OVERVIEW:

OUR SOLUTIONS

1. Implementation of Debt Protocol After Natural Disasters
2. Comprehensive Debt Relief Solutions
3. Pacific Resilience Facility
4. New Pacific Architecture for Loss & Damage Grants
SOLUTIONS I:

CLIMATE DISASTER DEBT RESPONSE

- Natural disasters cause a double whammy: GDP to fall and debt to rise
- The amount of aid generally insufficient to cope with the amount of GDP loss.

Two step debt protocol to be followed after natural disasters:

- **Step 1**: Immediate 2 year suspension on debt repayments
- **Step 2**: Negotiation with creditors of debt restructuring and cancellation
• Heavily indebted Poor Countries Scheme (HIPC, 1996), Enhanced HIPC (1999), Multilateral Debt Reduction Initiative (MDRI, 2005)
• Together these schemes saw public debt to GDP ratios of participating countries fall from over 75% in 2006 to around 40% in 2012
• Debt to export ratios of participating countries also fell by 15%
WHAT WOULD A NEW HIPC LOOK LIKE?

SOLUTIONS II:

It is time for a HIPC-type scheme, with some amendments?

• A multidimensional vulnerability lens for access to the scheme
• A focus more on green recovery programs rather than simply poverty reduction
• Involvement of private creditors via a haircut and swapping debts for green recovery bonds (as per the Belize model)

See Debt Relief for a Green and Inclusive Recovery, Heinrich Boell, Boston Uni, SOAS and the Global Development Policy Centre
SOLUTIONS II:

DEBT SWAPS

Criteria for increasing the chance of successful debt swaps:

• a significant amount of debt is cancelled as well as swapped
• multilateral and bilateral debt included
• civil society participation, especially in design of the programs to be funded
• avoiding tied aid practices.
SOLUTIONS III:
DONOR SUPPORT FOR THE PACIFIC RESILIENCE FACILITY

Pacific Resilience Facility:
• Pacific led
• Not debt-creating
• Supports informal economy

Australian Infrastructure Financing Facility for the Pacific (AIFFP):
• Debt creating
• Not focused on adaptation
• Geopolitical priorities
• Tied aid
Loss and damage climate finance should as much as possible be in form of grants not loans:

• Justice: PICS did not cause the problem
• Economic justification: maintain not to grow GDP

Options for a new facility:
1. Expand mandate for PRF
2. Keep PRF for community-scale grants and develop a new organisation
THANK YOU

This talk was based on a publication by Jubilee Australia, EURODAD, Jubilee Debt Campaign (UK) and Erlassjahr

https://jubileeaustralia.org/resources/publications/debt-challenges-pacific

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