EU commitment to climate action and finance
What role and way forward for debt-for-climate swaps?

Karim Karaki, Head of Economic Recovery and Transformation
02 February 2023
Agenda and objectives

1. Learning from concrete EU Member States experience

2. Ways forward to boost and scale up debt-for-climate swaps

Main outcomes

Informal discussion to:

1. Understand the challenges and opportunities of debt-for-climate swaps and the context in which they could play a key role
2. Understand the interests and incentives of European actors in debt-for-climate swaps
3. Analyse concrete solutions on how debt-for-climate swaps could be scaled up - including by adopting an EU/multilateral approach
Debt-for climate swaps - general observations

Progress on the debt agenda (& climate finance) has been **too slow** in comparison to the scale and pace of the African debt crisis => debt-for-climate swaps generated significant interests

- **IMF** at COP27 supportive of the implementation of debt-for-climate swaps - but context matters
- **V20** calling for boosting the use of debt-for-climate swaps with a few developing countries already investing or implementing these (Seychelles, Belize, Cabo Verde, Barbados etc.)
- Some **EU Member States** already experienced with the use of debt-for-climate swaps & EFSD+

**Potential benefits**: Additional tool, finance a set of projects following KPIs in climate adaptation, deemed politically attractive, contribute to the USD 100 billion in climate finance, no further debt, can attract private creditors etc. => See the case of Belize

Most debt-for-climate swaps remained **limited in scale** and often initiated based on a **bilateral** approach => important to understand the lessons learnt, interests and constraints of creditors to identify potential ways forward (following in part the Belize model?)
Recap of the key questions for discussions

Discuss your interest in this model - is it something you find relevant and interesting as a part of broader menu of debt related solutions? In which context should swaps be implemented? How can we scale this up - is there room for an EU/multilateral approach?

Part I: Discussing the relevance, value and interests of debt-for-climate swaps

1. What are the key challenges and some of EU Member States constraints that need to be addressed in order to support debt-for-climate swaps?
2. What are the key success factors for debt-for-climate swaps to succeed and achieve impact, and what opportunities do they offer to EU Member States in comparison to other instruments? In which context do you see them as relevant (national vs. regional, small economies vs. big economies, countries in debt distress vs. countries not in debt distress)

Part II: Addressing the issue of scale and collaboration around debt-for-climate swaps

3. What are some of the concrete ways that could boost the implementation of debt-for-climate swaps?
4. Moving forward, how could/should a multilateral approach to debt-for-climate swaps be articulated? At which level - European or international?
5. How could the sustainable debt hub best address some EU Member States’ needs and interests, in a way that incentivises them to leverage debt-for-climate swaps as an instrument to boost climate action?
Thank you!

Karim Karaki
kka@ecdpm.org
@kar.karaki

www.ecdpm.org