

Turbulent Waters:

Navigating Debt and Climate Vulnerabilities in the Pacific





Publishers: Jubilee Australia, Caritas Oceania, Caritas Internationalis and Misereor.

Lead Author: Luke Fletcher

Concept Development: Martin de Jong

Contributing research and writing: Maria Bernard, Leba Tamari, Thu Ngo

Design: Emily Contador-Kelsall

Acknowledgements: Thank you to additional support, advice and comment from Alfonso Apicella, Tara Harvey, Safanua Io-ane, Amelia Ma’afu, Cardinal Soane Mafi, Klaus Schilder, Ben Wilson, Adam Wolfenden.

October 2026.

This report was commissioned by Caritas Oceania to Jubilee Australia, with contributions by Caritas Oceania members and funding support from Caritas Internationalis and Misereor. It is published in support of the **Turn Debt into Hope** Campaign to contribute to regional and global debates on debt and climate challenges and their impacts on people and communities in the Pacific. Opinions expressed in the report do not necessarily reflect the views of supporting organisations.

For more information, visit www.turndebtintohope.caritas.org | www.caritas.org.nz/state-environment



Jubilee Australia is a Sydney based research centre which strives for a fairer future where a healthy planet, empowered communities and just economies go hand in hand. We conduct research-based advocacy, in partnership with other organisations and communities across Australia and the Asia-Pacific, to defend the rights of people and the planet over profit, and hold corporations and governments accountable.

Misereor, the Catholic Church’s organisation for development co-operation in Germany, works worldwide to promote justice, education and the fight against hunger, disease and human rights violations. Together with local partner organisations, Misereor supports people in over 80 countries who are affected by poverty and injustice.

Caritas is the humanitarian, development and social justice arm of the Catholic Church. The **Caritas Internationalis** confederation of more than 160 member agencies around the world provides emergency relief, long-term development and advocates for justice and peace, upholding the dignity of all. We work with people – regardless of belief – who face poverty, exclusion, conflict and the effects of environmental degradation. Together, we are a community of hope. **Caritas Oceania** comprises seven members based in Oceania: Caritas Aotearoa New Zealand, Caritas Australia, Caritas Fiji, Caritas Papua New Guinea, Caritas Samoa, Caritas Tonga and the Episcopal Conference of the Pacific.



This work is licensed under a Creative Commons Attribution – Non Commercial 4.0 International License.

Cover Photo Attribution: Down to the sea at Luatuanu’u, Ātua, Samoa. Credit: Karen Anaya.



Table of Contents

Foreword	4
Executive Summary	5
Glossary	7
Acronyms and Abbreviations	7
I. Introduction	8
II: Country Updates	11
2.1 Fiji Update	11
2.2 Tonga Update	15
2.3 Samoa Update	18
III. Case Study: Papua New Guinea	22
3.1 Overview	22
3.2 Papua New Guinea’s Debt Situation	22
3.3 Papua New Guinea’s Climate Finance Needs	25
IV. Climate Finance in the Pacific: State of Play	26
4.1. New Estimates for the Climate Finance Gap	26
4.2 The Challenge: Scaling Up While Avoiding the Pitfalls	28
V. Conclusion and Recommendations	32
Endnotes	34



Foreword



In 2025, Caritas and the Catholic Church, joined by hundreds of thousands of people around the world, sought the cancellation or restructuring of billions of dollars of unjust debt through the Turn Debt into Hope Campaign. Our goal was to free up financing to address the real needs of people throughout the world – such as adequate education, good health services, safe access to nutritious food and clean water, and – most importantly for us in the Pacific – to support climate resilience and adaptation grounded in local participation and control, including recompense or recognition for irreversible loss and damage.

Those dreams for widespread debt cancellation were not realised. Instead, we seem to be travelling through more turbulent waters brought on by complex and intertwined issues, such as a conflict-induced energy crisis, geopolitical manoeuvring within and outside our region, dramatic cuts in development aid, and lukewarm responses to dramatic new evidence of human-induced climate changes.

This report highlights how some Pacific nations are faring in response to those challenges – through the lens of debt in relation to increased climate challenges. It raises the alarm in the huge gap between adaptation needs in the Pacific, and the lack of commitment by richer countries that have historically profited from fossil fuel use. We as Caritas are pleased to collaborate with Jubilee Australia and Misereor to continue to read the ‘signs of the times’ on how these intertwined challenges threaten the small yet strong people of Oceania, and recommend ways forward.

Though the Jubilee Year may be over, Caritas joins with all people of good will throughout the world to continue to seek ‘Jubilee justice’, that all may be liberated from the bonds of debt, and find true freedom in the lands and Ocean that God has gifted to all, so that all may live in dignity.

Malo ‘aupito

Cardinal Soane Mafi

Bishop of Tonga and Niue
President, Caritas Oceania



Executive Summary

This is the third in a series of reports about the challenges facing Pacific Island Countries (PICs) through the ‘twin storms’ of runaway climate change and rising debt risks.

Some of the impacts PICs are already experiencing include more intense cyclones and tropical storms that destroy land and infrastructure, rising sea levels, saltwater intrusion, and storm surges that displace people and threaten homes, livelihoods and food security. At the same time, warming and acidifying oceans are affecting ocean biodiversity, putting marine ecosystems and fishing revenues at risk. To adapt to these challenges, PICs need fair and adequate finance.

This report builds especially on the 2024 *Weathering the Storm* report, which examined the debt situations of seven PICs: Fiji, Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. That report found debt servicing in several of these countries approaching alarming levels.

In the two years since, global trade and supply chain disruptions, persistent inflation, and a new conflict-induced oil crisis have impacted the economic prospects of many nations, including Pacific Island states. Moreover, a significant El Niño weather cycle is underway and impacting the Pacific, as forecasts predict the strongest such event on record. This, together with cuts to official development assistance (ODA) will add further stress to the region.

This report begins with a snapshot update for three of the seven countries featured in *Weathering the Storm*: Fiji, Tonga and Samoa.

Of these three, Fiji appears to be the most affected by the global shocks of the last two years. In 2024, Fiji’s debt-to-GDP ratio was already in the high 70s but was projected to be trending down. It is now expected to increase and potentially breach 90 per cent. In the meantime, Fiji has very high debt service as a proportion of government revenue of 22 per cent: well over the threshold for sustainability which means it may significantly impact government service delivery.

Tonga has used the last two years to make large repayments on a bilateral loan to China, bringing its debt-to-GDP down to 23 per cent from the high 30s of two years ago. While this is welcome, there are still several more years of high annual payments ahead while the China Exim loan is paid off. It is unclear what impact such large debt payments are having on government services. Tonga faces challenges in the medium term: its annual climate adaptation finance needs are estimated at 25 per cent of GDP; while grant aid makes up almost half of government revenues.

Samoa’s situation is similar to Tonga’s in many ways. Its debt-to-GDP has been managed downwards in recent years: it has high needs for climate adaptation, and it is also reliant on foreign grants for a quarter of its government revenues. This makes both countries vulnerable to future debt problems, should significant new grant-based climate finance not be forthcoming, as both countries would need to borrow or remain unprepared for the impacts of a warming world.

Country	Nominal GDP	Public Debt Stock	Debt-to-GDP Ratio	Debt Service to Revenue Ratio	External/Domestic Ratio	IMF Risk of Debt Distress	Estimated Annual Adaptation Needs
Fiji	14,056 mil FJD	11,538 mil FJD	82.1%	22.1%	35/65	Moderate	14% of GDP
Tonga	1735 mil TOP	397 mil TOP	23%	13%	71/29	High	25% of GDP
Samoa	3772 mil tala	699.5 mil tala	19.5%	9.6%	100/0	Moderate	20% of GDP
PNG	145,601 mil PGK	66,216 mil PGK	45.5%	13%	53/47	High	3% of GDP

This report provides a more in-depth look at Papua New Guinea (PNG), the Pacific’s largest and most resource-dependent economy. Here, debt-to-GDP rose to over 50 per cent in the early 2020s (now sitting at 48.4 per cent), a rise of some 20 per cent over the last 12 years. The report has tracked this rise to the poor return PNG is receiving from resource rents, meaning that expenditure has outpaced revenues and borrowing has filled the difference. PNG is now under an International Monetary Fund (IMF) program and, like Fiji, spends more on debt service than on health or education.

Additional finance is needed to help Pacific nations better **adapt** to a world with warming weather, to support recovery initiatives for climate related **loss and damage**, and to **decarbonise** Pacific energy systems.



The greatest needs for climate finance are for adaptation. New analysis estimates that USD\$3.3 billion is needed annually for PICs. Estimates for loss and damage and mitigation are less precise but are in the realm of USD\$0.5-1 billion for loss and damage and under half a billion USD for decarbonisation.

Vanuatu, Tonga, and Fiji have the highest need for loss and damage finance. An IMF working paper has estimated the annual finance gap for adaptation financing at USD\$2.2-2.4 billion. There are no estimates for the gap for loss and damage and energy decarbonisation.

While the scale of climate finance needs for adaptation, especially, has been exposed through recent research to have been significantly underestimated, more work needs to be done to accurately re-estimate mitigation and loss and damage needs.

An adequate response to this reality will require all donors to step up, especially those who specialise in grant financing. Bilateral aid is still the largest source of climate finance in the region, and Australia is still the largest bilateral donor. Multilateral Development Banks (MDBs) are the second largest source, while dedicated climate funds, especially the Global Climate Fund and the Global Environment Facility, contribute the least. There are calls for this to change, especially with demands for donors to capitalise the Adaptation Fund, the Fund for Responding to Loss and Damage (FRLD), and the Pacific nation-led Pacific Resilience Facility. Grant-based bilateral climate finance should also be increased.

There are many reasons why donors should act: it will aid development in the region; some of the costs of inaction will likely rebound on them, and, of course, morally, there is the argument from an ecological justice perspective. But action should not be seen as a choice bestowed by benevolent nations: donor countries have an obligation to act consistent with **legally binding commitments** they made when signing on to the 2015 Paris Climate Agreement. This legal obligation was reinforced by the 2025 International Court of Justice Advisory Opinion (ICJAO) on climate change responsibilities of developed countries.

Recommendations

On climate finance:

- Donors to ensure that adaptation and loss-and-damage finance is provided solely as grants.
- Collective climate finance (mostly as grants) from all donors (bilateral, multilateral and specialty climate funds) to Pacific Island Countries to be at levels required to address need, and in line with the New Collective Quantified Goal (NCQG) of USD\$300 billion a year agreed at COP29 of the UNFCCC. Current levels of climate finance need to triple to be in line with the COP29 pledge.
- Individual countries' provision of climate finance, from all sources (public and private) to be consistent with their global responsibility for causing climate change. Within the region, Australia and New Zealand as developed nations that have benefited most from fossil fuel use, need to step up their climate finance commitments – while maintaining their grant-based aid emphasis.
- Donor countries to bring the Pacific Resilience Facility up to its USD\$500 million capitalisation target as soon as possible.
- Donors to fully capitalise the Adaptation Fund and Fund for Responding to Loss and Damage.
- The Green Climate Fund should speed up the processes for accreditation to the Fund.
- Strengthen regional and domestic capacity, through greater South-South cooperation and financial support for community-level projects.

On debt:

- Debt cancellation for unpayable or unjust external debts. For example, ensuring that no climate-vulnerable country paying more than 10 per cent of government revenue to service external sovereign debt.
- The World Bank and IMF to radically reform debt sustainability analyses: build climate vulnerability into debt sustainability analyses; extend debt relief initiatives to climate-vulnerable middle-income Pacific states like Fiji and Papua New Guinea; rule out de facto bailouts that leave Pacific people paying through austerity; and to replenish the IMF's Catastrophe Containment and Relief Trust for cyclone-hit states.
- Reform the use of Debt Sustainability Analyses to ensure appropriate investment in climate responses, inclusive public services and protection of human rights to support sustainable development.
- Automatic debt service cancellation for at least five years for any country experiencing a major climate-related disaster.

On the global debt system:

- Introduce a robust and fair UN Framework Convention on Sovereign Debt.
- Introduce a Big Polluters Pay-style tax to support new and additional climate finance.
- Take legislative action in London and New York, which govern most of the international debt system, to require private creditors to join debt restructuring processes.
- Hold public debt and climate audits in every country.
- Provide for greater Pacific voice and vote in international funding institutions such as the World Bank.



Glossary

Adaptation finance	Finance that helps countries to better to withstand the impacts of climate change
Climate mitigation	Action taken to limit climate change, such as reducing greenhouse gas emissions or removing emissions from the atmosphere
Climate adaptation	Action taken to respond to, prepare for or build resilience to the impact of climate change
Concessional loan	A loan provided below market rates, usually by international financial institutions to developing countries
Debt distress	A situation in which a country or business is struggling to meet its debt obligations, facing a significant risk of default.
Debt-to-GDP	The standard measure of the size of a country's debt, given as a proportion of the size of its economy (GDP)
Debt service	The amount of money paid by a country in a given year to its creditors
Debt-service-to-revenue ratio	The level of annual debt service relative to revenue the government makes
Debt stock	The total amount of debts of a government
Domestic debt	The value of government bonds or securities held by residents of the country
External debt	Debt owed by a country to other countries and multilateral development institutions
Government revenue	The total amount of income that a government collects in a year
Loss and damage	Unavoidable and irreversible negative impacts of climate change, both economic and non-economic losses, such as loss of lives, land, species and ecosystems
Loss and damage finance	Payments to countries for climate impacts that communities are unable to adapt to
Nationally Determined Contributions (NDCs)	A mechanism established under the 2015 Paris Climate Agreement in which countries show their commitment to reduce national emissions and adapt to the impacts of climate change.
Nominal GDP	The total value of all goods and services produced in an economy in a given period of time.
Non-resource GDP per capita	A country's total GDP, less the monetary output of its natural resources sector, divided by the total population.
Public debt	The total amount of money owed by a government to individuals, businesses, other governments, and foreign countries
Principal	The non-interest component of a debt obligation

Acronyms and Abbreviations

ADB	Asian Development Bank	MDB	Multilateral Development Bank
AIFFP	Australian Infrastructure Finance Facility for the Pacific	NCQG	New Collective Quantified Goal on Climate Finance
AIIB	Asian Infrastructure Investment Bank	NDC	Nationally Determined Contribution
COP	Conference of the Parties	ODA	Official Development Assistance
DSA	Debt Sustainability Analysis	OECD	Organisation for Economic Cooperation and Development
FRLD	Fund for Responding to Loss and Damage	PIC	Pacific Island Country
GCF	Green Climate Fund	PIFS	Pacific Islands Forum Secretariat
GDP	Gross Domestic Product	PRF	Pacific Resilience Facility
GEF	Global Environment Facility	SIDS	Small Island Developing States
ICJAO	International Court of Justice Advisory Opinion	UNDP	United Nations Development Programme
IMF	The International Monetary Fund	UNFCCC	United Nations Framework on Climate Change



I. Introduction



Rising sea levels mean that people living in the village of Eita, South Tarawa in Kiribati experience ankle- or knee-deep flooding every high tide. Living with this daily disruption, many people just get on with their chores, such as looking after children or preparing dinner. Credit: Caritas Aotearoa New Zealand.

This is the third in a series of reports about the challenges facing the Pacific given the ‘twin storms’ of runaway climate change and rising debt risks. Pacific Island Countries contribute minimally to global greenhouse gas emissions but are among those most exposed to climate change. This high vulnerability is particularly evident in low-lying Pacific countries such as Tuvalu, Kiribati, and the Marshall Islands, which have high levels of climate exposure, but will significantly impact larger Pacific nations as well. The climate challenges include intensified tropical storms and cyclones destroying land and infrastructure, sea level rise, salinisation, storm surges forcing internal migration and destroying food security and livelihoods, and warming and acidifying oceans affecting ocean biodiversity and fishing revenues. All of this is unfolding in the context of ongoing economic and development challenges. Chief among these challenges is the worsening debt situation that many Pacific countries face and others are projected to face in the future.

Our first report, *Twin Clouds on the Horizon* (2022), established the connections between climate finance and debt challenges facing the region by looking at ways in which natural disasters worsen debt situations for Small Island Developing States. It noted that the Pacific debt situation was worsening due to increasing natural disasters, a tendency of governments to turn to loans as development grant pledges decreased, and a contraction in economic activity and government revenues during the COVID-19 pandemic that forced many Pacific nations to borrow to stay afloat. The report also looked at the mechanisms that do exist for getting climate finance to the Pacific and incorporated views from civil society about how these mechanisms could be improved.

Two years later, a second report, *Weathering the Storm* (2024), took a deeper look at the issues raised in *Twin Clouds on the Horizon*. It examined the debt situations of seven Pacific Island Countries: Fiji, Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu, finding high debt servicing in several of these countries approaching alarming levels. Drawing on new estimates for climate finance needs and IMF and World Bank debt projections into the coming decades, it argued that unless donors signifi-



cantly increase **grant-based climate finance** into the Pacific, most Pacific countries would soon be in the impossible position of either choosing to compromise on implementing climate resilience policies, or to take on crippling debt levels that would hamper future development.

Both reports talked about the vicious circle linking debt and climate crises, as climate change-related impacts forced vulnerable countries to borrow more, thus increasing public debt. Higher debts then make it harder for countries to support important welfare, health, education and climate resilience programs. Recent research by ActionAid has found that 93.5 per cent of climate-vulnerable countries are in or at risk of debt distress. The most climate-vulnerable countries are using nearly two-thirds of their national revenues to pay debts.¹

In the second half of 2026, global shocks have brought these ongoing concerns even further into focus. Global economic inflation and trade wars have disrupted supply chains, aid budgets have been cut while military spending skyrockets, and a new war in the Middle East has caused a large spike in global oil prices.² The latter has hit hard in a region dependent on the import of Middle East oil for 80 per cent of its energy needs and where countries already spend large amounts of government revenue on oil imports.³

The first sections of this report will delve into the impacts of these changes across a range of key countries. Short snapshots in Part II will update the situation for three of the seven case study countries from *Weathering the Storm*: Fiji, Tonga and Samoa. Part III provides an in-depth examination of the debt situation for Papua New Guinea, the Pacific’s largest economy, not one of the seven cases studied in the 2024 report.

In the meantime, the reality of climate change in the Pacific and the insufficiency of the global response become ever clearer. New research, for example, highlights the impact of climate change on the Pacific tuna catch, on which so many nations rely for export revenues.⁴ At the same time, more detailed estimates of the climate adaptation needs of Pacific Island Countries have been released. Part IV of this report builds on these new estimates and connects them back to concerns raised in the *Twin Clouds* report on how to make climate finance work better for the Pacific.

The increase in adaptation needs stems largely from improved understanding and measurement of adaptation needs, rather than a sudden change in Pacific realities. What is becoming increasingly clear is that the scale of climate finance needs for adaptation has been significantly underestimated. Much more work also needs to be done to estimate accurately mitigation and loss and damage needs given the adaptation research suggests that the science, financing architecture and international response have been sluggish and lagging significantly behind the reality Pacific communities are already experiencing.

This report comes at an important moment when the choices we make today will have an enormous impact on the task of building a resilient and dynamic Pacific region facing such serious and unrelenting threats. The paper concludes with reflections and recommendations, which incorporate and extend recommendations from the previous two reports.

Box 1.1: Report Methodology

The methodology for this report is straightforward. For each of the four country case studies, data on GDP, revenue, expenditure, debt stocks, debt service, and other types of expenditure were collected, generally from the most recent Budget Papers published by the relevant Ministry of Finance. Calculations using the above data were made on a spreadsheet where the item being analysed (e.g. debt service-to-revenue ratio) was not presented as a stand-alone item in the Budget Papers.

For more detail on the strengths and weaknesses of the different indicators of measuring debt, the relevance of domestic vs external debt, and a discussion of the significance of who the main creditors are, see section 1.2 of *Weathering the Storm*. As with that report, we would emphasise the importance of the annual debt-to-revenue ratio as being more revealing about the burdens facing any particular country than the total debt-to-GDP ratio. Once again, we have identified 15 per cent of government revenue as the threshold for indicating countries whose debt payments are bordering on unsustainable (the rationale for the 15 per cent level is also given in section 1.2 of *Weathering the Storm*).

When comparisons are made with IMF/World Bank projections, data was drawn from the most recent Debt Sustainability Analysis (DSA) for the relevant country.

The estimates on the needs for adaptation financing and the amount of adaptation finance received were drawn from an IMF working paper by Fabien Gonguet, Xuehui Han, Choonsung Lim, To-Nhu Dao & Saraf Nawar entitled ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ published in 2026.



Local community members celebrate installation of a new water system for Navunibitu, Ra Province, Fiji. Credit: Caritas Fiji.

II: Country Updates

2.1 Fiji Update

Date	Nominal GDP (million FJ\$)	Public Debt Stock (million FJ\$)	Debt-to-GDP Ratio (%)	Debt Service to Revenue (%)	External/Domestic Ratio	IMF Risk of Debt Distress	Estimated Annual Adaptation Needs
June 2024	13,033	10,309	79.1	17.6	36/64	Moderate	14% of GDP
June 2026	14,056	11,538	82.1	22.1	35/65	Moderate	

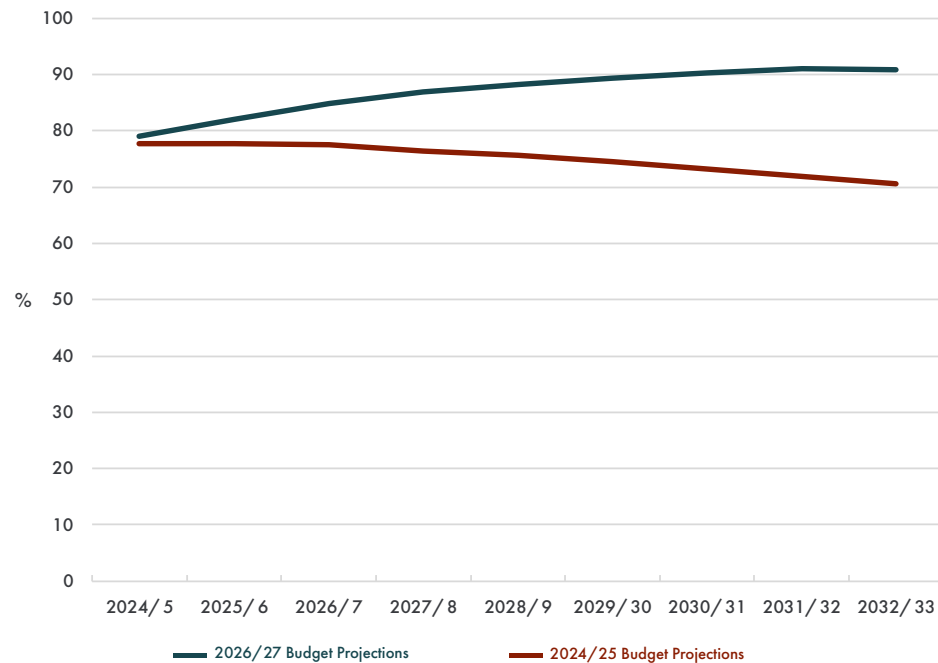
Sources: Ministry of Finance, Supplement to the 2026-2027 Budget Address, 53, 57; Ministry of Finance, Budget Estimates 2026-2027, 346, 352; Gouquet et. al., 12.

Two years ago in 2024, in our last analysis, Fiji's debt was projected to be a concerning 78 per cent of GDP (since revised to 79.1 per cent). It had been worse, reaching 91 per cent during the pandemic, after a swift rise from a mere 44 per cent in 2017. Fijian authorities were confident in a continued decline, predicting that it would dip below 70 per cent within 10 years (i.e. by 2034). The IMF/World Bank predicted a similar decline but also warned that the external debt trajectory was vulnerable to macroeconomic shocks, either foreign or domestic.⁵

Since June 2024, however, matters have not gone as hoped, and debt-to-GDP has started to rise again. This seems to be due to a multitude of factors, including escalating global political tensions, ongoing disruptions to global supply chains, and persistent global inflation. The fuel crisis, precipitated by the United States-Iran conflict and the impact on global oil supplies, has worsened the shock. Higher global energy prices mean that Fiji pays more for fuel and experiences higher freight costs and increased production expenses, pushing up budget expenditure. Revenues have been impacted just as much, with higher energy costs, economic uncertainty and cost of living pressures overseas impacting revenues from Fiji's international tourism visitors.⁶

The drop in economic growth and accompanying fall in government revenue, and increase in government expenditure, has seen higher than expected fiscal deficits over the last two years. Fiji's debt-to-GDP ratio is projected to exceed 84 per cent at the end of the current financial year as growth is not expected to return to the 3 per cent baseline until 2028.⁷ According to the Finance Minister, the increased government expenditure (FJD\$200 million in the coming financial year) is deliberately counter-cyclical in nature, to help soften the blow of the economic headwinds and subsequent economic contraction (countercyclical measures are those that increase government spending or reduce taxes in downturns).⁸ The medium-term impacts of all this are that the optimistic projections by Fiji that its debt-to-GDP will be falling below 70 per cent by 2033 have been jettisoned. Instead, debt-to-GDP is expected, on the 'baseline' scenario, to rise to back over 90 per cent by 2029 and only drop back into the 80s by 2033 (see Figure 2.1).

Figure 2.1: Changing Government Debt-to-GDP Projections



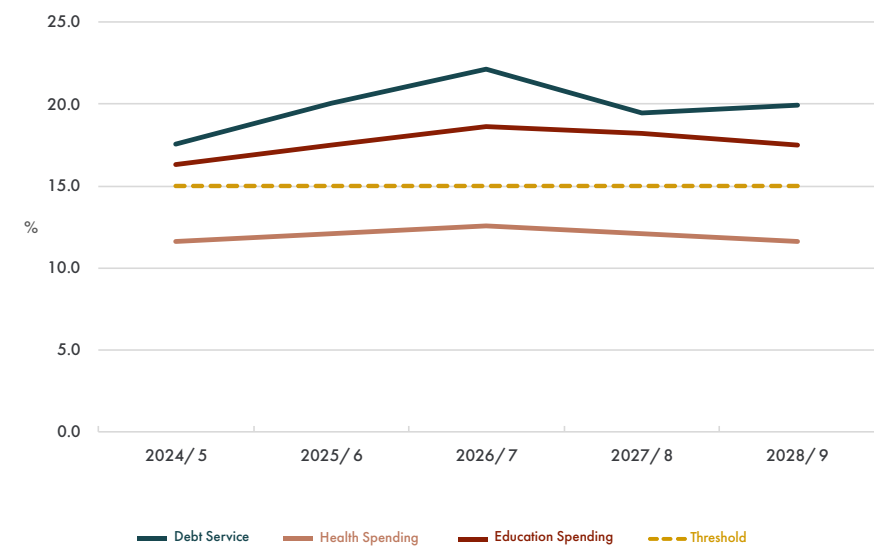
Source: Ministry of Finance, 2026/27 Budget Estimates, 146, 166, 346, 352.



High debt-to-GDP is one thing, but what sort of pressure is this putting on the annual budget and the Fijian Government’s ability to deliver services to the people? Looking at Figure 2.2, it is clear that Fiji’s annual debt service is not only consistently above the 15 per cent threshold we adopted in the previous report, but also higher than spending on each of health and education services. (It should be noted that, in contrast to the previous report, we are including in debt service calculations not only payments on interest, but also payments to refinance principal debt payments).⁹

The IMF and World Bank projections of Fiji’s debt over the long term appear more optimistic than those of the government; for example, the baseline scenario in the recent Debt Sustainability Analysis for Fiji has debt-to-GDP peaking at 83 per cent in 2027 and falling to 75 per cent by 2031. This may be because it expects the government to be more effective at cutting expenditure and raising revenue than it believes it can be. It should also be noted that the IMF modelled another scenario whereby spending on required climate change adaptation would see Fiji’s debt-to-GDP trending in the other direction, and heading towards 90 per cent by 2050.¹⁰ Our earlier report *Weathering the Storm* noted that the World Bank and the Fijian government estimated in their 2021 Climate Vulnerability Assessment that Fiji would need to spend FJD\$9.27 billion over ten years (or 7 per cent of GDP per year which is about half of more recent estimates - see below) in order to build in climate resilience. It does not seem, though, that Fiji has been in a position to make much progress towards this urgent task.

Figure 2.2: Annual Expenditure on Debt Service vs on Health and on Education



Source: IMF Article IV Consultation for Fiji, June 2026, 29, 42.

Climate Finance Needs

Fiji’s finance needs for adaptation have been estimated at USD\$857 million annually. At around 14 per cent of GDP, this puts it well below the regional average of 23 per cent.¹¹ However, because of the size of its economy, Fiji is second-highest in the region in terms of annual climate finance needs by absolute value. Fiji, moreover, faces three further challenges when it comes to climate finance. First, it has the largest of all the Pacific countries in terms of the percentage of adaptation finance coming as loans (35 per cent). Given Fiji’s precarious debt situation, this is a major worry. Secondly, Fiji has one of the lowest rates of coverage of adaptation finance in the region—only 14 per cent of needed funds has been pledged annually, and only 11 per cent disbursed annually, in recent years. One of the important needs for Fijian development generally, but also related to climate adaptation, is the challenge of providing clean drinking water to communities in rural Fiji—see Box 2.1 below. Third, Fiji is one of the countries that sits in the cyclone and tropical storm paths, suffering an annual loss of over 2 per cent of GDP to natural disasters, the fourth highest in the region. Countries such as Fiji, which suffer a greater amount of climate-related impacts than the average Pacific country, will therefore require a greater amount of loss and damage funding than the average for the region.¹² A summary of Fiji’s needs for adaptation finance is given below in Table 2.1.

Table 2.1: Fiji’s Estimated Adaptation Needs vs What it Receives

Annual Adaptation Needs Estimate (USD)	\$857 million
Annual Adaptation Needs Estimate (% GDP, 2024)	14%
Adaptation-related Commitments in 2023 (USD)	\$0.75 billion
Grant/Loan Percentage	65/35%
Disbursement Ratio	83%
Coverage (Commitment)	14%
Coverage (Disbursement)	11%

Source: Fabien Gonguet, Xuehui Han, Choonsung Lim, To-Nhu Dao & Saraf Nawar, ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ IMF Working Papers 2026, 083, 11-12, 21.



Box 2.1: Providing clean water to rural communities in Fiji



Pushing a 10,200 litre water tank up a 70-metre slope for its installation at Burelevu, Kadavu. Credit: Caritas Fiji.

Rural Fijians face major challenges to access safely managed drinking water. Although basic drinking water services reach over 95 per cent of Fiji’s population, only 27 per cent of rural people have reliable, safe water at home, despite access to clean drinking water being a basic human right. Ongoing government initiatives to meet rural water needs are often delayed by other development and debt servicing priorities.

Many rural communities depend on rainwater harvesting, wells, or small-scale water systems, which are vulnerable to contamination and climate impacts such as extreme weather and sea-level rise. Limited sanitation infrastructure also increases the risk of waterborne diseases, including typhoid, diarrhoea, and other faecal-oral illnesses.

Caritas Fiji has supported rural parish communities to construct water systems to access consistent, clean drinking water, through funding by Catholic Relief Services (CRS). Of six completed water projects, a recent water and sanitation project was implemented in Nasalia and Burelevu Villages, maritime communities located on Kadavu Island in southern Fiji.

Caritas Fiji used a community-led consultation process and social analysis method to assess local needs. Water was identified as the top priority. Nasalia Village has 22 households, while Burelevu has 25. The project took three weeks to complete, with the worksite located 300 metres inland and accessed on foot each day. Women and youth supported meal preparation, while village men constructed the water systems.

On 25 June 2026, the two villages gained access to safe, clean, and reliable drinking water. With clean water now available, both villages plan to develop community projects, including a kindergarten, a youth and women’s centre, and a community hall to double as an evacuation centre during disasters.

Caritas Fiji plans to construct another eight projects in rural settings with boarding schools, while waiting for the government to implement a rural water master plan.

Fiji summary

Fiji’s debt-to-GDP ratio has increased since June 2024, despite earlier expectations from the Government and IMF/World Bank that it would decline. The ratio is expected to remain elevated in the medium term, reflecting pressures from geopolitical tensions, supply-chain disruptions, inflation and the fuel crisis, before declining again into the 80s in the longer term. Fiji’s climate finance needs are above the regional average for loss and damage, but lower than the average for adaptation; particularly, Fiji has the highest proportion of loan-based finance but one of the lowest coverage of adaptation needs in the region covered by donors. More accessible finance for climate resilience measures, such as clean rural water infrastructure supported by Caritas, should be provided to enable more projects to reach vulnerable communities in Fiji.





Participants at a Caritas Tonga training day for its Save, Reduce, Rebuild programme for disaster risk reduction November 2025. A partnership with both Caritas Australia and Caritas Aotearoa New Zealand, supported by funding from the Australian and New Zealand Governments. Credit: Caritas Tonga.



2.2 Tonga Update

Date	Nominal GDP (million TOP\$)	Public Debt Stock (million TOP\$)	Debt-to-GDP Ratio (%)	Debt Service to Revenue (%)	External/Domestic Ratio	IMF Risk of Debt Distress	Estimated Annual Adaptation Needs
June 2024	1334	443	38	N/A	87/13	High	25% of GDP
June 2026	1735	397	23	13	71/29	High	

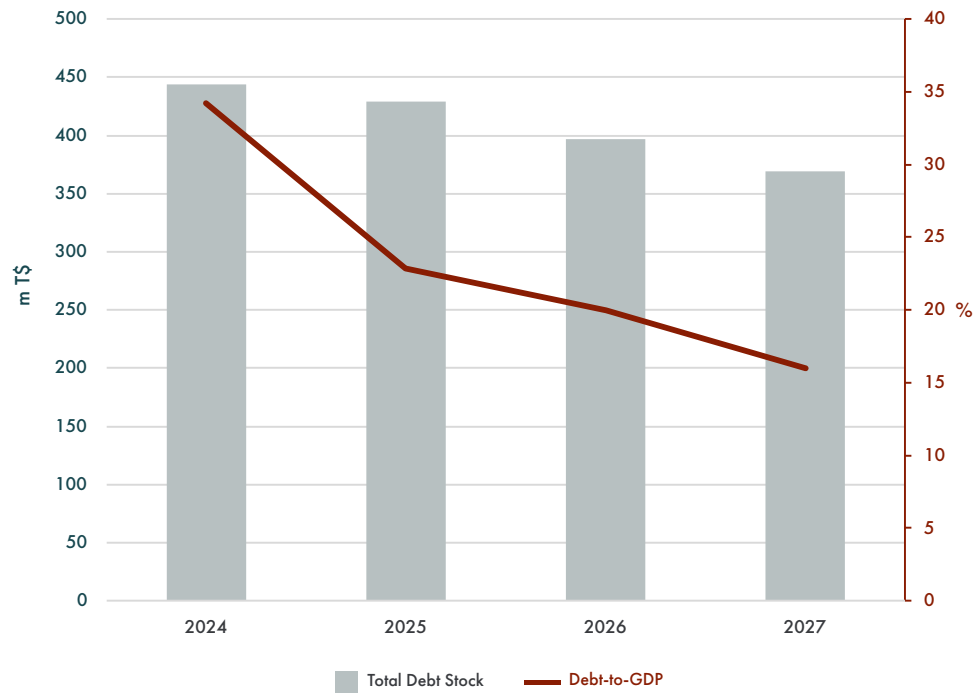
Sources: Ministry of Finance, 2025/6 Budget Statement, 5, 75, 78; 2026/7 Budget Statement, 16, 24, 30, 52; Gonguet et. al., 12.

Our previous report, *Weathering the Storm*, noted Tonga’s debt level at TOP\$495 million (June 2023), or 38 per cent of GDP. The government projected this falling significantly in subsequent years, whereas the IMF and World Bank projected a steep rise with debt-to-GDP approaching 70 per cent by 2027.¹³ As it happens, the government has been able to pay down the debt significantly: debt levels in June were TOP\$397, or 23 per cent of GDP, and debt-to-GDP is projected to continue decreasing—see Figure 2.3 below. The decrease in both debt stock and debt-to-GDP has mostly been due to large payments of the China Exim loan, which financed the rebuilding of the Nuku’alofa central business district after the 2006 pro-democracy riots. The loan payments were deferred and started in 2024 and are expected to continue until the end of the decade as a debt of TOP\$107 million is still outstanding.¹⁴ On top of this, the government has been very disciplined in resisting taking on significant new external loans in the meantime, a central pillar of its debt management strategy. Tonga’s GDP growth has been steady, over recent years, but the fuel crisis saw lower growth in the 2025/26 financial year and it may fall significantly in the coming financial year. Domestic debt in June 2026 was TOP\$89.7 million, 29 per cent of total debt, rising from 13 per cent two years ago.¹⁵

The repayments of the China Exim loan have not been without a cost to the budget. Looking at financial years 2025-2027, debt service has been around the TOP\$70 million mark, or between 7-8 per cent of total government revenues. Tonga separates its revenues and its expenditure into two categories: a recurrent budget funded by revenues collected by the government, and a development budget funded by aid donors. Tonga’s dependence on foreign aid means that the development budget revenue is around half the total budget revenue. Thus, the debt service-to-revenue ratio is much higher, at around 12-15 per cent, if only recurrent revenues are considered (i.e. excluding revenues from the development budget). (Figure 2.4 shows Tonga’s annual debt service-to-revenue ratios for both total revenues and recurrent revenues.)

The continued influx of foreign aid, Tonga’s status as a country that is eligible for grant aid from major donors rather than concessional loans, and the Government’s commitment to reducing debt have allowed it to improve its debt situation in recent years. It is important to emphasise that its foreign aid dependence leaves Tonga vulnerable to the goodwill of other countries for continued delivery of social services, development of its economy, adaptation to climate impacts and transitioning to a renewables-based economy.

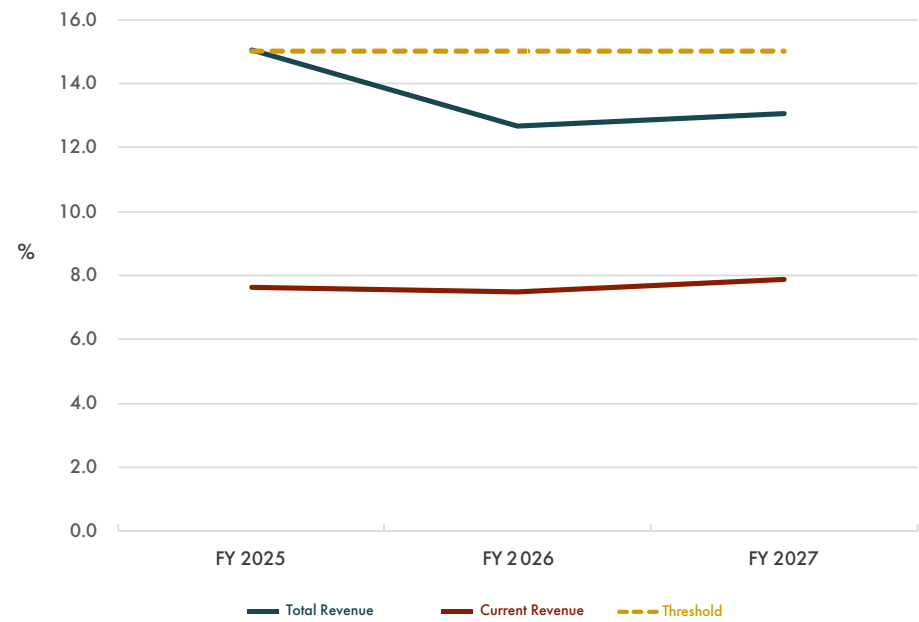
Figure 2.3: Tonga’s Total Debt and Debt-to-GDP



Source: Ministry of Finance, 2025/6 Budget Statement, 5, 78; 2026/7 Budget Statement, 24, 52.



Figure 2.4: Debt Service as a Percentage of Government Revenues



Source: Ministry of Finance, 2025/6 Budget Statement, 5, 78; 2026/7 Budget Statement, 24, 52.

Climate Finance Needs

Tonga’s estimated annual finance needs are around 25 per cent of GDP. It is currently receiving 49 per cent of this in pledges and only 38 per cent in actual disbursements (see Table 2.2). On top of this, Tonga will need a very large amount of loss and damage funding, estimated at about 10 per cent of GDP, or almost half the estimated annual adaptation needs.¹⁶ Tonga receives over 90 per cent of its adaptation finance in the form of grants. Although Tonga’s medium term debt situation appears under control, debt servicing is still high for the next few years. If growth falters, for example due to a prolonged energy crisis, debt-to-GDP may not fall as much as the authorities hope. Moreover, without significantly more loan-free climate finance coming soon, there is every indication that debt-to-GDP and debt service will rise again; if not, Tonga will not be well suited to adapt to the warming world.

Table 2.2: Tonga’s Estimated Adaptation Needs vs What it Receives

Annual Adaptation Needs Estimate (% GDP, 2024)	Approx 25%
Adaptation-related Commitments in 2023 (USD)	\$0.36 billion
Grant/Loan Percentage	Over 90% grants
Disbursement Ratio	81%
Coverage (Commitment)	49%
Coverage (Disbursement)	38%

Source: Fabien Gonguet, Xuehui Han, Choonsung Lim, To-Nhu Dao & Saraf Nawar, ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ IMF Working Papers 2026, 083, 11-12, 21.

Tonga summary

Although the IMF/World Bank projected a steep rise in Tonga’s debt-to-GDP ratio to around 70 per cent by 2027, it is clear that debt stock is reducing and debt-to-GDP is subsequently falling; government projections indicate that the ratio has declined since 2024 from 38 per cent to 23 per cent and it may even continue declining in subsequent years. This is partly due to the repayments of the China Exim Bank loan and the government’s decision not to take on new significant external borrowing. Grant aid provides an important source of government income, accounting for around half of total revenue, which means that Tonga heavily relies on external support. Meanwhile, annual debt servicing is high and expected to remain relatively high for the next few years. Tonga faces substantial climate finance needs, particularly for loss and damage, while around 90% of adaptation finance is provided as grants. Maintaining grant-based finance will therefore remain important.



Fallen palms at Tafatafa Beach, Samoa. Credit: Karen Anaya.

2.3 Samoa Update

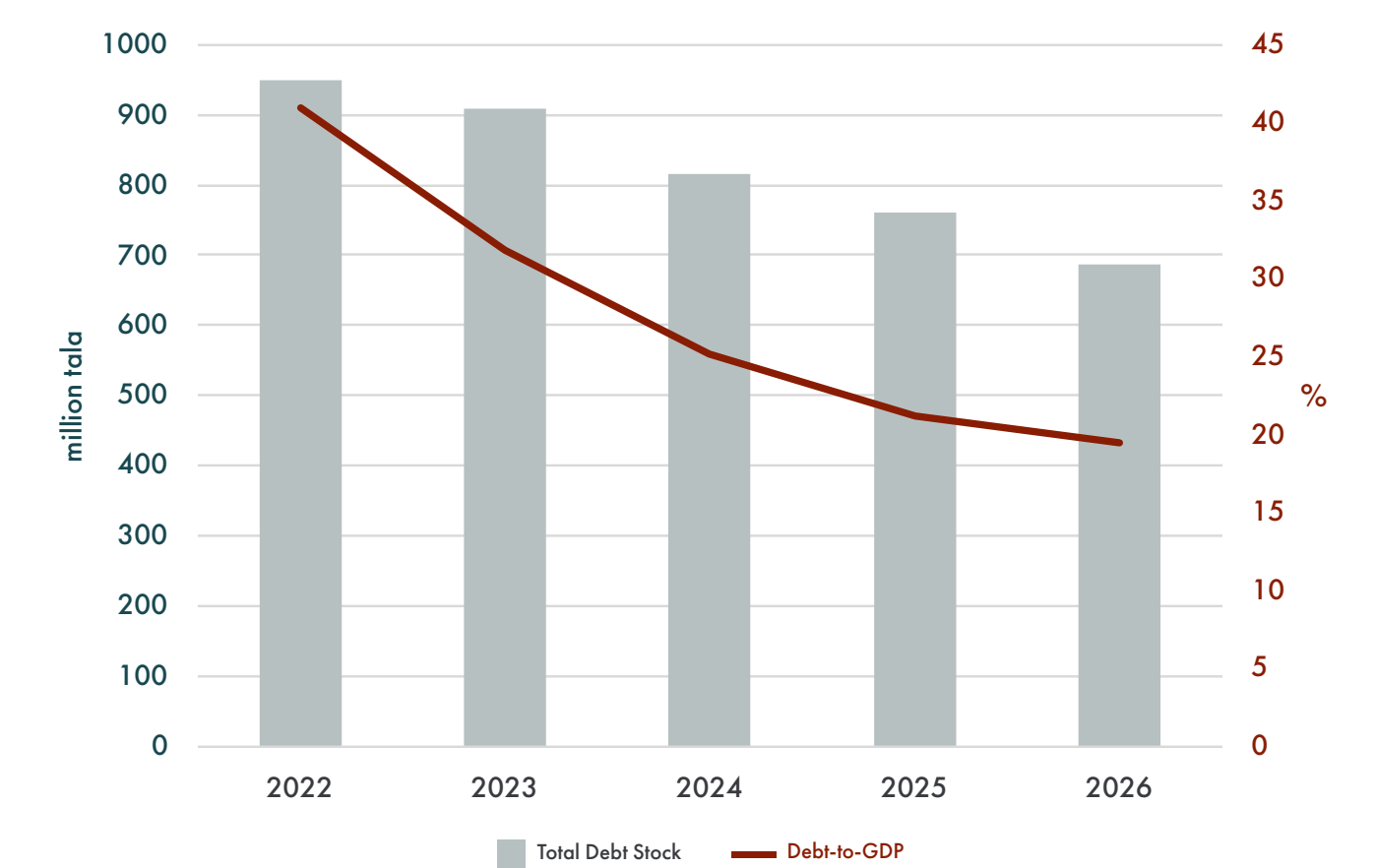
Date	Nominal GDP (million tala)	Public Debt Stock (million tala)	Debt-to-GDP Ratio (%)	Debt Service to Revenue (%)	External/Domestic Ratio	IMF Risk of Debt Distress	Estimated Annual Adaptation Needs
June 2024	2551	853	33.4	12.9	100/0	High	20% of GDP
June 2026	3772	699.5	19.5	9.6	100/0	Moderate	

Sources: Ministry of Finance, Fiscal Strategy 2024/25 Main Estimates; Fiscal Strategy: Main Estimates 2026/7, 6, 18; Gonguet et. al., 12.

At the time of writing the previous report, Samoa’s debt was trending downwards from over 40 per cent of GDP in 2022.¹⁷ This trend has continued as Samoa has so far managed to weather the oil crisis and global uncertainty of the last few years while still maintaining healthy GDP growth and strong growth in non-aid revenue collection. It has also managed to pay down a good proportion of its debt stock. Debt-to-GDP was 19.6 per cent by June 2026, according to the recent budget address (see Figure 2.5). In the intervening period, the IMF downgraded Samoa’s risk of debt distress from high to moderate.

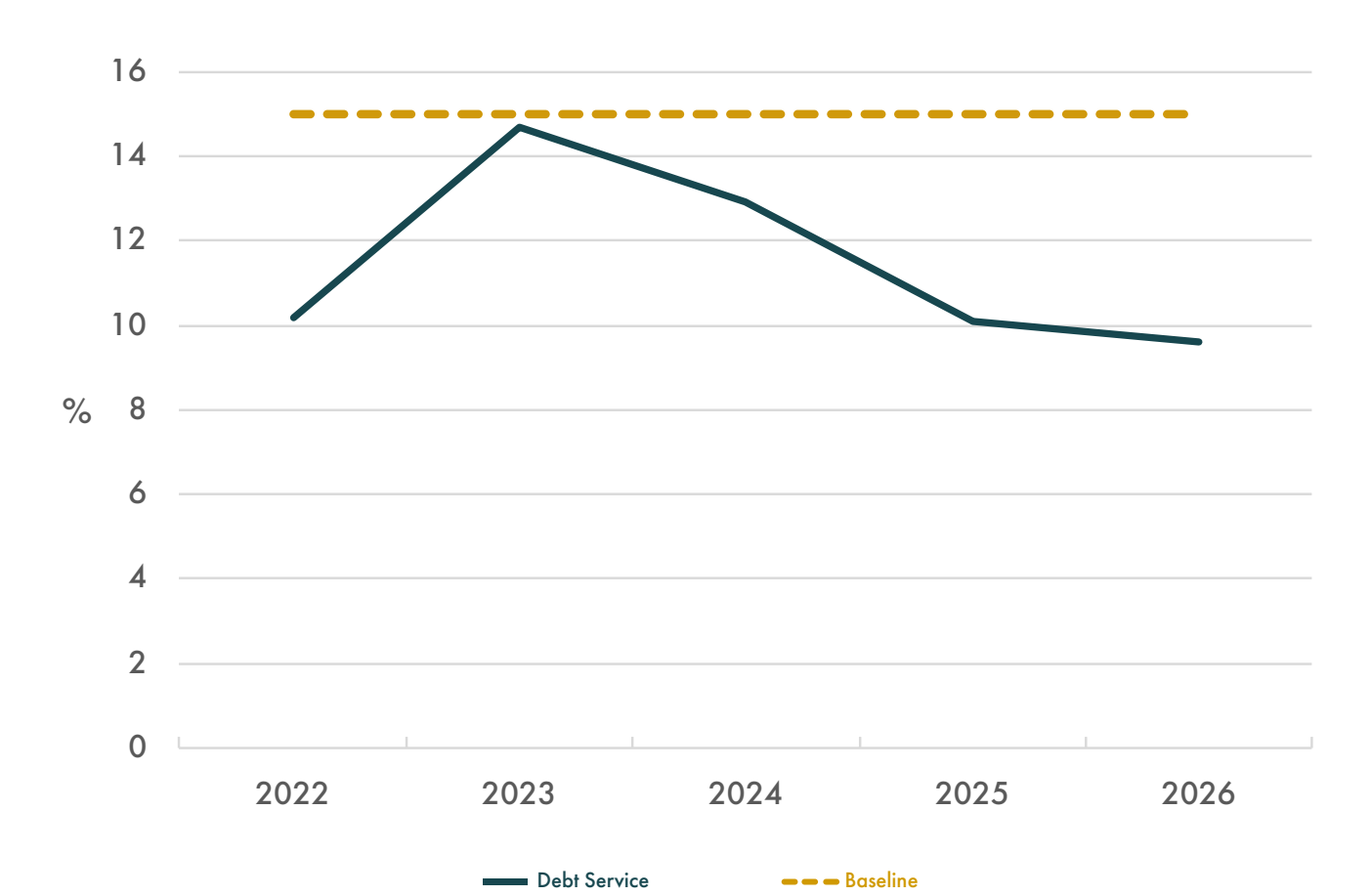
Debt service-to-revenue, which was approaching the 15 per cent threshold in 2023, has reduced towards the 10 per cent mark, on the back of strong revenue growth (see Figure 2.6). Like Tonga, Samoa is still heavily reliant on foreign aid to make ends meet, although not to the same extent—but this will also be something to watch for Samoa in the long term, as the same potential vulnerabilities apply.

Figure 2.5: Total Debt and Debt-to-GDP



Source: Government of Samoa, Fiscal Strategy: Main Estimates 2026/7, 6, 18-19.

Figure 2.6: Debt Service as a Percentage of Government Revenues



Source: Government of Samoa, Fiscal Strategy: Main Estimates 2026/7, 6, 18-19.

Climate Finance Needs

Samoa is only receiving one quarter of the adaptation finance it needs, which is approximately 20 per cent of GDP in 2024 prices. It has received almost the entirety of its adaptation finance in grants; this must continue for Samoa to avoid debt stocks and debt service rising again, but it must happen in concert with a significant increase in climate finance (See Table 2.3).

Table 2.3: Samoa’s Estimated Adaptation Needs vs What it Receives

Annual Adaptation Needs Estimate (% GDP, 2024)	Approx 20%
Adaptation-related Commitments in 2023 (USD)	\$57 million
Grant/Loan Percentage	Over 95% grants
Disbursement Ratio	80%
Coverage (Commitment)	31%
Coverage (Disbursement)	25%

Source: Fabien Gonguet, Xuehui Han, Choonsung Lim, To-Nhu Dao & Saraf Nawar, ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ IMF Working Papers 2026, 083, 11-12, 21.

El Niño highlights water insecurity for family living with disability



Credit: Caritas Samoa

This year's El Niño weather pattern, bringing dry weather to much of the Pacific, has highlighted the critical role of secure water supply, especially for the region's most vulnerable people.

In Samoa, Poasa* lives with paralysis and depends on his wife for daily personal care. He lives with his wife and three daughters, in circumstances made increasingly difficult by unreliable water access, inadequate sanitation, food insecurity, limited income, and the absence of appropriate facilities for a person with a disability.

Reliable access to water every day is essential for Poasa's personal care, bathing, cleaning, drinking and hygiene. It is equally critical for the health, privacy and hygiene needs of his wife and daughters. However, during El Niño conditions, the community water supply can be cut or reduced two to three times per week.

At these times, when water is unavailable, Poasa's wife and older daughters must walk an estimated 400 metres to collect water from another family. This is physically demanding, time-consuming and emotionally uncomfortable – repeatedly asking the same household for assistance. Hygiene buckets are used to transport and store drinking water, which is not a safe, sufficient or sustainable solution for this household.

Though the family has a 2,500-litre rainwater tank, it is leaking, resulting in much of the harvested rainwater being lost. Its current condition seriously limits the household's ability to store water and cope with the effects of climate change.

Water insecurity also threatens the family's food and livelihood resilience. Poasa's wife maintains small patches of various vegetables to support household food security and provide a possible source of income. But without dependable water, this important household coping strategy is also at risk.

Poasa's story illustrates the plight of about 44 per cent of rural Samoans, who do not have access to safely managed drinking water services (WHO/UNICEF Joint Monitoring Programme, 2024).¹⁸

However, Caritas Samoa is working to bring more safe water and sanitation facilities to families and schools across Samoa, in partnership with Caritas Australia. Last year saw the installation of 5,000-litre rainwater harvesting tanks for 30 households in Savai'i and Upolu, while four schools in Upolu received 10,000-litre water tanks to provide safe drinking water for students and staff.

It is a measure of what can be done when the will and the funds are there. The Samoan government and non-government agencies could do a lot more if less was spent on debt servicing, and more on grant-based climate finance, to address the basic needs of ordinary Samoans, especially those facing special difficulties such as Poasa.

*Name changed to protect identity

Samoa summary

Samoa's debt-to-GDP ratio has been declining, supported by its management of the oil crisis, healthy GDP growth, increased non-aid revenue, and debt repayments. However, Samoa remains heavily reliant on external support. Maintaining access to grant-based finance will be important to avoid increases in debt as climate-finance needs grow, with estimated adaptation needs reaching around 20 per cent of GDP. Many families are facing the growing impacts of global warming, especially those associated with El Niño. With less pressure from debt servicing and greater access to grant-based funding, more adaptation financing, for example for clean water initiatives, could reach more vulnerable communities, helping them meet the most basic needs and strengthen resilience across Samoa.



Women paddle traditional canoes along the Sepik River, East Sepik Province, PNG, reflecting the river's importance to daily life, transport and livelihoods in local communities. Credit: Caritas Papua New Guinea.

III. Case Study: Papua New Guinea

Date	Nominal GDP (million PGK)	Public Debt Stock (million PGK)	Debt-to-GDP Ratio (%)	Debt Service to Revenue (%)	External/ Domestic Ratio	IMF Risk of Debt Distress	Estimated Annual Adaptation Needs
2026 FY	145,601	66,216	45.5	13	53/47	High	3% of GDP

Sources: Ministry of Finance, 2026 National Budget, Volume I: Economic and Development Policies, 3, 84, Gonguet et. al., 12.

3.1 Overview

Papua New Guinea (PNG) is the largest country in Melanesia, with a population of well over eight million people comprising around 800 different language groups. Although generally considered to be part of the family of Pacific Island states, it is in many respects an outlier. It is a huge country geographically, occupying half of the island of New Guinea and many smaller and larger islands to the east; it also shares with West Papua the third-largest contiguous rainforest on earth. It is believed to be one of five areas in the world where agriculture developed autonomously, and as in the rest of Melanesia, the majority of the population relies on customary land ownership for local food and energy production.

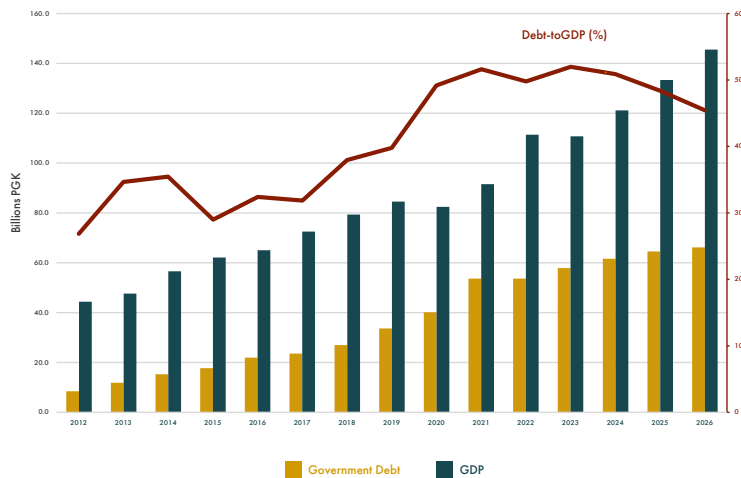
PNG was an Australian protectorate for much of the twentieth century, gaining its independence in 1975. It is rich in timber, minerals (copper, gold, nickel/cobalt) and hydrocarbons (especially gas). At the time of independence, a debate raged about whether to pursue an accelerated capitalist growth path that welcomed exploitation of these natural resources, foreign investment and openness to the world economy, or a more ‘people-centred approach’ based on small-scale production, local markets and the village economy. PNG chose the former path, starting with the exploitation of its mineral resources through large-scale mining projects followed by the pursuit of industrial-scale logging. Foreign multinational companies from Malaysia control the timber sector, while the mining and petroleum sectors are dominated by companies from Australia, the US, Canada and China. Minerals and petroleum products earn 80 per cent of export revenues. In the non-minerals sector, timber, oil palm and marine products are the three largest export commodities by value; in the mid- 1970s, they were cocoa, coffee and copra.

The outcome of this choice is a mixed story. PNG has seen huge increases in its GDP, but large population growth and inflation have meant that real GDP per capita has grown much more slowly. ‘Non-resource GDP per capita’ which is a proxy for living standards (since most of the economic growth from mining and gas remains offshore), only increased by about 0.4 per cent between 1983 and the late 2010s. When inflation is factored in, some analysts argue that PNG’s living standards could be said to have declined over that period.¹⁹ Since independence, life expectancy and access to education have both improved, but across many human development indicators (access to health services, clean water and sanitation, child malnutrition), PNG has either stagnated or declined and lags behind most other Pacific Island states. Some of this can be understood as the result of geographical challenges (a remote population and rugged terrain); but inefficiencies, corruption, government waste, and the diminishing returns of an outward-facing development model may also be factors here.²⁰

3.2 Papua New Guinea’s Debt Situation

At the end of 2025, PNG’s total debt stock was projected to be 62.6 billion PNG Kina (PGK), which is a debt-to-GDP ratio of 48.4 per cent. At the beginning of the 2010s, PNG’s debt-to-GDP ratio was around the quite manageable level of 30 per cent. In the intervening period, as Figure 3.1 shows, PNG’s nominal GDP has almost tripled, from just of 40 billion Kina to over 140 billion Kina. Despite this GDP growth, however, PNG’s debt stock has increased even faster—almost eight-fold.

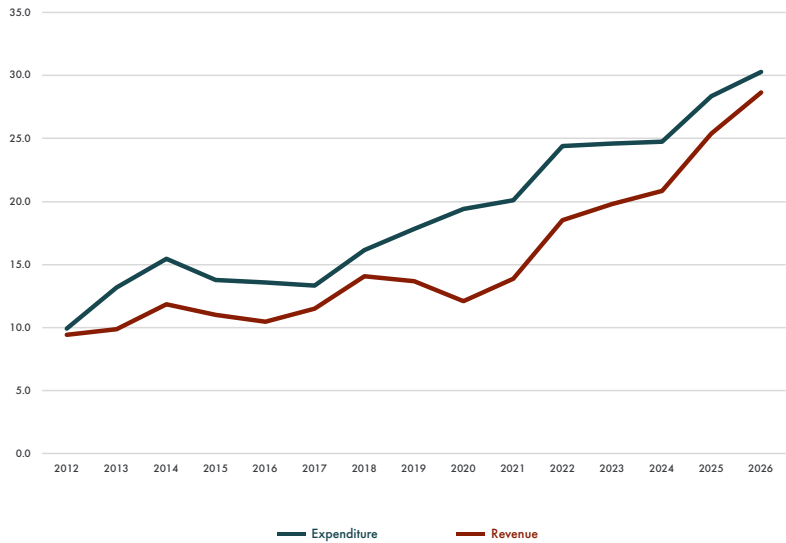
Figure 3.1: GDP, Debt Stock and Debt-to-GDP Ratio



Source: Ministry of Finance, 2026 National Budget, Volume I: Economic and Development Policies, Vol 1, 112, 116, PNG Budget Database, Dev Policy Centre, ANU, <https://crowford.anu.edu.au/devpolicy/png-budget-database>

There are two reasons why debt stock increased so dramatically over this period. First, from around 2013, a gap opened up between government expenditure and government revenue (see Figure 3.2 below). As Howes et. al. noted, this is not the first time this has happened. However, in earlier years, PNG was receiving larger amounts of grant aid which helped it weather these moments.²¹ On this occasion, a major Liquefied Natural Gas project and an export boom that accompanied it saw a significant increase in government expenditure; unfortunately, the project did not generate the government revenue to match the excitement.²² Persistent fiscal deficits of around 4-5 per cent of GDP every year were filled by borrowing from both multilateral bodies (primarily the World Bank and ADB) and bilateral creditors such as Australia. It resulted in PNG’s debt-to-GDP rising to over 40 per cent by 2019. The second reason was the COVID-19 pandemic, which saw GDP stagnate in 2020 and again in 2022, further reducing government revenue and requiring even more borrowing (new borrowing was 8.9 per cent of GDP in 2020). By 2022, debt-to-GDP was over 50 per cent. The IMF became involved, and PNG signed an Extended Credit Facility and an Extended Fund Facility with the IMF in March 2023. In exchange for this help, PNG is expected to implement certain economic policy obligations around revenue collection, expenditure, credit and inflation management, among others.²³

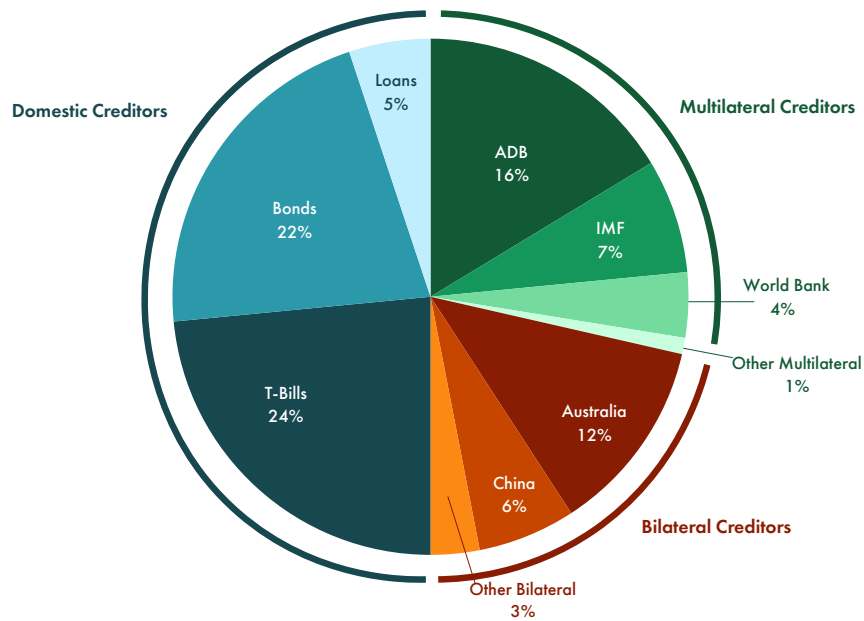
Figure 3.2 Government Revenue vs Expenditure (Billions PGK)



Source: Ministry of Finance, 2026 National Budget, Volume I: Economic and Development Policies, Vol 1, 112, 116, PNG Budget Database, Dev Policy Centre, ANU,

The increase in debt stock was greater proportionately for foreign lenders than for domestic lenders. In 2013, PNG’s domestic creditors held around three quarters of its government debt and foreign creditors around a quarter.²⁴ As multilateral and bilateral creditors stepped in to come to PNG’s aid with (mostly concessional) loans, by 2024 around half of PNG’s debt was held by foreign creditors, especially the ADB, the IMF, Australia and China. Domestic debt was mostly in treasury bills and bonds (see Figure 3.3).

Figure 3.3: PNG’s Creditors (2024)



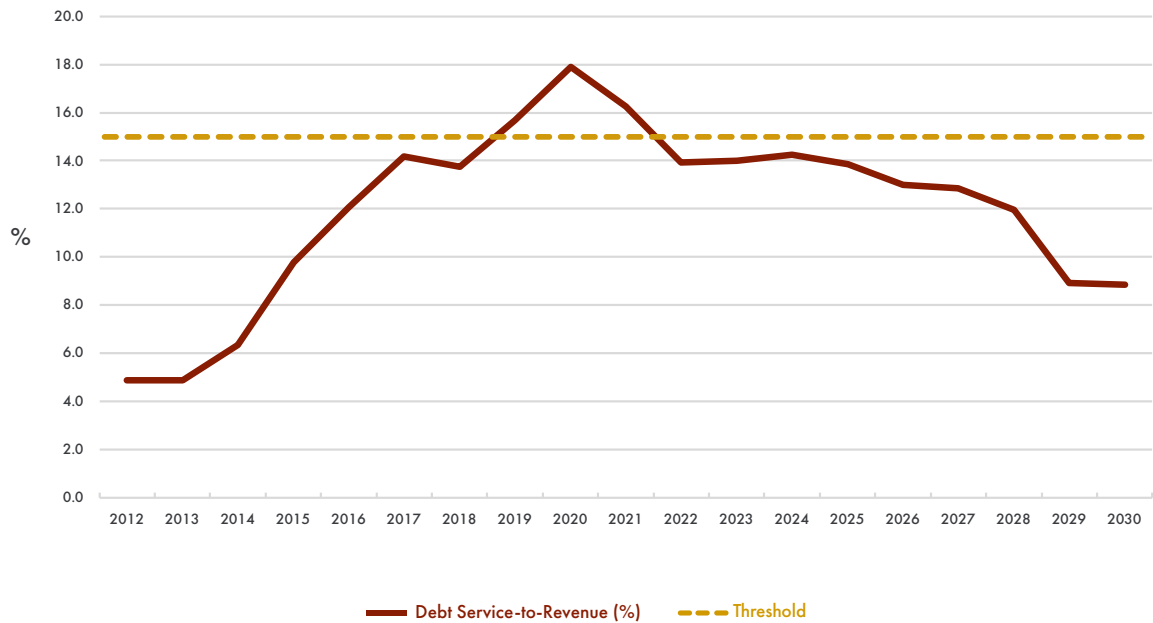
Source: 2025 PNG Debt Sustainability Analysis (IMF and World Bank).



As discussed in *Weathering the Storm*, there are limitations in the amount of information that the debt-to-GDP measurement can reveal, especially on the actual impacts on the population. A better measure is the ratio of debt service-to-government revenue for a given year. The threshold we have used is 15 per cent—anything above this threshold is concerning. PNG budget documents show the debt-to-revenue ratio rising above the threshold in 2019, peaking at 18 per cent in 2022, then falling to stabilise at 14 per cent, where it is now. The PNG finance ministry projects that the figure will fall to 13 per cent in 2026 and keep falling to under 10 per cent by 2030 (see Figure 3.4). In contrast, the recent debt sustainability analysis produced by the IMF/World Bank forecasts the debt service-to-revenue ratio rising to around 23 per cent by 2028 and, under its baseline scenario, not dropping below 15 per cent until 2031.²⁵

The reasons for the discrepancy between the PNG budget papers’ projections and the DSA projections are unclear, but one possibility is that the PNG budget papers may be including debt service on interest only, not principal, whereas the DSA may be including both interest and principal. Either way, these are consistently high debt payments for PNG.

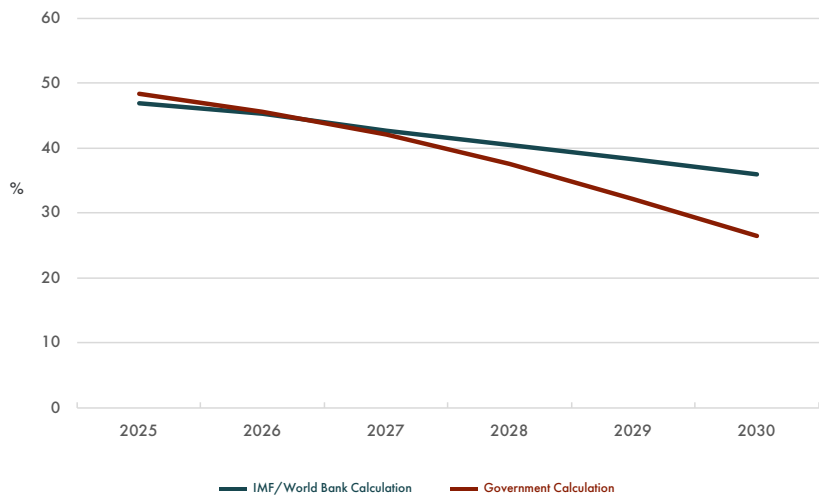
Figure 3.4: Annual Debt Service to Government Revenue Ratio



Source: Ministry of Finance, 2026 National Budget, Volume I: Economic and Development Policies, Vol 1, 112, 116, PNG Budget Database, Dev Policy Centre, ANU.

Over the medium term, the government hopes, according to its recent budget papers, to bring its debt-to-GDP ratio back down to the safer 30 per cent range by 2030 (see Figure 3.5). It intends to do this by increasing revenue raising and tightening spending such that it will bring its fiscal deficits down to zero by 2027 and then move into fiscal surpluses after that. It should be noted that these budget projections were completed at the end of 2025, before the fuel crisis and other economic headwinds of 2026; they might therefore be considered overly optimistic.²⁶ The DSA, under its baseline scenario, shows a more gradual decline (see Figure 3.5).

Figure 3.5: Medium-term Debt-to-GDP Projections



Source: Ministry of Finance, 2026 National Budget, Volume I: Economic and Development Policies, Vol 1, 112, 116; IMF/World Bank 2025 Debt Sustainability Analysis, 18.



3.3 Papua New Guinea’s Climate Finance Needs

At 2.8 per cent of 2024 GDP, PNG’s annual adaptation needs are relatively small compared to the Pacific average of 23 per cent. Nevertheless, PNG is such a huge economy by Pacific standards that the annual adaptation needs estimate of USD\$868 million is still the largest in absolute terms, slightly larger than Fiji’s. Almost half of these funds (45 per cent) have been committed and 38 per cent has been received (see Table 3.1). As we have seen, PNG’s debt service as a proportion of revenues is quite high, meaning that if new grant financing is not forthcoming, PNG will need new loans, this time to address climate resilience. This will worsen its debt position, causing both debt-to-GDP and debt service-to-revenue to rise again.

Table 3.1: PNG’s Estimated Adaptation Needs vs What it Receives

Annual Adaptation Needs Estimate (USD)	\$868 million
Annual Adaptation Needs Estimate (% GDP, 2024)	2.8
Adaptation-related Commitments in 2023 (USD)	\$2.15 billion
Grant/Loan Percentage	81 / 19%
Disbursement Ratio	83%
Coverage (Commitment)	46%
Coverage (Disbursement)	38%

Source: Fabien Ganguet, Xuehui Han, Choonsung Lim, To-Nhu Dao & Saraf Nawar, ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ IMF Working Papers 2026, 083, 11–12, 21.

Papua New Guinea summary

Although for most Papua New Guineans the informal economy has the largest impact on their livelihoods, PNG’s formal economy has expanded rapidly, with GDP more than tripling alongside accelerated growth over the past 20 years. Public debt has increased even faster, with the debt stock rising around eightfold. The debt-to-GDP ratio reached about 50% in 2025, compared with around 30% in the 2010s. The increase in debt reflects persistent fiscal deficits, pandemic-related pressures, and less revenue than expected from large resource projects including for liquefied natural gas. Although debt service-to-government revenue has stabilised below the threshold at around 14%, projections differ, with government estimates indicating a continued decline while IMF/World Bank projections show an increase until around 2028 before declining. PNG’s estimated climate-finance needs are relatively modest at around 2.8% of GDP, compared with the regional average at 23%. However, given the size of its economy, PNG has the largest climate-finance requirement in absolute terms among Pacific countries. Given its high debt-servicing burden, access to grant-based finance will therefore be important to avoid placing further pressure on public debt.



IV. Climate Finance in the Pacific: State of Play

4.1. New Estimates for the Climate Finance Gap

Weathering the Storm estimated the climate finance needs for PICs at around USD\$1.5 billion per year (60 per cent for adaptation, 25 per cent for mitigation and 15 per cent for loss and damage). With climate finance flows in the Pacific believed to have been between USD\$200-600 million annually, the gap was around USD\$1 billion or slightly more.²⁷ New analysis now available suggests these figures to be underestimates.

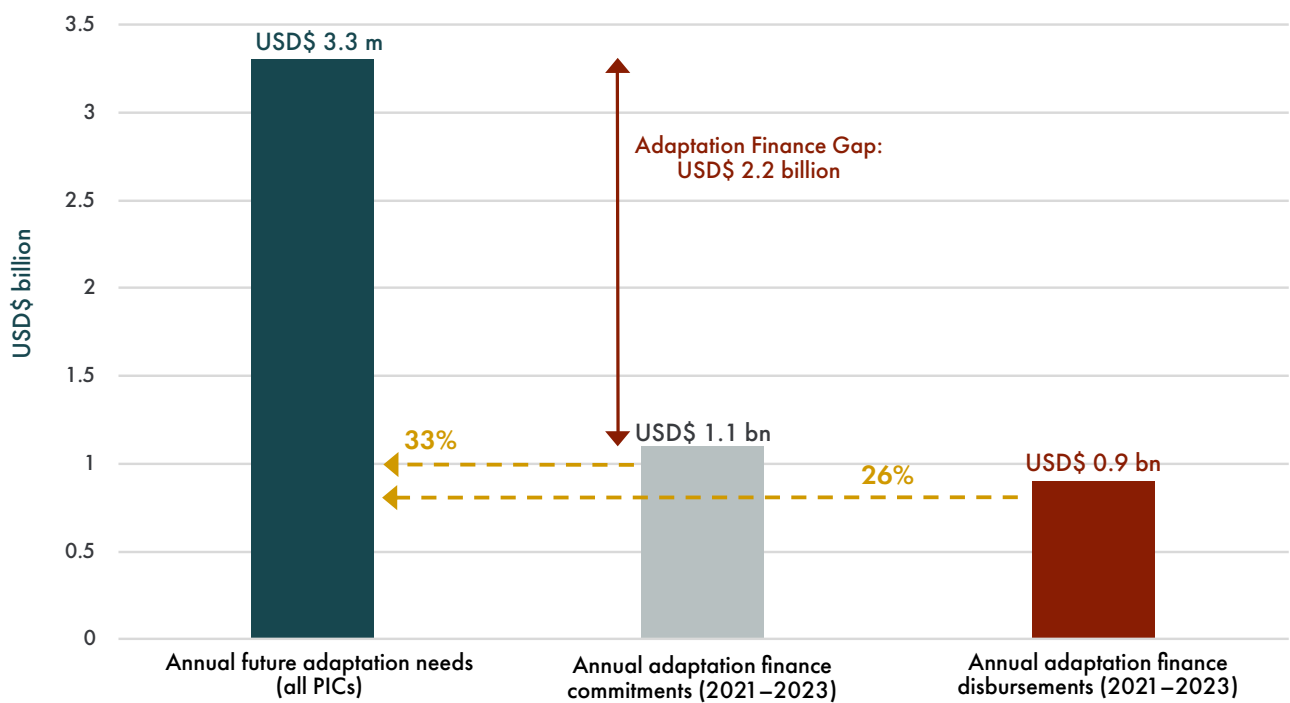
Adaptation

Adaptation is the largest and most important destination for Pacific climate finance, and the area for which the best data is available. A detailed 2026 IMF study, based on a more complex methodology, puts the average annual financing needs for adaptation for Pacific Island Countries at USD\$3.3 billion (at 2024 prices). This is 22.5 per cent of the region's GDP. The actual amounts needed per country vary as a proportion of GDP—the low-lying atoll countries have the greatest needs as a proportion of GDP, but as small nations, the amounts are relatively small. The two largest Pacific Island Countries require the largest absolute amounts, but as a proportion of GDP, their requirements are less. Thus, PNG's annual requirement is large (USD\$868 million), but only 2.8 per cent of its GDP. Fiji too requires a substantial annual amount (USD\$857 million) but only 14 per cent of GDP. We can compare this to the Marshall Islands, Tuvalu, Kiribati and Micronesia, all of which are estimated to need over 30 per cent of GDP in annual adaptation finance (over 40 per cent for the Marshall Islands).²⁸

The IMF study distinguished between activities aimed at addressing physical risks (coastal erosion and coastal protection, inundation and flood mitigation, storm mitigation, protecting and reclaiming land, internal migration, etc.) and those addressing second order risks (climate impacts on agriculture, tourism, biosecurity, ocean and marine protection, wetland conservation, health services and social protections, etc.). Addressing physical risks took the larger share of expected resources (13.1 per cent of regional GDP) whereas addressing second order risks would need 9.4 per cent of GDP. Another pertinent aspect of the study was the time horizon. The three atoll countries (Kiribati, Tuvalu and the Republic of the Marshall Islands) are all expected to have significant adaptation needs post 2070, as adaptation needs were based on a 2-metre sea level rise existing well into the 22nd century. At the other end of the scale, PNG was not expected to need financial support for its climate adaptation programs for more than a decade.²⁹

How much of the estimated USD\$3.3 billion are PICs actually receiving? The IMF study estimated, using OECD-DAC data, that the sum total from all the agencies that disburse adaptation funds to the Pacific is USD\$1.1 billion (averaged across 2021-2023). This is only 33 per cent of the total need, representing a finance gap of USD\$2.2 billion, or 67 per cent. When it came to funds actually disbursed, this fell to USD\$0.9 billion, or just over a quarter of the need (see Figure 4.1).

Figure 4.1: The Adaptation Finance Gap for PICs



Source: Fabien Gonguet, Xuehui Han, Choonsung Lim, To-Nhu Dao & Saraf Nawar, 'Climate Finance and Adaptation Needs in Pacific Island Countries,' IMF Working Papers 2026, 083, 27.

Although 33 per cent is a regional average, the percentage of needs pledged actually varies a lot from country to country 'varies a lot from country to country. Fiji (14 per cent) and the Solomon Islands (23 per cent) are receiving well short of what they are calculated to need, whereas Tonga (49 per cent) and Vanuatu and PNG (both 46 per cent) are doing better.³⁰

It is noteworthy that the study finds a higher amount of adaptation finance has been going to the Pacific than previous studies. Nevertheless, because it estimates a much larger amount needed than previous studies, it still reveals a significant (and growing) climate finance gap. The findings of the study have been endorsed by the UNDP Pacific in its recent report on the topic.³¹ The size of the finance gap is in the same ballpark as that estimated by the Pacific Islands Forum Secretariat (PIFS).³²

Mitigation

One limitation of the Gonguet study is that it does not include estimates for mitigation and loss and damage, which are the other two aspects of climate finance, although for the Pacific region, finance for adaptation is believed to require the lion's share. **Mitigation** is a somewhat misleading term for Pacific Island Countries, given the tiny proportion their emissions make to the global problem (0.23 per cent annually)—but what it means for the Pacific is the transition from a fossil fuel-reliant energy system to one based on renewables. Oil currently represents 80 per cent of the region's total energy supply, and fossil fuels account for 40 per cent of its electricity generation (a larger percentage for most Pacific countries, given the two largest economies, PNG and Fiji, have well-developed hydropower resources).³³

Many Pacific Island leaders, including the President of Palau, would like to see the Pacific make an agenda-setting statement and be the first region in the world that has moved to a 100 per cent renewable energy system.³⁴ Quite a few Pacific Island Countries have adopted ambitious goals for the reduction of carbon emissions in their Nationally Determined Contributions.³⁵ If the focus were to be on decarbonising the energy sector, one estimate puts the total cost (not the annual cost) for eight Pacific Island Countries, including PNG and Fiji, the two largest economies, at between USD\$691 million and \$1 billion.³⁶ This suggests that the costs for turning the entire region to 100 per cent renewables for electricity generation could be as low as USD\$100 million a year. This is likely to be an underestimate; moreover, the electricity sector is only the second-largest cause of carbon emissions in the region both historically and presently, the largest being land use change and forestry. It seems, therefore, that the effort to estimate the total annual mitigation costs for the Pacific has yet to be attempted, but these costs would likely come in far lower than the USD\$3.3 billion a year for adaptation costs, and would probably be under half a billion USD annually.

While mitigation is important, in the past, the weighting of financing going to mitigation as opposed to adaptation in the Pacific has been out of proportion to the need; between 2014-2019, only 44 per cent of financing was exclusively for adaptation; a further 29 per cent was for projects combining adaptation and mitigation. This is overly weighted towards mitigation projects, which probably are more likely to be 'bankable' i.e. served by loans rather than grants, and therefore more attractive to investors.³⁷

Loss and Damage

More work is also needed to estimate climate finance for loss and damage caused by climate change-induced weather events (such as storms, floods and droughts). Damage wrought by recent tropical cyclones to Pacific Island nations' GDP has been huge: 20 per cent of Fijian GDP (Winston, 2016), 60 per cent of Vanuatu's GDP (Harold, 2020) and 38 per cent of Tonga's GDP (Gita, 2018). *Weathering the Storm* reported that Vanuatu has estimated annual loss and damage costs at USD\$177.7 million.

Some attempts have been made to estimate average annual loss and damage costs. For instance, a study by the Overseas Development Institute (ODI) across all 39 Small Island Developing States (SIDS) estimated direct economic losses for SIDS due to climate change at USD\$1.7 billion, or 0.8 per cent of GDP per year across all 39 SIDS. However, there is reason to consider this study as an underestimate, as it did not include indirect economic costs in its methodology. The study itself acknowledged that direct costs are easier to measure but represent only a portion of the economic costs.³⁸ Another IMF working paper used nightlight satellite data to estimate that natural disasters cause an annual growth loss of 1.4 per cent of GDP for Pacific Island Countries—there is variability here, as Vanuatu and Tonga have suffered average annual growth losses at 12 and 10 per cent respectively.³⁹ The same IMF working paper also found that the impacts are even more harmful in the medium term: fiscal balances deteriorate by around 3 per cent of GDP for three years following a severe disaster, while public debt increases by approximately 5.1 percentage points of GDP five years after the disaster.⁴⁰

Table 4.1: Estimated Annual Climate Finance Needs for Pacific by Category

Category	Annual Estimate	Based on
Adaptation	3.3 billion	IMF Working Paper by Fabien Gonguet and co-authors
Renewable Energy Transition ('mitigation')	Under 0.5 billion	Extrapolating from estimate of energy decarbonisation costs (Vikrant Panwar et al.)
Loss and Damage	0.5 - 1 billion	Extrapolating from IMF Working Paper by Choonsung Lim & Yue Zhou and from Vanuatu's NDC estimates



Consideration must also be given to non-economic loss and damages (NELDs), such as loss of cultural heritage, Indigenous knowledge, access to ancestral sites, loss of life and health, and damage to biodiversity and ecosystems. While NELDs cannot be quantified easily in monetary terms, responding to them does have a cost, and requires funding, such as for restoration of sacred sites, preservation of cultural artefacts, psychosocial support, and other matters.⁴¹

Much more work needs to be done to quantify total finance needs for climate-related loss and damage. The IMF Working Paper postulates that, based on the geographical location and severity to date of extreme weather events, Vanuatu, Tonga and Tuvalu would potentially have a strong claim receive the lion’s share of loss and damage funding going into the Pacific, but this could be debated. Taking Vanuatu’s estimate of USD\$177 million as a starting point, the average annual needs for Pacific Island Countries would probably fall somewhere between half a billion and one billion USD.

4.2 The Challenge: Scaling Up While Avoiding the Pitfalls

Sources and Modes of Climate Finance

Climate finance for adaptation and mitigation can be divided into three categories: bilateral, multilateral and specialty climate funds. Interestingly, according to recent IMF data for 2011-2023, 60 per cent of adaptation finance comes from bilateral sources. This is largely because the four largest economies in the region (PNG, Fiji, Vanuatu and Solomon Islands) all receive most of their adaptation-related development funding from bilateral sources.⁴²

Bilateral Finance: Australia remains the largest provider of climate finance to the region, as well as being the largest bilateral aid donor generally. The EU, Japan and New Zealand also contribute. Australia will give around AUD\$2.2 billion of aid to the Pacific in 2026/27, just over 40 per cent of its annual aid budget.⁴³ The Lowy Institute estimates that around \$80 million a year of this goes to adaptation-related infrastructure.⁴⁴ But the amount of Australian bilateral climate finance is larger than this: in 2023, the UNDP reported that Australia gave USD\$500 million to the Pacific, much larger than the next largest climate finance donor, which was Japan.⁴⁵ Australia’s program was traditionally all grant-based, but in 2019, it created the AIFFP (Australian Infrastructure Finance Facility for the Pacific), which includes a concessional loan component.

In the context of bilateral aid generally, Lowy Institute data reveals that Australia remains by far the largest donor to the region (over USD\$1.5 billion in 2024), followed by New Zealand, the US and then China. China in the 2010s gave an average of USD\$400 billion per year in aid (mostly in loans). In the 2020s, however, it gave much less (between USD\$200-300 million annually), although it now gives the majority of its aid as grants, not loans.⁴⁶

Multilateral Development Banks (MDBs) make up 27 per cent of the climate finance going into the Pacific (for 2011-2023). Just over two-thirds comes from the World Bank, and most of the rest from the Asian Development Bank (ADB). For some countries (Federated States of Micronesia, the Republic of the Marshall Islands, Tuvalu and Tonga), the MDBs have been the largest source of funding. Both the World Bank and the ADB rate countries according to their economic situation; the ratings determine whether they are eligible for grants (for only the most vulnerable and debt-distressed), a combination of grants and concessional loans, or less concessional loans. Most Pacific Island nations receive over 90 per cent of climate finance in grants while the four largest economies are the exceptions, shown in Table 4.2 below. One weakness of the MDBs, at least for climate finance, is the lack of flexibility that they have in providing grants to more than just a few countries.

Climate Funds: Finally, specialty funds have been set up at different historical moments to provide money exclusively for climate or environmental purposes. These climate funds have only contributed 13 per cent of the total adaptation funding into the region. Of these, the Green Climate Fund (GCF, established 2010) has given the most, followed by the Global Environment Facility (GEF, established 1991). Most of the GEF projects have been capital-intensive infrastructure projects, and every Pacific country has at least one GEF project (there were 16 projects in 2022).⁴⁷ Finally, there is the Adaptation Fund (established 2001), which is the only one of the large Climate Funds that deals exclusively in grants (the GCF and the GEF can offer concessional loans, equity, etc.). All three of these funds are likely to remain important to help meet climate finance targets. The Adaptation Fund is particularly important because, as we have seen, the needs for adaptation are so great, and much climate finance globally has been for mitigation (this is less true in the Pacific). The Adaptation Fund needs more contributions.

Finally, there is the new Fund for Responding to Loss and Damage (FRLD). Loss and damage have gained much more attention at recent climate COPs. Although the fund has received USD\$2.8 billion in requests from 119 countries, pledges are only USD\$822 million, of which USD\$485 million has been paid in.⁴⁸

Challenge 1: Increasing the Commitments

Meeting a finance gap as large as the one for the Pacific is likely to need stepping up of aid contributions from many sources, especially from donors such as Australia and New Zealand. These can increase their bilateral contributions; equally they can and should increase their contributions to the key climate funds, especially the Adaptation Fund and the FRLD, and the Pacific Resilience Facility (see Box 4.1 below). At COP29 in 2024, governments agreed to triple their climate finance contributions to Global South countries to USD\$300 million per year through a New Collective Quantified Finance Goal (NCQG).

ActionAid Australia, a gender rights development organisation, has argued that for Australia to reach its allocated portion of this amount, it should increase its climate finance contribution to AUD\$11 billion per year over the next five years, a tripling of its current level, and a doubling of the size of the aid program in general.⁴⁹



Countries providing finance for adaptation and loss and damage should not be understood to be acting out of graciousness or generosity, nor should their commitments to increase financing for adaptation be viewed solely as a domestic policy choice. The 2025 International Court of Justice Advisory Opinion (ICJAO) on climate change says developed countries such as Australia and New Zealand, particularly through their ratification of the Paris Agreement, have binding legal obligations to provide adaptation financing at levels commensurate with meeting this threat.⁵⁰ According to the Pacific Islands Climate Action Network, these legal obligations would also apply to loss and damage finance.⁵¹

How could a country like Australia achieve such an ambitious aim? One way, suggested by the Lowy Institute, would be to reduce the large amounts of the budget going to technical assistance (in reality, this pays for the salaries of home country consultants) and increase the amount going to climate-related infrastructure. This focus on infrastructure is the specific argument made by the Lowy Institute, however in principle, money redirected from the technical assistance budget could go to fund any climate-related programs, not just those concerning infrastructure.⁵²

The easiest way to increase Australia’s climate finance to the Pacific would simply be to eliminate or reduce Australia’s fossil fuel subsidies. Recent research by the Australia Institute has found that between 2020-2025, Australia’s fossil fuel subsidies totalled AUD\$11 billion, dwarfing both Australia’s aid to the Pacific over that time (AUD\$11 billion) and Australia’s climate finance to the region (AUD\$1.3 billion).⁵³

Another way to achieve this would be to introduce a tax on those entities that have caused the problems i.e. large carbon polluters, a solution proposed by the Make Big Polluters Pay campaign. This solution has the benefit of being consistent with the principle of ecological debt, in which those countries and corporations responsible for environmental pollution (in this case, carbon pollution) should bear the financial costs of helping those countries most affected by that pollution.

Challenge 2: Improving Access

As *Twin Clouds* noted and as the UNDP has more recently confirmed, access to international climate funds is challenging. As of early 2026, only three national and three regional entities in the Pacific had direct access to the Green Climate Fund (GCF), meaning that most PICs do not have an accredited national entity. The accreditation process can also be lengthy. For example, the Fiji Development Bank and the Cook Islands Ministry of Finance and Economic Management (MFEM) reportedly took between 2 to 4 years to establish direct-access accreditation.⁵⁴ It is partly because of dissatisfaction with the challenges associated with accessing financing through these mechanisms, and the relatively low percentage of climate finance coming to the Pacific through them, that the Pacific Islands Forum Leaders established the Pacific Resilience Facility (PRF) (see Box 4.1).

The PRF will fill an important niche, but given the scale of its capitalisation, there are strong reasons to assume that the bulk of the vast Pacific climate finance needs will continue to be met—at least in the short-to-medium term—by traditional mechanisms such as bilateral aid and the global climate funds. These mechanisms not only need to be scaled up, their accessibility and appropriateness for the Pacific context should be examined.

As the UNDP has recently reflected:

There is growing recognition that addressing the Pacific’s climate adaption challenge will require more than simply mobilising additional finance. It will require financing approaches that are longer-term, more integrated, grant focused, and better able to operate across communities, institutions and sectors. In practice, this means moving beyond isolated projects towards more programmatic approaches that align climate finance with national systems, regional priorities and community realities.⁵⁵

Box 4.1: The Pacific Resilience Facility

The Pacific Resilience Facility (PRF) is a Pacific-owned and led climate resilience facility. First proposed before the pandemic, the PRF was formally endorsed in 2025 and is due to start disbursing community grants in 2027. Its first three-year capitalisation target is USD\$500 million, ten per cent of which would be invested and 90 per cent of which would be disbursed by 2030. If the \$500 million capitalisation target is met (at the time of writing it has yet to raise half the target), it would be disbursing just over USD\$100 million per year. The PRF is authorised to make disbursements for loss and damage as well as adaptation purposes.



A rainbow near Solosolo, Samoa. Credit: Karen Anaya.

Challenge 3: Avoiding Setting Debt Traps

Most Pacific nations receive the vast majority of their climate finance in grants. This is especially the case for adaptation financing, where only four nations receive more than 10 per cent of their finance as loans. Nevertheless, Fiji, Solomon Islands, Vanuatu and PNG are exceptions, as Table 4.2 below details: the inadequacy of climate financing leaves these countries most at risk of exacerbating debt distress, but the reality is that given how great the sums are that are needed, all Pacific countries are potentially at risk of falling into climate debt traps. There is no justification for adaptation financing as loans: countries should not have to bear any of the costs (even deferred costs) for adapting themselves to an environmental crisis that was not of their making. Moreover, as we have seen, these countries are already facing, or could face in the future, dangerously high debt repayments. **Climate finance, whether via bilateral mechanisms, MDBs or climate funds should be henceforth given exclusively as grants.**

Table 4.2: Pacific Countries Receiving More than 10 Per Cent of Adaptation Finance as Loans

Country	Percentage of Adaptation-Related Finance Received as Loans	Debt-to-GDP Ratio
Fiji	35%	82.1% (2026)
Solomon Islands	24%	29.0% (2026)
Vanuatu	23%	41.0% (2026)
Papua New Guinea	19%	48.4% (2025)

Source: Government of Vanuatu Fiscal Strategy Report 2026; Solomon Islands Final Budget Outcome June 2026.



Ben Vereti presents the yagona (kava root) in a sevusevu ceremony at Tutu Rural Training Centre, Taveuni Island, Fiji. Production of the traditional yagona crop is threatened in parts of Fiji due to more extreme weather events and salinisation of soil from sea level rise. Credit: Caritas Aotearoa New Zealand.



V. Conclusion and Recommendations

The purpose of this report has been to further explore the relationship between the climate crisis, the need for more climate financing to address it, and the reality of worsening debt situations in Pacific countries. It has updated the two previous studies in the area, *Twin Clouds on the Horizon* (2022) and *Weathering the Storm* (2024), in the light of challenging global developments in the last couple of years where geopolitical uncertainty, great power conflict, increased inflation and an oil price shock have put pressure on many Pacific nations.

This reality has been most deeply felt in Fiji, where debt-to GDP has worsened from 79.1 per cent to 82.1 per cent in the last two years, and where a hoped-for decline in future trends two years ago instead has debt-to-GDP projected to rise to over 90 per cent in the coming years. Meanwhile, better data in the Fiji budget papers suggests that Fiji now clearly spends more on annual debt servicing than on each of health and education services.

This report was also able to look deeply into the debt situation of PNG, the Pacific’s largest and most resource dependent economy. The story here is of debt-to-GDP rising in the early 2020s to over 50 per cent (at the end of 2025 dipping to 48.4 per cent), a rise of some 20 per cent over the last dozen years. The report has tracked this rise to the poor return PNG is receiving from resource rents, meaning that expenditure has outpaced revenues and borrowing has filled the difference. PNG is now under an IMF program and, like Fiji, spends more on debt service than on health or education.

The report has also explored developments in both Tonga and Samoa over the last couple of years. Responsible management of their debt has seen both countries significantly reduce their debt-to-GDP in the last few years, both of which were high, partly through a determination in both cases to resist as much as possible taking on new loans. Both nations remain aid dependent, however, especially Tonga, such that not only does their ability to supply government services depend on grant aid from outside donors, it is such aid that makes their debt obligations manageable. This points to a deeper challenge for many of the smaller Pacific states whose abilities to raise revenues (as well as make export earnings) still leaves them vulnerable, a vulnerability that will become more acute in a world where climate impacts are increasing.

Additional finance is needed to help Pacific nations better **adapt** to a world with warming weather, to support recovery initiatives for climate related **loss and damage**, and to **decarbonise** Pacific energy systems. This report also benefitted from new data which has allowed for a deeper and more developed position in these three key areas.

The greatest needs for climate finance in the Pacific are in adaptation, where an estimated USD \$3.3 billion is needed annually. Estimates for loss and damage and mitigation are less precise, but are in the realm of USD\$0.5-1 billion for loss and damage and under half a billion USD for decarbonisation. Vanuatu, Tonga, and Fiji have the highest need for loss and damage finance. An IMF working paper has estimated the annual finance gap for adaptation financing at between USD\$2.2 and 2.4 billion. There are no estimates for the finance gap for loss and damage and energy decarbonisation. This would put the overall finance gap at somewhere between USD\$3-4 billion, but we know that almost no funds have yet been received for loss and damage as yet.

What is becoming increasingly clear is that the scale of climate finance needs for adaptation, especially, has been significantly underestimated, while much more work needs to be done to accurately estimate mitigation and loss and damage needs. This shows that the science, financing architecture and international response have been lagging significantly behind the reality Pacific communities are already experiencing when it comes to climate impacts.

An adequate response to this reality will require all donors to step up—but especially those who specialise in grant financing. Bilateral aid is still the largest source of climate finance in the region, and Australia is still the largest bilateral donor. Multilateral Development Banks (MDBs) are the second largest source of climate finance, and climate funds, especially the Global Climate Fund and the Global Environmental Facility, at the moment, contribute the least. There are calls for this to change, especially with demands for donors to capitalise the Adaptation Fund, the FRLD, and the Pacific nation-led Pacific Resilience Facility. Bilateral climate finance should also be increased.

The 2025 International Court of Justice Advisory Opinion makes clear that donors, whether increasing climate finance bilaterally or through capitalisation of these funds, are not simply making a choice to be generous or magnanimous. Rather, they have an obligation to act consistent with **legally binding commitments** they made when signing on to the 2015 Paris Climate Agreement.

Building on the work of our previous two reports, the urgency has never been greater for donor nations to commit to help Pacific nations weather climate change and decarbonise in a way that does not make them more vulnerable to debt stress. The reasons for acting are many. First, **the development benefits to Pacific Island Countries are clear**: less climate impacts on the population, a transition to renewables that will make them less dependent on costly imports, and an economic path that avoids future debt traps. Second, there are **pragmatic arguments for donor countries** to step up and find the money, not least of which is that it will be a great return on investment: the Pacific countries as healthy and flourishing development partners. Another pragmatic incentive for donor nations in the region is that better climate adaptation will mean less climate-related migration, which in large numbers could be destabilising for the region. Finally, and most importantly, there is the **moral argument**: Pacific nations did not cause this problem, industrialised nations and fossil fuel corporations did, by pursuing a carbon emissions-heavy model that they persisted with, knowing that, at least for the last forty years, it was contributing to a warming world with unknown consequences – now looming as catastrophic for the most vulnerable Pacific nations and communities.



This report makes the following recommendations, in line with earlier recommendations in Caritas/Jubilee Australia debt and climate reports, *The Jubilee Report (2025)*⁵⁶ commissioned by Pope Francis, and ActionAid’s latest report, *Debt Fuels the Climate Crisis: How the Finance Flows*⁵⁷:

On climate finance:

- Donors to ensure that adaptation and loss-and-damage finance is provided solely as grants.
- Collective climate finance (mostly as grants) from all donors (bilateral, multilateral and specialty climate funds) to Pacific Island Countries to be at levels required to address need, and in line with the New Collective Quantified Goal (NCQG) of USD\$300 billion a year agreed at COP29 of the UNFCCC. Current levels of climate finance need to triple to be in line with the COP29 pledge.
- Individual countries’ provision of climate finance, from all sources (public and private) to be consistent with their global responsibility for causing climate change. Within the region, Australia and New Zealand as developed nations that have benefited most from fossil fuel use, need to step up their climate finance commitments – while maintaining their grant-based aid emphasis.
- Donor countries to bring the Pacific Resilience Facility up to its USD\$500 million capitalisation target as soon as possible.
- Donors to fully capitalise the Adaptation Fund and Fund for Responding to Loss and Damage.
- The Green Climate Fund should speed up the processes for accreditation to the Fund.
- Strengthen regional and domestic capacity, through greater South-South cooperation and financial support for community-level projects.

On debt:

- Debt cancellation for unpayable or unjust external debts. For example, ensuring that no climate-vulnerable country paying more than 10 per cent of government revenue to service external sovereign debt.
- The World Bank and IMF to radically reform debt sustainability analyses: build climate vulnerability into debt sustainability analyses; extend debt relief initiatives to climate-vulnerable middle-income Pacific states like Fiji and Papua New Guinea; rule out de facto bailouts that leave Pacific people paying through austerity; and to replenish the IMF’s Catastrophe Containment and Relief Trust for cyclone-hit states.
- Reform the use of debt sustainability analyses to ensure appropriate investment in climate responses, inclusive public services and protection of human rights to support sustainable development.
- Automatic debt service cancellation for at least five years for any country experiencing a major climate-related disaster.

On the global debt system:

- Introduce a robust and fair UN Framework Convention on Sovereign Debt.
- Introduce a Big Polluters Pay-style tax to support new and additional climate finance.
- Take legislative action in London and New York, which govern most of the international debt system, to require private creditors to join debt restructuring processes.
- Hold public debt and climate audits in every country.
- Provide for greater Pacific voice and vote in international funding institutions such as the World Bank.



Endnotes

1 ActionAid, Debt Fuels the Climate Crisis: How the Finance Flows, September 2026, <https://actionaid.org/publications/2026/debt-fuels-climate-crisis#downloads>.

2 The war in Ukraine and pressure from the United States (US) on its allies are the main factors driving the increase in military spending; this has often been funded by cuts to many aid budgets and other government services. At the same time, the US has unilaterally cut its own aid budget and disbanded USAID.

3 Wesley Morgan, ‘Sea-level rise, fuel shortages and missile tests top the agenda as Albanese heads to Palau for Pacific talks,’ The Conversation, 31 August 2026, <https://theconversation.com/sea-level-rise-fuel-shortages-and-missile-tests-top-the-agenda-as-albanese-heads-to-palau-for-pacific-talks-289979>

4 <https://pmn.co.nz/read/pacific-region/beyond-1-5-c-pacific-warns-the-bill-will-be-paid-in-food-fisheries-and-record-lost-revenue>

5 Luke Fletcher, Weathering the Storm: Addressing Debt and Climate Vulnerability in the Pacific, Caritas Australia, Caritas Oceania and Jubilee Australia Research Centre, November 2024, 20-21.

6 2026/27 Budget Supplement, 2026/27, 26-27; IMF Article IV Consultation, June 2026, 5-7.

7 2026/27 Budget Supplement, 2026/27, 51, 60.

8 Minister of Finance, 2026/27 National Budget Address, 12.

9 We chose to include this time as the government is including them in their debt service numbers. It is estimated by the Finance Minister that interest payments are around FJD\$600 million annually, and refinancing principal payments is around FJD\$400-600 million annually. Minister of Finance, 2026/27 National Budget Address, 6.

10 IMF Article IV Consultation, June 2026, 28, 46.

11 Fabien Gonguet, Xuehui Han, Choonsung Lim, To-Nhu Dao & Saraf Nawar, ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ IMF Working Papers 2026, 083, 11-12.

12 Choonsung Lim & Yue Zhou, ‘Impact Dynamics of Natural Disasters and the Case of Pacific Island Countries,’ IMF Working Paper 2025, Vol 084, 17.

13 Luke Fletcher, Weathering the Storm: Addressing Debt and Climate Vulnerability in the Pacific, Caritas Australia, Caritas Oceania and Jubilee Australia Research Centre, November 2024, 27-38.

14 Ministry of Finance, 2026/27 Budget Statement, 16, 50.

15 See above Table and Ministry of Finance, 2026/27 Budget Statement.

16 Choonsung Lim & Yue Zhou, ‘Impact Dynamics of Natural Disasters and the Case of Pacific Island Countries,’ IMF Working Paper 2025, Vol 084, 17.

17 Luke Fletcher, Weathering the Storm: Addressing Debt and Climate Vulnerability in the Pacific, Caritas Australia, Caritas Oceania and Jubilee Australia Research Centre, November 2024, 29-30.

18 <https://www.sdgdata.org/en/country-or-area/Samoa>

19 Stephen Howes, Rohan Fox, Maholopa Laveil, Luke McKenzie, Albert Prabhakar Gudapati and Dek Sum, ‘PNG’s economic trajectory: The Long View,’ in Stephen Howes & Lekshmi N. Pillai, Papua New Guinea: Government, Economy, Society (ANU Press, 2022), 152.

20 Pius Bonji, ‘PNG Loses Billions to Government Corruption,’ ABC News Online, 29 August 2013: <https://www.abc.net.au/news/2013-08-27/an-pngbillions-lost/4916656> (accessed 24 February 2020); The Transparency Gap, District Development Authority Watch Annual Report, July 2026, <https://actnowpng.org/publications/3223>.

21 Howes, et al., ‘PNG’s economic trajectory: The Long View,’ 145. Grant aid has fallen from 6 per cent of GDP in the 1970s to 2 per cent of GDP now (146).

22 Research published by Jubilee Australia in 2018 suggests that the disappointing revenues from the gas project happened for three reasons: (1) flaws in the original economic impact analysis, (2) a favourable tax regime which left tax loopholes in the agreement, and (3) aggressive tax avoidance methods by the project proponents. See Paul Flanagan and Luke Fletcher, Double or Nothing: The Broken Promises of PNG LNG, Jubilee Australia Research Centre, April 2018.

23 See Staff Reports for the 2025 Article IV Consultation.

24 Howes, et al., ‘PNG’s economic trajectory: The Long View,’ 148.

25 International Monetary Fund and World Bank, Papua New Guinea Debt Sustainability Analysis, 28 May 2025, Figure 1, 19. Found in the collection of documents released in June 2025 for the 2025 IMF Article IV Consultation with PNG. We were not able to reproduce a curve for the DSA projections on Figure 3.4 because the DSA did not have data with which to use, only a graph.

26 2026 National Budget: Volume 1 Economic and Development Policies, For the Year Ending 31st December 2026, Minister for Treasury, November 2025.

27 *Weathering the Storm* arrived at this calculation using estimates from an IMF study by Johanna Tiedmann and colleagues which calculated the average climate finance needs at 6.6 per cent of GDP per country for adaptation. The amounts for mitigation and adaptation were extrapolated from Vanuatu’s Revised and Enhanced Nationally Determined Contribution, 2021-2030.

28 Fabien Gonguet, Xuehui Han, Choonsung Lim, To-Nhu Dao & Saraf Nawar, ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ IMF Working Papers 2026, 083, 10-12.

29 Gonguet et al., ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ 27.

30 Gonguet et al., ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ 26-28.

31 Pacific Climate Finance State of Play: Opportunities Amid Increasing Complexity, United Nations Development Programme Pacific Office in Fiji, 2026.

32 A recent PIFS report estimates that the region needs \$13.2 billion for the period between 2025-2030. Pacific Island Forum Secretariat, Pacific Regional Finance Access and Mobilisation Strategy 2025-2030, 8.

33 Ana Pueya & Jannik Haas, ‘Energy transitions in the Pacific, one island at a time: the case of Etofe island, Vanuatu,’ Energy Policy Vol 206, November 2025.

34 Surangel Whipps, Jr, ‘We bear the brunt of the climate crisis. A Pacific Cop could help shape the global response,’ The Guardian, 22 May 2025: <https://www.theguardian.com/commentis-free/2025/may/22/we-bear-the-brunt-of-the-climate-crisis-a-pacific-cop-could-help-shape-the-global-response> ; Wesley Morgan, ‘Sea-level rise, fuel shortages and missile tests top the agenda as Albanese heads to Palau for Pacific talks,’ The Conversation, 31 August 2026, <https://theconversation.com/sea-level-rise-fuel-shortages-and-missile-tests-top-the-agenda-as-albanese-heads-to-palau-for-pacific-talks-289979>

35 Nokai Casula, Alex Edney-Browne & Raeed Ali, Kia Mua: Towards a Just Transition for the Pacific, Fossil Fuel Non-Proliferation Treaty, November 2023, 22-24.

36 Casula, Edney-Browne & Ali, Kia Mua, 11.

37 Twin Clouds, 17.

38 Vikrant Panwar, Ilan Noy, Emily Wilkinson and Jack Corbett, The Costs of Inaction: Calculation climate change-related loss and damage from extreme weather in Small Islands Developing States, ODI Working Paper, November 2023, 14, 20-21; <https://odi.org/en/publications/calculating-loss-and-damage-from-extreme-weather-in-sids>.

39 Choonsung Lim & Yue Zhou, ‘Impact Dynamics of Natural Disasters and the Case of Pacific Island Countries,’ IMF Working Paper 2025, Vol 084, 17.

40 Lim & Zhou, ‘Impact Dynamics of Natural Disasters,’

41 <https://www.sciaf.org.uk/resources/603-unheard-uncharted#downloads>

42 Gonguet et al., ‘Climate Finance and Adaptation Needs in Pacific Island Countries,’ 21.

43 Australia’s Official Development Assistance Budget Summary 2026-27, <https://www.dfat.gov.au/about-us/corporate/portfolio-budget-statements/australias-official-development-assistance-budget-summary-2026-27>, Accessed on 15 September 2026.

44 Roland Rajah, Riley Duke & Georgia Hammersley, How to scale up Australia’s investment in Pacific climate adaptation, Lowy Institute Policy Brief, 7 August 2025: <https://www.loyyinstitute.org/publications/how-scale-australia-s-investment-pacific-climate-adaptation>.

45 UNDP, Pacific Finance State of Play, 10.

46 Lowy Institute, Pacific Aid Map, Key Findings for 2024, <https://pacificaidmap.loyyinstitute.org/> accessed on 18 September 2026.

47 Twin Clouds on the Horizon, 15-16.

48 Funding, Fund for Responding to Loss and Damage website, accessed on 23 September 2026; <https://www.frlf.org/funding>

49 ‘It’s Time for Australia to Finance its Fair Share,’ ActionAid Australia website, <https://actionaid.org.au/actions/climate-finance-fair-share/>; accessed on 15 September 2026.



50 Jeffrey Qi, What Does the International Court of Justice Advisory Opinion on Climate Change Mean for Climate Adaptation, International Institute for Sustainable Development Briefing Note, March 2026: <https://www.iisd.org/publications/brief/icj-advisory-opinion-climate-adaptation>

51 Sindra Sharma, A Legal Turning Point that Could Mark the Return of Climate Ambition, Pacific Islands Climate Action Network, July 2025, https://docs.google.com/document/d/1M7Up1ghfEh-SeVfepmsUj9tAIDsxyl_3SVZ_jCW3aG0/edit?pli=1&tab=t.0#heading=h.s4ydwwoo1wm8

52 Roland Rajah, Riley Duke & Georgia Hammersley, How to scale up Australia’s investment in Pacific climate adaptation, Lowy Institute Policy Brief, 7 August 2025: <https://www.loyyinstitute.org/publications/how-scale-australia-s-investment-pacific-climate-adaptation>.

53 Hamdi Jama, Roderick Campbell & Louise Morris, Transition Away from Fossil Fuels: A Roadmap for Australia, The Australia Institute, September 2026: <https://cdn.australiainstitute.org.au/2026/09/18001014/P2052-Transition-away-from-fossil-fuels-a-roadmap-for-Australia-VWeb.pdf>

54 Twin Clouds, 27-28; UNDP, Pacific Finance State of Play, 9.

55 UNDP Pacific, Pacific Climate Finance State of Play, 12

56 Jubilee Commission, The Jubilee Report: A Blueprint for Tackling the Debt and Development Crises and Creating the Financial Foundations for a Sustainable People-Centered Global Economy. Vatican, June 2025. At <https://www.bu.edu/gdp/2025/06/25/the-jubilee-report-a-blueprint-for-tackling-the-debt-and-development-crises-and-creating-the-financial-foundations-for-a-sustainable-people-centered-global-economy/>

57 ActionAid, Debt Fuels the Climate Crisis: How the Finance Flows, September 2026, <https://actionaid.org/publications/2026/debt-fuels-climate-crisis#downloads>



Community members in Timbunke village, Angoram, East Sepik Province, PNG learn about climate change impacts on water resources and practical ways to protect and conserve water. Credit: Caritas Papua New Guinea.



Sunset in North Tarawa, Kiribati. Credit: Caritas Aotearoa New Zealand



Produced in support of the Turn Debt into Hope campaign calling for cancellation of debt and reform of the global financial system.

Sign the petition at: www.turndebtintohope.caritas.org