

PRESS RELEASE

Climate Debt Risk Index 2025: Loan-heavy climate finance is pushing frontline nations toward a debt trap, new analysis warns

Belém, 15 November 2025: Change Initiative today disseminated the Climate Debt Risk Index 2025 (CDRI'25) jointly with Young Power in Social Action (YPSA), finding that loan-dominant climate finance, slow cash delivery, and high exposure to climate shocks are combining to raise debt risks across dozens of low-income and climate-vulnerable countries. The index covers 55 nations: **13 are rated “very high risk,” 34 “high,” 6 “moderate,” and 2 “low.”** Sahel states and parts of coastal West Africa face frequent disasters, several small island states carry heavy per-capita burdens, and South Asia shows uneven portfolios with large loan shares in some economies.

CDRI'25 integrates finance structure, climate exposure, debt indicators, poverty, income, credit ratings and natural-resource stewardship into a 0-100 score, with 2028/2031 projections using governance trends across 55 countries. CDRI'25 findings were addressed by Sabrin Sultana and Samira Basher, research analysts of Change Initiative.

What the data reveals

- **Risk map:** Out of 55 vulnerable nations, **47 are already High or Very High risk**, only **2 are Low**. Sahel and coastal West Africa are in systemic danger; several SIDS (Small Island Developing States) are one loan away from insolvency; South Asia's major economies sit on loan-heavy fault lines. In 2028, Djibouti and Guinea escalated from high to very high climate vulnerability, while Timor-Leste rose from moderate to high, clear signs that risk is intensifying. And by 2031, countries like Bangladesh, Djibouti, Liberia and Uganda are projected to tip into **Very High** risk if finance continues as debt.
- **Climate debt-burdens:** In 2023, these 55 vulnerable countries paid US\$47.17 bn to creditors and received only US\$33.74 bn for climate action. An average person of studies countries has been accumulated about USD 23.12 in climate-labelled public debt. The burden is highest in South Asia (USD 29.87 per person), followed by East Asia & Pacific (USD 23.58) and Sub-Saharan Africa (USD 21.61).

This shows that climate hardship is financing banks, not protection. Rising ratios in Cabo Verde, Niger, Solomon Islands and Bangladesh show climate-labelled loans already eating into annual repayments, signalling a structural climate-debt dependency unless we move to grants, conversions and swaps now.

- **Delivery gap:** Disbursement-to-commitment ratios are weak in many places - for example **Angola 0.18** - with South Asia mixed (**Afghanistan 0.97; Bangladesh 0.63**), and Pacific SIDS uneven (**Solomon Islands 0.33; Tuvalu 0.59**). Pledges outpace protection, leaving projects exposed to delay.
- **Quality of finance:** Heavy reliance on loans is a common pattern; **Bangladesh 2.70 loan:grant** contrasts with **Nepal 0.10**. Several African countries show creeping loan shares (e.g., Guinea **0.76**), while many SIDS and fragile states rely on small, unpredictable grants.

- **Portfolio tilt:** Funding does not always match hazards. South Asia leans mitigation (Bangladesh A:M 0.42), while the Sahel and many fragile states skew to adaptation (e.g., Chad 2.45; South Sudan 3.71).
- **Heavy-loan biased towards big investment: Nearly one-third of climate finance, about 32%, goes to energy projects, often big, loan-funded ones.** Meanwhile, sectors critical for survival are severely underfunded: health gets just 0.76%, population 0.39%, and disaster prevention 1.78%. Agriculture, water, ecosystems, resilience together by receiving far less than what needed, leaving communities exposed to storms, heat, and hunger with almost no direct protection. This allocation map proves climate finance is chasing bankable assets, not safeguarding lives and natural systems.
- **Who pays per person and per tonne:** Per-capita climate burdens are highest among small islands (e.g., Cabo Verde 0.17 of income; Kiribati 0.06), while debt per tonne of emissions is steep in low emitters (e.g., Niger ~103; Rwanda ~93; Bangladesh ~29.5; Cabo Verde ~288).

“Too many countries/nations are paying twice - first for the damage, then for the debt,” said **M. Zakir Hossain Khan**, lead author. “Where needs are sharpest, climate money still arrives late and as loans. That mix weakens fiscal space and delays protection of people and nature” he added.

Why it matters ahead of COP30

CDRI'25 treats loan-heavy, delayed finance as a risk and grant-based, timely support as a stabilizer, framing the resulting budget pressures, and forced borrowing by least-responsible countries, as a climate-justice and rights violation.

“Frontline youth are asking a simple question: why are we borrowing to survive a crisis we didn't cause?” said Samira Basher Roza, research analyst claimed. “The fix is clear: grant-first protection, faster delivery, and debt solutions where headroom is gone.”

Regional picture at a glance

- **Sahel & coastal West Africa:** Frequent shocks meet thin revenues and slow disbursement; several countries fall in very-high or high risk bands.
- **South Asia:** Mixed delivery; one large economy is an outlier on loan share (2.70 loan:grant), raising fiscal strain for adaptation despite high exposure.
- **Pacific SIDS:** Grants dominate but volumes and timing are inconsistent; complex coastal projects often stall at the implementation stage.
- **Fragility & conflict (MENA):** Delivery is thinnest (Yemen 0.13), where needs are extreme and access is hardest.

Misclassification of Climate Finance

Over the past decades, Billions in 'climate finance' have gone to coal plants, hotels, chocolate shops, and other unrelated projects, inflating numbers, misdirecting funds, and eroding trust in the global system. OECD countries have reported billions in climate finance that instead funded fossil fuel projects and unrelated ventures, from Japan's coal-fired plants in Bangladesh and Indonesia to the U.S. financing a Marriott hotel in Haiti and Italy backing luxury chocolate shops in Asia. Institutions like the EBRD labeled a Moroccan coal port as climate finance, while the World Bank overstated up to \$41 billion in untraceable spending. France even counted loans for canceled projects, and Belgium included a rainforest-themed romance film. These distortions inflate official figures, misdirect climate funds, and erode trust, fueling calls for clearer definitions and strict global reporting standards.

What needs to change

M Zakir Hossain Khan, Chief Executive of Change Initiative and CIF Observer, voiced deep concern, stating: *“The world is not short of money; it’s short of rules and commitment. The climate finance gap confronting the most vulnerable nations is not an economic impossibility, it is the outcome of interest-driven, development-led governance and the short-sightedness of political masters. Math is trivial; power is not. A modest global carbon tax and arms levy could raise up to six trillion dollars a year. Dedicating one-third of that to vulnerable countries, degraded ecosystems, and collapsing biodiversity is not charity, it is a lifeline, a long-overdue repayment of climate and ecological debt. Anything less is a deliberate choice for chaos over a just and manageable transition.”*

Pathway to Climate Debt Freedom

- **Supply side (Developed Countries):** Make grants the default for adaptation and loss & damage, deliver 100% debt relief, scale debt-for-nature swaps, provide unconditional natural-rights-based support, and establish an Earth Solidarity Fund, multiple sourced (public, philanthropy and private) to mobilize real-time vulnerability specific direct grants to vulnerable communities.
- **Flow of funds - bilateral, MDBs, multilaterals:** Provide grant-first approach aligning with the Natural Rights Led Governance System investment, shift portfolios so adaptation and loss & damage are financed primarily with grants. Moreover, to empower community-led MRV with transparent finance rules, link debt relief to resilience and nature protection, and reform MDBs toward rights-based, grant-focused climate finance with balanced mitigation–adaptation support. Stand up regional funds (e.g., SARF) capitalized by CIF, AF, GCF and partners.
- **Demand side - vulnerable LDCs:** Mobilize innovative finance, carbon pricing, pollution taxes, debt-for-nature swaps, bio-finance, strategic philanthropy, and private partners, while placing communities, especially youth, at the center of nature-led action. Establish a Natural Rights Fund in every LDC, financed by redirected fossil-fuel subsidies, carbon and pollution taxes, CSR, and Zakat, to provide predictable resources to frontline actors.

Quotes from experts:

“Climate debt is increasing quickly in countries that have contributed the least to the crisis. For vulnerable nations like Bangladesh, every cyclone, flood, and loss of land adds to an unfair burden. The world must act now to provide fair financing, protect lives, and support climate justice.” Said Dr. Arifur Rahman, Founder and Chief Executive, Young Power in Social Action (YPSA).

“IMF and G20 debt frameworks are failing low-income countries. We need a Borrowers’ Club, a global tax convention, and solidarity levies from high-emission sectors. Providing loans for adaptation, which is an imposed burden on the LDCs and SIDS, is a blatant travesty of climate justice” highlighted Prof. Mizan R. Khan, Technical Lead, LDC Universities Consortium on Climate Change (LUCCC).

“As young people, we look to the future — but we must also recognise the burdens that hold many countries back. Mitigation and adaptation are not separate journeys: a community rebuilding after floods cannot plan solar transitions. Building resilience creates the space for real mitigation. Climate impacts ignore borders, and so must our shared responsibility to remove these barriers and enable sustainable, future-proof pathways” said Helena Aida Voorhuis, Chair, International Affairs Youth for Climate.