

DROP it!

Winter 2018



CLIMATE CHANGE, DEBT & DISASTERS




**JUBILEE DEBT
CAMPAIGN**

DON'T OWE, SHOULDN'T PAY

As **climate change accelerates** and we approach dangerous tipping points, damage from extreme weather events like hurricanes is increasing around the world.

Small impoverished states like the Caribbean and Pacific islands have done the least to cause climate change, but are amongst the most vulnerable to its growing impacts. They face a **spiral of indebtedness because of climate disasters**: borrowing on top of existing debts to rebuild after disasters.

This situation is fundamentally unjust. **The real climate debt is owed by the rich industrialised countries of the global North who are responsible for most greenhouse gas emissions.**

Instead, the people of islands like Grenada and Vanuatu are **paying 3 times over for a problem that is not of their making**: from the destruction wrought, the loans to rebuild, and then for the 'climate risk insurance' peddled by the banks to ensure they keep repaying their debts even when their economies have been destroyed.

Jubilee Debt Campaign is joining campaigners in small states in calling for action to **stop climate disasters leading to runaway debts** that undermine the meeting of human rights, basic needs and the Sustainable Development Goals.

Cyclone Pam - Vanuatu



Image: New Zealand Defence Force

IN THE PATH OF THE STORM

Almost four years ago, the South Pacific islands nation of Vanuatu was hit by Cyclone Pam, a huge cyclone with wind speeds of up to 250 kilometres per hour.

Half the population – 132,000 people – were affected. The cost of the damage was \$450 million – 60% of GDP and over \$1,500 per person. Vanuatu's President Baldwin Lonsdale said the storm had "wiped out" all recent development and the country would have to rebuild "everything".

Cyclone Pam has long since disappeared from the news, but the cost of rebuilding has remained. Because Vanuatu did not get enough grants to pay for reconstruction, much of the cost has been paid for through government borrowing.

In the years since the cyclone, Vanuatu's government debt has almost doubled. The IMF says the main reason is the cost of rebuilding from the storm.

Cyclone Pam was the second strongest storm in the South Pacific on record, and scientists predict damage from tropical storms across the world will increase due to climate change.

UNJUST DEBT

Small impoverished states like Vanuatu are particularly vulnerable to climate change. But they are not responsible for causing the problem. Twenty-nine small island states with 0.7% of the global population are together responsible for just 0.2% of global carbon dioxide emissions.

When hit by disasters such as tropical storms they are forced to borrow to pay for fixing the damage caused. Moreover, many small states were not included in debt relief schemes we have successfully campaigned for, so they are already affected by large debts, even before disasters hit.

"the growing severity of hurricanes in the Caribbean is related to man-made climate change. This means that we in the Caribbean...are least responsible for but most affected by climate change. Small Island States are the most easily devastated by rising seas and harsher storms. Our brothers and sisters who inhabit these places are in peril, through no fault of their own. This has been one of the reasons that we have never been able to sustainably escape from our debt traps."

Statement from 19 Church leaders in the Caribbean

The IMF conducts debt assessments for 21 impoverished small states. Of these, two are in debt default, 11 are at high risk of default, eight at medium risk and none at low risk.

Scientists say that the strength of tropical storms has already increased in recent decades, and they are expected to get even more damaging as global temperatures increase. High debts prevent countries from investing in preventative measures to limit the damage from these disasters. Unless the international community acts, debts will continue to spiral after each disaster hits.

When a disaster does arrive, the damage can be long term. The Caribbean island of Grenada used to be known as a major exporter of nutmeg. Then in 2004 it was hit by Hurricane Ivan, which toppled nutmeg trees across the island. Nutmeg exports fell from 2.5 million kilogrammes a year before the hurricane, to just 0.35 million kilogrammes after. And because of the time it takes for nutmeg trees to mature, by 2016, Grenada was still only exporting 0.85 million kilogrammes.

THE CLIMATE DEBT SPIRAL

1

Many small states already have large debts even before disasters hit

2

When climate disasters like hurricanes hit they wipe out homes, schools, hospitals, and businesses, and vital infrastructure like roads and water and sewage pipes.

3

Countries are forced to borrow to rebuild, taking on additional debt

4

And now they are being told to take out climate risk insurance, so that they can keep paying this debt when the next disaster hits


5

Extreme weather events are increasing in frequency as climate change gets worse, accelerating the cycle of disasters and debt.

DON'T OWE, SHOULDN'T PAY

29 small island states are together responsible for **just 0.2% of global carbon dioxide emissions**

Over 90% of the most damaging climate disasters since 2000 have been in Small Island Developing States, with over 60% taking place in the Caribbean.



Country	Year	Disaster	Total damage	Government debt year before the disaster	Government debt two years after
Vanuatu	2015	Storm	\$449,400,000	21%	39%
Grenada	2004	Storm	\$889,000,000	80%	93%
Belize	2001	Storm	\$250,000,000	67%	96%
Tonga	2001	Storm	\$51,300,000	32%	41%

ENDING THE CLIMATE DEBT SPIRAL

The true climate debt is owed by those countries who have contributed most to climate change, and it is owed to those who are most severely impacted. It is a moral outrage that those who are most affected by climate change are being made to take on debts because of the disasters that climate change is exacerbating.

We urgently need policies to stop climate disasters leading to debt burdens which undermine the meeting of human rights, basic needs and the Sustainable Development Goals. Jubilee Debt Campaign is standing alongside campaigners in small states to call for:

- 1) A new comprehensive debt relief scheme for small states to reduce debt to a sustainable level, and ensure remaining debt payments are linked to ability to pay.
- 2) A permanent, effective, automatic debt relief process in response to disasters

“As climate change gets worse, we urgently need a new system for fast and effective debt relief when disasters hit. We call on larger Commonwealth countries, including the UK, to play a leading role in the creation of such a system. Those who have contributed the most to climate change are the real debtors and it is, therefore, unfair that small island developing states, which are most vulnerable, like those in the Caribbean, be indebted as a result.”

*Keith Mitchell, Prime Minister of Grenada,
and Gaston Browne, Prime Minister of
Antigua and Barbuda*



CLIMATE RISK INSURANCE

Climate ‘risk’ insurance is being heavily promoted in response to increasing damage from disasters. However, the idea is fundamentally unjust - putting the costs back on the victims of climate change, through insurance premiums, rather than on those who cause it.

Furthermore, insurance is a highly inefficient use of resources. Jubilee Debt Campaign has found out that one scheme in the Caribbean has received \$293 million in premium payments and grants from donors since it began in 2007, but has paid out just \$131 million in claims. In contrast, \$105 million from the scheme has gone to private insurance companies as profit.

Read more: Jubilee Debt Campaign’s 16-page briefing ‘Don’t owe, shouldn’t pay: The impact of climate change on debt in vulnerable countries’ is available at www.jubileedebt.org.uk/climatebriefing or by sending us the enclosed material order form.



TAKE ACTION

Ask the Secretary of State for International Development to help end the climate debt spiral.

Please sign the card attached

AFRICAN GOVERNMENT DEBT PAYMENTS DOUBLE IN TWO YEARS

Jubilee Debt Campaign released new figures in October showing that debt payments to the rest of the world by African governments have doubled in the last two years, and are now at the highest level since 2001. The increase comes after the price of raw material exports like metals and fossil fuels fell a few years ago, and because of increases in global interest rates.

In recent months there has been much media concern that the rising debt crisis across many African countries is caused by Chinese loans. However, the Jubilee Debt Campaign research shows that just 20% of the debt of African governments, and 17% of interest payments, is owed to China. In contrast, 55% of interest payments are to private companies, many based in the UK or giving loans using UK law.

The Financial Times reported the story. Tim Jones, policy officer at Jubilee Debt Campaign told the paper:

“Debt problems are worsening on the African continent, but many lenders bear responsibility, not just China. We need new rules to make all lenders publicly disclose loans to governments at the time they are given. Furthermore, the IMF needs to stop responding to debt crises by giving loans which bailout other lenders, from China to Western companies, incentivising them to continue lending recklessly. Instead, lenders need to be made to restructure and reduce debts.”

➔ **Read more:**

‘African governments’ debt payments double in just two years’ at www.jubileedebt.org.uk/africadebt

External debt payments by African governments have doubled in the last two years, and are now at the highest level since 2001

Street sellers in front of a mural in Lusaka, capital of Zambia. Zambia is one country in debt crisis where China is a significant lender, accounting for 30% of Zambia’s debt. But 50% is owed to private lenders, mainly under English law



(Photo David Brown / Flickr)



'Breaking the chains of debt' celebration, Birmingham, September 2018 (Jubilee Debt Campaign)

PRESSURE GROWS FOR INCREASED LOAN TRANSPARENCY

Our campaign is helping to bring increased attention on the need for greater transparency of loans to governments. The subject was a key theme of the IMF and World Bank Annual Meetings in Indonesia in October, and will be discussed at the G20 meeting of world leaders in December.

The global organisation for banks, the Institute for International Finance, is planning to launch new guidelines which recommend that banks disclose the existence of all loans to governments to a central body. Jubilee Debt Campaign has been pushing the IIF to make this as effective as possible. However, it will be a voluntary scheme, and so we are campaigning for measures which go further, creating a mandatory scheme which requires all lenders to disclose loans.

➔ Take action:

If you have 2 minutes, please email your MP through our website to ask them to pressure the UK government to take action on loan transparency www.jubileedebt.org.uk/shinelight

If you have 5 minutes, please email our policy officer Tim Jones who can help you send a physical letter to your MP: tim@jubileedebt.org.uk

CELEBRATING 20 YEARS OF DEBT JUSTICE

On 29th of September Jubilee Debt Campaign supporters from around the country came together for a day-long gathering in Birmingham to mark 20 years since the 'human chain' around the G8, which saw more than 70,000 on the streets of Birmingham calling for debt cancellation for countries in the global South. Over 100 debt justice activists old and new joined to hear keynote speeches from former Jubilee Debt Campaign directors Ann Pettifor and Nick Dearden and thoughts on the legacy of Jubilee 2000 from long-standing North-East campaigner David Golding and Atallah FitzGibbon from Islamic Relief.

While the day was about celebrating what has been achieved, it was also about looking forwards to the challenges ahead, with workshops on our three priority campaigns: on lending transparency, climate change and debt, and the growing household debt trap here in the UK. Big thanks to everyone who came along on the day, to Jubilee Birmingham for hosting us, and to all the fantastic speakers. Let's hope we can achieve as much together and more in the next 20 years!

THE GREAT BRITISH DEBT TRAP



WEEK OF ACTION ON HOUSEHOLD DEBT

From 27 October to 4 November we held our first nationwide week of action on the growing household debt trap faced by families and communities across the UK. Jubilee Debt Campaign supporters up and down the country organised activities in their communities to raise awareness of the debt trap, encourage others to join the campaign, and put pressure on the government to act.

People held stalls in their local high streets and coffee mornings in their workplaces, wrote to local newspapers, and gave talks and sermons in their places of worship.

We'd like to say a massive thanks to everyone who took part for making the week of action such a great success. The signed postcards have been flowing into

the office, and we're planning to deliver them to the Chancellor shortly. This is just the first step, and we need to keep up the pressure if we're going to secure the government action needed to end rip-off lending and help families in the debt trap.

→ Take action:

Email the Chancellor and call on the government to tackle the debt trap:
<https://jubileedebt.org.uk/actions/debttrap>

ABOUT US

The Jubilee Debt Campaign is a UK charity working to end poverty caused by unjust debt through education, research and campaigning.



Jubilee Debt Campaign



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020 7324 4722
info@jubileedebt.org.uk
www.jubileedebt.org.uk

Registered charity no. 1055675
Company limited by guarantee no. 3201959

Dear Secretary of State,

Climate change is dramatically increasing damage from disasters for small states. Many of these states are already heavily indebted and excluded from global debt relief schemes. This debt is owed across a variety of creditors, primarily multilateral institutions in which the UK has a large say, and to the private sector in contracts governed by UK law.

Please will you help end the debt spiral caused by climate disasters by working to secure:

- A new comprehensive debt relief scheme for small states to reduce debt to a sustainable level, and ensure remaining debt payments are linked to ability to pay.
- A permanent, effective, automatic debt relief process in response to disasters

Yours sincerely

Full name _____

Address _____

_____ Postcode _____

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C/O JUBILEE DEBT
CAMPAIGN

28 CHARLES SQUARE

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If you're a UK taxpayer, we can reclaim an extra 25% in tax on your donations. Please tick the box, then sign and date.

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