Jubilee Debt Campaign Submission to IDC Inquiry "Climate change, development and COP26"

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Tess Woolfenden, Senior Policy Officer
Tess@jubileedebt.org.uk
07584649105

Summary.

1. Jubilee Debt Campaign is a UK charity working to end poverty caused by unjust debt. We do this through research, education, organising and campaigning, in partnership with allies in the UK and globally. Our current areas of focus are the global South sovereign debt crisis and the UK's household debt crisis.

2. This submission highlights how the climate crisis in the global South cannot be adequately addressed without also addressing the debt crisis. Furthermore, without urgent action, both will continue to exacerbate one another. The UK Government has shown global leadership by donating £150 million to the IMF to support debt relief and playing a role in the creation of the G20 Debt Service Suspension Initiative (DSSI) and the Common Framework for Debt Treatments (Common Framework), but these do not go far enough. Moreover, current climate finance efforts are exacerbating the debt crisis and thus undermining climate-vulnerable countries' ability to act.

3. With the COP26 Presidency this year, the UK has an opportunity to address both intersecting issues by: championing the extension of the DSSI and Common Framework to all climate-vulnerable countries and introducing legislation in the UK that would force private sector participation; supporting the creation of a debt relief mechanism that would take effect in the event of a climate-related disaster; pushing for improvements to climate finance so that it is delivered in the form of grants, reaches all countries that need it and covers all areas including loss and damage; ensuring climate finance and debt relief are top of the COP26 agenda; and pushing the IMF and World Bank to incorporate climate vulnerability into debt sustainability analysis in line with their own commitments.

Context: Climate crisis and debt burdens in the Global South.

4. The UK Government has committed to tackling climate change in developing countries and has since taken a number of steps towards this.[1] However, the Government has not prioritised the need to address unsustainable debt in developing countries as a means to tackle the climate crisis. A general failure to address the debt crisis as a part of the climate change agenda means that climate-vulnerable countries are trapped in a vicious circle of debt and climate change whereby existing and increasingly more expensive debts reduce capacity to invest in the impacts of the climate crisis, in turn increasing climate vulnerability and so the need to borrow more to address immediate and longer-term impacts. Details of this intersection are outlined below.

[1] https://www.gov.uk/government/news/uk-aid-to-double-efforts-to-tackle-climate-change

5. **Servicing debts diverts resources away from addressing climate change.** Many developing countries had been facing increasingly unsustainable debt since the 2008 financial crisis. According to Eurodad, public debt in developing countries has increased from an average of 40.2% to 62.3% of GDP in the last 10 years[2]. The economic shocks imposed on developing countries from the pandemic have significantly exacerbated the situation. Public debt has increased in 108 out of 116 developing countries,[3] resulting in six countries defaulting on their debt repayments[4], and 52 countries currently in debt crisis[5]. As a result, resources required to respond to the pandemic, the climate crisis, and other development goals are instead allocated to servicing debt repayments. In 2020 alone, developing countries spent $372 billion on servicing their debt[6]. This has significantly undermined developing countries' ability to invest in mitigating and adapting to the impacts of climate change, and in preparedness for climate-related disasters such as hurricanes and floods.
6. **Climate vulnerabilities increase debt burdens.** Climate-related disasters have been shown to lead to increased debt. For example, in the absence of other forms of financing from the international community, a government may take on new loans to cover the costs of loss and damage, rebuilding and to make up for lost income from sectors such as tourism or agriculture following a climate-related disaster. In 80% of climate-related disasters since 2000, public debt was higher two years after the disaster took place. For example, Grenada's debt increased from 80% of GDP to 93% following hurricane Ivan, and Belize's debt almost doubled to from 47% to 96% of GDP in 2003, after being hit by two devastating storms in 2000 and 2001[7]. Furthermore, there is currently no universally agreed way to suspend debt payments in the event of a climate-related disaster. As a result, governments may also need to continue to service existing debt, while taking out new loans to address the damage, once again diverting vital resources away from urgent needs towards servicing debts.
7. There is also evidence that climate vulnerability increases the cost of borrowing, with higher interest rates justified by the increased risk of lending to climate-vulnerable countries. By 2018, developing countries had paid more than $40 billion in additional interest payments associated with climate change risks[8]. Research by Imperial College Business School and SOAS University of London estimates that this will cost developing countries an additional $168 billion by 2028[9].

Climate finance and debt.

8. The impacts of the climate crisis are experienced the most by countries in the global South which have contributed to it the least. In recognition of this, there are various international agreements that call on wealthy, polluting countries to offer affordable, adequate and responsible public

[2] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2112/attachments/original/1616676341/debt-pandemic-final_%282%29.pdf?1616676341
[3] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2112/attachments/original/1616676341/debt-pandemic-final_%282%29.pdf?1616676341
[4] https://www.economist.com/leaders/2020/11/21/many-countries-need-debt-relief
[5] https://jubileedebt.org.uk/countries-in-crisis
[6] https://infogram.com/a-debt-pandemic-1h984wojw37rz6p?live
[7] https://jubileedebt.org.uk/wp/wp-content/uploads/2018/10/Dont-owe-shouldnt-pay_10.18.pdf
[8] https://www.ft.com/content/18103b92-7ae6-11e8-bc55-50daf11b720d
[9] https://www.imperial.ac.uk/news/187011/developing-countries-face-rising-payments-climate/

financing to countries in the global South for adaptation and mitigation. These agreements, including the Paris Agreement, Kyoto Protocol and the United Nations Framework Convention on Climate Change, state that public climate finance should be additional to existing commitments, come in the form of grants, and be untied, unconditional and transparent.[10] However, climate finance from wealthy nations is currently falling short of these requirements, exacerbating the debt crisis for climate-vulnerable countries.

9. **Climate finance adding to debt burdens:** More than two thirds of public climate finance delivered between 2013 and 2018 was through debt-creating instruments, many of which are charged at non-concessional interest rates. This adds to already unsustainable debt levels in many climate-vulnerable countries which are already facing difficulties in servicing their existing debt[11]. Data collected by Oxfam International shows that, while the UK Government offers the majority of climate finance in grants, other countries, such as France, Germany and Japan offer up to 91% of their climate finance as loans[12].

10. **Risk of falling short of commitments:** In Copenhagen in 2009, wealthy countries, including the UK Government, committed to raising $100 billion in climate finance annually by 2020. The UK Government has committed to disbursing £1.76 billion on climate finance in 2020/21[13]. It appears that the global target has not been met. Climate finance reached $78.9 billion in 2018, and although this was an 11% increase from the previous year, the rate of growth in climate finance had started to slow[14]. Furthermore, Oxfam International has raised concerns of over-reporting of climate finance, highlighting how $19-22.5 billion of reported climate finance in 2017-18 was allocated to broader development programmes with only limited climate change elements[15]. Without providing adequate levels of climate finance to climate-vulnerable countries, many will be forced to take out new loans to address the immediate and long-term impacts of climate change.

11. **Not reaching those that need it most:** Small Island Developing States (SIDS) are especially climate vulnerable because proportionally more of their land area, economy, or people can be affected by a single event, and because many of them do not have the resources to respond adequately to the crisis. Over 90% of the most damaging tropical storms that have taken place since 2000 have been in SIDS, with 60% taking place in the Caribbean[16]. Despite this, only 3% of climate finance went to SIDs in 2017-18[17]. As a result, many SIDS will need to seek financing elsewhere, including getting new loans, in order to adapt, mitigate and cover loss and damage. Furthermore, as many SIDS do not have

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[10] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143
[11] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143
[12] https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621066/bp-climate-finance-shadow-report-2020-201020-en.pdf
[13] https://reliefweb.int/sites/reliefweb.int/files/resources/1432_0.pdf
[14] https://economictimes.indiatimes.com/markets/stocks/news/rich-countries-missing-the-100-bn-climate-finance-goal/articleshow/79108591.cms?from=mdr
[15] https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621066/bp-climate-finance-shadow-report-2020-201020-en.pdf
[16] https://jubileedebt.org.uk/wp/wp-content/uploads/2018/10/Dont-owe-shouldnt-pay_10.18.pdf
[17] https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621066/bp-climate-finance-shadow-report-2020-201020-en.pdf

low-income status, they are not able to access concessional finance, meaning higher borrowing costs once again adding to their debt burdens[18].

12. **Failure to direct climate finance towards loss and damage:** One of the recommendations in the International Development Committee's (IDC) report calls on the UK Government to '*explicitly open a conversation around loss and damage and how it can best be addressed, by developed and developing countries in partnership*.[19] Unfortunately, conversation on loss and damage continues to be sidelined or blocked by wealthy countries, including by the UK Government. This means that currently, countries do not have adequate access to climate finance in the event of a climate-related disaster. While there are some mechanisms available for accessing finance such as insurance provided by the private sector[20] or the World Bank or the IMF's limited Catastrophe Containment and Relief Trust[21], these are unfit and insufficient. As highlighted above, the lack of climate finance in these instances can lead countries to seek loans to cover the costs of loss and damage, adding to potentially already unsustainable debt burdens.

Debt relief and resources for climate change.

13. As outlined above, increasing and unsustainable debt burdens undermine developing countries' ability to address the climate crisis. The UK Government has recognised the need for debt relief in developing countries following COVID-19 and has shown global leadership in this area by financially supporting the cancellation of debts by the IMF and playing a role in the creation of the G20's debt relief initiatives. Unfortunately, these initiatives do not go far enough and exclude many climate-vulnerable countries, so continue to leave developing countries diverting vital resources to servicing debts instead of investing them in climate change responses and pursuing other vital areas such as the Sustainable Development Goals (SDGs).

14. **Debt Service Suspension Initiative (DSSI):** The DSSI was initially established in May 2020 by the G20 to suspend bilateral debt payments for 73 of the world's poorest countries. Since then, the scheme has been extended twice up until the end of 2021 and has suspended $12.5 billion in repayments so far to the 46 countries that have applied[22]. While the scheme has been useful in ensuring that much-needed resources remain in countries in the short-term, it has done nothing to address long-term sustainability of debts which will be due for repayment in 2022 and 2024. Furthermore, many climate-vulnerable countries, in particular SIDS, cannot access the scheme because of their higher income status. The DSSI also fails to include multilateral and private sector creditors. Private sector participation was encouraged on a voluntary basis, but none participated, meaning resources freed up from bilateral debt suspension have been used to continue to pay private creditors. The involvement of the private sector is important because of the higher interest rates attached to private loans, because a substantial proportion of external developing country debt is owed to private creditors[23], and because a lack of private sector involvement disincentivises other creditors

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[18] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143
[19] https://publications.parliament.uk/pa/cm201719/cmselect/cmintdev/2589/2589.pdf
[20] https://jubileedebt.org.uk/wp/wp-content/uploads/2018/10/Dont-owe-shouldnt-pay_10.18.pdf
[21] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143
[22] https://www.ft.com/content/4d85a08a-2bcc-4cea-9cbd-55faa87efa3f

from engaging in debt relief due to justified concerns that freed up resources will simply be used to pay back private loans.

15. **The Common Framework:** The Common Framework was established by the G20 in November 2020 and aims to go beyond the DSSI to act as a mechanism for broader debt treatment on a case-by-case basis for any of the 73 DSSI-eligible countries that request it[24]. So far, three countries have applied to the Common Framework, Chad, Ethiopia and Zambia[25], but details of a debt restructuring, or debt relief have yet to be agreed for any of the three countries. Like the DSSI, only the 73 poorest countries are eligible to for the Common Framework, leaving many other climate-vulnerable countries to negotiate debt relief with their creditors independently. While the Common Framework does explicitly call on private creditors to offer debt relief on comparable terms to those agreed by bilateral creditors, the G20 have failed to give debtor governments any support in negotiating with their private creditors or included any robust mechanism to compel private creditors to participate. Without such a mechanism, private creditors have refused to engage in the Framework, even when explicitly requested. For example, in November 2020 the Zambian government asked their bondholders for a six-month standstill on debt payments. The bondholders refused, and as a result Zambia defaulted on their repayments for this loan[26] exposing them to the risk of being taken to court by private creditors in the hope of being paid the full amount[27]. This is especially unjust given that private creditors lend to developing and climate-vulnerable countries at higher interest rates because of the associated risks.

16. **Donating £150 million to the IMF to support debt relief.** The IMF has announced three rounds of debt relief to 28 of the world's poorest countries since the onset of COVID-19[28], the only form of debt cancellation, as opposed to suspension, that has taken place since the pandemic. The UK government contributed £150 million to the scheme in March 2020[29]. While this has enabled vital resources to remain in countries, the amount cancelled does not address the scale of the issue. The scheme will only cancel $723.5 million for eligible countries[30], whereas developing countries owe $23.4 billion to private sector alone in 2021[31]. Once again, many climate-vulnerable countries are not eligible for the scheme because of their higher income status.

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[23] https://jubileedebt.org.uk/blog/private-lenders-main-recipients-of-debt-payments-from-crisis-countries
[24] https://www.imf.org/en/News/Articles/2020/11/16/vc111620-current-sovereign-debt-challenges-and-priorities-in-the-period-ahead
[25] https://www.reuters.com/world/middle-east-africa/zambia-seeks-debt-restructuring-under-g20-common-framework-2021-02-05/
[26] https://www.ft.com/content/fc82cf3f-be77-4380-9e44-401ca3bf4ed5
[27] https://jubileedebt.org.uk/press-release/g20-debt-suspension-request-90-of-bonds-governed-by-english-law
[28] https://www.imf.org/en/News/Articles/2021/04/05/pr2199-imf-executive-board-extends-debt-service-relief-28-eligible-lics-october-15-2021?cid=em-COM-123-42895
[29] https://www.gov.uk/government/news/uk-helps-worlds-poorest-countries-withstand-the-economic-shock-of-coronavirus
[30] Calculated from IMF press releases 1) https://www.imf.org/en/News/Articles/2020/04/16/pr20165-board-approves-immediate-debt-service-relief-for-25-eligible-low-income-countries, 2) https://www.imf.org/en/News/Articles/2020/04/16/pr20165-board-approves-immediate-debt-service-relief-for-25-eligible-low-income-countries 3) https://www.imf.org/en/News/Articles/2020/10/02/pr20304-imf-executive-board-extends-immediate-debt-service-relief-28-eligible-lics-six-months
[31] https://jubileedebt.org.uk/press-release/stop-banks-cashing-in-during-covid-19-crisis-from-interest-on-poor-

Private sector, debt relief and climate goals.

17. The IDC report notes the importance of mobilising private sector finance for climate activities[32]. Some potential options for doing this currently include market-based mechanisms that link debt relief to climate goals, such as climate or nature-for-debt swaps, green bonds[33], nature performance bonds[34] and risk insurance[35]. Various climate-vulnerable governments have called for these schemes, such as Belize and Barbados[36]. While these schemes could generate small amounts of climate finance through debt relief, they are unlikely to offer the level of debt relief and climate finance required to fully address both crises. Furthermore, there are risks associated with these mechanisms, including adding to the debt burdens of climate-vulnerable countries, failure to be human-rights compliant, conditionality, additionality[37] and serving as a distraction from the wider conversation on climate finance and debt relief. In addition, they tend to place the onus of financial responsibility on the climate-vulnerable country, in conflict with the differentiated responsibility of wealthy, polluting nations outlined in the Paris Agreement[38]. Below outlines some examples of these mechanisms:

18. **Nature or climate-for-debt swaps:** Debt swaps can take a range of forms, and could be used across debts owed to all creditors including bilateral, multilateral and private creditors. They are a mechanism through which a country has some of its debts cancelled, reduced, or sold to another entity (such as an environmental trust) in exchange for the debtor government's commitment to "mobilise domestic resources for an agreed purpose on agreed terms."[39] It means a government could have reduced debts and so freed up funds to invest in addressing the climate crisis. However, there are risks that the debt relief could distract from the need for greater debt relief, would not be additional to existing climate finance and ODA commitments (despite coming from a country's domestic resources), and be onerous and time consuming to negotiate, failing to match the urgency of situation[40]. Debt swaps also risk conditionality, where the interests of the creditor could be imposed on the debtor country undermining country ownership[41].

19. **Green bonds.** Green bonds enable governments to raise financing for projects linked to climate change adaptation and mitigation, such as renewable energy, ecosystem protection and restoration, and energy efficiency. However, there is currently no internationally agreed standard to determine

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country-debt

[32] https://reliefweb.int/sites/reliefweb.int/files/resources/1432_0.pdf

[33] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143

[34] https://a1be08a4-d8fb-4c22-9e4a-2b2f4cb7e41d.filesusr.com/ugd/643e85_021432a338a34c3e92237ffdd128404c.pdf

[35] https://jubileedebt.org.uk/wp/wp-content/uploads/2018/10/Dont-owe-shouldnt-pay_10.18.pdf

[36] https://erlassjahr.de/wordpress/wp-content/uploads/2021/04/Analyse_102_English.pdf

[37] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143

[38] https://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english_.pdf

[39] https://www.boell.de/sites/default/files/2020-12/BackgroungPaper2%20Lessons%20from%20Experience.pdf

[40] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143

[41] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143

what constitutes a "green" bond, opening opportunities for "greenwashing". Furthermore, green bonds add to the existing debt load of climate-vulnerable countries[42], and the costs of this could be relatively high due to the impact of climate vulnerability on borrowing rates, as highlighted above[43].

20. **Nature performance bonds.** In these bonds, governments raise financing by issuing a bond, and then are incentivised to work toward climate goals with the opportunity to reduce interest rates of principal payments on the bond if they meet those goals[44]. Once again this would require climate-vulnerable countries to take on more debt. Such financing may also be counted towards climate finance goals, and open the possibility to conditionality.

21. **Risk insurance**. Risk insurance has been used by a number of countries in recent years, whereby a climate-vulnerable country takes out insurance against the risk of a climate-related disaster taking place. However, such schemes are unlikely to pay out the amount required to address the scale of need, and once again the financial onus is placed on the climate-vulnerable country. A major example is the Caribbean Catastrophe Risk Insurance Facility, which provides insurance to several countries in the region. However, the total damage to Dominica from Hurricane Maria in 2017 was $2 billion, yet the country only received $19 million from the CCRIF, 1% of the total damages[45].

Multilateral institutions, debt relief and climate goals.

22. The recognition of debt and climate change as interconnected crises is also being acknowledged by multilateral institutions including the IMF and World Bank[46]. For example, the IMF and World Bank recently released a proposal for the creation of a platform that would support climate-vulnerable countries to link debt relief to "green, resilient and inclusive development"[47], raising the same concerns as highlighted above on debt swaps.

23. The IMF and World Bank have also acknowledged the need to account for climate vulnerability in their Debt Sustainability Analysis (DSA) which are used to inform the eligibility and level of debt restructuring available to a county. However, in 2020, climate change was only cited as a consideration in a DSA in one country report (Samoa)[48]. This is important because without factoring in climate vulnerabilities, a country's debt sustainability may be overstated and thus lead to inadequate debt relief or restructuring.

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[42] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143

[43] https://www.ft.com/content/18103b92-7ae6-11e8-bc55-50daf11b720d

[44] https://a1be08a4-d8fb-4c22-9e4a-2b2f4cb7e41d.filesusr.com/ugd/643e85_e2f3eccae35c45a8b875a974a8918922.pdf

[45] https://jubileedebt.org.uk/wp/wp-content/uploads/2018/10/Dont-owe-shouldnt-pay_10.18.pdf

[46] https://www.reuters.com/article/us-imf-world-bank-climate-change-debt-ex-idUSKBN2BU3FO

[47] https://wtvbam.com/2021/04/08/imf-world-bank-to-unveil-green-debt-swaps-option-by-november-georgieva-says/

[48] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1063/attachments/original/1608122652/arrested-development-FINAL.pdf?1608122652

Recommendations

24. There are several steps that need to be taken collectively by the international community, alongside civil society and impacted communities, to address the need for greater grant-based climate finance and debt relief.
25. With the COP26 Presidency this year, the UK Government has a unique and obvious opportunity to highlight the links between the climate and debt crises and take meaningful action on the debt crisis as a vital contribution towards addressing climate change. As a historically polluting country, the UK Government also as a responsibility to act, in accordance with the Paris Agreement.

We call on the UK Government to -

26. **Champion within the G20 that all climate-vulnerable countries should be able to access debt suspension and adequate debt relief within the DSSI and Common Framework, irrespective of their income status.** Cancelling and reducing debts to a sustainable level for all climate-vulnerable countries is a vital part of domestic resource mobilisation for adaptation and mitigation to climate change. Funds freed up from debt relief through these initiatives should be seen as additional and not counted as a part of climate finance figures.
27. **Pass legislation that forces private creditors to participate in the Common Framework, and that protects developing countries from being sued by private creditors**. The current measures within the Common Framework to compel private creditor participation are insufficient and place the onus on debtor countries to negotiate an agreement with their creditors. They also leave debtor countries open to the risk of being sued should they have to default on their debt repayments. An alternative option would be to introduce legislation that would force private creditors to participate and protect developing countries from being sued. Similar legislation was introduced by the UK as a part of the Heavily Indebted Poor Countries Initiative in 2010[49]. Given that 90% of Common Framework-eligible countries' foreign bonds are governed under English law, the UK is the key jurisdiction for such legislation[50].
28. **Support the creation a mechanism that ensures debt payment suspension and relief that would take effect in the event of a climate-related disaster at COP26.** Cancelling debt payments is the fastest way to free up resources for countries to respond to climate-related disasters and to invest in climate action in the long run. Yet, there is currently no universally agreed way of suspending and cancelling debts in the event of a climate-related disaster, meaning many countries must divert vital resources to servicing existing debts as opposed to covering the loss and damage that has occurred. The UK Government should champion the creation of a universally applied mechanism for the interest-free suspension of debts in the immediate aftermath of a climate-related disaster, to be followed by debt relief and cancellation, in line with the country's needs[51].

[49] https://www.gov.uk/government/news/government-acts-to-halt-profiteering-on-third-world-debt-within-the-uk
[50] https://jubileedebt.org.uk/press-release/g20-debt-suspension-request-90-of-bonds-governed-by-english-law
[51] https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/1945/attachments/original/1610462143/debt-and-climate-briefing-final.pdf?1610462143

29. **Support that climate finance should come in the form of grants, reach all climate-vulnerable countries, and cover all relevant areas including loss and damage**. As highlighted above, the current composition of climate finance as loans is adding to the debt burdens of climate-vulnerable countries, and thus undermining their ability to address climate change. As the UK Government gives most of its climate finance in grants, it should encourage other donor countries to do the same. Furthermore, climate finance is not reaching all countries in need, such as SIDS, and does not cover all required areas, especially loss and damage. The UK Government should champion the need for climate finance to be allocated to all climate-vulnerable countries, and cover all required areas including loss and damage as an independent and vital area of funding.

30. **Ensure that private sector responses to the climate and debt crises (such as debt swaps) are additional to grant-based climate finance and debt relief, and that risks are carefully managed.** Given the significant role the private sector currently plays in external debt in the global South, we may expect to see an emphasis on private sector solutions in discussions on addressing debt and climate change. Since a substantial number of private creditors to developing countries are based in the UK (30% of DSSI-eligible country external debt owed to private lenders is owed to companies in the UK[52]), the Government has a responsibility to ensure that private sector approaches work in the interests of debtor countries and do not distract from the wider need for grant-based climate finance and debt relief.

31. **Support that IMF and WB debt sustainability analysis adequately address sustainability by incorporating climate vulnerabilities.** As well as pressing for improvements to the Green Climate Fund as recommended in the IDC report[53], the UK Government should leverage their influence within the IMF and World Bank to ensure that climate vulnerabilities, and wider SDGs, are fully accounted for in Debt Sustainability Analysis.

[52] https://jubileedebt.org.uk/press-release/uk-companies-driving-debt-crises-in-poor-countries
[53] https://reliefweb.int/sites/reliefweb.int/files/resources/1432_0.pdf