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DC

Debt for Climate: Expanded Factsheet

This document contains supporting information for the summary provided in D4C campaign summary.

1. Debt is incompatible with climate action.

a. Indebted nations are strangled by high-interest repayments on conditional loans from the World Bank, International Monetary Fund, and other international lenders.

i. With a growing debt crisis, countries in the global South are struggling to provide immediate basic needs like education and healthcare to their people.
ii. In 2020 alone, global South countries spent $372 billion servicing debt.
iii. 73 of the IMF's 85 pandemic support loans were conditional on public service cuts. As a result, women* are the first to suffer the consequences of the stranglehold of debt.
iv. During the structural adjustment period the number of people living on less than $5 a day increased by over a billion; Latin America's urban poverty rate rose by 50% (1980–86); Nigeria's poverty rate rose from 28% to 66% (1980–96); the GNP of the average African country shrank by around 10%, and the number of Africans living in extreme poverty more than doubled.[1]

b. Indebted nations are at the mercy of multinational predators who push extraction for export.

[1] Hickel, J. (2017). *The Divide: A Brief Guide to Global Inequality and its Solutions*. Windmill Books.

   i. Senegal was pressured by the World Bank to open up for more oil and gas extraction by Australian, US, and British companies.
   ii. The IMF pushed Argentina to allow European and US companies to frack in Vaca Muerta, despite fierce opposition from local and indigenous communities.
   iii. The IMF put forward coal and gas extraction as a solution to Mozambique's debt crisis and climate disasters.
   iv. 'There are two ways to conquer and enslave a nation. One is by the sword. The other is debt.' – John Adams

c. Debt suffocates global South nations' ability to take climate action.

   i. Africa has 40% of the world's potential for renewable energy but only 2% of its investment.
   ii. In 2021, 34 of the world's poorest countries spent over five times more on debt payments than on protecting their people from climate impacts.

d. Countries are forced further into debt by climate disasters they did not cause.

   i. Devastating cyclones forced Mozambique to take on a $118 million IMF loan in 2019.
   ii. More than two thirds of the climate finance delivered to the most impacted countries are loans, driving them deeper into debt.

2. G7: Prove you're serious about climate by cancelling the debt.

a. The colonial setup of the IMF and World Bank places immense power in the hands of the G7.

   i. Voting shares are allocated based on economic power – richer countries get more votes and poorer countries' voices are sidelined. The US, France, Germany, Japan, and the UK (all G7) control the largest voting shares.
   ii. In the IMF, a British person's vote is worth 41 times more than a Bangladeshi's vote and 23 times more than a Nigerian's vote. Both are former British colonies.

iii. Despite constituting 85% of the world's population, middle- and low-income countries have only ~40% of the vote.[2] Even if the entirety of the global South united against an IMF and World Bank policy, they wouldn't be able to stop it.
iv. The US wields de facto veto power – major decisions require 85% of the vote but the US holds ~16% of the shares in both institutions.[3]
v. Traditionally, the World Bank Group president has always been an American citizen nominated by the United States, the largest shareholder in the World Bank Group. The International Monetary Fund is always led by a European. This convention is known as a 'gentleman's agreement'.

b. Cancelling the debt of impoverished nations will free them to leave fossil fuels in the ground and invest in a just transition to clean energy.

c. Central banks and regulators of the major economies should limit the ability of private creditors to hold debt in the global South, such as commercial banks and large investment firms like Blackrock or Goldman Sachs.

i. Lower income countries make half of their external debt payments to banks, hedge funds, and asset managers.
ii. These same financial actors profit from fuelling climate chaos.
iii. BlackRock refused to suspend Zambia's debt repayments during the coronavirus pandemic, forcing the country to default. Meanwhile, BlackRock has invested $85 billion in coal companies, belching out carbon emissions which will disproportionately harm African nations.

3. Who owes who really?

a. The minority Rich World is responsible for the vast majority of global heating. This climate debt is immeasurably greater than the financial debt 'owed' by low-emitting countries in the global South.

i. The G7 countries alone are historically responsible for over two thirds of climate breakdown and over half of ecological breakdown.
ii. The rich and most polluting countries are still failing to deliver the $100 billion in annual climate finance promised to the most impacted countries in 2009.

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[2] The Bretton Woods Project. (2010). *Analysis of World Bank voting reforms* (IFI Governance) [Analysis]. The Bretton Woods Project. https://www.brettonwoodsproject.org/2010/04/art-566281/

[3] Ibid.

iii. It is a basic principle of international law that where a state injures another state, it must make reparations including financial compensation.

b. Those hit hardest by the climate impacts of water scarcity, food insecurity, drought, flooding, pollution, extreme storms, and displacement are in the global South.

i. 82–92% of the costs of climate change and 98–99% of the associated deaths are borne by the global South.
ii. Last year the 10 worst climate disasters alone saw $170 billion in damages.

c. This exploitative relationship is a continuation of colonialism in which the minority Rich World colonised the rest of the world for centuries.

i. International power imbalances enable the global North to drain the equivalent of over $10 trillion from the South annually, outstripping the aid budget by a factor of 30. This is enough to end extreme poverty 70 times over.
ii. The global North squeezed over $4 trillion in interest payments from the South since 1980.
iii. For generations after Haiti gained independence, the descendents of enslaved people were forced to pay 'reparations' to descendents of their former slave masters.
iv. Many global South countries are being forced to pay for the irresponsibility of Northern bankers who pushed loans (especially onto dictatorships) in the full knowledge they could not be repaid.[4]

d. We stand in solidarity with the 'South in the North'.

i. In Europe, while the affluent remain largely unaffected by the massive increases in the cost of living, lower income households are having to choose between heating and eating. People are forced into taking out loans to cover basic costs, pushing them further into debt.
ii. 47% of people using UK Trussell Trust food banks are in debt to the Department of Work and Pensions.

[4] Perkins, J. (2018). *The New Confessions of an Economic Hit Man: How America really took over the world*. Ebury Publishing.