# Statement of the African Sovereign Debt Justice Network (AfSDJN) on the Occasion of the 28th Meeting of the Conference of Parties to the United Nations Framework Convention on Climate Change (COP28)

**By:**

The African Sovereign Debt Justice Network

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Africa is grappling with a great number inequities in the climate change context. For example, despite having contributed the least to climate change globally (less than 4% of global carbon emissions), it is home to most of the world's most climate vulnerable countries and yet it is struggling to mobilize the financial resources required to address climate change. The situation is more dire for fragile and conflict affected States. The average annual climate flows of USD 30 billion are far below the annual climate finance needs of USD 250 billion. Commitments made by developed countries to pledge USD 100 billion annually between 2011 and 2020, in line with their financial obligations under the international climate legal regime, were not met in any single year. The vulnerable countries in the most need of climate finance receive the least on the continent as profit making drives financial flows more towards mitigation efforts rather than adaptation and loss and damage. Despite the urgent need for more grants, most climate funding is in the form of loans. The current global push for the financial industry to play a more significant role in funding climate action is backed by calls for more derisking including through removal of barriers to business to attract private capital. In this context, derisking involves subsidizing financiers of debt instruments such as green bonds that turn public priorities for dealing with the climate crisis into investible assets.

This turn to the market poses a high risk of compounding the existing debt problem which several African countries are facing thus the climate change predicament cannot be looked at in isolation from the broken global debt architecture:

i. Managing the climate crisis has been handed over to private capital with its profit-oriented goals such as turning public assets like forests and renewable energy into asset classes against which new loans may be procured.

ii. Private creditors, who are being urged to increase investments in climate action, already hold a high proportion of Africa's debt and are typically unwilling to participate in debt restructuring efforts or offer debt relief. It is within this problematic context that African countries are being advised to issue climate related sovereign bonds such as green, blue, sustainable and sustainability linked bonds.

iii. On the public side, high debt levels are limiting the fiscal space of indebted states to respond in the event of climate emergencies and invest in climate needs with several countries spending significantly more on debt repayments than their climate needs.

iv. Currently, 21 African countries are at high risk of or in debt distress yet ongoing debt restructuring negotiations are barely yielding fruit with respect to debt relief. Chad, one of the world's most vulnerable countries, concluded a debt restructuring deal with hardly any debt relief nor any climate considerations late last year.

The double standards in addressing climate change continue to short-change Africa and replicate colonial patterns. This is evident in the climate transition discourse under which Africa's minerals continue to be extracted, with serious environmental consequences on its people and ecosystems, to drive a green transition in the Global North. On the flip side, the continent remains dependent on extraction of fossil fuels, negating its mitigation efforts as demonstrated by Chad's debt restructuring deal which did not grant debt relief on the grounds that there was a surge in oil prices. The strong influence of private profit seeking actors over climate policy is well illustrated by reports of fossil fuel companies working closely with the team preparing for COP28.

The creation of a loss and damage fund was among the top highlights of COP27. Proposals by developed countries for the World Bank to host the loss and damage fund have been vehemently challenged by developing countries citing governance, accountability and climate operations shortfalls. The Bank, whose previous President was accused of being a climate denier, is at the helm of the broken global financial architecture and is therefore ill-suited to host the Fund. Like the IMF, the institution's shareholding and voting powers are reflective of the colonial times when they were created to ensure the former colonial powers continued to exert dominance over global economic and financial decision making to date.

There have been numerous calls to overhaul the global financial architecture by Global South leaders, most notably, the Bridgetown Initiative, unveiled by the Barbados Prime Minister, Mia Mottley in 2022. Its potential for transformation of global financing for climate action, as initially hoped for by Global South countries, is doubtable given that it has been watered down to a version which is more acceptable and less radical for developed countries as well as the global financial industry.

In light of the above, ahead of COP28, African Sovereign Debt Justice Network (AfSDJN) calls for:

i. Scaling up climate finance on the continent and ensuring access to climate finance to countries and people who need it most. Climate finance must center the interest of people, communities, and ecosystems most impacted by climate change;

ii. Having the countries of the Global North, that are most responsible for the climate crisis, assume more responsibility for the financing needs of the countries least responsible and yet most vulnerable to climate impacts, especially those in Africa;

iii. Establishing an integrated finance, investment, and debt-management mechanism under Article 2(1)(c) of the Paris Agreement to ensure that the diverse subsets of climate finance are equitable and mutually beneficial;

iv. Channeling of climate finance in the form of grants primarily in order to avoid worsening of the already high debt burden of numerous climate vulnerable countries;

v. Global climate finance and debt management and governance priorities which reflect and are in alignment with the inevitability, unpredictability, and devastating magnitude of climate impacts, particularly in developing countries;

vi. Consideration of climate risks in the debt restructuring processes of African countries, including the ongoing restructurings, and designing of debt deals based on the actual financing needs of climate vulnerable countries;

vii. Inclusive governance and oversight of the loss and damage fund and new and additional funding given on concessional terms and free of conditionalities, including austerity measures;

viii. Adoption and mainstreaming of debt pause clauses in all debt contracts and bonds issued by climate vulnerable countries in order for countries to have sufficient fiscal space to respond in the aftermath of natural disasters or climate emergencies;

ix. Adoption by African States of a common African position and concerted approach towards investment, debt and climate finance which centers the ultimate goal of achieving climate justice and avoiding escalation of injustices against people and communities in Africa.

x. Reform of the global financial and debt architecture. Deliberations on a new comprehensive, fair and effective sovereign debt restructuring mechanism that would be binding on all creditors, including private creditors should commence. The G20 Common Framework has proved to be inadequate to address the systemic indebtedness of African countries. The initiative has not only been slow but has also failed to secure substantial debt relief for participating countries.

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