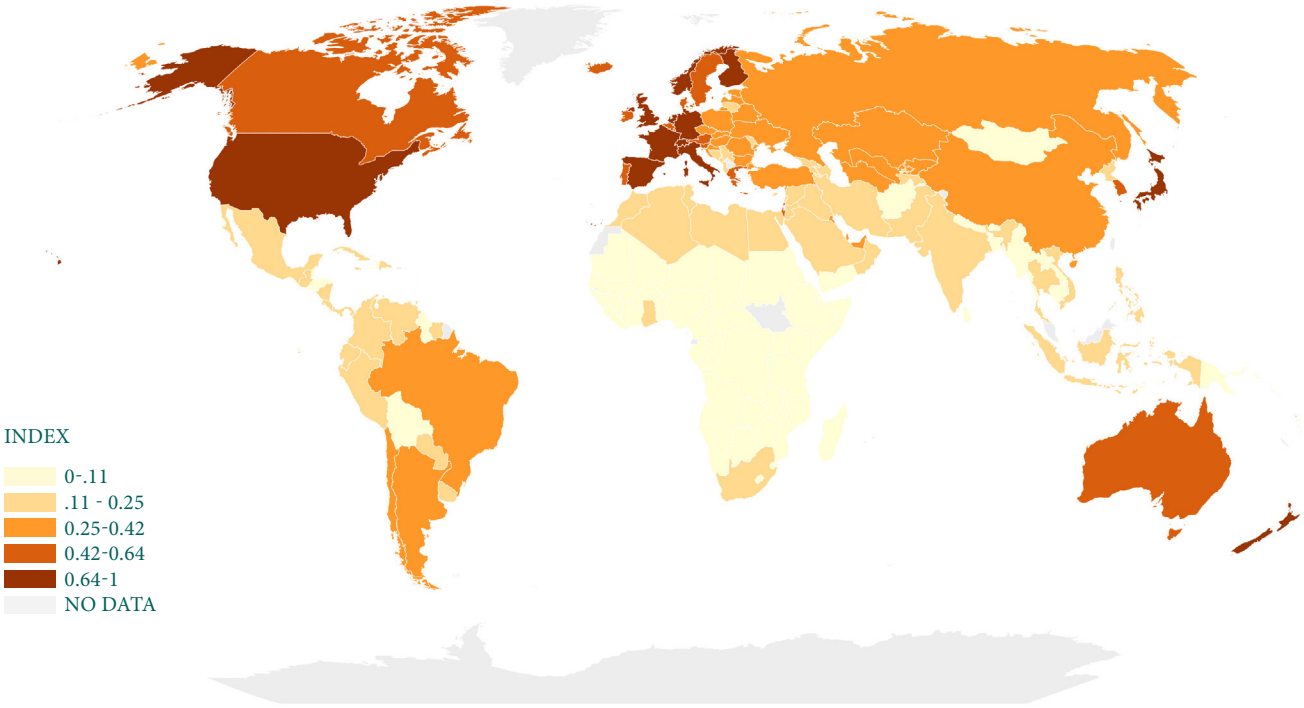

FIGURE #2 Adaptive capacity indexed to historical greenhouse gas pollution. A higher score and a darker color indicates that a country is more able to adapt to climate change and has higher historical Greenhouse Gas emissions.

This index was calculated using a nation's historical greenhouse gas emissions and the ND-GAIN Country Adaptive Capacity score. The inverse of the adaptive capacity score was used in the calculation of this index to make the numbers comparable to a nation's historical greenhouse gas emissions. The greenhouse gas emissions were normalized using a log transformation. The inverse of the adaptive capacity score and the transformed greenhouse gas emission value were multiplied. The yielded value was fit to a range from 0 to 1 based on the value's percent in the range of values. Larger scores indicate that a nation is more able to adapt to climate change and has higher historical greenhouse gas emissions. Lower scores indicate that a nation is less able to adapt to climate change and has lower historical greenhouse gas emissions. Nations without an adaptive capacity score are indicated by "no data."

The following two maps visualize each of these index components separately.

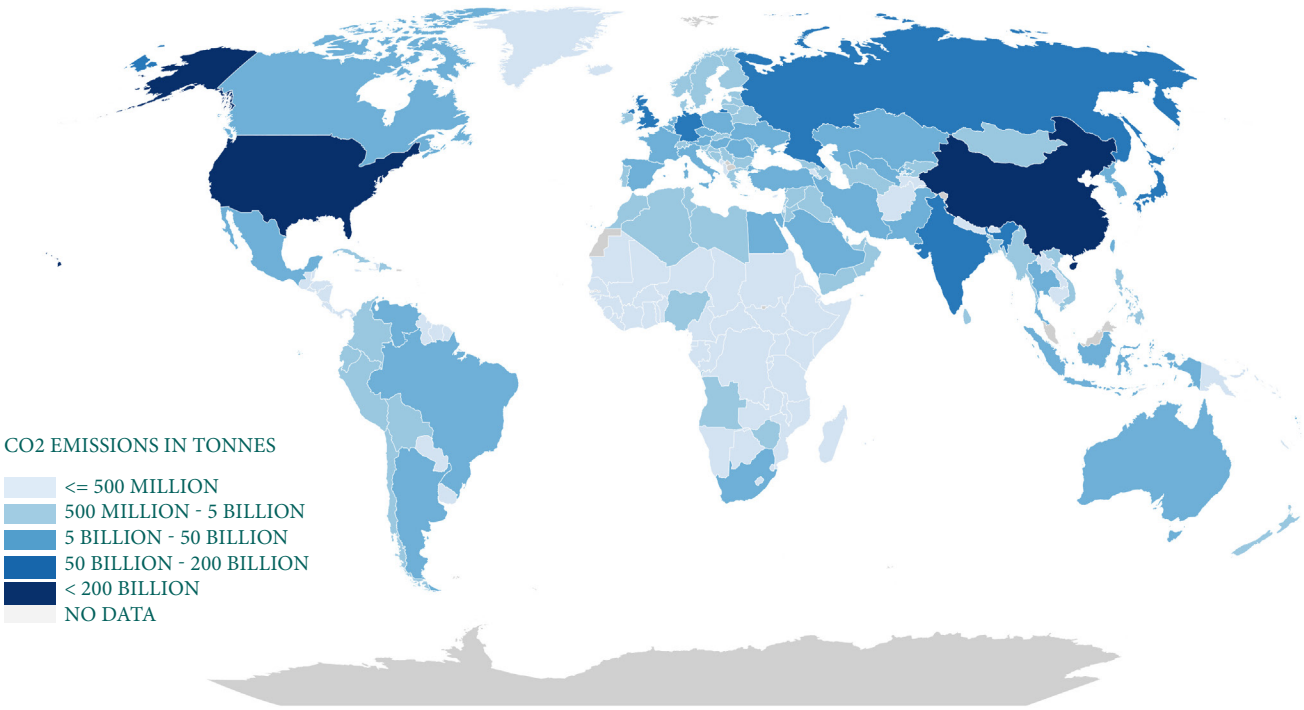

FIGURE #5: Cumulative CO2 Emissions, 2020. Represents the total sum of CO2 emissions produced from fossil fuels and cement since the year 1750.

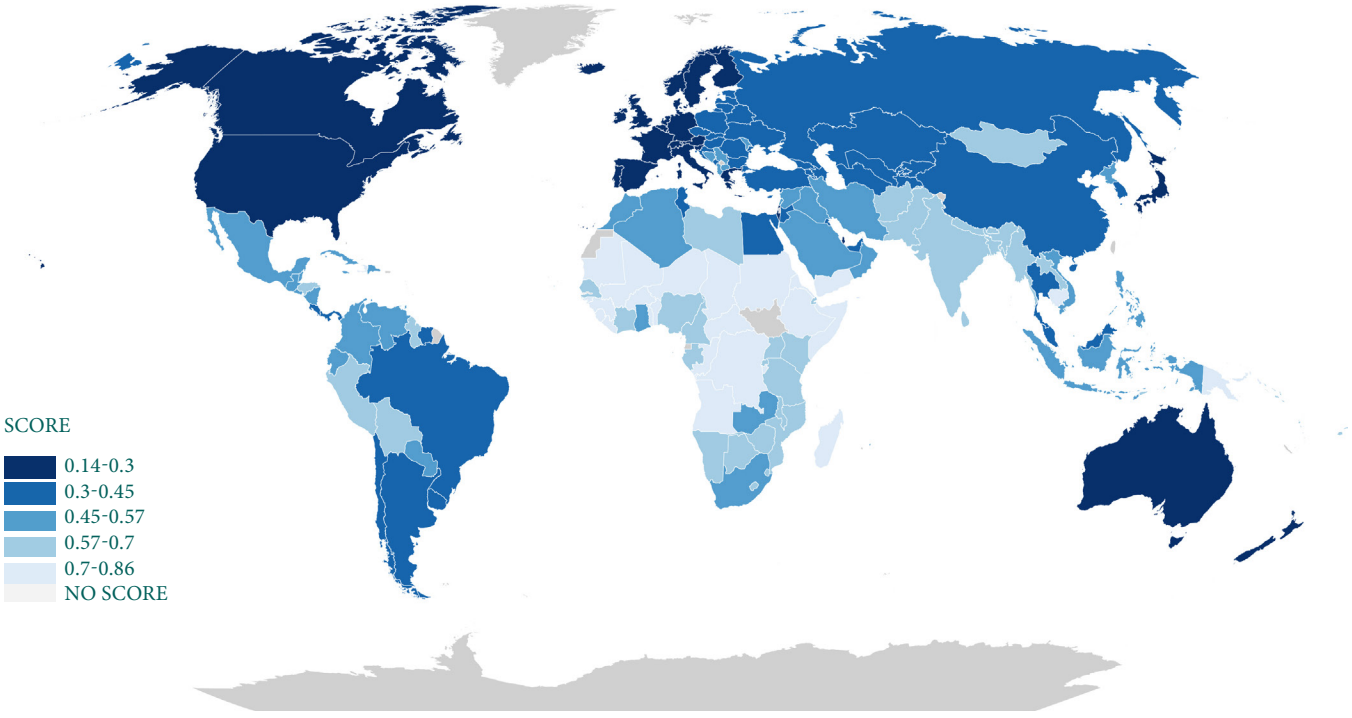

FIGURE #6 : ND-GAIN Adaptive Capacity Score. The adaptive capacity score reflects the availability of social resources for sector-specific adaptation including sustainable adaptation solutions or capacities to put newer, more sustainable adaptations into place (Notre Dame Global Adaptation Initiative). A lower score is better.