



Debt and Climate Change

The rich world demands billions of dollars from poor countries in payment of ‘debts’ which often came from loans that served lenders’ interests. Meanwhile, the rich world’s actions are causing climate disaster in poor countries. On both counts, the rich are largely responsible, but the poor are paying: so who really owes whom?

The rich world – governments, private companies, and international institutions – claims billions from poor countries in debt payments, costing the poorest countries in the world over \$100 million a day. This is a huge drain on resources that could otherwise be spent on essential services like healthcare and education, in countries where the overall average income is around \$1.40 a day and where more than one in 10 children dies before their fifth birthday. Millions of deaths from preventable disease and hunger could be avoided if poor countries had all their debts written off. Moreover,

many of these debts come from loans which governments or companies gave recklessly or to serve their own political or commercial ends.

Meanwhile, industrialisation in rich countries of the global North is right now having a catastrophic impact on the climate, lives and livelihoods of poor people in indebted countries, causing starvation, displacement, disease and death. Debt is deepening these countries’ poverty and vulnerability to climate disaster. Given the dual responsibility of the rich world for these crises afflicting primarily the poor – those of climate

Jubilee Debt Campaign’s *Debt and...* briefings, produced with different partners, explore the impact of debt on real lives. They argue that ‘unpayable’ debts, which a country cannot afford whilst meeting basic human needs, and ‘illegitimate’ debts, which arose from unfair or irresponsible lending, should be cancelled.

▲ Floods in Sylhet, Bangladesh. Bangladesh has a total debt of \$20 billion, but is told it is not eligible for debt relief. With an average income of just over \$1 a day, it is also the country most vulnerable to sea-level rise as a result of climate change.



**JUBILEE DEBT
CAMPAIGN**

Kenya's 'sustainability'

Sharon Looremeta works for Practical Action in her Maasai community in Kenya. The rich world claims that Kenya's external debt of nearly \$7 billion is 'sustainable', and therefore not eligible for debt relief. Servicing debt costs Kenya more than health, water, roads, transport and agriculture combined. Meanwhile, communities like Sharon's are suffering the devastating impacts of climate change caused by its northern 'creditors'.

"My people are already suffering from the effects of the changing climate. Over the last ten years, I've been seeing our weather changing. The rains are becoming less predictable, and the droughts are becoming more severe and more frequent. For hundreds of years the Maasai have relied on our livestock, but the droughts are killing our animals. Last year the dead carcasses of our livestock were left littered across my homeland. In Northern Kenya, 10 million cattle perished, whilst two thirds of the Turkana people lost their livelihoods.

"Higher temperatures mean that many diseases are spreading. We never used to experience malaria in the highlands, but now people are suffering. Our hospitals are struggling to cope with the increased pressure.

"Our rivers and dams are drying up. Women who are the water providers now have to give up a whole day in search of water. Girls are pulled out of school to help fetch water and do household chores.

"People talk of making poverty history, but until an effective mechanism is developed to tackle climate change, poverty will remain a reality. The Maasai community do not drive 4x4s or fly off on holidays in aeroplanes. We have not caused climate change, yet we are the ones suffering. This is an injustice and should be stopped right now."



change and unjust debt – we need to radically reshape our perception of who is really in debt to whom.

Climate change kills

Climate change, which threatens all of humanity, is already having its most devastating impact on – and poses the greatest future threat to – the poorest people, in the poorest countries. They are most vulnerable both because these countries are likely to experience the most dramatic changes in weather conditions, and because poverty makes it harder to deal with the consequences of a changing climate.

Fact:

The World Health Organisation estimates that climate change is already causing over 160,000 deaths per year.

"The scientific evidence is now overwhelming: climate change is a serious global threat, and it demands an urgent global response. All countries will be affected. The most vulnerable – the poorest countries and populations – will suffer earliest and most, even though they have contributed least to the causes of climate change."
Stern Review

Climate change, caused by the carbon emissions of the rich world, is increasing temperatures and extreme weather events like floods, droughts and storms. Africa, for instance, is already 0.5°C hotter than it was 100 years ago, with the changes in temperature even steeper inland. The change in rainfall – far more frequent droughts, devastating floods and unpredictable rains – is disrupting farming and fishing, leading to widespread hunger. Dwindling food and water supplies are creating tensions within and between communities and driving people from their homes in areas that can no longer sustain them. Warmer weather and changing rainfall patterns are increasing the spread of disease. If left unchecked, these factors will create still more 'climate refugees', intensify conflict over resources, and lead to millions more deaths from disease and starvation.

A vicious circle

Huge debt burdens can in themselves contribute to climate change and wider environmental destruction. The requirement to pay out huge amounts in 'hard' foreign currencies to service debts encourages the depletion of natural resources. To earn the necessary dollars or Euros, poor countries have to increase exports of cash crops like timber or coffee, or of natural resources like oil and gas; sometimes intensification of these industries is even made a requirement of loans or debt relief from the World Bank and International Monetary Fund. But intensive agriculture and mining often drive deforestation, and, as pointed out by the recent Stern Review on climate change, deforestation in itself is a huge driver of rising carbon emissions.

At the same time, debt burdens make it harder to cope with the effects

Fact:

Nearly two-thirds of Africans are dependent on farming, but climate change is already affecting yields and increasing hunger. Debt costs sub-Saharan Africa around \$20 billion a year.



▲ A boy outside a destroyed shelter in Las Marias, Honduras, following Hurricane Mitch in 1998.

of climate change. The poorest countries desperately need significant resources to recover from climate change-related disasters, and to adapt to the changing climate: Oxfam estimates that the cost of adaptation for developing countries is at least \$50 billion per year. But the constant demand to make payments on debts to the rich world is placing a severe constraint on poor countries' resources, putting the means of survival still further out of reach.

Creditor countries, in a position of power, often use debt relief to force poor countries to adopt policies which leave their people even more vulnerable to natural disaster, such as removing support for farmers or privatising water supplies. But poor and indebted countries lack the leverage to demand that rich countries take the necessary actions to halt climate change.

Who owes whom?

The injustice of many of the 'debts' claimed from poor countries and the fact that they are the ones suffering from climate change caused by the rich world are leading many to ask: who really owes whom? Can impoverished countries truly be said to be in 'debt' to the rich world?

"I would estimate we now get 40 per cent less rain than we used to. Many farmers have left, mainly because the water no longer runs along the canal like it used to. These people now have nothing. They are destitute. Climate change is increasing poverty."
Joshua Musyoki-Mutua, Kenya

Apparent financial 'debts' are often ones that campaigners would argue are illegitimate. In the 1970s and 1980s, the rich world lent huge amounts of money – much of it earned from rising oil prices – to poor countries. Some loans went to oppressive regimes, often for arms sales; some were for useless projects from which only large companies benefited; some were given to corrupt but Western-friendly rulers who were known to be stealing money; still others were on extortionate terms. We argue that such lenders are not 'owed' by the current people of the countries to which they gave these loans, but rather are responsible for creating an illegitimate debt.

But the rich world can, on the other hand, be said to owe a huge 'carbon debt' to poor countries: the poor are paying for the rich world's carbon-addiction. The chart overleaf shows a calculation of the annual 'carbon debt' of rich countries – most of it owed by the G8 – and 'carbon credit' of poor countries, calculated on the basis of per capita carbon emissions beyond a global 'fair share', and the social cost of emissions as estimated by the Stern

Debt and disaster

In October 1998, Hurricane Mitch, one of the deadliest storms to hit central America in over 200 years, struck Honduras. It killed an estimated 15,000 Hondurans, and destroyed roads, crops, houses, and even entire villages. Total damage was estimated at \$5 billion, and the government stated that development was set back at least 30 years.

The problems of rebuilding Honduras were greatly intensified by a massive debt burden. Donors pledged some emergency assistance funds; but at the same time they still expected payment of old debts, including for infrastructure which had been destroyed. In 2000, Honduras paid over \$1 million every day servicing its external debts. Moreover, a shortage of donor funds meant that Honduras had to borrow still more to rebuild. In 2005, Honduras finally got substantial debt cancellation, after paying out \$1.9 billion in debt service from 2000 to 2004. But some debts will only be cancelled in return for forgoing much-needed aid.

Climate change is making more poor countries vulnerable to the kind of disaster that Mitch brought to central America. Hurricanes and the rainfall they bring are likely to get more violent as a result of global warming and rising sea levels, a prediction endorsed by the UN's Intergovernmental Panel on Climate Change. Meanwhile, countries that suffer such natural disasters are generally offered only a temporary delay on repaying debts – during which interest continues to mount – rather than the cancellation which both their needs and justice demand.

Fact:

The UN has estimated that debt cancellation could save 7 million children's lives.

“We are angry with the people who are doing this. We have made no contribution, but suffer the highest impact – that makes it a huge case of moral inequality against which the global citizenry, the global nation states, must take action. If not, we’ll be calling it climatic genocide.”

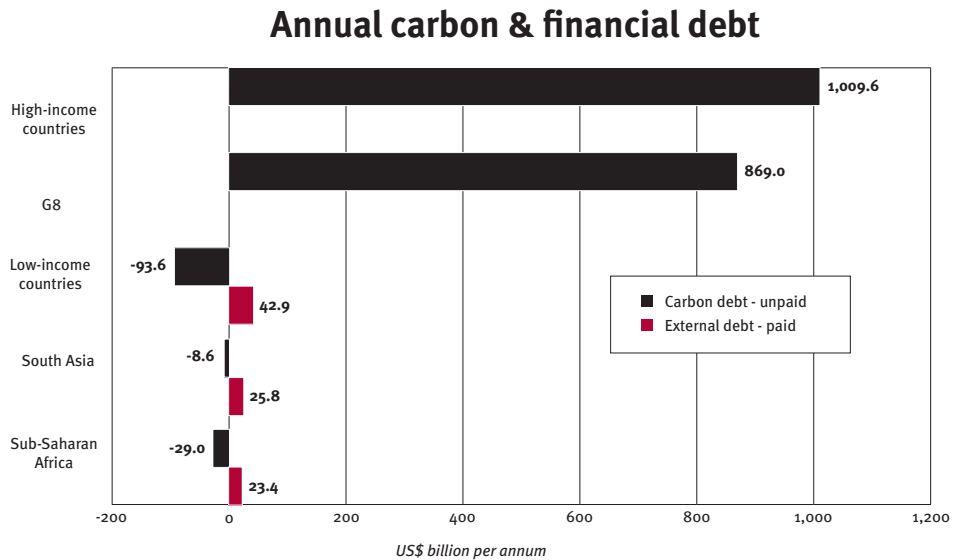
Atiq Rahman, Bangladesh

Review. It shows the rich world owing an annual carbon debt of more than \$1 trillion. We cannot, of course, put a real ‘price’ on carbon debt: no amount of money can compensate for the death and destruction caused by loss of rainfall in southern Africa, flooding of large parts of Bangladesh, or the disappearance of glaciers on which one-sixth of the world’s population depend for dry season water supplies. But the chart does give some sense of the scale of this unrecognised and unpaid debt, as compared to the debts being demanded of – and paid by – poor countries to the rich world. Low-income countries are paying around \$40 billion a year, at the expense of their own people’s needs, while the debt owed to them by rich countries as a result of their climate damage – a far greater amount by any calculation – goes unpaid. In this context, it is scandalous that the rich world continues to regard itself as a ‘creditor’.

Where next?

The twin threats of debt and climate change are both created in large part by the rich world, are both having their worst impact on the poor – and are both solvable through actions that can be taken by those in power.

Already, after campaigner pressure, some debts have been written off, making a huge difference to the lives of poor people. But without further



Calculated by Jubilee Debt Campaign and WDM using figures from Human Development Report 2006, Global Development Finance 2006 and Intergovernmental Panel on Climate Change 2007. Carbon emissions: 2003 figures. Debt: 2005 figures.

debt cancellation and urgent action on climate change, millions of lives and livelihoods will be lost.

Jubilee Debt Campaign, Practical Action, World Development Movement and WWF are urgently calling for:

- **Action on debt:** this must include full cancellation of all illegitimate and unpayable debts, without externally-imposed conditions, and responsible lending standards for future loans.
- **Action on climate change:** this must include substantial cuts in rich-country greenhouse gas emissions, and additional funding for essential adaptation in developing countries, particularly in the poorest countries that have contributed least to causing climate change.

Sources: Africa – Up in Smoke 2, Christian Aid, DfID, Global Development Finance 2006, Human Development Report 2006, Intergovernmental Panel on Climate Change, Jubilee Debt Campaign, Practical Action, Stern Review: Report on the Economics of Climate Change, World Development Movement, WWF

Take action:

You can make a difference by urging the UK government to take urgent action to end the debt crisis and combat climate change. Visit these websites for the latest information and campaign actions:

www.jubileedebtcampaign.org.uk
www.practicalaction.org.uk
www.wdm.org.uk
www.wwf.org.uk

About us:

Jubilee Debt Campaign is part of an international movement working to alleviate extreme poverty through the cancellation of unjust and unpayable poor country debts. It is a UK coalition of about 200 national organisations and local groups, supported by thousands of individuals.

Jubilee Debt Campaign

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