



Making Developing Countries pay twice for climate change The UK's loans for climate adaptation

Jubilee Debt Campaign & World Development Movement
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Just weeks before the UN climate conference in Cancun, the UK Government has given over one hundred million dollars in loans to low income countries to 'help' them deal with the impact of climate change. We accuse the Government of flouting pre-election promises and the principles of climate justice. Ultimately these loans mean the poor will pay twice for climate change.

UK loans for climate change

On 11 November 2010, the World Bank¹ announced that it would support three countries – Bangladesh, Niger and Tajikistan – with \$270 million through its Pilot Programme for Climate Resilience (PPCR). This fund is supposed to help countries adapt to the unavoidable impacts of climate change, for instance by protecting coastlines and planting crops more resilient to flooding.

These funds will be enhanced by other multilateral banks. Ultimately the money comes from Northern governments like that of the UK. While some of the money will come in grants, much will come in the form of low-interest loans. For instance, the total package given to Bangladesh is \$624 million, of which 92% comes in the form of loans. Over \$150 million of the money for these loans have come from the UK Government.

Manmade climate change has been mostly caused by rich, developed countries over 200 years. Around 70% of carbon dioxide emissions from burning fossil fuels have been created by rich countries, despite the fact that those countries hold just 20% of the world's population. Still today the rich world accounts for 55% of carbon dioxide from burning fossil fuels. Yet the impact of climate change caused by this model of development is being felt first and foremost by poorer countries.

A basic principle of climate justice is that rich countries should pay for the damage that they have created. Developing countries and civil society organisations are adamant that adaptation money should be given in the form of grants. It is wrong to force developing countries to have to repay loans to adapt to a situation they did not create.

Bangladesh, Niger and Tajikistan are all low income countries and have all been offered loans for climate adaptation, though we believe that Tajikistan did not accept the loan element. This is shocking given the debt situations faced by these countries:

- In 2007, Bangladesh's foreign debt stood at \$21.9 billion, rising to \$23.6 billion in 2008, despite the country paying over \$1 in debt servicing in both 2007 and 2008.
- Niger received over \$1 billion of debt relief in 2004 after struggling with unjust and unsustainable debts for over a decade.
- Tajikistan is at high risk of 'debt distress' according to a recent IMF staff paper².

UK support for the World Bank

The UK is channelling all of its adaptation funding through World Bank funds, rather than through the United Nations Adaptation Fund, which has been created through international agreement. The UN Fund has a unique bottom-up approach to finance – any developing country party to the Kyoto protocol can apply for funds, with greater control of the country implementing the project. It also disburses money as grants.

The World Bank, on the other hand, is top-down – selecting which countries should receive climate financing. Moreover, the World Bank remains one of the world's largest supporters of fossil fuel projects – lending a record amount to coal power projects in 2010. The US Bank Information Centre calculates that the World Bank Group funded \$6.6 billion in fossil fuel funding in 2010, 116% up on 2009.³

Finally, although the World Bank's fund has a more balanced model of decision-making than the Bank as a whole, it does not have the legitimacy of the UN Fund. Moreover, it sits in an institution unashamedly controlled by rich countries. Not only are developing countries being impacted by a crisis not of their making, but the so-called solution to that crisis is further control by rich countries.

Broken promises

In a recent letter to WDM and JDC, Secretary of State for International Development Andrew Mitchell has said the UN Adaptation Fund plays an "important" role "complementary" with the World Bank. *Yet the UK is giving all of its climate finance money as loans, and to date has given nothing to the UN Adaptation Fund.* In fact, the World Bank says that the only reason it is giving loans is because the UK has provided its money as capital rather than a grant.⁴

This sits in stark contrast with the promises made by the Conservative and Liberal Democrat parties before the 2010 election. Liberal Democrat party policy is to "support the UN Adaptation Fund" and to provide "grants for communities vulnerable to the impact of climate change without increasing the burden on indebted countries".⁵ Conservative party policy is to "continue, as far as possible, to give aid as grants not loans" and to "encourage other donors such as the World Bank to give aid for social objectives, whenever possible, as grants".⁶

We demand:

- The UK government must urgently allocate significant funds to the UN Adaptation Fund;
- All UK climate loans must be turned into grants;
- At the Cancun conference, the UK must support all climate finance being channelled through funds accountable to the UNFCCC as demanded by developing countries.

¹ World Bank, Bangladesh, Niger and Tajikistan Get \$270 Million Boost for Sweeping Climate Resilience Plans, Press Release No:2011/181/SDN

² Preserving debt sustainability in low-income countries in the wake of the global crisis, Prepared by the Staffs of the IMF and the World Bank, Reza Moghadam and Otaviano Canuto, April 1, 2010

³ www.bicusa.org/en/Document.102339.aspx

⁴ Notes from meeting between the World Bank and civil society. UNFCCC COP15 Copenhagen. 11/12/09

⁵ Liberal Democrats. (2010). Self-assessment against BOND vote global manifesto. Liberal Democrats. And Liberal Democrats. (2009). Policy Motion: Energy and Climate Change. September 2009.

⁶ Conservative Party. (2010). One world Conservatism: A Conservative agenda for international development.