

# MAKING FINANCE FOR REPARATIONS AND LOSS AND DAMAGE A REALITY

## WHAT ARE THE OPTIONS?



THE  
ADVOCACY  
TEAM

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**DEVELOPMENT  
REIMAGINED**

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## EXECUTIVE SUMMARY

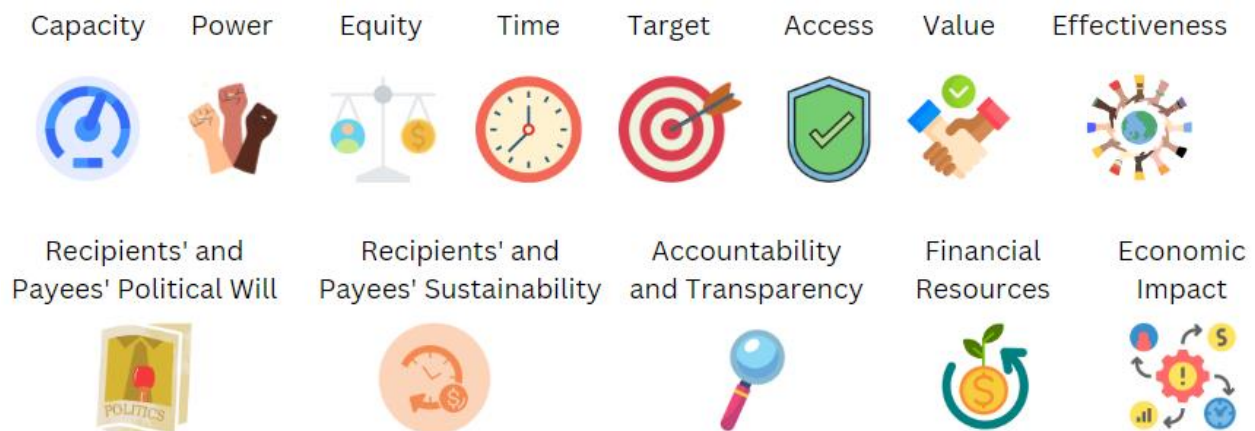
Injustices have occurred across communal, national, international, and transnational contexts throughout history, and in many instances, these injustices have not been acknowledged or addressed. Reparations offers affected victims acknowledgement, recognition, justice, accountability, and compensation. Reparations can encompass many contexts, which include but are not limited to slavery and colonialism to genocide and displacement to more slow onset injustices such as loss and damage.

This research focuses on the financial aspects of reparations, given a lot of research and attention has concentrated on the legal and political components of reparations. Furthermore, the implementation of financial mechanisms for reparations has been limited. Compensation is one of the significant pillars of reparations, and therefore it is critical to understand how reparations can be financed. The research investigates the following key question and sub-questions:

- What financing options could be applied to reparations (and its different contexts including L&D, slavery and colonialism, gross human rights violations)?
- How do these financing mechanisms work in practice?
- What are the sustainable sources of capital that could finance reparations?
- Which financial mechanisms are appropriate for recipients?

This paper identifies 14 financial mechanisms, of which five are existing mechanisms that have been applied directly for reparations, and nine are proposed options that can be applied to cases of reparations. These mechanisms were identified through desk research and interviews with various experts on financing reparations across different contexts. These mechanisms were evaluated across 15 criteria that provide a holistic view on reparations from perspectives of the recipients and payees.

### Financing Reparations Assessment Criteria



Through the assessment of the financial mechanisms, this paper found that, in general, taxes offer the greatest opportunity to attain reparations for recipients from fossil fuel taxes to financial transaction taxes (FTTs). FTTs were scored as the highest financial mechanism to achieve large-

scale financial reparation for different contexts, as they can provide restorative value for recipients to be sustainably financed and better address issues of power, equity and justice that recipients face.

The existing mechanisms for reparations, such as debt cancellation and relief, debt swaps, multilateral agreements, public budget commitments (PBCs) and legal claim scored low in the assessment, as they can offer forms of financing that can support reparations, but it does not holistically offer reparations that can restore and repair the harm for recipients.

Regardless of which financial mechanism(s) is utilised, they should not be used in isolation, but rather in combination with one another to have a greater and sustainable impact for recipients seeking reparations. The recommended combination put forward by this research starts with debt cancellation as it enhances recipients' ability to develop. Once debt is removed, this allow recipients to explore options for reparative justice, of which repurposed financial sanctions can support in terms of the transfer of assets and creation of a reparations fund. Finally FTTs can be applied as they can directly target global financial markets and provide reparations with value, equity, power and justice for recipients.

Financial Mechanism Comparison																
	Effectiveness	Access	Equity	Power	Time	Financial Resources	Value	Economic Impact	Recipients' Political Will	Payees' Political Will	Recipients' Sustainability	Payees' Sustainability	Accountability and Transparency	Capacity	Target	Total
Financial Transactions Tax (FTT)	10	5	7	7	1	10	9	10	8	1	8	9	7	6	9	107
Repurposed Financial Sanctions	9	3	7	7	2	10	8	7	8	8	6	6	7	4	9	101
Fossil Fuel Tax	9	5	7	7	3	9	8	7	8	1	7	3	5	6	10	96
Long-term Government Repayment	8	4	5	8	1	7	8	9	8	1	7	5	7	6	10	94
Domestic Hypothecated Tax	8	7	6	7	3	7	6	7	7	3	7	5	7	6	8	94
Air Tax	8	4	7	4	3	9	6	7	8	4	7	7	5	6	7	92
Maritime Tax	7	4	7	4	3	7	6	6	7	5	7	7	5	6	9	90

	Effectiveness	Access	Equity	Power	Time	Financial Resources	Value	Economic Impact	Recipients' Political Will	Payees' Political Will	Recipients' Sustainability	Payees' Sustainability	Accountability and Transparency	Capacity	Target	Total
<b>Special Drawing Rights (SDRs) Reallocation</b>	8	5	2	6	2	8	8	8	7	5	7	6	5	5	7	89
<b>Debt Cancellation and Relief</b>	5	5	8	2	6	7	5	6	7	4	7	7	7	6	6	88
<b>Public Budget Commitments</b>	8	3	4	3	2	9	8	8	8	3	7	5	5	6	8	87
<b>Offshore Tax Havens</b>	8	1	5	7	1	10	8	7	6	1	6	5	7	6	8	86
<b>Debt Swaps</b>	5	5	3	2	5	8	3	4	7	7	4	8	7	6	5	79
<b>Legal Claims</b>	6	2	2	6	3	6	5	5	5	1	5	3	10	5	10	74
<b>Multilateral Agreements</b>	4	6	5	3	3	4	3	5	7	6	2	5	8	6	3	70

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# SECTION 1

# INTRODUCTION





Reparations have been a topical area for many years, but there has been little understanding of how it would work in practice considering the global social, economic, and political environment. This report seeks to build a foundation for practical solutions to support actors interested in actively participating or supporting claims for financial reparations.

The concept of reparations is defined as acknowledging and acting on harm done to people and communities through violence of different forms. This acknowledgement and action can take form through restitution, compensation, rehabilitation, satisfaction, and guarantees of non-repetition.<sup>1</sup> This paper focuses on the compensation or financing element of reparations; however, in many instances, these other reparations intersect with each other.

Reparations have not always been considered a priority, as much of the agenda has historically focused on truth, reconciliation, and prosecution.<sup>2</sup> As reparations, particularly the financing aspects, become increasingly well-known, it is crucial to understand that reparations are nuanced. There are several different contexts for which reparations occur; this includes slavery, colonialism, (climate) loss and damage (L&D) and other specific aggressions such as displacement, genocide, and war. Examples that will be explored throughout this paper include British colonialism, Japanese colonisation, the Holocaust and the Gulf War.

This report attempts to address a gap in financing reparations, as much of the discussion has primarily centred on reparations as a concept rather than a practical action. This paper provides a holistic view of the financing options for reparations, primarily focusing on recipients – people, communities, organisations, and countries. The report identifies and evaluates various financial mechanisms that can be applied to reparations, analysing, and ranking the suitability as well as the viability of these options for recipients. We also provide guidance to all relevant stakeholders on how to engage with these mechanisms. This work does not address why reparations are needed in-depth. We believe reparations are required to address historical injustices to people, communities, and countries, but this is acknowledged throughout the report.

The paper uses desk research and interviews to gain an understanding of the context and content regarding the financial mechanisms that are conceptually or practically available. The desk research includes official reporting from government and multilateral organisations, non-governmental organisations (NGOs) and private sector organisations across the world, including but not limited to UN agencies, the International Monetary Fund (IMF), the World Bank, International Center of Transitional Justice (ICTJ), the Global Survivors Fund. A series of complementary interviews were conducted with subject experts who have experience in the technical and practical aspects of financial mechanisms for reparations, compensation and loss and damage. These include legal, policy, financial, economic, and social perspectives (see Annex).

The authors apply an innovative approach and appraisal framework for assessing the financing reparations options proposed. The research and interviews inform the creation of the criteria and the assessment of options as the practical insights provided vital advice and guidance to decide which financial options are viable for recipients. The paper aims to be methodologically sound

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<sup>1</sup> Carla Ferstman, Oxford Bibliographies - Reparations (2012) <https://www.oxfordbibliographies.com/view/document/obo-9780199796953/obo-9780199796953-0003.xml>

<sup>2</sup> Pablo De Grieff, United Nations Human Rights Council (2015) - Report of the United Nations Special Rapporteur on the promotion of truth, justice, reparation and guarantees of non-recurrence, A/HRC/42/45, <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G19/213/93/PDF/G1921393.pdf?OpenElement>.

and articulate detail, nuance, knowledge, and recommendations to all actors involved in reparations globally.

In the sections that follow, there will be a literature review that provides an overview of the different contexts of reparations, including slavery and colonialism, loss and damage and human rights violations, as well as the types of existing mechanisms that have been used or discussed for reparations. The following section outlines the criterion developed to assess the financial mechanisms, which leads to the assessment of options. This section provides an overview of the mechanism, how it works, its strengths and weaknesses and its application to reparations alongside the scoring. The final sections outline our recommendations, and conclude with practical steps actors (including recipients, payees, the international community, and private creditors) can take to engage with these financial mechanisms.

The paper is written to be read and understood by those with some subject expertise. For readers unfamiliar with the topic, a glossary in the annex provides a list of acronyms and definitions of technical terms used throughout.

# SECTION 2

# LITERATURE

# REVIEW



This section provides critical background information on reparations from the underpinnings of the concept, the contexts in which reparations can or should take place, the existing and current examples of how mechanisms for reparations, L&D and compensation are financed, and the gaps that this report seeks to address.

The debate on reparations is mainly socio-political; however, in this paper, we focus on more practical aspects of reparations, such as the financing mechanisms and understanding the sources of capital that can or could fund reparative justice for different people, communities, organisations and countries.

There are different contexts and conditions for reparations to take place. This section will focus on human rights violations, slavery and colonialism as well as L&D to highlight the specific nuances within each sub-category where reparations can be applied. However, these areas intersect and should not be viewed in isolation.

## Definition of Reparations

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Reparations are “meant to acknowledge and repair the causes and consequences of human rights violations and inequality in countries emerging from dictatorship, armed conflict, and political violence, as well as in societies dealing with racial injustice and legacies of colonisation.”<sup>3</sup>

There are five basic principles and guidelines according to the UN OHCHR for reparations measures, which include<sup>4</sup>:

1. **Restitution:** Refers to measures that “restore the victim to the original situation before the gross violations of international human rights law and serious violations of international humanitarian law occurred,” for example, restoration of liberty, enjoyment of human rights, identity, family life and citizenship, return to one’s place of residence, restoration of employment and return of property.
2. **Compensation:** This form of reparation “should be provided for any economically assessable damage, as appropriate and proportional to the gravity of the violation and the circumstances of each case, resulting from gross violations of international human rights law and serious violations of international humanitarian law” such as lost opportunities, loss of earnings and moral damage.
3. **Rehabilitation:** This reparation “should include medical and psychological care as well as legal and social service”.
4. **Satisfaction:** A broad category of measures, ranging from those aiming at a cessation of violations to truth-seeking, the search for the disappeared, the recovery and reburial of remains, public apologies, judicial and administrative sanctions, commemoration and memorialisation, and human rights training.
5. **Guarantees of non-repetition:** Another broad category which includes institutional reforms leaning towards civilian control of military and security forces, strengthening judicial independence, the protection of human rights workers, and human rights training.

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<sup>3</sup> ICTJ (2023) - Reparations. <https://www.ictj.org/reparations>

<sup>4</sup> Office of the United Nations High Commissioner for Human Rights (2005) - Basic Principles and Guidelines on the Right to a Remedy and Reparation for Victims of Gross Violations of International Human Rights Law and Serious Violations of International Humanitarian Law. <https://www.ohchr.org/en/instruments-mechanisms/instruments/basic-principles-and-guidelines-right-remedy-and-reparation>

Reparation financing has been understudied for many reasons, including the difficulty of quantifying harm and the political will of governments. Reparations have not always been considered a priority, as the agenda tends to focus more on truth and justice via prosecution.<sup>5</sup> However, in recent years, there has been a renewed focus on reparations through compensation. The motivations to engage with reparative practices are two-fold for victims, there is more public support and awareness to build advocacy for reparations, and for oppressors, there is a political will that is developed as a result of public confidence, international pressure and in general, the global social, economic and political environments.

Reparations in the form of compensation are challenging to attain as two critical components are required – a legal case and framework to be built based on evidence of the injustices that have occurred and what those injustices equate to in terms of compensation, restitution, and satisfaction for victims; and lastly, sustainable sources of funding to provide compensation.

Figure 1: Snapshot of historical reparation



<sup>5</sup> Alexander Segovia (2006) - Financing Reparations Programs: Reflections from International Experience, in The Handbook of Reparations by Pablo De Grieff.

There are instances in which the environment is more favorable for reparations. These include but are not limited to many direct victims being alive; victims being easily identified; the number of victims being relatively small; the perpetrator being known; the injustice being easily identifiable; the injustice offending values of equality, personal safety and right to own property; where there is a symbolic victim who advocates for reparations can rally around; when the amount of reparations asked for is not so large that the public will find it unreasonable.<sup>6</sup>

## Human Rights Violations

Human rights violations include war crimes, genocide, as well as slavery and colonialism (which will be outlined in further detail in the following sub-section).

Reparations can occur on a domestic or international setting, depending on the context in which harm is committed to an individual, community or country. For instance, with domestic reparations, there have been many examples, particularly in Latin America, due to the transitional societies in which authoritarian and military dictatorships committed gross human rights violations on citizens in Argentina, Brazil, Chile, El Salvador, Guatemala, Peru and more.<sup>7</sup> The state primarily funded reparation programmes following the end of dictatorships and transitions to democracy – the states were perpetrators liable for the crimes committed, therefore provided compensation to victims and their families while also making reconciliation efforts with wider society. The states used a variety of means to fund their reparations programmes, such as their national budgets. However, they also took on debt through the issuance of bonds to raise funds.

An area that requires further exploration is the impact of financial reparations on recipients. In Colombia, the reparations program for victims of internal armed conflict is one of the largest as it sought to compensate more than 1% of its population, leading to 7.4 million registered victims eligible for reparations from victimisation by guerrilla, paramilitary or state forces from 1985 onwards (approximately one in seven Colombians). The reparations process was completed individually based on the harm committed and has been funded by public budgets but staggered due to financial constraints. The victims received a one-off lump sum payment of up to US\$10,000. It has been quantitatively proven to increase income, improve educational attainment and improve health outcomes.<sup>8</sup>



With global reparations, there are a few examples, but one of the most notable is the Holocaust, in which reparations by the Germans amounted to US\$86.8 billion in restitution and compensation to victims and their descendants, alongside the recovery of looted objects such as art, books and

<sup>6</sup> Rhoda E. Howard-Hassmann, *The Conversation* (2019) - Why Japanese Americans received reparations and African-Americans are still waiting. <https://theconversation.com/why-japanese-americans-received-reparations-and-african-americans-are-still-waiting-119580>

<sup>7</sup> Alexander Segovia (2006) - Financing Reparations Programs: Reflections from International Experience, in *The Handbook of Reparations* by Pablo De Grieff.

<sup>8</sup> Arlen Guarin, Juliana Londono-Velez, Christian Posso (2021) – Reparations as Development? Evidence from Victims of the Colombian Armed Conflict. [https://www.jointdatacenter.org/wpcontent/uploads/2022/01/Reparations\\_Guarin\\_Dec17.pdf](https://www.jointdatacenter.org/wpcontent/uploads/2022/01/Reparations_Guarin_Dec17.pdf)

other invaluable property. The measures included compensation to former owners and their heirs for assets wrongfully seized to making substantial financial contributions to victims' funds and survivors' pensions.<sup>9</sup>

The context of domestic versus international or global reparations is essential to recognise as the state has a duty. Latin America has developed a strong tradition of reparative processes. While the case for global reparations is not as typical, only in instances where the global powers are aligned are reparations formally recognised such as the Holocaust or Japanese colonisation.

## Slavery and Colonialism

A large part of reparation debates has been centered on the impact of slavery and colonialism on the development of the global financial system. Global North nations and corporations benefitted substantially from exploiting people (labour), land and resources in former colonies.

Historically, to force the end of slavery, the British Government had to compensate enslavers £20 million for their 'losses' using public money, estimated to be US\$17 billion today.<sup>10</sup> On a small scale, reparations have been paid by colonisers, both during and after colonialism. In 2013, the British government agreed to pay £19.9 million to the Mau Mau community in Kenya for gross human rights violations-including torture and imprisonment in the 1950s. Compensation was paid directly from the UK's national budget and distributed among the 5,000 victims.<sup>11</sup> In the United States of America (US), there have been separate and small-scale instances for legacies of slavery, especially regarding racial injustices with various states such as California supporting the case for reparations. However, on a national and systemic level, there has yet to be a transformative push for reparations.

While former colonial governments are being pushed to engage in reparative practices, corporations and institutions in these former colonial states are also engaged. JP Morgan Chase<sup>12</sup> and Lloyds of London have publicly acknowledged their roles in slavery and colonialism from aspects of financing.<sup>13</sup> However, beyond apologies and small contributions such as a scholarship funds or community projects, there have not been any funds



9 US Department of State (2023) - The JUST Act Report: Germany. <https://www.state.gov/reports/just-act-report-to-congress/germany/>

10 Ahmed N. Reid, 24th Session of the Working Group of Experts on People of African Descent (2015) – Data for Reparations. [https://www.ohchr.org/sites/default/files/Documents/Issues/Racism/WGEAPD/Session24/AhmedReid\\_Day2.pdf](https://www.ohchr.org/sites/default/files/Documents/Issues/Racism/WGEAPD/Session24/AhmedReid_Day2.pdf)

11 The Guardian (2013) – UK to compensate Kenya's Mau Mau torture victims. <https://www.theguardian.com/world/2013/jun/06/uk-compensate-kenya-mau-mau-torture>

12 JP Morgan Chase (2010) – Slavery Era Disclosure. <https://www.phila.gov/media/20230206134453/JP-Morgan-Bank-Slavery-Disclosure.pdf>

13 The Guardian (2020) - Lloyd's of London and Greene King to make slave trade reparations. <https://www.theguardian.com/world/2020/jun/18/lloyds-of-london-and-greene-king-to-make-slave-trade-reparations#:~:text=of%20the%20practice,-.When%20slavery%20was%20abolished%20in%20the%20British%20empire%20in%201833,in%20Montserrat%20and%20Saint%20Kitts.>

developed by corporations explicitly for reparations. However, some religious institutions such as the Church of England have acknowledged and began to engage in reparative practices by committing £20 million to a range of projects, including an impact investment fund at those affected communities.<sup>14</sup> However, a concern is that these measures do not equate to their level of involvement and profit made during this period, and there is no transparency regarding how these measures are conceived and developed.

The basis for reparations in reference to slavery and colonialism has a strong evidence base given the records that have been kept by colonial and imperial administrations. There are many quantifications of the value of reparations. For example, the East India Company and the British Raj stole at least £9.2 trillion (equivalent to US\$44.6 trillion)<sup>15</sup> or slavery reparations could account for US\$9-US\$14.2 trillion.<sup>16</sup> However, there are mixed results with these nations engaging in the idea of reparations given the political nature of reparations.

## Loss and Damage (L&D)

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Loss and damage (L&D) is a term borne within the climate space to acknowledge the growing impacts of climate change on the world. Loss is defined as “negative impacts about which reparation or restoration is impossible, such as loss of freshwater resources”, and damage as “negative impacts in relation to which reparation or restoration is possible, such as windstorm damage to the roof of a building, or damage to a coastal mangrove forest as a result of coastal surges”.<sup>17</sup>

L&D can support achieving reparations for climate-vulnerable populations, but the debate has mainly concentrated on the impacts of climate change and supporting communities and countries that are vulnerable to these impacts; then, necessarily seeking to restore and repair gross human rights violations. However, in its application to climate, the issue with L&D is its ability to prove attribution and causality of climate change to L&D.<sup>18</sup> Climate change violates basic human rights, but proven injuries from climate change do not determine who is responsible and cannot guarantee adequate compensation.<sup>19</sup>

However, there is an inextricable link between L&D and colonialism, particularly the establishment of the extractive resources from countries in the Global South, where most of the world’s resources are located, from oil to minerals. Figure 2 displays the top 20 LICs and LMICs with the highest L&D costs are all from the Global South including South Asian, South-East Asian, African, Latin American, and Central Asian countries.<sup>20</sup> The cost of L&D is typically paid for by accruing debt, which leads to future costs on servicing debt instead on being able to focus on priorities

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14 Church of England (2023) - Church Commissioners’ research into historic links to transatlantic slavery.

<https://www.churchofengland.org/sites/default/files/2023-01/church-commissioners-for-england-research-into-historic-links-to-transatlantic-chattel-slavery-report.pdf>

15 Utsa Patnaik (2018) – Agrarian and Other Histories, Essays for Binay Bhushan Chauduri. <https://cup.columbia.edu/book/agrarian-and-other-histories/9789382381952>

16 Thomas Craemer (2015) - Estimating Slavery Reparations: Present Value Comparisons of Historical Multigenerational Reparations Policies. <https://onlinelibrary.wiley.com/doi/abs/10.1111/ssqu.12151>

17 United Nations Framework Convention on Climate Change (2012) - A literature review on the topics in the context of thematic area 2 of the work programme on loss and damage: a range of approaches to address loss and damage associated with the adverse effects of climate change. <https://unfccc.int/resource/docs/2012/sbi/eng/inf14.pdf>

18 Jorge Gabriel Arévalo García (2020) - Challenges of Compensation and Reparation for Loss and Damage Related to the Adverse Effects of Climate Change. [http://www.scielo.org.mx/scielo.php?script=sci\\_arttext&pid=S1870-05782020000200183](http://www.scielo.org.mx/scielo.php?script=sci_arttext&pid=S1870-05782020000200183)

19 *Ibid*

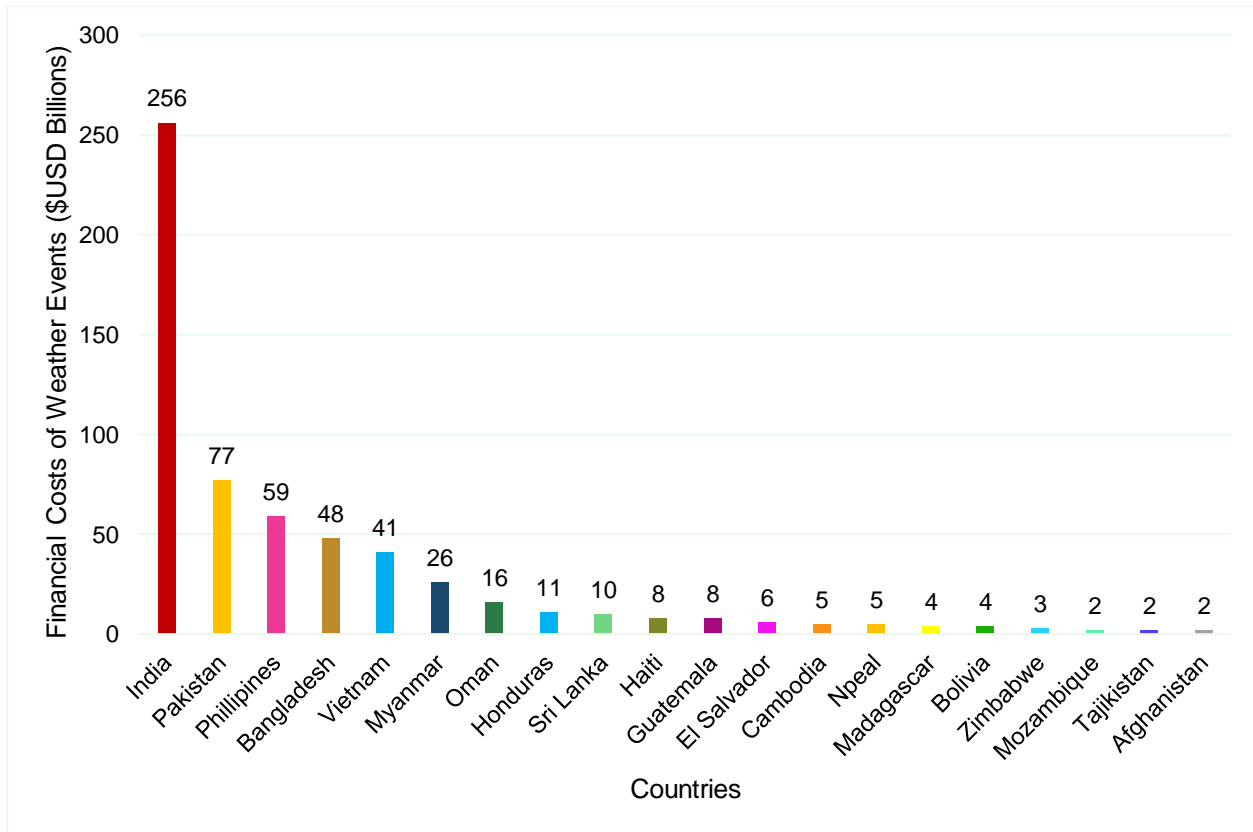
20 Michael Franczak, International Peace Institute (2022) – Options for a Loss and Damage Financial Mechanism.

[https://www.ipinst.org/wp-content/uploads/2022/10/2210\\_Options-for-a-Loss-and-Damage-Financial-Mechanism.pdf](https://www.ipinst.org/wp-content/uploads/2022/10/2210_Options-for-a-Loss-and-Damage-Financial-Mechanism.pdf)



such as climate adaptation, mitigation and L&D e.g. Mozambique had to take a \$118 million loan from the IMF following the cyclones in 2019<sup>21</sup>, and this debt will be prioritised over future climate action, which leads to an ongoing cycle.

Figure 2: Top twenty LIC/LMIC countries with highest L&D costs



## Existing Financial Mechanisms for Reparations

There have been many different financial mechanisms for reparations that have been conceived. In practice, reparation programmes have been typically funded by countries and governments through two main models – special funds and state public budgets.

The special funds are developed through funds from national and international sources – they tend to be a mix of the public budget and alternative sources of finance, such as issuance of public bonds, donations, and loans from bilateral or multilateral donors, taxes (introduction or modification), resource reallocation of a public budget such as military spending, as well as public funds from special sources (sale of state assets, assets confiscated, exchanges on foreign debt for reparations).<sup>22</sup> While the state public budget offers a dedicated and explicit line to pay financial

<sup>21</sup> Autumn Burton, Global Witness (2022) - Loss and damage" is not enough: Why we need climate reparations.

<https://www.globalwitness.org/en/blog/loss-and-damage-is-not-enough-why-we-need-climate-reparations/#:~:text=Why%20is%20there%20a%20need,weather%20in%20the%20coming%20decades>.

<sup>22</sup> Alexander Segovia (2006) - Financing Reparations Programs: Reflections from International Experience, in The Handbook of Reparations by Pablo De Grieff, International Center for Transitional Justice (ICTJ)

reparations. The former model has faced difficulty as special funds need to find alternative sources of financing, which could demonstrate a lack of political will and weakens the support that exists, while the latter model is a clear indication of explicit political support for reparative action that is publicly accountable.

The case for reparations is a two-sided coin. On one side, there is a moral and ethical obligation for an oppressor to bear all the costs to retribute, rehabilitate, satisfy, compensate, and guarantee reparations.<sup>23</sup> But on the other side, there is a political motivation which can be driven by many factors, including gaining political favour with the public or international community.

The existing financial mechanisms can be grouped as ‘special funds or measures’ that exist outside of a nation’s public budget. Suggestions have been made by academics, NGOs, advocacy groups, think tanks, international institutions, and governments on proposed measures to finance reparation mechanisms, including taxes and levies, debt swaps, and recovery of illegal assets among others.

## TAXATION

Taxation has been suggested by many experts and scholars, particularly applying taxes to financial systems such as the financial transaction tax (FTT), fossil fuel tax, air travel levy and maritime shipping tax. These have been commonly referenced as the most popular forms of taxes that could be applied. There is a mixture of these taxes that have been applied in practice, particularly in a domestic setting, but there have been limited or no global applications of these forms of tax due to the complexity of legal jurisdictions. Additionally, there are very few practical examples of taxation being leveraged for reparations, L&D. A recent example of the application of a tax for reparations is in Evanston, Illinois, where black citizens have been historically excluded from full economic participation, including housing, education, and public and social services. The City of Evanston have legalised cannabis and applied a 3% tax on all cannabis sales to support the reparations fund<sup>24</sup> (see Section 13 Domestic-Hypothecated Taxes for more details).



## THE ADAPTATION FUND

The Adaptation Fund (AF) was developed under the Kyoto Protocol of the United Nations Framework for Climate Change (UNFCCC) in 2007 to finance climate adaptation projects for climate-vulnerable countries. It was initially funded by 2% of certified emissions reductions (CERs) from activities under the clean development mechanism (CDM).<sup>25</sup> The CDM was developed as part of the Kyoto Protocols to offer flexibility. CDM is a carbon-offset scheme that allows countries

<sup>23</sup> Janna Thompson (2007) - Memory and the Ethics of Reparation. Repairing the Past: Confronting the Legacies of Slavery, Genocide, & Caste. <https://glc.yale.edu/sites/default/files/files/justice/thompson.pdf>

<sup>24</sup> City of Evanston (2021) – Local Reparations: Restorative Housing Program <https://www.cityofevanston.org/home/showpublisheddocument/66184/637677439011570000>

<sup>25</sup> United Nations Framework for Climate Change (UNFCCC) (2023) – Adaptation Fund. <https://unfccc.int/Adaptation-Fund>

to fund projects in other countries that reduce greenhouse gas emissions and claim the saved emissions as part of their own efforts to meet international emissions targets. In this case, the scheme was heavily used by Global North countries to support Global South countries by covering the high cost of climate change projects. Through CDM and other financial contribution, AF has a total contribution of US\$1,466.49 million with Germany providing the largest contribution of US\$577.25 million as of 2023.<sup>26</sup>



AF operates as a direct access financial mechanism that allows vulnerable countries including national and regional implementing organisations in LMICs and Low-Income Countries (LICs) to directly access funding with faster timelines to receive funds, and performance-based disbursements of funding. AF also supported organisations to become accredited so that they could subscribe the direct access mode.

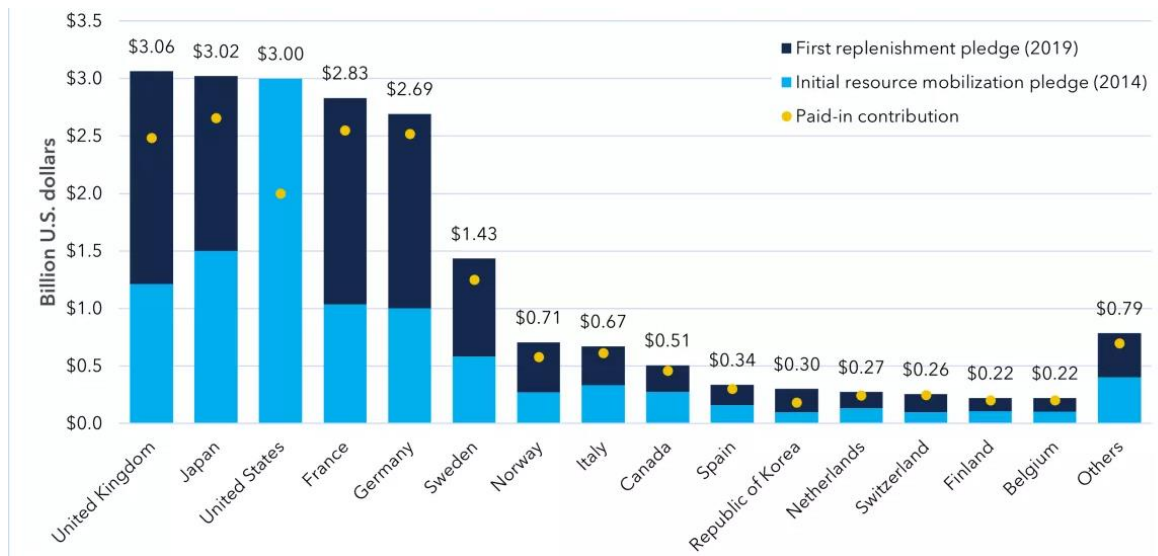
## THE GREEN CLIMATE FUND (GCF)

The Green Climate Fund (GCF) is a financing mechanism within the UNFCCC. The premise of the GCF was that wealthier industrialised nations have the largest contributors to greenhouse gas emissions and, therefore should bear responsibility for paying most of the costs related to climate mitigation. The fund is directly financed through country's public budget and their commitment to addressing climate change with its total contributions valued at US\$17.2 billion as of 2023 (see Figure 3).<sup>27</sup>

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<sup>26</sup> World Bank (2023) – Financial Intermediary Funds, Adaptation Fund. <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/adapt>  
<sup>27</sup> World Bank (2023) - Financial Intermediary Funds, Green Climate Fund. <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/gcftf>

Figure 3: Green climate fund pledges and contributions



Source: GCF and World Bank

The GCF offers a mixed combination of grants, concessional debt, guarantees or equity instruments to leverage blended finance and private investment in LMICs. It has achieved mixed results as contributions have been much less than the targeted US\$100 billion by 2020. The fund is largely an adaptation and mitigation fund, and L&D is not strongly accounted for in its spending.

### THE UNITED NATIONS COMPENSATIONS COMMISSION (UNCC)

The United Nations Compensation Commission (UNCC) is a mechanism designed and operated by the UN in 1991 to provide compensation process claims and pay compensation for losses and damage suffered as a direct result of Iraq’s unlawful invasion and occupation of Kuwait in 1990-1991. Approximately 2.7 million claims with a value of US\$352.5 billion were filed, of which 1.5 million claimants were successful, and a total compensation of US\$52.4 billion was processed and awarded by 2005.<sup>28</sup> A 30% tax was initially issued, then reduced to 25% on the sales of all exported Iraqi petroleum or petroleum-related products to finance the compensation mechanism.<sup>29</sup> The tax was reduced to 0.5% and 1.5% in 2018 and 2019 respectively before being set at 3% for 2020 onwards<sup>30</sup> before coming to a close in 2022.<sup>31</sup>

The UNCC developed a sophisticated assessment and mass claims processing system, and in part, this is due to the mechanism being established to source capital for the fund, and the

<sup>28</sup> United Nations Compensation Commission (2023) – United Nations Compensation Commission (UNCC). <https://uncc.ch/home>  
<sup>29</sup> Hans van Houtte, Hans Das, Bart Delmartino (2006) - The United Nations Compensation Commission (UNCC) in The Handbook of Reparations by Pablo De Grieff, International Center for Transitional Justice (ICTJ).  
<sup>30</sup> United Nations Compensation Commission (UNCC) (2017) – Decision 276: Resumption of deposits to the Compensation Fund and payments toward the outstanding compensation award. <https://www.uncc.ch/sites/default/files/attachments/UNCC%20Decision%20276.pdf>  
<sup>31</sup> United Nations Compensation Commission (UNCC) (2022) - Letter from the President of the Governing Council providing the Final Report on the work of the Compensation Commission (S/2022/104) to the Security Council. <https://uncc.ch/sites/default/files/attachments/documents/Final%20Report%20with%20letter.pdf>

distribution to reach individuals in Kuwait. However, it had unanimous buy-in from the UN Security Council, which allowed for more effective implementation.

## DEBT SWAPS

Debt swaps occur when governments negotiate their debt agreements with international lenders and exchange a portion of a country's debt on the condition that the same amount is spent on a specific objective. Debt swaps have been applied to many contexts, including education, health, climate, and environment. In health, Debt2Health was initiated by the Global Fund to reduce approximately US\$236 million of debt in four swap agreements to fund national health programmes.<sup>32</sup>

More recently, debt swaps have become popular in the climate space, as countries are cancelling part of their debt in return for investment into climate action and environmental conservation. This can occur at a commercial, bilateral, and multilateral level. Barbados, Belize, and Seychelles are some of the first few countries to agree on debt-for-nature swaps. Seychelles converted US\$21.6 million of national debt through the world's first blue economy debt for nature swap and through launching the world's first sovereign bond. Seychelles' Conservation and Climate Adaptation Trust (SeyCCAT) was established to competitively distribute funds from these initiatives to support management and expansion of the Seychelles Marine Protected Areas (MPAs), sustainable fisheries and other activities that contribute to the conservation, protection and maintenance of biodiversity and adaptation to climate change.<sup>33</sup>

## INDIVIDUAL AND ORGANISATIONAL REPARATIONS

These are instances in which direct descendants of individuals or families that benefitted from gross human rights violations are engaging in reparative practices. Laura Trevelyan, a journalist from the BBC has paid £100,000 using her BBC pension to provide education projects to direct descendants of slaves owned by her ancestors in Grenada. Her ancestors owned more than 1,000 slaves across six sugar plantations and were paid £34,000 (equivalent to £3,476,564 in 2021)<sup>34</sup>. This type of financing is largely driven by descendants of individuals who benefitted or supported slavery and colonialism, and this is not something that is widely acknowledged and accepted. However, a group called Heirs of Slavery has been founded, which encourages wealthy British families that profited from slavery to formally apologise and engage in reparative justice with Caribbean states.<sup>35</sup>

<sup>32</sup> United Nations Education, Scientific and Cultural Organization (UNESCO) (2011) – Debt Swaps and Debt Conversion Development Bonds for Education. [https://unesdoc.unesco.org/in/documentViewer.xhtml?v=2.1.196&id=p::usmarcdef\\_0000211162&file=/in/rest/annotationSVC/DownloadWatermarkedAttachment/attach\\_import\\_9e57dd3b-206c-4f6f-b445-dff83c654894%3F\\_%3D211162eng.pdf&locale=en&multi=true&ark=/ark:/48223/pf0000211162/PDF/211162eng.pdf#%5B%7B%22num%22%3A111%2C%22gen%22%3A0%7D%2C%7B%22name%22%3A%22XYZ%22%7D%2Cnull%2Cnull%2C0%5D](https://unesdoc.unesco.org/in/documentViewer.xhtml?v=2.1.196&id=p::usmarcdef_0000211162&file=/in/rest/annotationSVC/DownloadWatermarkedAttachment/attach_import_9e57dd3b-206c-4f6f-b445-dff83c654894%3F_%3D211162eng.pdf&locale=en&multi=true&ark=/ark:/48223/pf0000211162/PDF/211162eng.pdf#%5B%7B%22num%22%3A111%2C%22gen%22%3A0%7D%2C%7B%22name%22%3A%22XYZ%22%7D%2Cnull%2Cnull%2C0%5D)

<sup>33</sup> The Commonwealth Secretariat (2020) - Case Study: Innovative Financing – Debt for Conservation Swap, Seychelles' Conservation and Climate Adaptation Trust and the Blue Bonds Plan, Seychelles (on-going). <https://thecommonwealth.org/case-study/case-study-innovative-financing-debt-conservation-swap-seychelles-conservation-and>

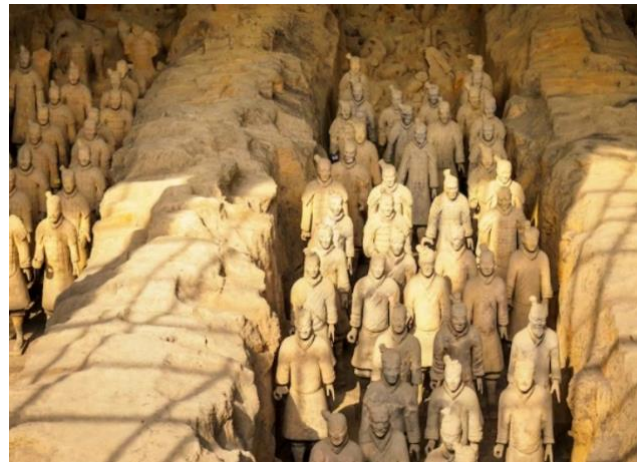
<sup>34</sup> Laura Trevelyan, BBC (2022) - Grenada: Confronting my family's slave-owning past. <https://www.bbc.co.uk/news/world-latin-america-61315877>

<sup>35</sup> Lisa Weiner, NPR (2023) - British aristocrats ask King Charles to join a slavery reparations movement. <https://www.npr.org/2023/04/26/1171593635/british-aristocrats-ask-king-charles-to-join-a-slavery-reparations-movement>

Additionally, organisations such as the Guardian<sup>36</sup>, Lloyds of London, Greene King<sup>37</sup>, JP Morgan Chase<sup>38</sup> and more have begun to acknowledge their roles in slavery and colonialism. This includes the creation of funds for education and cultural awareness programmes and scholarship funds. However, beyond acknowledgement there have not been substantial developments in terms of reparations. There is a slow and growing movement of companies recognising their history. However, the majority still deny and categorically refuse to engage in discussions of reparations.<sup>39</sup>

## RECOVERY OF ILLEGAL ASSETS

A state can use its resources to recover illegal assets from third parties to fund reparations for victims. The Philippines repurposed money recovered from the Marcos Estate, and this was due to a number of actors. This included a special mandate to recover all ill-gotten wealth of the Marcos' and close associates, whether located in the Philippines or abroad; the freezing of assets and working other governments to locate and adopt similar measures; the empowerment of domestic agencies to enact measures such as criminal investigations to freezing bank accounts; and legislation to prosecute.<sup>40</sup>



This mechanism is not viewed as a primary vehicle, but as a complementary measure, as reparations should not be conditional on the state being able to obtain illegal assets. Additionally, in a domestic context this may work, particularly as there is a very clear perpetrator, but in many other instances it will be difficult to recover assets if the perpetrators are the existing government. Alongside this and in an international context, the recovery of illegal assets has been very rarely given the difficulties of legal jurisdictions.

## Research Question

The literature review revealed that there have been mechanisms that can yield funds and could be applied to the case of reparations, but this is still largely dependent on what type of reparations are being sought e.g., slavery and colonialism versus climate and L&D, despite many cases having an inextricable link between these two contexts.

There are proposals available to raise funds for different contexts such as the decarbonisation of the fossil fuel, aviation, and maritime shipping sectors, but they have not directly been applied to

<sup>36</sup> The Guardian (2023) - The Scott Trust Legacies of Enslavement report. <https://www.theguardian.com/the-scott-trust/ng-interactive/2023/mar/28/the-scott-trust-legacies-of-enslavement-report>

<sup>37</sup> The Guardian (2020) – Lloyds of London and Greene King to make slave trade reparations. <https://www.theguardian.com/world/2020/jun/18/lloyds-of-london-and-greene-king-to-make-slave-trade-reparations#:~:text=Lloyd's%20of%20London%20and%20Greene%20King%20to%20make%20slave%20trade%20reparations,-This%20article%20is&text=Two%20major%20British%20firms%20have,the%20trans%2DAtlantic%20slave%20trade>

<sup>38</sup> JP Morgan Chase (2010) – Slavery Era Disclosure. <https://www.phila.gov/media/20230206134453/JP-Morgan-Bank-Slavery-Disclosure.pdf>

<sup>39</sup> Maria Hengeveld, The Nation (2021) - Blood on the Tea Leaves: Kenyan Workers Demand Reparations from Unilever. <https://www.thenation.com/article/world/unilever-tea-violence-kenya/>

<sup>40</sup> Jaime S. Bautista (2005) – Recovery of the Marcos Assets. [https://www.unafei.or.jp/publications/pdf/GG3/Third\\_GGSeminar\\_P72-79.pdf](https://www.unafei.or.jp/publications/pdf/GG3/Third_GGSeminar_P72-79.pdf)

the context of reparations, and how potential recipients and actors could support this process. Given the lack of application to the context of reparations, there is also not a developed criteria on assessing which options are most viable for recipients. However, existing principles of reparations provide a strong basis to build a criterion given the values are embedded in justice, repair, and restoration for recipients.

As a result, this paper explores the following research question on financing reparations, with a series of sub-questions that reveal an understanding of the practicalities involved in how mechanisms work.

- What financing options could be applied to reparations (and its different contexts including L&D, slavery and colonialism, gross human rights violations)?
- How do these financing mechanisms work in practice?
- What are the sustainable sources of capital that could finance reparations?
- Which financial mechanisms are appropriate for recipients?

These questions are being approached from a holistic perspective with a strong focus on recipients and what they can do to implement these options to attain financial reparations. However, this work is also cognisant that there are many other actors involved, including those that are more supportive and more resistant to reparations, therefore it also seeks to understand their views and engagement in the process to achieve reparations.

# SECTION 3

# ASSESSMENT CRITERIA





The set of 15 assessment criteria were developed after an extensive review of literature and expert consultations held as part of this research (see Figure 4). The criterion reflects the nuanced nature of reparations to provide an adequate assessment of the financial options for reparations.

The scoring system is on a scale of 1 to 10, with one being the lowest and 10 being the highest. A more detailed understanding of each criterion’s scoring system is explained below.

**Figure 4: Financing Reparations Assessment Criteria**



**1. Effectiveness: To what extent will financial reparations be adequate for recipients? (Considerate of the full range of harms suffered, including economic, social, cultural, and psychological impacts)**

Effectiveness relates to if recipients receive financial reparations that are more than adequate to repair and restore harms suffered by recipients. The scoring is reflected as one being that the mechanism is ineffective in restoring and repairing the impact of harm done to recipients, and 10 being the most effective mechanism for recipients to achieve wholly encompassing reparations that cover all impacts.

**2. Access: To what extent is the financial mechanism accessible to recipients?**

Access means that if recipients can use and apply the financial mechanisms, there might be a barrier to entry dependent on the type of recipient, e.g., individuals and communities might struggle to access legal support for legal claims versus governments that might have the resources to afford legal support. The score for restricted access to a mechanism is one, while ten represents ease of access for recipients.

**3. Equity: To what extent do recipients have less of a burden in attaining financial reparations?**

Equity means that recipients do not hold as much of the burden on having to primarily be responsible for spearheading reparations efforts. The scoring is that one represents the burden

falling entirely on the recipient, while ten represents the burden not falling on the recipient, but on the perpetrator.

**4. Power: To what extent does the mechanism allow for the distribution of power?**

Power relates to recipients' degree of autonomy, agency, and control due to the mechanism. The score is reflected as one being no autonomy and agency and 10 being full autonomy and agency for recipients using the financial mechanism.

**5. Time: Is there a realistic timeline of when reparations could be attained?**

Time refers to the duration for recipients to obtain funds for reparations. The score is reflected as one being an unknown time to attain reparations and 10 being a relatively short time to achieve reparations that could be easily obtained and distributed.

**6. Financial Resources: To what extent do the mechanisms have availability and sufficiency of finances (including direct payments, infrastructure development, administrative expenses, and any associated long-term financial commitments).**

Financial resources are about if the financial mechanisms can yield the finances necessary for reparations. The score is reflected as one is that there are nowhere near enough finances to fund reparations, and 10 is a wholly commensurate amount of funds for reparations.

**7. Value: To what extent is the value of the finances estimated by the financial mechanisms adequate/practical for reparative justice?**

Value is whether the mechanism can provide commensurate compensation for recipients. The score is one, where the financial value is non-existent, and 10, where the financial value is wholly reparative for recipients.

**8. Economic Impact: What is the potential economic impact of the financial mechanism? Is it financially sustainable, does it negatively disrupt the economy, and is it compatible with broader economic development goals?**

Economic impact is about the effect of the financial option for reparations on the socio-economic context for recipients. The score is reflected as one where a negative economic impact is had and 10 where a positive and sustainable economic impact is had.

**9. Recipients' Political Will: To what extent are recipients willing to support and accept the financial reparations owed to them?**

Recipients' political will is the level of engagement that recipients will have in the financial mechanism. The score is reflected as one, where recipients have no political buy-in, as the

mechanism will not yield the results needed for reparations, and 10, where recipients have strong political buy-in, as the mechanism is more likely to deliver the reparations they are owed.

**10. Payees' Political Will: How much political will is necessary to achieve reparations? E.g., one-off political will vs consistent political will?**

Payees' political will is the level of commitment that payees will have to the financial mechanisms. The score is reflected as one, where political will is low or inconsistent and 10, where payees maintain the consistent political will to support reparations.

**11. Recipients' Sustainability: How sustainable can these reparations be for recipients – do they create self-sufficiency, empowerment and community development or perpetuate dependence or reliance on external assistance.**

Recipients' sustainability is about the ability of recipients to build through the attainment of reparations. The score is reflected as one as the financial mechanism perpetuates dependency on external support and 10 as the financial mechanism allows for independence and self-reliance for recipients.

**12. Payees' Sustainability: How sustainable can these reparations be for payees?**

Payees' sustainability is about payees' ability to maintain and sustain reparations. The scoring is reflected as one where payees do not have adequate funding for reparations and 10 where payees have enough to sustain reparations.

**13. Accountability and Transparency: To what extent do the financial mechanisms for reparations have robust accountability mechanisms to ensure transparency in fund management, monitoring of outcomes, and regular reporting to affected communities and the wider public?**

Accountability and transparency are about ensuring that the financial option will remain transparent to ensure it is effectively delivering for affected communities and the public. The scoring is reflected as one where the financial mechanism is susceptible to corruption, and 10 where it can uphold the highest standard of accountability and transparency.

**14. Capacity: What is the capacity of recipients to take on the administrative and operational capacity/infrastructure necessary to utilise financial mechanisms and distribute reparations?**

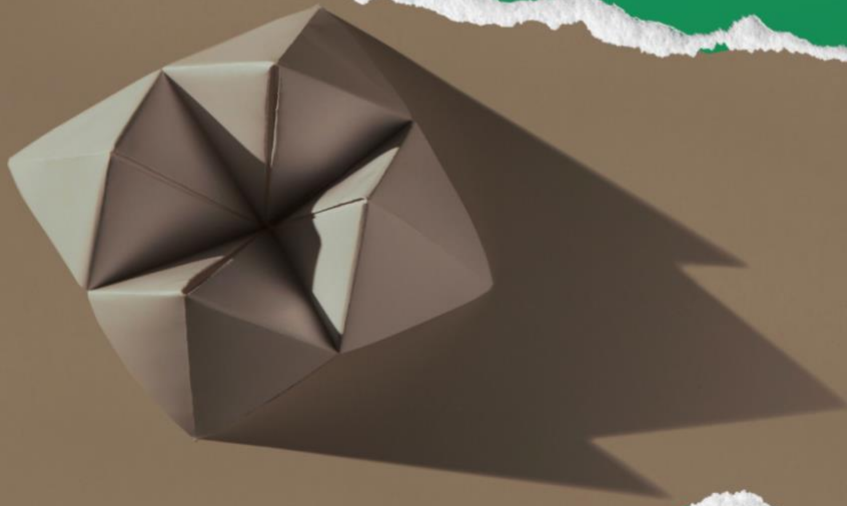
Capacity is about the ability of recipients to use financial options and deliver reparations. The score is reflected as one recipient has no ability and 10 where recipients have the demonstrated ability to utilise financial mechanisms.

**15. Target: To what extent do these mechanisms target perpetrators or guilty?**

Target refers to the financial mechanism targeting those actors that have committed gross human rights violations historically or currently. The score is reflected as one, being that the financial mechanism does not directly target perpetrators, while 10 directly targets those that are perpetrators and guilty.

# SECTION 4

# THE OPTIONS



The options presented are grouped into two broad categories of existing and proposed mechanisms. In each option, we will provide details on the context of the mechanism; how the mechanism works in theory or in practice; an analysis of the strengths and weaknesses; provide an example of where it has or will be applied and finally provide our assessment of the mechanism for recipients to attain the financial component of reparations.

The analysis below presents existing mechanisms (options 1-5) including debt swaps, debt relief and cancellation, multilateral agreements, public budget commitments and legal claims; and new proposed mechanisms for consideration and implementation including long-term government repayment, special drawing rights (SDRs) reallocation, repurposed financial sanctions, offshore tax havens, fossil fuel tax, air tax, maritime tax, domestic-hypothecated tax, financial transactions tax (FTT) (options 6-14).

The assessment against the criteria outlined above are presented at the end of each option, with the total aggregated scores presented at the end of the entire section.

## Existing Options

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### 1. DEBT SWAP

A debt swap is a mechanism in which governments (debtors) can negotiate debt agreements – cash, assets, and obligations for new and different repayment terms with creditors. Debt swaps first emerged in response to the international debt crisis in the 1980s, in which many countries in the Global South could not service their external debt. It has been viewed as a mechanism to reduce debt and provide additional funding through development programmes to countries. They have also emerged as a vehicle for financing reparations of different forms, from gross human rights violations to climate change- debt-for-development and debt-for-nature swaps.

Debt swaps can be used in commercial, bilateral, and multilateral contexts. At a commercial level, debt owed to a private sector creditor is purchased by an investor on the secondary debt market and converted into equity investment for the debtor country. In the 1990s, bilateral debt became available for swaps through the Paris Club debt swap clause. Debtor countries negotiate with creditor countries and institutions at the bilateral and multilateral levels.

There are many types of debt swaps, including debt-for-equity, debt-for-exports, debt-for-offsets, debt buyback, debt-for-debt, and debt-for-development. The debt-for-development swaps have been used by governments, development agencies and NGOs, which purchase sovereign debt at a discount, which they then negotiate with the debtor government to exchange the debt at par or an agreed discount for local currency funding for a development project approved by the country and implemented by the development agencies or NGOs. These swaps focused on development priorities such as health, education and child development, environment, climate, and nature. The table below highlights how debt-for-development swaps are utilised (see Figure 5).

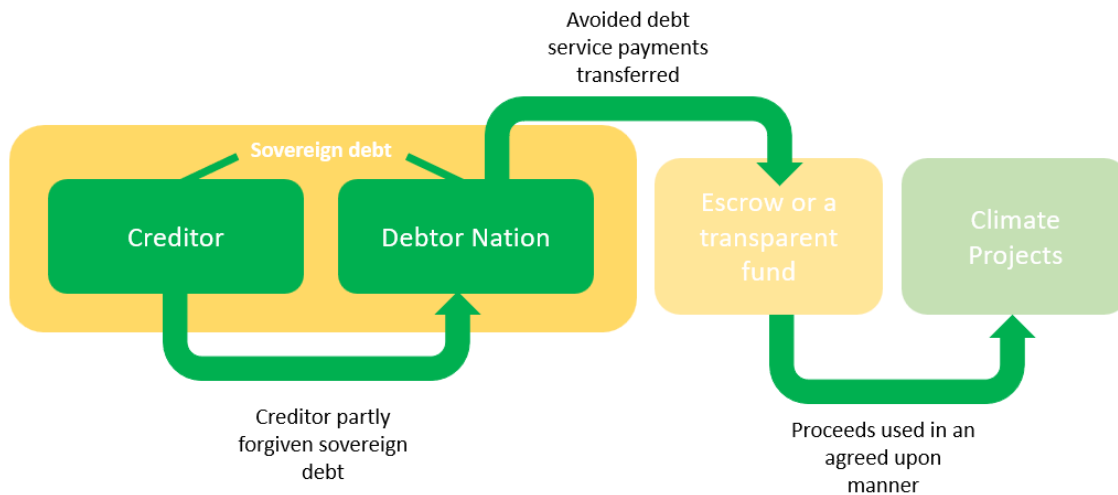
Figure 5: Table of debt swap breakdown

Type of Debt Conversion	Parties to Transaction	Eligible Debt	Type and Use of Debt Conversion Proceeds
<b>Debt-for-Development</b>  <i>Child Development</i> <i>Education</i> <i>Health</i> <i>Environment</i> <i>Nature</i> <i>Climate</i>	<i>Three-party</i> Debtor government Non-profit investors (NGOs, academic or religious organisations) Creditor	Commercial debt  Bilateral publicly guaranteed debt (small amounts)	Cash Bonds Policy Changes  Funding for development projects  Environmental/climate/nature funds
	<i>Bilateral</i> Debtor government (debt management agency or sectoral ministry) Credit government (financial or aid agency)	ODA  Buy-back of publicly guaranteed debt and tail-ends	Cash (local currency)  Funding for development projects Counterpart fund

Source: Debt Relief International, 2001<sup>41</sup>

With climate as a priority, this section looks at how debt swaps have been applied to climate change and the environment. Governments can swap their debt in return for investment in climate action and environmental conservation– this can be on a commercial, bilateral, and multilateral level (see Figure 6).<sup>42</sup>

Figure 6: Process Debt Service Payments



Source: Climate Policy Initiative, 2021

<sup>41</sup> Mellisa Moye, Debt Relief International Ltd. (2001) – Overview of Debt Conversion.

<sup>42</sup> Divjot Singh and Vikram Widge, Climate Policy Initiative (2021) – Debt for Climate Swaps. <https://www.climatepolicyinitiative.org/publication/debt-for-climate-swaps/>

In 1987, this debt mechanism was applied to the non-profit sector in Bolivia, as Conservation International bought US\$650,000 worth of Bolivia's debt on the secondary market from Citicorp for a discounted price of US\$100,000. In exchange, the Bolivian government agreed to establish a US\$250,000 operational fund to manage the Beni Biosphere Reserve to preserve and strengthen the reserve's protected status and surrounding areas.<sup>43</sup> The earlier debt-for-environment/climate/nature swaps in the 1980s and 1990s were relatively small in scale and incurred high transaction (administration and negotiation) costs.

Debt swaps offer a short-to-medium term solution through immediate debt reduction, freeing up resources to focus on financing reparations and projects in climate adaptation and mitigation for vulnerable countries and communities (see Case Study 1). However, debt swaps cannot directly target perpetrators unless they are already willing to engage in debt swaps. Moreover, this is unlikely to qualify as reparative justice and there is still a historical legacy of debt. However, countries that hold a large proportion of African debt could play an advocacy role in leveraging debt swaps in collaboration with African and Global North countries that are directly responsible. With a three-party swap involving non-profits, it becomes further complicated as they tend to represent a Global North perspective on environment, climate, and nature, and can impose that view through the set conditionalities in terms of how the funds generated from the debt swap should be spent. Lastly, debt swaps have not been significantly large scale, therefore their ability to have sustained impact for recipients is questionable.

### **Case Study 1: Debt-for-Environment/Climate/Nature Swap Case Study: Costa Rica<sup>44</sup>**

In 2007, Costa Rica faced a substantial debt burden, and through a debt-for-nature swap facilitated by the U.S. Tropical Forest Conservation Act, a portion of the debt was forgiven. The funds equivalent to \$26 million were then directed toward tropical forest conservation efforts in Costa Rica.

This debt-for-nature swap exemplified the power of partnerships between governments and environmental organizations, with the United States, Conservation International, and The Nature Conservancy contributing financial resources. The agreement showcased how debt restructuring can be used to finance conservation initiatives while simultaneously reducing a country's debt burden. The success of this case study also demonstrated the importance of prioritizing sustainable development and environmental conservation in the context of reparations.

However, challenges were encountered in implementing and monitoring the projects effectively. It required close coordination between stakeholders, effective governance, and ongoing evaluation to ensure that the funds were utilized appropriately, and that the conservation objectives were met. The lessons learned from the Costa Rica case study emphasize the need for transparency, accountability, and robust monitoring mechanisms in future reparations initiatives. By adopting these measures, stakeholders can ensure that financial resources are effectively channelled toward reparative actions that address historical injustices while promoting sustainable development and environmental preservation.

Debt swaps are more likely and meaningful for climate, environment, and nature particularly for countries that are vulnerable to climate change and have limited resources such as Small Island Developing States (SIDS). Debt swaps should not be viewed a reparative financial mechanism,

<sup>43</sup> Organisation for Economic Cooperation and Development (OECD) (2007) - Lessons Learnt from Experience with Debt-for-Environment Swaps in Economies in Transition. <https://www.oecd.org/environment/outreach/39352290.pdf>

<sup>44</sup> I Canje de Deuda por Naturaleza (2017) - First Debt-for-Nature Swap between United States and Costa Rica ("TFCA I") Congressional Report 2017. <https://primercanjedeuda.org/wp-content/uploads/2017/07/Costa-Rica-TFCA-I-Congress-Report-2017.pdf>



but a smaller mechanism that can begin to support restoration for those exposed to climate change risks.

**Figure 7: Debt Swap Assessment**

Criteria	Rating	Explanation
Effectiveness	5	Debt swaps are unlikely to be effective for reparations as they fund very specific projects in areas such as climate, education and health, but is not reparative.
Access	5	Debt swaps in climate, development and nature do bring in community-based organisations and local NGOs to more directly benefit than with other mechanisms, which means the financing can reach people more quickly without direct government involvement in distribution
Equity	3	The burden of implementing debt swaps largely falls on debtor countries (recipients), as they are responsible for initiating and facilitating negotiations with creditors
Power	2	There are implicit and explicit conditionalities placed on debt swaps through the agreements which affect how much power recipients have with debt swaps as a financial mechanism for reparations
Time	5	There is a lengthy process to prepare, negotiate and implement debt swaps due to the several groups that might be involved
Financial Resources	8	Financial resources are readily available and can be easily utilised for the specific case of financing reparations, as the initial debts would have been serviced.
Value	3	The finances generated from debt swaps have not been that large scale as they have tended to focus on a very specific issues, and therefore does not yet encompass wider socio-economic value
Economic Impact	4	Debt swaps can improve the recipients economic functioning, but it would largely be confined to certain sectors than an entire economy. This is dependent on the size of a country's economy,
Recipients Political Will	7	Recipients (debtors) have political support across the grassroots and policy level
Payees Political Will	7	The payees are likely to be politically motivated to participate in a debt swap as it serves a moral or development related goal for them
Recipients Sustainability	4	Debt swaps have been relatively small due to their specific nature; therefore, it does not allow for funds to be sustained and utilised appropriately
Payees Sustainability	8	Debt swaps tend to be a one-off payment or agreement that sets the terms of financial reparations
Accountability and Transparency	7	Debt swaps are likely to keep account of the financial reparations, and ensure it is spent in accordance with the agreement
Capacity	6	Governments, however, community groups and NGOs might not have the adequate capacity to administer financial reparations through compensation and projects
Target	5	Depending on who is participating in the debt swap, it could target perpetrators directly to participate in a swap, but this does not still address the systemic issue of historical and current injustices.
<b>Total</b>	<b>79</b>	

## 2. DEBT CANCELLATION AND RELIEF

Debt cancellation and relief is a measure that reduces or eliminates the debt owed. There are four different forms of debt relief:

- Debt forgiveness involves the cancellation of all or parts of a borrower's debt in agreement with the creditor.
- Debt restructuring involves a creditor changing the loan terms by lowering the interest rate or extending the repayment period.
- Debt consolidation involves the borrower combining multiple debts into a single loan.
- Debt settlement involves a portion of the debt being forgiven as the borrower stops payments and negotiates with the creditor.

There were two initiatives developed and implemented by creditors in the 1990s and 2000s that offer debt cancellation and debt relief: the Heavily Indebted Poor Country (HIPC) Initiative in 1996 and the Multilateral Debt Relief Initiative (MDRI) in 2006. 37 countries have received total debt relief worth £130 billion from HIPC and MDRI, with 31 countries coming from Africa.

HIPC was created to support the world's poorest countries in controlling debt burdens that could become unsustainable and unmanageable. There is a criterion for a country to be eligible for HIPC, including;

- Being classified as a low- or lower-middle-income country and eligible to borrow from highly concessional assistance from the International Development Association (IDA) and the International Monetary Fund's (IMF) Poverty Reduction and Growth Trust (PGRT);
- Face an unsustainable debt burden that cannot be addressed through traditional debt relief mechanisms; Have established a track record of reform and sound policies through IMF and World Bank supported programs; establish a track record of reform and,
- Develop a Poverty Reduction Strategy Paper (PRSP) that involves civil society participation.<sup>45</sup>

While MDRI was explicitly created to support countries in achieving the Millennium Development Goals (MDGs), the primary goal of the MDRI was to reduce the debt burden of eligible low-income countries and promote poverty reduction and sustainable development. It provided 100% debt relief on eligible debts to the IMF and multilateral development banks (MDBs), including the African Development Bank (AfDB), the Inter-American Development Bank (IADB), and World Bank for countries completing the HIPC Initiative process. For example, the total amount of estimated AfDB debts cancelled under MDRI was equivalent to US\$11.35 billion across 25 African countries. All countries that reached the completion point under HIPC were eligible for MDRI.

Debt relief and cancellation initiatives are not a remedy for reparations, but they can free up resources that would have otherwise been used on servicing debt to fund reparative processes from socio-economic development to social justice. However, there are issues with debt relief and cancellation initiative, as they impose conditionalities on policy measures that are required to be implemented by creditors, which might not be in the best interest of the debtor country. The other issue with these initiatives and the Debt Service Suspension Initiative (DSSI) is that they could not incentivise private creditors, the most significant and growing class of creditors in the current

<sup>45</sup> Development Reimagined (2021) - Options for Reimagining Africa's Debt System

debt crisis.<sup>46</sup> Any future debt relief or cancellation initiative will require private creditors to be directly involved.

The report highlights the importance of complete debt cancellation in the context of reparations from slavery, colonialism, climate, and gross human rights violations. Debt cancellation is viewed by many as the first mechanism to be utilised to source reparative justice financing. Some have argued that aspects of debt accumulated by LMICs is due to colonial extraction of labour and natural resources that has caused historical legacies of trauma for affected victims and the environment.<sup>47</sup> For instance, Haiti offers an interesting case, as they have participated in the HIPC (see Case Study 2), but the debt accrued can be associated with the ‘compensation’ that Haiti had to pay French slaveholders 90 million francs (estimated to be US\$21 billion today. This compensation was paid in instalments for more than 100 years, with the final payment in 1947. As a result, Haiti has consistently been placed with significant financial strain. One of the (short-term) solutions was to take on debt to sustain its country and citizens. Participating in the HIPC has been useful mechanism for Haiti, but if debt cancellation is practised based on financial reparations owed, Haiti’s total external debt of US\$2.6 billion as of 2021 would be cancelled by the reparations owed to Haiti by France, approximately US\$28 billion.<sup>48</sup>

### Case Study 2: Debt Relief and Cancellation Case Study: Haiti and the HIPC<sup>49</sup>

Haiti, a country burdened by a long history of economic challenges and political instability, participated in the Highly Indebted Poor Countries (HIPC) initiative to alleviate the debt burden of the world's poorest nations. Through the HIPC initiative, Haiti successfully cancelled debt, resulting in significant financial relief and development opportunities.

As a participant in the HIPC program, Haiti made substantial efforts to implement the prescribed policies and reforms outlined by the International Monetary Fund (IMF) and World Bank. These measures aimed to address economic vulnerabilities, promote fiscal discipline, and enhance governance. Through these efforts, Haiti qualified for debt cancellation in 2009, eradicating approximately \$1.2 billion in debt.

The debt cancellation allowed Haiti to redirect its limited financial resources towards essential social services, infrastructure development, and poverty reduction initiatives. It allowed the country to foster economic growth, invest in education, healthcare, and improve the overall well-being of its population. The HIPC initiative's successful participation demonstrated the debt cancellation's positive impact in unlocking the potential for sustainable development in Haiti.

The case of Haiti highlights the relevance of utilising mechanisms such as debt cancellation to finance reparations. While the HIPC initiative's debt relief measures were significant, it is essential to recognise that more comprehensive approaches are required to address the underlying issues of economic injustice and historical injustices faced by Haiti. Nonetheless, the debt cancellation achieved through the HIPC program represents a significant step forward in supporting Haiti's path to economic stability and long-term development.

<sup>46</sup> Olufemi O. Taiwo and Patrick Biggar, Climate and Community Project (2022) - Debt Justice for Climate Reparations. [https://www.climateandcommunity.org/\\_files/ugd/d6378b\\_d2a7db36122c4d31a9b14aa69f6274da.pdf](https://www.climateandcommunity.org/_files/ugd/d6378b_d2a7db36122c4d31a9b14aa69f6274da.pdf)

<sup>47</sup> Debt Justice (2022) – Colonialism and debt How debt is used to exploit and control. <https://debtjustice.org.uk/wp-content/uploads/2022/08/Colonialism-and-Debt-briefing.pdf>

<sup>48</sup> Marlene Dunt, The Conversation (2020) - When France extorted Haiti – the greatest heist in history. <https://theconversation.com/when-france-extorted-haiti-the-greatest-heist-in-history-137949>

<sup>49</sup> International Development Association (IDA) and International Monetary Fund (IMF) (2009) - Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Completion Point Document and Multilateral Debt Relief Initiative (MDRI). <https://documents1.worldbank.org/curated/en/777871583783881299/pdf/Haiti-Enhanced-Heavily-Indebted-Poor-Countries-Initiative-completion-point-document-and-multilateral-debt-relief-initiative-MDRI.pdf>

**Figure 8: Debt Relief and Cancellation Assessment**

Criteria	Rating	Explanation
Effectiveness	5	Debt relief and cancellation does not directly address funding reparations but can allow for funds and resources spent on debt servicing to be spent on reparations
Access	5	Countries meeting the eligibility criteria can access debt relief and cancellation initiatives. This is restrictive as it does not encompass all recipients that can seek reparations for historical injustices
Equity	8	The burden primarily lies with the creditors in terms of implementation, but debtors would have to advocate heavily for what type of debt relief they need, and if they are seeking proportional or full debt cancellation
Power	2	Debt relief and cancellation have conditionalities attached that can impose how reparations are meant to spent
Time	6	These initiatives can take time due to the existing eligibility criteria and steps.
Financial Resources	7	Creditor (rich) countries do not necessarily require debt payments and can leverage financial resources to support reparations through debt relief and cancellation
Value	5	The debt relief and cancellation do not align accurately with financial reparations owed; however, it offers a helpful starting point
Economic Impact	6	Typically improves macroeconomic conditions, but can cause future issues in terms of perceived risk by creditors
Recipients Political Will	7	Recipients' political will for debt relief and cancellation is likely to be high (but also dependent on the stringent nature of the process)
Payees Political Will	4	Payees are not commonly supporting debt relief and cancellation to support reparations
Recipients Sustainability	7	Debt relief and cancellation is a highly sustainable practice that can free up funds and capacity for specific areas such as climate reparations
Payees Sustainability	7	Debt relief and cancellation is a highly sustainable mechanism that allows perpetrators to begin reparative repair and justice with recipients
Accountability and transparency	7	Debt relief and cancellation mechanisms offer a robust mechanism for accountability and transparency
Capacity	6	Debt relief and cancellation eases capacity for recipients and allows for capacity to be concentrated on other efforts
Target	6	External debt accrued by recipients tends to be with countries in the Global North that tend to be directly responsible for historical and current injustices

Total

88

### 3. MULTILATERAL AGREEMENTS

A multilateral agreement is an agreement or treaty that involves three or more parties or countries. These agreements are established to address common issues, promote cooperation, and set rules and standards on various matters of mutual interest. Multilateral agreements often require consensus among the participating countries and may involve negotiations and ongoing coordination to achieve their objectives. They can cover many areas, including trade, security, environment, human rights, as well as finance.

Multilateral agreements have been popular in the climate space with United Nations Framework for Climate Change Convention (UNFCCC), the Adaptation Fund (AF) and most recently, the Green Climate Fund (GCF). These mechanisms have not been as successful at obtaining funds for climate mitigation and adaptation as envisioned. The example of the GCF illustrates the application of multilateral agreements (see Case Study 3). The GCF is currently the largest global fund committed to tackling climate change and advanced and industrialised economies were expected to make significant contributions, given that they produce the largest carbon emissions globally, however, this has not materialised.

Some proposals apply to air, maritime and fossil fuel taxes (as discussed in the following sections), with the funds generated being directed to climate change multilateral agreements. These can act as the mechanism to support the distribution of funds for climate-vulnerable countries. Another proposed agreement is establishing a Global Climate Reparations Fund (GCRF) based on ethical and human rights principles with robust funding. The GCRF would be a multilateral agreement to compensate for climate change damages on LMICs and Small Island Developing States (SIDS), applying to those countries that have been or are threatened by climate change. This fund would be a mandated agreement between countries, utilising a levy mechanism to source funds regularly while providing climate reparations.<sup>50</sup>

Multilateral agreements can be applied directly to support the financing of reparations globally, as international institutions can push and advocate for contributions towards reparations from countries (both perpetrators and non-perpetrators). However, they are more likely to be applied in the context of climate change and L&D (see Case Study 3). While proposed multilateral agreements do offer more value in providing reparations; generally, these agreements require time to build consensus among the global community and ensure that the funds can easily be obtained, as these initiatives can also start but fail to raise the necessary funds. Additionally, they are not easily accessible as there are many requirements that recipients must meet before any disbursement of funds, and even then, there can be associated conditionalities on what or how funds are spent.

<sup>50</sup> Audrey R. Chapman and A. Karim Ahmed (2021) - Climate Justice, Humans Rights, and the Case for Reparations. Health Human Rights 23, 2, 81-94. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8694300/>

### Case Study 3: Multilateral Agreements Case Study: The Green Climate Fund (GCF)<sup>51</sup>

The Green Climate Fund (GCF) provides financial support to developing countries for climate change mitigation and adaptation projects. First conceived as a “World Climate Change Fund” in 2008 by Mexico, it was finally agreed to be set up at the United Nations Framework Convention on Climate Change (UNFCCC) hosted in Copenhagen, Denmark in 2009 (COP15) and established formally in 2010 at the UNFCCC meetings in Cancun, Mexico (COP16).

Prior to the GCF, the mechanisms and sources of climate financing included multilateral climate funds such as The Global Environment Facility (GEF), founded in 1992, the Adaptation Fund (AF) funded by a 2% levy on UN carbon credits, the Least Developed Countries Fund (LDCF), and the 2008 founded and World Bank hosted Climate Investment Funds (including the Clean Technology Fund, Special Climate Change Fund (SCCF) and Strategic Climate Fund for Forests (SCF-F). The GCF was designed to draw lessons from all these and innovate by departing significantly from the typical Bretton Woods model of development finance whereby decision-making and voting is determined through shareholding.

Instead, the GCF has a Board of Directors of 24 members that is made up of half “developed” and half “developing” countries. The Board has a co-chair from each group of countries and the Board operates by consensus only. The GCF also has its own Independent Secretariat, and its trustee is the World Bank.

Although the original vision was that the GCF would attract US\$10 billion of finance per year, to date, the fund has raised US\$13,48 billion, and approved 243 projects in 129 countries.

Despite its innovations in representation, the GCF itself or even this “equal” governance structure is unlikely to be appropriate in a reparations or loss and damage fund context, as recipients should arguably have the majority, if not full decision making capacity on funding allocation decisions.

**Figure 9: Multilateral Agreements Assessment**

Criteria	Rating	Explanation
Effectiveness	4	This mechanism is unlikely to directly address recipients’ right to reparations. The agreements are not based on reparative justice as these contributions tend not to explicitly acknowledge ongoing or historic injustices
Access	6	Most government recipients will have access to this mechanism, but there is likely to be a long timeline from proposal to disbursement
Equity	5	These agreements are usually made between recipients and funders, but it is likely in the context of financing reparations this would be led by recipients or a coalition
Power	3	There are conditionalities attached to obtaining funds from this mechanism that does not equalise power dynamics for recipients
Time	3	This mechanism can be implemented relatively quickly, but this is dependent on the specific nature of the agreement e.g., climate, trade, etc. In the context of financing reparations, a multilateral agreement/fund would take time to build

<sup>51</sup> Green Climate Fund (GCF) (2017) - FP047: GCF-EBRD Kazakhstan Renewables Framework. <https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp047-ebird-kazakhstan.pdf>

Financial Resources	4	The financial resources are available within countries, but the commitments to meet pledges and obligations is lacking
Value	3	The value of this mechanism is yet to match up to the financial cost of historical and present injustices
Economic Impact	5	There is unlikely to be a huge macroeconomic impact, however specific recipients and sectors could see improvement through funds
Recipients Political Will	7	Recipients would be willing to participate in this mechanism, but factors such as stringency, conditions, time will affect their political will
Payees Political Will	6	This mechanism can offer different incentives for payees depending on their motivation e.g., soft power, carbon offsetting, etc.
Recipients Sustainability	2	This mechanism does perpetuate a reliance on external assistance as these agreements and funds are common and usually have medium-term horizon
Payees Sustainability	5	This mechanism tends to be a medium-term financing solution, whereby countries will pay for a certain period of time based on commitments made
Accountability and transparency	8	There are accountability and transparency controls in place with multilateral agreements
Capacity	6	Recipients are likely to be governments who would be able to handle the administrative and operational aspects of this mechanism
Target	3	There is less clear identification of perpetrators and this mechanism pools financing across countries
<b>Total</b>	<b>70</b>	

#### 4. PUBLIC BUDGET COMMITMENT (PBC)

A public budget commitment (PBC) is a dedicated spend of public budget money on specific programmes and activities. This currently represents the most used financial mechanisms for reparations that exists to date<sup>52</sup> as it is a commitment by those in power to repair the harm committed. PBCs usually entail a number including public finance from domestic reparation programmes; international reparation programmes; and official development assistance (ODA). However, PBCs are not necessarily always met due to several reasons including a lack of finance, changes in (political) priorities, unexpected changes in the domestic or global environment such as natural disasters or financial crises.

**Public finances** for domestic reparations (state to its citizens) are the most common financial mechanism for reparations. In terms of raising the public finances, this can be from various sources including taxes on income, sales, and property; borrowing from the issuance of bonds or loans from bilateral or multilateral organisations; and reallocation of existing spending from areas such as military defence. In Argentina, the state financed reparations through a hybrid model of special budgetary allocation from public finances and the issuance of bonds to fund the victims of forced disappearances and other human rights violations. A total of US\$3.08 billion paid for cases of arbitrary detention and reparations for forced disappearances and assassinations, this equated

<sup>52</sup> Alexander Segovia (2006) - Financing Reparations Programs: Reflections from International Experience, in The Handbook of Reparations by Pablo De Grieff.

to reparations worth US\$244,000 for each disappeared person.<sup>53</sup> Case Study 4 provides a case of a public budget commitment using public finances in the context of US-Japanese American reparations for the wrongful internment of Japanese-Americans during World War II.

Public finance for international reparations (state to state) is another mode which can finance reparations for human rights violations, including colonialism, war, and genocide. In December 2022, the Netherlands issued a formal apology to the descendants of enslaved people for the Dutch state's role in slavery, acknowledging that, "centuries of oppression and exploitation still have an effect to this very day". There was also a commitment made to develop a €200 million 'apology fund', which aims to raise awareness, foster engagement, and address the present-day effects of slavery. The activities and allocation of funds are to be decided in consultation with descendants and other relevant parties.<sup>54</sup>

#### **Case Study 4: Public Budget Commitments Case Study: US-Japanese Americans Reparations<sup>55</sup>**

The internment of Japanese Americans during World War II serves as a stark reminder of the violation of civil rights in American history. President Franklin D. Roosevelt signed Executive Order 9066, which resulted in the imprisonment and forced transfer of some 120,000 Japanese Americans living on the West Coast. Families were torn apart, businesses lost, and dreams shattered as they were unjustly detained in camps simply based on their ethnicity. In the 1980s, a powerful movement emerged by Japanese American activists and community leaders spearheading a grassroots campaign seeking acknowledgment, apology, and reparations for the suffering endured during internment. Their tireless efforts paved the way for change.

The passage of the Civil Liberties Act of 1988 meant the U.S. Congress recognized the wrongful internment of Japanese Americans and enacted a reparations program to provide redress. This historic legislation marked a significant milestone in the pursuit of justice and the acknowledgment of past wrongs.

Under the reparations program, individual payments of \$20,000 were granted to each surviving Japanese American internee. This financial compensation aimed to address the material losses, the deprivation of personal freedom, and the profound impact on their lives. Alongside the monetary reparations, the U.S. government issued an official apology, acknowledging the grave injustice committed against Japanese Americans. The impact of the reparations program went beyond financial restitution. It served as a symbol of justice, healing, and empowerment for Japanese American communities. The apology and compensation provided a sense of closure, dignity, and pride, helping to mend the wounds inflicted by the internment experience.

The reparations program fostered historical education and awareness. It ensured that future generations would learn from this dark chapter in American history, promoting understanding, and safeguarding civil liberties for all citizens.

<sup>53</sup> Maria Jose Gueembe (2006) - Economic Reparations for Grave Human Rights Violations: The Argentinean Experience in The Handbook of Reparations by Pablo de Grieff, International Center for Transitional Justice (ICTJ).

<sup>54</sup> Government of Netherlands (2022) - Government apologises for the Netherlands' role in the history of slavery. <https://www.government.nl/latest/news/2022/12/19/government-apologises-for-the-netherlands-role-in-the-history-of-slavery>

<sup>55</sup> Morgan Ome, The Atlantic – What Reparations Actually Bought? <https://www.theatlantic.com/ideas/archive/2023/06/japanese-american-wwii-internment-reparations-redress-movement/674349/>



**Official development assistance (ODA)** is another existing financial mechanism within PDCs that provides funds to LMICs in the name of ‘aid’. ODA is defined as government aid that promotes and specifically targets the economic development and welfare of developing countries. The donor assistance committee (DAC) provided US\$185.9 billion in 2021, equivalent to 0.33% of DAC members combined gross national income (GNI). ODA funds humanitarian assistance, poverty reduction, economic development, environmental protection, and good governance in many lower and middle-income countries (LMICs). It is usually provided by official agencies, including state and local governments or their executive agencies, and are concessional (grants and soft loans).<sup>56</sup>

The OECD guidelines on aid suggest 0.7% of a state's GNI should be for ODA. However not all countries follow those guidelines such as the UK that reduced its ODA to 0.5% which accounted for £12.8 billion in 2022.<sup>57</sup> This still does not directly attribute for historical injustices that took places through colonialism, and ODA comes with many conditionalities attached. In fact, ODA has a real cost, as it still supports an exploitative relationship, for example Africa has US\$162 billion flowing into the continent via ODA, which is surpassed by US\$203 billion flowing out in illicit financial flows, debt payments, profits, and costs of adaptation to climate change in 2015.<sup>58</sup>

There is a movement of reframing aid as charitable giving to reparations as justice for colonialism and imperialism. However, aid which is 0.7% of a state's GNI is not adequate for reparations, as there are links to advanced countries being in their economic positions due to colonialism and its legacies. The narrative of ODA has been reframed as one aspect of financial reparations as Japan have used ODA as part of their financing of reparations after WWII to former colonies including Korea, providing \$800 million worth of grants and soft loans (see Long Tern Government Repayment section for more detail). However, ODA is viewed as assistance and expertise provided and does not encompass apology, acknowledgement, repair, and restoration based on the gross human rights violations committed.

Public budget commitments such as public finance or ODA represent a clear pathway for many recipients to ascertain ‘forms of reparations’, and there can be more advocacy surrounding the increase in ODA to recipients or better utilisation of public finances for compensation. The challenges with these mechanisms are that in recent years public finance and ODA have been under intense scrutiny and have been reduced significantly. Therefore, it is unlikely to meet the needs and demands required for reparative justice to be achieved in reparations including financial compensation. Alongside this, ODA is still largely dictated by donors' interests and priorities, and public finances for reparations would require a strong amount of public support and political will to provide financial compensation to recipients.

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<sup>56</sup> Organisation for Economic Cooperation and Development (OECD) (2023) - Official development assistance (ODA). [https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm#:~:text=ODA%20final%20data%202021,gross%20national%20income%20\(GNI\)](https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm#:~:text=ODA%20final%20data%202021,gross%20national%20income%20(GNI))

<sup>57</sup> Foreign Commonwealth Development Office (2022) - Statistics on International Development: Provisional UK Aid Spend 2022. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1149594/Statistics-on-International-Development-Provisional-UK-Aid-Spend-2022.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1149594/Statistics-on-International-Development-Provisional-UK-Aid-Spend-2022.pdf)

<sup>58</sup> Mark Curtis and Tim Jones, Global Justice Now (2017) - Honest accounts 2017 – how the world profits from Africa's wealth. [https://www.globaljustice.org.uk/wp-content/uploads/2017/07/honest\\_accounts\\_2017\\_web\\_final\\_updated.pdf](https://www.globaljustice.org.uk/wp-content/uploads/2017/07/honest_accounts_2017_web_final_updated.pdf)

**Figure 10: Public Budget Commitments Assessment**

Criteria	Rating	Explanation
Effectiveness	8	Public budget commitments are one of the surest methods for reparations that all types of recipients could attain to achieve justice
Access	3	Public budget commitments require institutional and policy level support which recipients in a domestic or international context do not have direct access to.
Equity	4	This is not an equitable mechanism as although governments are largely responsible for creating commitments, affected communities or entities are very likely to push government on their thinking and provide ideas and support
Power	3	Recipients have less of a voice in terms of distribution of power through the financial mechanism. They may be encouraged to consult but decision-making power might lie elsewhere
Time	2	Public budget commitments can take time to build due to availability of political will and financial resources
Financial Resources	9	Public budgets represent a vast amount of global finances, and therefore would have enough scope to cover all aspects of financial resourcing necessary for financing reparations
Value	8	Public budget commitments can offer adequate financial reparations to recipients
Economic Impact	8	This mechanism is likely to support economic development goals
Recipients Political Will	8	Recipients are likely to have strong political will as the mechanism is also directly targeting states that might have been responsible for harm
Payees Political Will	3	Payees are unlikely to have political will to support this mechanism
Recipients Sustainability	7	Financial reparations are likely to be used to support self-sufficiency of communities
Payees Sustainability	5	Financial reparations could be generated as a one-off or across a period of time. The former seems more likely and sustainable for payees

Accountability and transparency	5	In many instances of financial reparations that is handled by government, there is mistrust among citizens as to whether finances will be spent correctly
Capacity	6	Recipients are likely to be able to administer and utilise financial reparations from public budget commitments, but will also need additional support from other entities such as NGOs and community organisations
Target	8	This is likely to target the public budgets of countries responsible for previous and current gross human rights violations
<b>Total</b>	<b>87</b>	

## 5. LEGAL CLAIM

A legal claim is the basis on which a person seeks a legal remedy or relief from a court of law. Legal claims for reparations are one of the most common methods in obtaining financial reparations, as there are clear identifiable steps to achieving reparative recourse. Legal claims can take place in domestic and international contexts and can be applied to any type of perpetrator—individuals, communities, corporations, and countries.



The legal routes that recipients can take will largely depend on the context in which financial reparations are being sought, but legal claims can largely be filed under the following;

- **International human rights law:** legal claims for reparations are often based on principles and norms established in international human rights law, which recognize the right to remedy, justice, and compensation for victims of human rights abuses. Key instruments include the Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, and International Covenant on Economic, Social and Cultural Rights.
- **National legal framework:** Reparations can also be pursued through domestic legal systems, where laws may provide avenues for victims to seek compensation or restitution for historical injustices. These legal frameworks may include laws on restitution, compensation, or specific legislation aimed at addressing historical wrongs.
- **International tribunals and courts:** This includes the International Criminal Court (ICC), the International Court of Justice (ICJ), the European Court of Human Rights (ECHR) and the Inter-American Court of Human Rights or ad hoc tribunals established for specific conflicts.
- **Negotiated settlements:** The affected parties and the perpetrators can agree on settling the claims where financial compensation or other forms of redress are agreed, either as part of a wider reconciliation agreement or not.

Legal claims against corporations with either historical or current links to injustice have not been as common for reparations. For example, there are direct linkages with private companies established during colonialism and being supported by colonial empires to extract and export resources. In the Caribbean states, Tate and Lyle have had and continues to have a significant impact on the peoples through the extraction of sugar. Similarly, in Kericho County, Kenya, indigenous land from the Nandi and Kipsigis peoples was stolen by the British colonial government and given to Brooke Bonds known for PG Tips and Lipton Tea have developed large tea plantations on ancestral land.<sup>59</sup> There have not been any immediate successes as to achieving financial reparations through this avenue yet, however there are ongoing claims being made to legally hold these entities responsible for compensation individuals and communities harmed. Figure 15 provides an example of a successful legal claim for the Mau Mau people against the British government.

Although, there have been instances of financial compensation provided in response to damage to the environment. In 2011, the Bodo community in the Niger Delta, Nigeria sought reparations from Shell for oil spills, damage to the environment and livelihoods through an oil extraction pipeline. Shell had not cleaned the oil spills and only offered food as compensation. 15,600 claimants received over £3,000 each - a total of £55 million.<sup>60</sup> There are more examples of financial reparations being achieved within the context of climate and environment, but this is only a reactive movement than a proactive movement to repair based on previous harm committed.

Legal claims provide a more holistic approach to reparations as not only does a successful claim offer compensation, but also aspects of restitution, as the perpetrator is declared guilty of injustice. However, recipients and their legal representatives must have clear idea of the financial reparations value due in legal claims, as generally the claims that have been successful have still largely had underwhelming financial compensation that is not reparative and restorative for victims. The issue with legal claims is that they are not necessarily widely available for recipients, as there is a knowledge and cost barrier towards hiring legal expertise to build a case for reparations. Additionally, legal claims require a plethora of evidence and require victims to be investigated, which can cause more harm through reliving the trauma. Another issue is that there have yet to be large-scale claims that have been successful without international backing, as most cases are led as individual or group claims in which smaller amounts of financial reparations are achieved.

<sup>59</sup> Phil Miller, Declassified UK (2022) – Britain Stole Their Land to Plant Tea. Now They Want It Back. <https://declassifieduk.org/britain-stole-their-land-to-plant-tea-now-they-want-it-back/>

<sup>60</sup> Leigh Day (2023) – Shell – Bodo Case. <https://www.leighday.co.uk/news/cases-and-testimonials/cases/shell-bodo/>

## Case Study 5: Legal Claims Case Study: The Mau Mau People vs the British Government<sup>61</sup>

In 2012, the British government settled a legal claim brought by a group of Kenyans who were victims of torture and other abuses during the Mau Mau uprising between 1952 and 1960. The Mau Mau rebellion was a nationalist movement in Kenya that sought to end British colonial rule, and it was brutally suppressed by the British authorities.

The settlement involved a £19.9 million compensation package, which was divided among around 5,228 Kenyans (£3,800 per person) who were subjected to abuses such as beatings, castrations, and sexual assault. The compensation package also included acknowledgement that the Kenyans has been “tortured and ill-treated under the hands of the British colonial administration”<sup>7</sup>, and an apology from the British government for the abuses that were committed.

The compensation was paid out of the UK government's general budget, rather than from a specific reparations fund. The settlement was reached after several years of legal proceedings, in which the British government initially argued that the claim was time-barred under Kenyan and English law.

The settlement was seen as a significant victory for the victims of the Mau Mau rebellion, and as a recognition by the British government of its historical responsibility for the abuses that were committed. However, some critics argued that the compensation package was inadequate and that it did not go far enough in acknowledging the full extent of the harm that was caused.

**Figure 11: Legal Claims Assessment**

Criteria	Rating	Explanation
Effectiveness	6	Legal claims are likely to address aspects of recipients' right to reparations, but unlikely to effectively compensate recipients for harm committed
Access	2	If legal claims are made by individuals and groups, there is less access to legal financial mechanisms given the cost being the biggest barrier
Equity	2	The burden usually lies with the victims to bring claims against perpetrators to court and receive a judgement on financial reparations owed
Power	6	Legal claims if successful do not just offer financial reparations also an acknowledgement and acceptance of guilt, which can offer recipients power
Time	3	There is no certainty on timeline as it will be heavily dependent on the context in which reparations are being asked such recent vs historical among others
Financial Resources	6	Legal claims means that regardless of whether financial resources are available to fund reparations, the perpetrators if found guilty must find a way to finance reparations

<sup>61</sup> Alex Wessely, Leigh Day (2017) - The Mau Mau case - five years on. <https://www.leighday.co.uk/news/blog/2017-blogs/the-mau-mau-case-five-years-on/#:~:text=In%20mid%202013%20the%20government,that%20these%20abuses%20took%20place%E2%80%9D>.

Value	5	The value of legal claims for financial reparations are not usually wholly sufficient to cover reparative recourse for recipients
Economic Impact	5	The scale of legal claims is unlikely to create a huge economic impact in terms of broader development goals, except on the specific recipients
Recipients Political Will	5	Recipients political will be mixed as legal claims require a substantive amount of evidence, which can be traumatic. Alongside the need to justify the harm conducted in public means political will vary depending on the context
Payees Political Will	1	If a legal claim is being made, there tends to be clear indication that the perpetrator is unwilling and unlikely to be supportive of paying financial reparations
Recipients Sustainability	5	Legal claims have offered relatively small reparations for individuals and communities, which are unlikely to be sustained across a long period of time
Payees Sustainability	3	Legal claims to financing reparations have usually led to one-off payments, be it small or large-scale, which payees can usually cover
Accountability and transparency	10	There is clear accountability in terms of the perpetrator being adjudged to be guilty or not guilty, but in terms of how the finances are distributed this will vary on a case-by-case basis on who the recipients are e.g., government or group of individuals
Capacity	5	Recipients (individuals and communities) are unlikely to have the capacity to administer, operationalise and distribute financial reparations from legal claims themselves
Target	10	Legal claims directly target the perpetrators and hold them to account through legal practice
<b>Total</b>	<b>74</b>	

## Proposed Options

### 6. LONG-TERM GOVERNMENT REPAYMENT

Long-term government repayment refers to the perpetrating state providing payment in full for the historical crimes and injustices such as slavery, colonialism, genocide, displacement and more. This is a proposed option on the basis that former colonies have previously had to pay their colonisers for ‘losses’ to their colonial-based economy. Today, if perpetrating governments are to engage with this mechanism, it is likely that they will have to take on debt to pay for reparations to recipients or enforce taxes that either are specifically earmarked to fund reparations from citizens or provide a tax targeting wealthy individuals and corporates who are likely to have benefitted from existing colonial structures and legacies.

The British Government used £20 million to fund the Slavery Abolition Act 1833. In 1833, this was equivalent to approximately 40% of the Government's total annual expenditure and 5% of the UK's GDP.

The loan that the British Government took provided slave-owning families with compensation for further enrichment.<sup>62</sup> The Slavery Abolition Act (1835) Loan was rolled over into the Government's gilt programme, ultimately into an undated gilt, the 4% Consolidated Loan (1957 or after). The debt was only paid off by the British taxpayers in 2015, with no compensation provided to the enslaved.<sup>63</sup> Similarly, Haiti's case of compensating France for loss to its slave-based economy amounted to approximately \$21 billion paid as mentioned in the debt relief and cancellation section. There are many arguments that France needs to pay back Haiti with figures amounting to at least \$28 billion as a minimum. In general, there is still little progress being made in terms of engaging former colonial governments in discussions surrounding financial reparations.

Global North governments still benefit from the legacies of colonialism in several ways including debt owed, the over reliance of recipient on foreign expertise and equipment, trade and more. Therefore, long-term government repayment is an important option to consider as it offers a much more holistic approach to reparations which includes acknowledgement and compensation and offers an opportunity for a recipient country to build a future that is not dependent on external forces. There is also a consistent flow of financial compensation across a longer-term given the estimated values of reparations owed, which can potentially equalise opportunities for recipients to develop. Recipients need to consider the terms of financial compensation owed via the mechanism e.g., is it the equivalent of how much was loss exclusively during the colonial period or is it inclusive of loss of financial development from during colonialism and post-colonialism.

The challenge with this mechanism is that it requires an inordinate amount of political will and public support. It could be argued countries with lesser global geo-political power could be pressured to pay reparations, as was the case with Japan highlighted below. Japan paid reparations to its former colonies including Korea, but this was only initiated after Japan's fall post-WWII (see Case Study 6). They had to make moral and financial concessions to be able to redeem themselves among European and North American countries – it could be argued that this decision was more of a political choice than a moral or ethical choice given the pressures from Allied forces.

Considering that payees of long-term government repayment are nation-states largely based in the Global North, it is very difficult to enforce or push these countries to consider this mechanism for financial reparations. There tends to be a double-standard as for example, Global North countries such as the US, UK, Canada, and Australia have been actively implementing measures against Russia for its role as the aggressor in the Ukraine-Russia war. There is a likelihood that they will pressure Russia to pay reparations to Ukraine and its citizens, which there is clear right to redress. However, reparations for Iraqi and Afghan citizens as a result of the Iraq and Afghanistan War led by the US and UK has not been discussed as heavily pursued or advocated for. Though there is a UK compensation bill that allows for compensation for Iraqi and Afghan

<sup>62</sup> Naomi Fowler, Tax Justice (2020) - Britain's Slave Owner Compensation Loan, reparations and tax havenry. <https://taxjustice.net/2020/06/09/slavery-compensation-uk-questions/>

<sup>63</sup> HM Treasury (2018) - Freedom of Information Act 2000: Slavery Abolition Act 1833

citizens and is said to have financially addressed claims worth £32 million<sup>64</sup>, but in the US there has been no compensation, despite evidence and right to redress.

There is also a timeline issue as many governments do not seek to appropriately address historical injustices that have taken place past a certain point in time. Therefore, slavery and colonialism could be viewed as injustices that do not fit within the timeframe of reparations versus more current and modern instances of reparations. Therefore, building a strong consensus among the public and the political institutions is crucial to firstly ensure the full extent of reparations is captured, and secondly to be implemented correctly and succeed.

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<sup>64</sup> Ceasefire (2021) - UK compensation bill for civilian harm in Iraq and Afghanistan reaches £32m <https://www.ceasefire.org/uk-compensation-bill-for-civilian-harm-in-iraq-and-afghanistan-reaches-32m/>



## Case Study 6: Long-Term Government Repayment Case Study: Japan’s Colonial Reparations

Japanese colonisation occurred across large part of East Asia and the Pacific Islands from 1865 to 1945. Countries such as Taiwan, Korea, The Philippines, and more were colonised through implemented policies of political control, economic exploitation, and cultural assimilation.

As a result of the persecution faced by former Japanese colonies, Japan had to engage in numerous reparations programmes which also featured financial compensations including:

- San Francisco Peace Treaty (1951): The San Francisco Peace Treaty, signed between Japan and the Allied Powers, addressed Japan's post-war obligations. It required Japan to renounce claims to its former colonies, including Korea and Taiwan, and compensate these territories for the damages caused during the colonial period. Approximately \$25.3 billion was compensated to former colonies and allied powers.
- Treaty on Basic Relations between Japan and the Republic of Korea (1965): This treaty, also known as the "Japan-Korea Treaty of 1965" normalized diplomatic relations between Japan and South Korea. As part of the agreement, Japan provided financial aid and loans to South Korea, which were intended to support its economic development and compensate for the damages inflicted during the colonial period.
- Asian Women's Fund (1995): In response to the issue of "comfort women," who were victims of sexual slavery by the Japanese military during World War II, the Japanese government established the Asian Women's Fund. The fund provided "atonement money" to surviving comfort women from various Asian countries, along with medical and welfare support.

It is important to note that the extent and adequacy of reparations provided by Japan for its colonial actions are topics of ongoing debate and controversy. The treaty between Japan and Korea is particularly relevant as the long-term repayment for colonisation as Japan provided up to \$800 million worth of financial compensations for reparations including \$300 million grant paid over 10 years, \$200 million low-interest loans as a 'reparation fee' and \$30 million per year. However, there are arguments that the compensation provided has not been sufficient or that it should be expanded to cover a wider range of victims and issues. The reparations have been based on a government-to-government basis, however reparations for individuals and communities have not necessarily been directly addressed.

**Figure 12: Long-Term Government Repayment Assessment**

Criteria	Rating	Explanation
Effectiveness	7	Long-term government repayment can offer reparative justice for all types of recipients, particularly those that have been affected by historical injustices, as it offers an acknowledgement and commitment by perpetrators
Access	4	Access is likely to be limited to governments given the potential value of financial reparations
Equity	5	This agreement would be made between recipients and funders, and it is likely to be led by recipients or a coalition
Power	8	The mechanism is likely to allow for a shift in power, as recipients are likely to have more agency and autonomy

Time	1	The mechanism requires payees to not only pay, but firstly acknowledge, which has a long timeline
Financial Resources	7	The financial resources are available within states to provide compensation
Value	8	The value of this mechanism can restore what was lost from previous injustices as well as potentially what was missed from
Economic Impact	9	This is likely to have a macroeconomic impact as it can cover loss across a certain period and/or missed opportunities after that period because of the initial injustice
Recipients Political Will	8	Recipients would be willing to participate in this mechanism, but factors such as time and effort will affect their political will
Payees Political Will	1	The perpetrators in question are highly unlikely to commit to repayment to finance reparations willingly
Recipients Sustainability	7	Recipients can utilise the funds across the long term, which can help to equalise their position.
Payees Sustainability	5	Governments paying back recipients are likely to struggle in some instances to pay back, given their own domestic social, political, and economic complexities.
Accountability and transparency	7	The mechanism requires perpetrating governments to repay debt, and there are likely to be public accountability and transparency controls in place to ensure a clear understanding of how funds are sourced and distributed.
Capacity	6	Recipients are likely to be governments who can handle the financial reparations from an administrative and operational perspective but might not have the right capacity to handle and distribute funds effectively.
Target	10	This directly targets the perpetrator - states that are responsible for historic and colonial injustices against people, communities, and the environment
<b>Total</b>	<b>93</b>	

## 7. SPECIAL DRAWING RIGHTS (SDRS) REALLOCATION

Special drawing rights (SDRs) are an international foreign exchange reserve for countries developed by the IMF under the Bretton Woods system of fixed exchange rates. They were created in response to the limitation of gold and dollars as the sole means of settling international accounts, SDRs augment international liquidity by supplementing the standard reserve currencies.

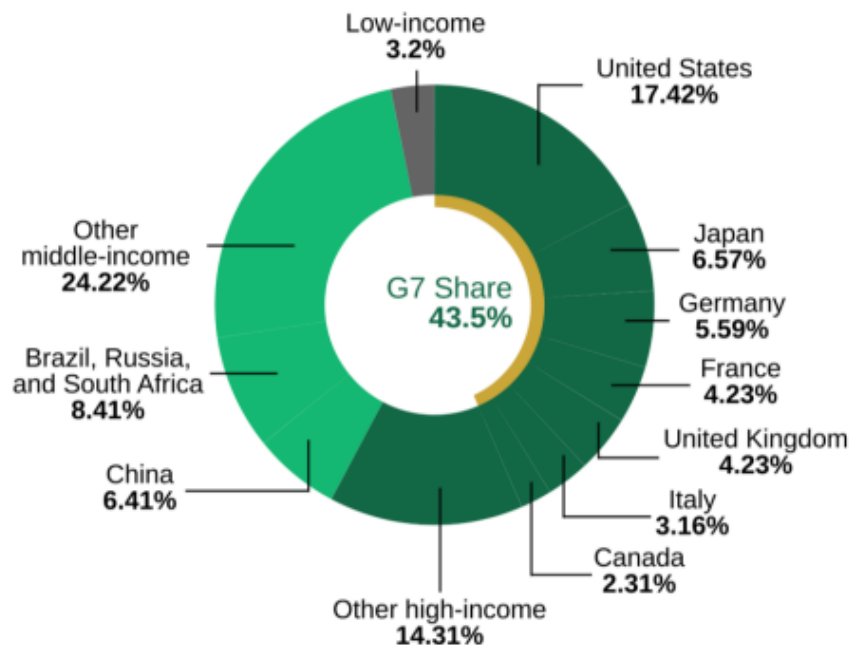
SDRs are defined and maintained by the IMF and are the unit accounts (not currency) for the IMF - they represent a claim to currency held by IMF member countries for which they may be exchanged. It is essentially an artificial currency instrument used by the IMF and is built from a basket of important national currencies. SDRs are allocated by the IMF to its member countries

and are backed by the full faith and credit of the member countries' governments, with the makeup of the SDR being re-evaluated every five years.<sup>65</sup>

The SDRs are allocated to countries based on their quotas – which are in turn determined by their shareholdings in the IMF. Therefore, the vast majority of SDRs are held by the wealthiest countries. For instance, African countries together are allocated approximately USD 18.7 billion of SDRs. To put this in context, the total SDRs allocated to African countries are equivalent to 9% of SDRs allocations to the G20 countries together.

The distribution of SDRs is heavily concentrated on countries in the Global North and G7 with the US holding the largest number of SDRs at over 17% as of 2021 (see Figure 13). The allocation of SDRs is in direction proportion to the size of a country's IMF quota, which are the amounts of capital that each nation is asked to supply to fund as reserves for lending.

**Figure 13: Percentage Share of IMF 2021 SDR Allocation**



Source: *Development Reimagined 2021*

The initial idea to reallocate SDRs was proposed by Dr Cynthia Hewitt, who argued that nations responsible for slavery could transfer their SDRs to African nations and the diaspora as financial redress of reparations.<sup>66</sup> Theoretically SDR Reallocation can offer an infinite sum for financial reparations, but there are claims to reallocate \$3 trillion worth of SDRs from advanced economies.<sup>67</sup> The key benefits are that SDRs are not a payment in cash, therefore it is not directly being taken away from another country, and they can be generated at (political) will. Additionally, SDRs are not tied to any ex-colonial nation or currency, therefore is unlikely to increase dependency for recipients. The last benefit is that it is distributed without any conditionalities,

<sup>65</sup> Development Reimagined (2021) - Options for Reimagining Africa's Debt System

<sup>66</sup> Cynthia Lewis Hewitt (2004) - One Capital Indivisible Under God: The IMF and Reparation for in a Time of Globalized Wealth.

<sup>67</sup> Mark Plant, Center for Global Development (CGD) (2021) - The Challenge of Reallocating SDRs: A Primer.  
<https://www.cgdev.org/publication/challenge-reallocating-sdrs-primer>

therefore recipients can decide how SDRs can be used either to hold it as reserves or to convert it into cash.

There are also new frameworks such as the Resilience and Sustainability Trust (RST) worth up to \$50 billion, which allows wealthy countries to transform their SDRs into climate finance for LMICs vulnerable to climate change effects.<sup>68</sup> However, \$50 billion is not sufficient to fully address climate change and reparations. Additionally, it is not a mandated mechanism meaning that the RST cannot force wealthy countries to reallocate their SDRs. Though, even if the funding target is met there are inherent design flaws with the mechanism including conditionalities and eligibility requirements<sup>69</sup> for recipients which would make it difficult for climate-vulnerable countries to access.

There is a significant amount of political lobbying that is required from recipients to get 85% of the vote for reallocation, with the US holding a vast amount of control. Under the current economic and political climate, it is unlikely that HICs would be willing to reallocate. It is also questionable how much financial value can be attained by reallocation, as the surplus of five G20 countries amounts to just over \$6.3 billion<sup>70</sup>, but this could also be leveraged if combined with other IMF concessional instruments. Additionally, under the current framework, those countries willing to reallocate SDRs also attach conditionalities, whereby the recipient countries would still be responsible for interest payments.

SDR reallocation can reframe the narrative of reparations as wealthy countries do not lose anything by reallocating their SDRs given the assets that they already have. It has incredible value for recipients to be able to turn SDRs into cash to support restoration and repair in their societies but will require long-term political advocacy to set a precedent of reallocating of SDRs. China has been a big advocate for SDR reallocation, particularly for African countries (see Case Study 7).

<sup>68</sup> Chiara Mariotti, European Network on Debt and Development (Eurodad) (2022) - Why the IMF Resilience and Sustainability Trust is not a silver bullet for Covid-19 recovery and the fight against climate change.

[https://www.eurodad.org/resilience\\_and\\_sustainability\\_trust\\_not\\_silver\\_bullet\\_covid19\\_climate\\_change](https://www.eurodad.org/resilience_and_sustainability_trust_not_silver_bullet_covid19_climate_change)

<sup>69</sup> Sara Jane Ahmed, Alicia Barcena and Daniel Titelman, Project Syndicate (2021) – The IMF’s Misstep on Climate Finance.

<https://www.project-syndicate.org/commentary/imf-must-adjust-funding-criteria-in-response-to-climate-vulnerability-by-sara-jane-ahmed-et-al-2021-12>

<sup>70</sup> Development Reimagined (2021) - Options for Reimagining Africa’s Debt System

## Case Study 7: SDR Reallocation Case Study: China to Africa

In August 2021, the International Monetary Fund (IMF) made a significant allocation of Special Drawing Rights (SDRs) totalling \$650 billion to address global liquidity needs and aid member countries in their post-COVID-19 recovery efforts. Following this allocation, Chinese President Xi Jinping made a noteworthy commitment at the Eighth Forum on China-Africa Cooperation (FOCAC) in November 2021. China pledged to reallocate \$10 billion (one-quarter of its SDR allocation) specifically to the African continent, becoming the first country to commit SDRs to African countries.

While China's reallocation of SDRs to African countries primarily serves as a form of development cooperation rather than reparations, it offers valuable insights into potential mechanisms for SDR reallocation in the context of financing reparations. The 2021 global allocation of SDRs showcased a significant disparity in distribution, with the African continent receiving a mere \$33 billion, accounting for only 5% of the total allocation. In contrast, high-income countries like the United States received much larger amounts, with \$117 billion allocated to them.

While China's commitment to reallocating SDRs to Africa is a notable step towards addressing the financial disparities, it highlights the need for further reforms in global financial systems. Exploring the potential use of SDR reallocation as a mechanism for reparations would require comprehensive reassessment and the establishment of equitable distribution mechanisms that prioritize historically disadvantaged nations worldwide.

**Figure 14: SDR Reallocation Assessment**

Criteria	Rating	Explanation
Effectiveness	8	SDR reallocation could be restorative for recipients as it can allow for a redistribution of funds that can be restorative, but might not directly acknowledge the basis of harm and repair from perpetrators
Access	5	SDRs are accessible to each IMF member country, but specifically advocating for SDR reallocation for reparations might not be what every government intends to do, therefore it does not consider access of affected citizens, groups, and organisations
Equity	2	The push for SDR reallocation is firmly advocated by recipients - Global South countries who hold the burden of having to argue for their Global North contemporaries to consider SDR reallocation
Power	6	The SDR reallocation allows for recipients to have decision-making power over how financial reparations are provided
Time	2	The timeline is unclear given the majority of SDR reallocation is focused on advocacy with the proposals already established
Financial Resources	8	SDRs represent access to foreign exchange reserves that can be exchanged to support economic activity

Value	8	SDRs represent one of the largest volumes of finances that could be generated for recipients
Economic Impact	8	Highly likely to improve macroeconomic conditions by enabling domestic quantitative easing and lowering interest rates for public and private sector activity
Recipients Political Will	7	Recipients heavily advocate for SDR reallocation as a financial mechanism due to its potential transformative impact
Payees Political Will	5	There is a mixture of political will from G20 countries, with China being one of the biggest supporters. However, the US, UK and Europe are the governments that need to reallocate their SDRs. An 85% majority of total voting is needed for IMF approval
Recipients Sustainability	7	Given the large amount that SDR reallocation could lead, these funds can be used to equalise the position of recipients and support self-sufficiency empowerment
Payees Sustainability	6	For payees this is largely a one-off reallocation that can support financial reparations for recipients
Accountability and transparency	5	The reallocation mechanisms at a policy level can be transparent, but how the allocation and distribution of financial reparations to projects and citizens could take place is less clear
Capacity	5	Recipients who will be governments will have some capacity to take on the funding that arrives through SDR reallocation, but it will still require additional infrastructure that needs to be built before funding can be distributed efficiently and effectively across people and projects
Target	6	SDR reallocation does target perpetrators of injustices relating to slavery, colonialism, climate, and human rights violations. This is by virtue of these countries having the largest share of SDRs, but it does not explicitly state that this is in direct reference to reparations
<b>Total</b>	<b>80</b>	

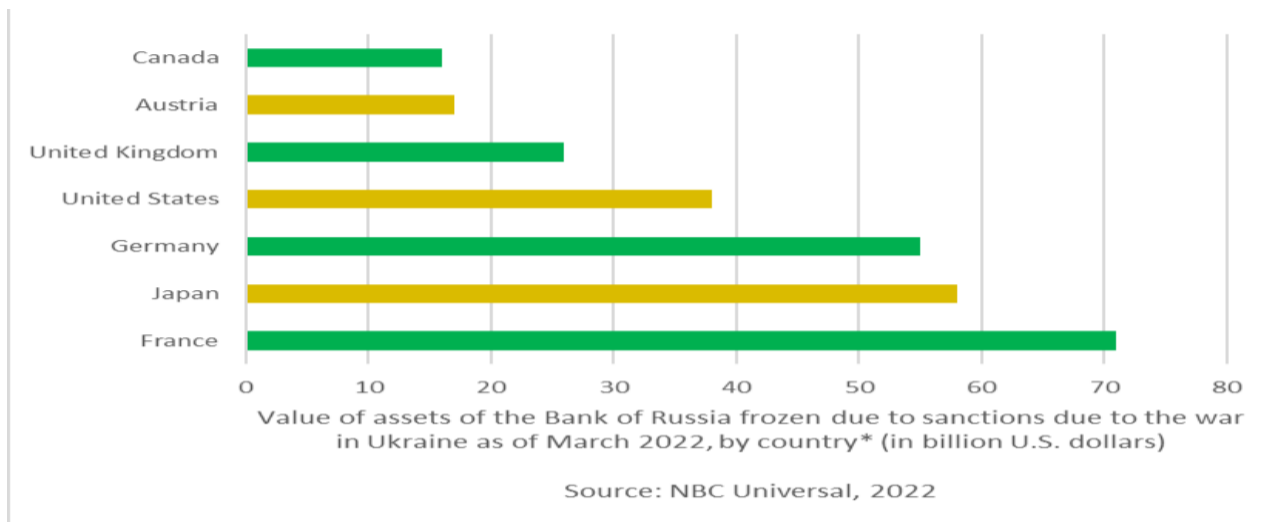
## 8. REPURPOSED FINANCIAL SANCTION

A financial sanction is a tool used to restrict or prohibit financial activities. These regimes are imposed by governments and international organisations to punish entities for their actions and/or dissuade entities for engaging in certain activities.

Financial sanctions can take form in asset freezes, seizures, confiscation, and penalties. Freezing assets involves prohibiting the “transfer, conversion or movement of funds or other assets”<sup>1</sup>; and seizing assets involves property being taken by the State from the targeted owner. Both do not involve the transfer of ownership. While confiscating assets allows for the transfer of ownership of targeted assets – both value and property-based assets are covered.

For the repurposing of financial sanctions and utilising funds for reparations, this firmly sits within confiscation as it moves beyond asset freezes and seizures to redistribute assets (or funds) from its original owners (and perpetrators) to recipients. Currently, only asset freezes and seizures have taken place by governments and international institutions, this is largely due to the global legal jurisdictions that exist<sup>71</sup>. For example, the United Nations Security Council has imposed financial sanctions on several countries, including Iran and North Korea. These sanctions have frozen the assets of individuals and entities in these countries. A more recent example is the freezing and seizing of Russian assets abroad by the state and oligarchs following the invasion of Ukraine. Figure 15 displays \$281 billion of the Bank of Russia’s assets which has been frozen by six G7 countries and Austria.<sup>72</sup>

**Figure 15: Frozen assets of Bank of Russia due to the war in Ukraine**



In the context of reparations, there are discussions on the precedence to confiscate to provide reparative justice for Ukrainians. Canada is the first country to legally offer a mechanism that can confiscate frozen assets based on assets that are subjected to sanctions and repurpose them.<sup>73</sup> However, a similar and previous bill - The Frozen Assets Repurposing Act (FARA) in Canada sought to repurpose frozen assets for forcibly displaced peoples was proposed<sup>74</sup>, but was tabled in 2022. This raises questions around which recipients are supported and advocated for by others

<sup>71</sup> Goldsmith Chambers (2020) - Finance for Restorative Justice Opinion. <https://www.goldsmithchambers.com/wp-content/uploads/2021/03/YazidiConsolidatedOpinion-FINAL-VERSION-1.5.pdf>

<sup>72</sup> Monica Hersher and Joe Murphy, NBC News (2022) - Graphic: Russia stored large amounts of money with many countries. Hundreds of billions of it are now frozen. <https://www.nbcnews.com/data-graphics/russian-bank-foreign-reserve-billions-frozen-sanctions-n1292153>

<sup>73</sup> REDRESS (2022) - Briefing: Comparative Laws for Confiscating and Repurposing Russian Oligarch Assets. <https://redress.org/wp-content/uploads/2022/09/Briefing-on-Comparative-Laws.pdf>

<sup>74</sup> World Refugee and Migration Council (2020) - Repurposing Frozen Assets to Assist the Forcibly Displaced. <https://wrmcouncil.org/wp-content/uploads/2020/06/WRMC-Research-Paper-Frozen-Assets-Sept2020.pdf>

for financial reparations, which involves aspects if the moral and political as to how those with power and resources decide. Additionally, the penalties for violations against sanctions and terrorism financing legislation are a potential source for reparations and is currently legally possible (see Case Study 8). It requires the legal obligation to finance reparations and political will of states.

### **Case Study 8: Repurposed Financial Sanctions Case Study: Weir Group PLC and Iraq Financial Sanctions<sup>75</sup>**

Weir Group PLC, a Scottish company was fined £3 million for violations against UN sanctions imposed on Iraq by making payment of approximately £3.1 million to Saddam Hussein's government between 2000 and 2002 to secure contracts worth £1.4 million. This was in breach of the UN Oil for Food programmes introduced which allowed Iraq to sell oil if the income was used for humanitarian needs – food and medicine and not on weapons. Additionally, a total £13.9 million was confiscated from Weir Group PLC as proceeds of crime.

The Scottish government decided to channel a proportion of funds back to project that sought to improve the lives of Iraqi people such as water development and cultural programs. While other parts of the funds went to Scottish NGOs working with Iraqi and Afghan partners.

This is an example of obligation in practice *via-a-vis* the confiscation of assets and penalties. However, there are also clear issues that the recipient country has no agency or access to decide how these penalties could have been spent, instead the perpetrators government has the power to make that decision, which is not in accordance with reparative justice.

Financial sanctions can be leveraged and repurposed to finance reparations due to several key factors including a clear distinction between recipients and perpetrators (payees); an already established practice of asset freezes and seizures; and the existence of funds that have been appropriated from perpetrators by international agencies. The main challenge with this mechanism is that the legal framework for confiscation and repurpose needs to be addressed, so that funds are more readily available for victims of gross human rights violations. This involves a few factors including but not limited to political and public buy-in, time and expertise.

There is already a clear pathway for the penalties, fines and charges imposed on those countries and companies in violations of the imposed sanctions. However, there is still a lack of transparency on where the penalties are held, whether they are redistributed, and who has the power to redistribute. The penalties also offer an opportunity to create a large pool of funds that can go to direct or indirect causes of reparations e.g., funds can be sourced from penalties from violations of financial sanctions on Afghanistan and can go directly to Afghan communities and/or a portion of funds can go to a large pool that could be made accessible to other potential recipients of reparations.

<sup>75</sup> Hogan Lovells, Global Survivors Fund, REDRESS and Goldsmiths Chambers (2021) - Finance for Restorative Justice, Volume II. <https://www.globalsurvivorsfund.org/media/pathways-for-financing-reparations>



**Figure 16: Repurposed Financial Sanctions Assessment**

Criteria	Rating	Explanation
Effectiveness	9	Highly likely to be restorative for recipients as it directly targets perpetrators and can be wholly reparative as attaining reparations from this mechanism is an admission of guilt
Access	3	Access is difficult as affected recipients tend to be vulnerable groups who may not be able go through their government, as they might be the perpetrators. Therefore, having access to legal aid and support to utilise the mechanism can be difficult
Equity	7	The burden would lie on the international institutions or governments that have the power to confiscate and repurpose financial sanctions.
Power	7	Power can be relatively achieved for recipients as confiscation intangible and tangible assets allow for a distribution of power.
Time	2	Confiscation and repurposing of financial sanctions have an unknown timeline due to the legal precedent that needs to be acknowledged and addressed at a global level
Financial Resources	10	Financial resources in the forms of capital, property and other value assets are readily available, both those that have been frozen and seized, and those that remain with perpetrators.
Value	8	The value of repurposed financial sanctions can be large-scale, but there is still ambiguity as the financial sanctions.
Economic Impact	7	The financial sanctions placed on countries and corporations are relatively large to support socio-economic development.
Recipients Political Will	8	This mechanism targets perpetrators (that could be directly or indirectly related) which would build strong political will in recipients.
Payees Political Will	8	Payees in this instance are perpetrators of financial sanctions, and therefore their political will is less of an issue as they legally must comply with financial sanctions and penalties.
Recipients Sustainability	6	This depends on the scale, as there have yet to be any large-scale international examples. However, in a domestic context, this could be transformative for citizens and communities to utilise these existing resources in a practical and meaningful way which would serve to empower them.
Payees Sustainability	6	Sustainability therefore does rely on financial sanctions being imposed from one entity to another, which seems relatively likely given global geo-politics, and the mechanism can be adapted to imposing sanctions until a set amount of reparations have been paid.

Accountability and transparency	7	The financial mechanism has a large degree of accountability and transparency from freezing to confiscating. However, in terms of distribution of assets, it is less clear how the mechanism will account for whether the assets are going to the affected communities.
Capacity	4	The capacity to convert confiscated assets from banks accounts to properties is likely to be capacities that needs to be built by supporting organisations and recipients, particularly at a large scale.
Target	9	There is a clear identification of perpetrators who can be sanctioned and penalised to fund reparations. However, existing penalties that sit in a fund could also be utilised to fund reparations regardless of whether those penalties are directly related to recipients.
<b>Target</b>	<b>99</b>	

## 9. OFFSHORE TAX HAVEN

An offshore tax haven does not have universal definition, however, broadly it refers to “a country or jurisdiction that enables multinational corporations and individuals to escape the rule of law in the countries where they operate and live, and to pay less tax than they should in those countries”.<sup>76</sup> At the same time, tax havens do not necessarily equate to low tax jurisdictions. Tax havens grew during the post-colonial and post-empire era, as it enabled wealthy and influential people to continue the extraction of wealth and revenues and maintain it through secrecy in other jurisdictions<sup>77</sup>. According to much literature, offshore tax havens tend to have at least one or more of the following features- lower taxes (especially within their region); lack of regulations; financial secrecy and privacy, and lack of effective exchange information. However, as noted earlier, the existence of one or more of these features does not always mean a country or territory is a tax haven. It is crucial to understand the context and background of each country or territory. For instance, nations that have developed a strong financial services industry – such as Barbados and Mauritius – and are sometimes seen to fall with the tax haven category- encounter significant challenges in effectively and sufficiently taxing multinational corporations and overseas capital inflows for their development needs.

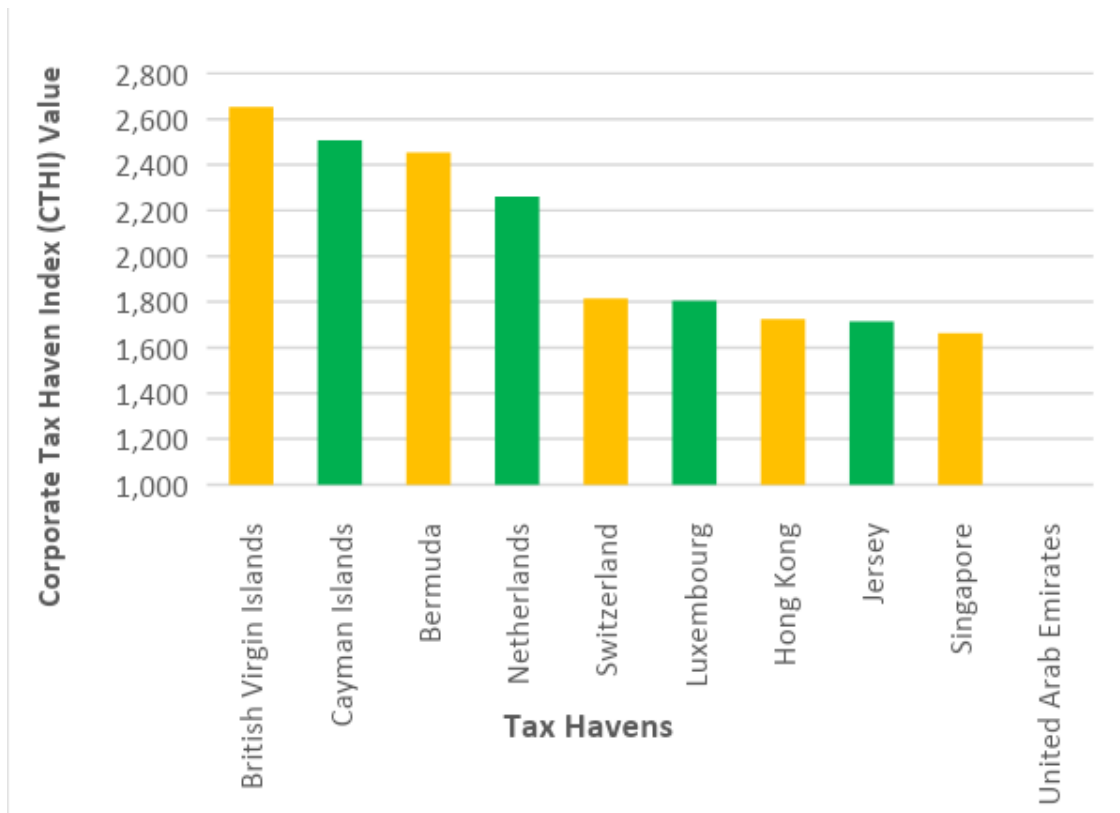
The Panama Papers in 2017 exposed the level to which offshore tax havens are excessively used by wealthy individuals and companies across the world. Offshore tax havens are controlled by the most powerful countries, as offshore money flows through overseas ‘territories’ of the UK, US states, Luxembourg, Lichtenstein, Switzerland, the Netherlands and more – with many directly responsible for costing countries up to \$500 billion in lost revenue.<sup>78</sup>

<sup>76</sup> International Consortium of Investigative Journalists (ICIJ) (2020) - What is a tax haven? Offshore finance, explained. <https://www.icij.org/investigations/panama-papers/what-is-a-tax-haven-offshore-finance-explained/>

<sup>77</sup> Tax Justice Network (2023) – How did tax havens emerge? <https://taxjustice.net/faq/how-did-tax-havens-emerge/>

<sup>78</sup> The Global Alliance for Tax Justice, Public Services International and Tax Justice Network (2021) - The State of Tax Justice 2021. [https://taxjustice.net/wp-content/uploads/2021/11/State\\_of\\_Tax\\_Justice\\_Report\\_2021\\_ENGLISH.pdf](https://taxjustice.net/wp-content/uploads/2021/11/State_of_Tax_Justice_Report_2021_ENGLISH.pdf)

Figure 19: Top 10 tax haven countries in 2021



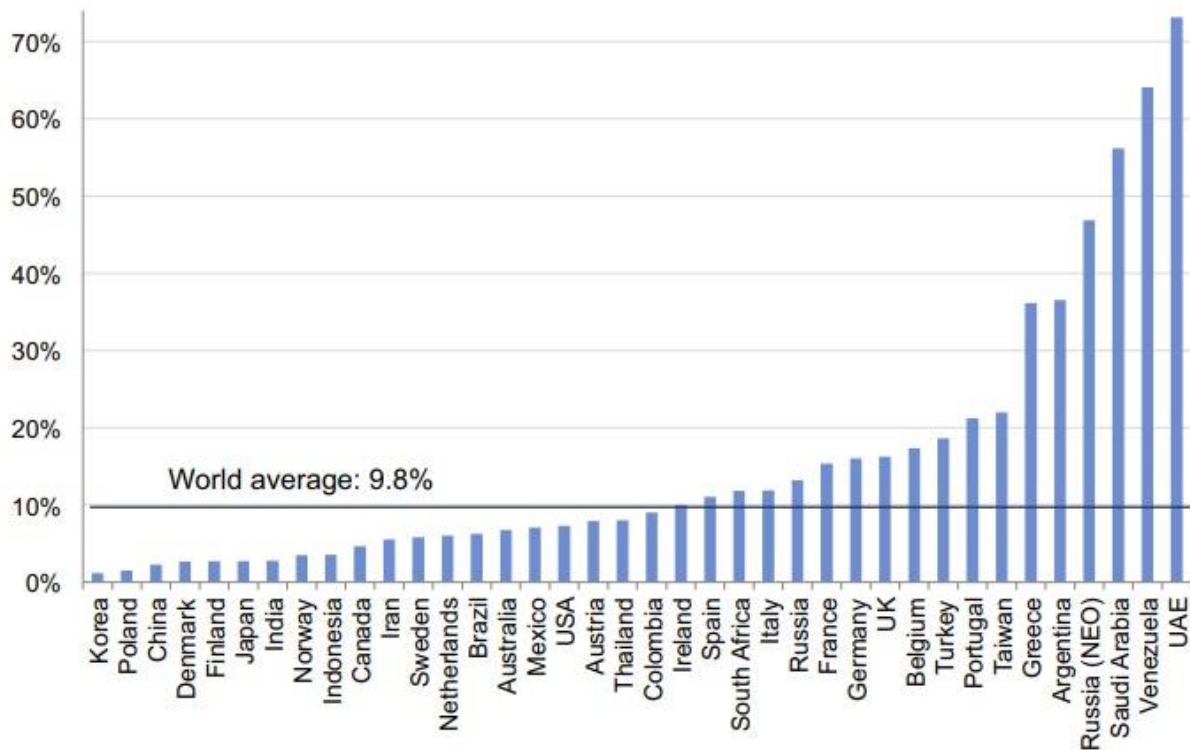
Source: Tax Justice UK, 2021

The use of a tax haven implies several abuses including tax evasion, tax avoidance, money laundering, illicit trade, and corruption. These abuses form part of illicit financial flows (IFFs), which are defined as “illegal movements of money or capital from one country to another. Global Financial Integrity (GFI) classifies this movement as an illicit flow when funds are illegally earned, transferred, and/or utilized across an international border”<sup>79</sup> with offshore tax havens frequently being the end destination of IFFs. Figure 20 highlights that on average 9.8% of global GDP is in offshore wealth<sup>80</sup> - equivalent to \$9.8 trillion in 2023. This figure does not define between legal and illegal usage of offshore tax havens, but it is presumed that this wealth is largely driven from extractive and exploitative practices.

Figure 20: Offshore Wealth, Percentage of GDP

<sup>79</sup> Global Financial Integrity (GFI) (2023) – Illicit Financial Flows. <https://gfintegrity.org/issue/illicit-financial-flows/>

<sup>80</sup> Annette Alstadsæter, Niels Johannesen and Gabriel Zucman (2018). Who owns the wealth in tax havens? Macro evidence and implications for global inequality. *Journal of Public Economics* 162, 89-100. <https://www.bankofengland.co.uk/-/media/boe/files/events/2022/june/workshop-hf-and-alstadsaeter-paper.pdf>



Source: Alstadsæter et al., 2018

Offshore tax havens can be targeted for reparations and can offer a large supply of funds for reparations given the exorbitant wealth that is held in these havens mainly because of exploitation. These funds could serve as reparations for recipients in all contexts of reparations given the types of entities who utilise them – wealthy corporations and individuals. There is no consensus yet on what reclaiming offshore tax havens looks like e.g., a proportional tax or full asset confiscation. If it is the former then the estimate figure will range depending on the tax percentage, but for the latter, it is estimated \$8 trillion plus is in offshore tax havens.<sup>81</sup> The funds can also be directed either back to its source of IFFs; it can be distributed among those offshore tax havens that are still colonised; or it can be pooled into a larger reparations fund and redistributed. The fundamental issue with this mechanism is that there is no pathway to obtain these funds given the use of different global legal jurisdictions, which makes it difficult to reclaim funds. Though, there are multiple opportunities here for legal reform and enforcement which better address tax evasion, avoidance and IFFs through international cooperation, this is likely to take time and political will. With regards to political will, this could be difficult to ascertain as some countries offer offshore tax havens and vastly benefit from them, while other countries and its citizens utilise them heavily.

<sup>81</sup> Gabriel Zucman, New York Times (2017) - How Corporations and the Wealthy Avoid Taxes (and How to Stop Them). <https://gabriel-zucman.eu/how-corporations-avoid-taxes/>

**Figure 21: Offshore Tax Haven Assessment**

Criteria	Rating	Explanation
Effectiveness	8	Offshore tax havens are highly likely to target all types of perpetrators that exploit recipients, therefore can offer financial reparations, but it is unlikely to address acknowledgement, apology and restitution for recipients
Access	1	Offshore tax havens are difficult to access in general, and will require more time to understand what can be done legally
Equity	5	An agreement would have to be made between recipients, the international community, and those countries where offshore tax havens are held. This is still likely to largely led by recipients
Power	7	This mechanism could grant more agency and autonomy for recipients
Time	1	The mechanism will need to address many international jurisdictions and politics
Financial Resources	10	The financial resources are widely available across multiple jurisdictions
Value	8	The value of this mechanism could be useful across the medium-term, but it is unlikely to provide ongoing value.
Economic Impact	7	This is likely to have a good macroeconomic impact on recipients
Recipients Political Will	6	Recipients would be willing to participate, but the lack of clarity on how to obtain offshore tax haven funds will be a key factor
Payees Political Will	1	Payees are unlikely to have a choice if mechanism works, as it is likely to either be taxed or confiscated
Recipients Sustainability	6	Recipients can utilise funds across the medium-term which can help to equalise their position
Payees Sustainability	5	If mechanism is utilised then it will either tax or confiscate funds, therefore there might be limited funds available, or it is likely to disincentivise use of offshore tax havens
Accountability and transparency	7	This mechanism is likely to have a strong accountability and transparency component given it is targeting tax evasion, tax avoidance and IFFs of the highest kind
Capacity	6	Recipients are likely to be governments and a fund can support the redistribution of offshore tax haven funds
Target	8	This mechanism targets types of perpetrators that are likely to have made wealth from exploitation, but it is likely of a case-by-case basis that perpetrators might be held directly responsible for injustices to people and communities
<b>Total</b>	<b>86</b>	

## 10. FOSSIL FUEL TAX

A fossil fuel tax, also known as a carbon tax or carbon pricing, is a levy imposed on the carbon content of fossil fuels. It is designed to discourage the use of fossil fuels and reduce greenhouse gas emissions by making them more expensive, thereby incentivizing the transition to cleaner energy sources and addressing climate change mitigation and adaptation.

All estimates for the funds that could be raised by a fossil fuel tax are conservative ranging from \$1 billion plus on a country-specific basis such as Norway, Sweden, and the US to \$200 billion plus based on the top twenty-one fossil fuel polluters<sup>82</sup> to \$1-3 trillion based on a different global fossil fuel tax.



Figure 22: Fossil Fuel Taxes Comparison

Proposal	Phase	Geography	Amount Taxed	Length	Estimated Value	Beneficiaries
Norway Petroleum Tax <sup>83</sup>	Implemented	National	71% petroleum tax (22% ordinary tax + 56% special tax)	Ongoing	Up to \$100 billion per year	Norwegian citizens
Costa Rica <sup>84</sup>	Implemented	National	3.5% hydrocarbon tax	Ongoing	\$26.5 million per year	Costa Rican reforestation projects
Colombia <sup>85</sup>	Implemented	National	5% per ton of CO2 emission		\$83 million per year	Supports Colombian Peace Fund (Fondo Colombia en Paz)
IMF (2019) <sup>86</sup>	Conceptual	Global (G20 countries)	\$75 per ton of CO2 emission	Ongoing	\$1-2 trillion	

<sup>82</sup> Marco Grasso and Richard Heede (2023) - Time to pay the piper: Fossil fuel companies' reparations for climate damages. One Earth 6 (5) 459-463. [https://www.cell.com/one-earth/fulltext/S2590-3322\(23\)00198-7](https://www.cell.com/one-earth/fulltext/S2590-3322(23)00198-7)

<sup>83</sup> Norwegian Petroleum (2023) – The Petroleum Tax System. <https://www.norskpetsroleum.no/en/economy/petroleum-tax/>

<sup>84</sup> Edward Barbier and Sebastien Troeng, Green Fiscal Policy Network (2020) - Carbon Taxes Are Key to Stop Deforestation. [https://greenfiscalspolicy.org/blog/carbon-taxes-are-key-to-stop-deforestation/#:~:text=Since%201997%2C%20Costa%20Rica%20has,National%20Forest%20Fund%20\(FONAFIFO\).](https://greenfiscalspolicy.org/blog/carbon-taxes-are-key-to-stop-deforestation/#:~:text=Since%201997%2C%20Costa%20Rica%20has,National%20Forest%20Fund%20(FONAFIFO).)

<sup>85</sup> *Ibid*

<sup>86</sup> International Monetary Fund (2019) – Fiscal Monitor, How to Mitigate Climate Change. <https://www.imf.org/en/Publications/FM/Issues/2019/09/12/fiscal-monitor-october-2019>

Australia, The National Climate Disaster Fund (2019) <sup>87</sup>	Conceptual	National	\$1 per ton of CO2 emission	Ongoing	\$1.5 billion per year	Regions and sectors affected by natural disasters in Australia
US Congressional Budget Office (2019) <sup>88</sup>	Conceptual	National	\$25 per ton of CO2 emission	10 years	\$1.2 trillion (\$120 billion per year)	US citizens
Global Climate Compensation Fund (2022) <sup>89</sup>	Conceptual	Global	1% service fee	Ongoing	\$3 trillion	\$3 billion (80%) to the Global South based on per capita basis

Figure 22 highlights some of the key proposals for a fossil fuel tax on a global, regional, and national level. There is a mixture of tax mechanisms that are conceptual and that have been implemented, that have developed different tax rates set in accordance with national or regional regimes, alongside global rates based on the per ton of CO2 emissions produced (see Figure 29 case study). Other proposals also include reframing tax as a ‘service fee’, which allows fossil fuel companies to exist, but they must pay to produce fossil fuel products. However, this approach does not meet reparative justice practice, as it still endorses extractive practices that damage communities and the environment.

Fossil fuel taxes can be truly transformative as not only does it address climate change emissions directly, but also supports the transition. The application of the tax is relatively easy and can generate funds for reparations rapidly; and it can be applied as a progressive tax placed on consumers in greater positions to take on tax which minimises the impact for lower-middle income consumers. The issue with fossil fuel taxes is that in the short-to-medium term it could create socio-economic disruptions as fossil fuel companies are highly likely to pass on the cost of the tax/fee onto consumers. Fossil fuels have an inelastic demand, meaning that price changes do not necessarily change consumption. The Ukraine-Russia war provides a telling example of the global impact of cost of fuel rising between 2021 and 2023 by 48% on average from July 2021 to July 2022, but demand remaining the same (or rising). Therefore, for a tax to be transformative it needs to be significantly large enough to achieve the result of discouraging climate change emissions.<sup>90</sup>

Fossil fuel taxes have a direct link to reparations as there is historical damage led through the extraction of coal, oil, and gas in formerly colonised states, both on people and the environment.

<sup>87</sup> Mark Ogge, The Australia Institute - The National Climate Disaster Fund. <https://apo.org.au/sites/default/files/resource-files/2019-12/apo-nid272046.pdf>

<sup>88</sup> Congressional Research Service (2019) - Attaching a Price to Greenhouse Gas Emissions with a Carbon Tax or Emissions Fee: Considerations and Potential Impacts. <https://crsreports.congress.gov/product/pdf/R/R45625>

<sup>89</sup> Hendrik Nordborg (2022) – Global Climate Compensation for COP27 <https://www.global-climate-compensation.org/p/global-climate-compensation-for-cop27?autoplay=true>

<sup>90</sup> Nicholas Stern, UK Government (2006) – Stern Review: The Economics of Climate Change. [http://mudancasclimaticas.cptec.inpe.br/~rmclima/pdfs/destaques/sternreview\\_report\\_complete.pdf](http://mudancasclimaticas.cptec.inpe.br/~rmclima/pdfs/destaques/sternreview_report_complete.pdf)

While there are injustices with continued fossil fuel extraction and production that affect community livelihoods and the environment on a daily basis.

### Case Study 9: Fossil Fuel Tax Case Study: Australia - The National Climate Disaster Fund<sup>91</sup>

The National Climate Disaster Fund (2019) in Australia is a proposal for an independently administered fund aimed at mitigating the growing costs of natural disasters caused by climate change. With natural disasters already costing Australians over \$13 billion annually, the fund seeks to alleviate the burden on households, businesses, and taxpayers by implementing a levy of \$1 per tonne of carbon dioxide on all coal, gas, and oil produced in the country. This levy is expected to generate approximately \$1.5 billion per year based on current production levels and prices.

The proposed levy represents a small fraction of the economic damage caused by emissions from these fossil fuel activities. Despite its minimal impact on energy prices and jobs in the fossil fuel industry, it would make a substantial contribution to meeting the escalating costs of natural disasters in Australia. The fund's beneficiaries would include regions and sectors most impacted by disasters, such as Queensland, farmers, tourism, local governments, health services, Aboriginal and Torres Strait Islander communities, infrastructure, construction, social services, and even our Pacific neighbours.

The key stakeholders involved in the National Climate Disaster Fund would include the Australian government, independent administrators of the fund, fossil fuel producers subject to the levy, and the various regions and sectors that would receive funding from the fund. The government would play a crucial role in implementing and overseeing the fund's operations, ensuring transparency and accountability in the distribution of funds. Independent administrators would manage the fund, making informed decisions on allocating resources to the most affected areas and sectors. Fossil fuel producers would be responsible for paying the levy based on their carbon dioxide emissions. The regions and sectors impacted by natural disasters would be the beneficiaries of the fund, receiving financial support to aid in disaster response, recovery, and building resilience.

The National Climate Disaster Fund in Australia offers valuable lessons for future reparation mechanisms that aim to address the financial costs of climate change-related disasters. It demonstrates the feasibility of implementing a levy on fossil fuel production to generate significant funds for disaster response and recovery efforts. The fund's approach highlights the importance of establishing an independent administration to ensure the fair and efficient distribution of funds. Furthermore, the involvement of multiple stakeholders, including governments, industry players, and affected communities, fosters collective responsibility and collaboration in addressing the consequences of climate change. This model can serve as a blueprint for other countries and regions seeking innovative financial options to finance reparations for climate-related damages and support the affected communities in their path to recovery.

**Figure 23: Fossil Fuel Tax Assessment**

Criteria	Rating	Explanation
Effectiveness	9	Fossil fuel tax can holistically target reparations for climate-vulnerable countries and LMICs who have largely not contributed to GHGs to provide adequate compensation, restore the environment, and adapt and mitigate the effects of climate change

<sup>91</sup> Mark Ogge, The Australia Institute - The National Climate Disaster Fund. <https://apo.org.au/sites/default/files/resource-files/2019-12/apo-nid272046.pdf>



Access	5	Fossil fuel taxes could go to targeted recipients, but given the large-scale global nature of fossil fuel consumption, access might be limited to specific entities such as governments or trusts
Equity	7	In terms of implementation, the burden would lie with governments and international institutions to enforce fossil fuel taxes
Power	7	This financial mechanism is likely to allow for a power shift to climate change or extractive resources recipients
Time	3	Fossil fuel taxes for reparations are likely to take more time due to the unwillingness of polluters to engage
Financial Resources	9	These mechanisms are likely to have sufficient and available financial resources to fund reparations
Value	8	Fossil fuel tax could continually generate trillions to fund reparations and support the transition to alternative energy sources.
Economic Impact	8	Fossil fuel tax can have a transformative impact on the macroeconomic environment, from supporting climate reparations to building alternative/renewable energy sources
Recipients Political Will	8	Recipients encompasses governments, communities and individuals impacted by climate change, which can support climate reparations including adaptation and resilience
Payees Political Will	1	Fossil fuel companies are the perpetrators, but it is extremely unlikely they are willing to accept a tax, and if so, it is likely this will be passed onto consumers globally
Recipients Sustainability	7	Fossil fuel tax could support recipients' ability to grow and self-sustain, if the tax is imposed long-term
Payees Sustainability	3	This is likely to be a consistent tax, which would likely be regularly reviewed and adjusted. Fossil fuel companies are highly likely to pass this cost onto consumers in the short -term, which questions how long consumers can continue to pay the additional taxation without support to fund reparations
Accountability and Transparency	5	Whether governments or private companies collecting fossil fuel taxes, there is a level of ambiguity as to whether funds will be used appropriately for reparative justice
Capacity	6	Recipients are likely to be governments who would be able to handle the administrative and operational aspects of this mechanism
Target	10	Fossil fuel companies (polluters) who extract and produce fossil fuels are directly targeted through this mechanism
<b>Total</b>	<b>96</b>	

## 11. AIR TAX

The air tax is a type of tax applied to various aspects of aviation. There are various forms of air tax including:

- **Passenger Tax:** This is a tax imposed on airline passengers for each flight they take. The tax amount may vary based on factors such as distance travelled, class of travel, or type of aircraft used.
- **Fuel Tax:** An aviation fuel tax is imposed on the purchase of aviation fuel by airlines. It is usually levied per gallon or litre of fuel and can vary based on factors such as the type of fuel and the location of purchase.
- **Departure or Landing Fees:** These fees are charged to airlines for each departure or landing at an airport.

The most discussed tax is on the purchase of airline tickets. This type of tax is unlikely to mitigate climate change effects as it does not reduce flight numbers, therefore continuing aviation’s contribution to climate change. However, aviation is a sector with a relatively low-price elasticity of demand, meaning that price increases do not greatly reduce the demand for most flights. This makes taxation an unsuitable method of reducing demand but indicates that it could be suitable for raising revenue. This type of tax, if applied globally can raise a large amount of funds ranging from \$200 million to \$300 billion depending on the amount taxed and international consensus to participate (see Figure 24). While aviation fuel tax has largely been untaxed in many countries, there are a few instances on taxes being imposed by the US, Sweden, the Netherlands, France, and some others. A global fuel tax is yet to be fully explored, mainly due to the complexities with applying this tax across different international jurisdictions.

**Figure 24: Aviation Taxes Comparison**

Proposal	Phase	Geography	Application	Amount Taxed	Estimated Value	Beneficiaries
French Solidarity Levy (2006) <sup>92</sup>	Implemented	Cameroon, Chile, Congo, France, Madagascar, Mali, Mauritius, Niger, and the Republic of Korea	Commercial aircraft operators flying from France. This is a progressive tax that has increased since 2006.	€2.63 to €20.27 per passengers travelling in European Economic Area (EEA), UK and Switzerland.  €7.51 or €63.07 per passenger travelling anywhere else	€200 million per year	Unitaid programmes on global health

92 FCC Aviation (2023) – French Solidarity Tax. [https://www.fccaviation.com/regulation/france/solidarity-tax#:~:text=French%20Solidarity%20Tax%20\(Tarif%20de,French%20overseas%20departments%20and%20collectivities\).](https://www.fccaviation.com/regulation/france/solidarity-tax#:~:text=French%20Solidarity%20Tax%20(Tarif%20de,French%20overseas%20departments%20and%20collectivities).)

Germany Air Passenger Tax <sup>93</sup>	Implemented	Global	Most passengers departing by air, either in addition to the price of the airline ticket or incorporated into the ticket price	The rates are dependent on the distance €12.88 if travelling to Band 1 countries €32.62 if travelling to Band 2 countries €58.73 if travelling to any other countries	€1.2 billion in 2022	German government and citizens
Maldives International Air Passenger Adaptation Levy (IAPAL) <sup>94</sup>	Conceptual	Global	Purchase of commercial aviation passenger ticket	\$6 per economy class international air passenger US\$ 62 per business/first class passenger.	\$8-\$10 billion per year	Adaptation Fund, Green Climate Fund
UN OCHCR Air Passenger Levy <sup>95</sup>	Conceptual	Global	Purchase of commercial aviation passenger ticket	\$10-\$75 per economy/business class ticket based on 2019 levels of commercial air passenger travel (4 billion passengers per year)	\$20-150 billion per year at 50% of participating countries \$40-300 billion per year at 100% of participating countries	Adaptation Fund, Green Climate Fund or Global Environment Facility
UK Kerosene Tax <sup>96</sup>	Conceptual	UK	On the use of kerosene jet fuel	£0.5795 per litre of kerosene fuel	£6.7 billion per year	UK aviation sectors' decarbonisation
US Aviation gasoline (Avgas) Tax / Kerosene Jet Fuel Tax <sup>97</sup>	Implemented	US	On use of aviation gasoline / kerosene jet fuel. Applied on a state-by-state basis	\$0.194 per gallon for aviation gasoline tax / \$0.244 per gallon for kerosene jet fuel	Not known	Federal Aviation Administration airport and airport traffic control

<sup>93</sup> Ordinance on the reduction of tax rates in 2021 according to § 11 paragraph 2 of the Aviation Tax Act (Aviation Tax Reduction Ordinance 2021 - LuftVStAbsenkV 2021)

<sup>94</sup> Muyeye Chambwera, Evans Davie Njewa, and Denise Loga, International Institute for Environment (IIED) and Development and European Capacity Building Initiative (ecbi). The International Air Passenger Adaptation Levy Opportunity or risk for Least Developed Countries? <https://www.ldc-climate.org/wp-content/uploads/2018/02/LDC-paper-series-17.pdf>

<sup>95</sup> David Boyd and Stephanie Keene, UN OCHCR (2021) - Air Travel and Maritime Shipping Levies: Making Polluters Pay for Climate Loss, Damages and Adaptation. Policy Brief 2.

<sup>96</sup> Transport and Environment (2022) - Applying Kerosene Duty to Aviation. <https://www.transportenvironment.org/wp-content/uploads/2022/11/2209-Kerosene-Duty.pdf>

<sup>97</sup> U.S. Energy Information Administration (2021) - State Aviation Fuel Rates, February 2021. <https://www.eia.gov/petroleum/marketing/monthly/xls/aviationtaxes.xls>

The strengths of an air tax are that it can have immediately generate revenue given that air travel is still likely to continue in large volumes, therefore there is a consistent long-term fund that can be developed for reparations, particularly for climate-vulnerable countries. The challenges with an air tax are that in the short-to-medium term, is likely to increase the cost of air travel, as the tax will be passed onto consumers. This might disproportionately affect those from lower-income and vulnerable countries and their ability to travel therefore reducing equitable access to aviation transportation. Though the low-price elasticity of the aviation sector means that it is likely that the tax will still be able to generate relatively large volumes of funds. Additionally, even if funds are being generated, this does not necessarily mean they will go to financing reparations – they are more likely to support the decarbonisation of the sector, or potentially address climate-vulnerable communities rather than wholesale reparations. Alongside this, there is likely to be political opposition with the aviation sector arguing it will hinder economic growth, competitiveness and job creation, and governments will find it difficult to support an initiative like that. The consideration for a global aviation tax means there will be regulatory issues with a diverse number of legal and operational frameworks across multiple stakeholders in the aviation sector.



In terms of application to financing reparations, there is less of a direct connection between aviation and recipients. However, commercial aviation is disproportionately utilised by higher and upper-middle income countries alongside wealthy individuals, therefore there is a claim that these targets certain perpetrators of excessive contributions to climate change. It is worth considering lobbying perpetrating governments to impose a type of air tax which could be used to finance reparations. However, there are likely to be political obstacles from the aviation industry.

Though, many of the proposed and existing air taxes are pooled into a larger funding mechanism, therefore it is worth considering the creation of an international reparations fund that could be supplemented by air taxes particularly aimed at providing climate reparations to climate vulnerable countries and communities (see Multilateral Agreements section).

**Figure 25: Air Tax Assessment**

Criteria	Rating	Explanation
Effectiveness	8	Air taxes can target reparation in terms of climate-vulnerable recipients and provide adequate compensation for those more likely to be affected by climate change, but does not provide holistic reparative justice
Access	4	Air taxes could go to targeted recipients, but given the large-scale global nature of international aviation, access might be limited to specific entities such as governments or trusts

Equity	7	In terms of implementation, the burden would lie with governments and international institutions to enforce air taxes on the aviation industry
Power	4	It is unlikely there will be a shift in power for recipients through air taxes
Time	3	Air taxes for reparations are likely to take more time
Financial Resources	9	This mechanism is likely to have sufficient and available financial resources to fund reparations
Value	6	Air tax can generate billions that could be a useful starting point to finance reparations
Economic Impact	7	There is a mixed economic impact as the fund for reparations can increase economic development and reduce poverty within recipient countries and internationally, but it also serves to reduce air travel and negatively impact the aviation and tourism sectors
Recipients Political Will	8	Recipients encompasses governments, communities and individuals impacted by climate change, which can support climate reparations including adaptation and resilience
Payees Political Will	4	It is unlikely payees (international aviation companies) will be motivated to support a tax without government policies and legislative enforcement
Recipients Sustainability	7	Air tax can be sustained as air travel is still a necessary service. Therefore, recipients can sustain themselves and utilise the funds in a variety of ways from direct fund payment, socio-economic development programmes, etc.
Payees Sustainability	7	The payees (international aviation companies) are likely to pass this cost onto consumers in their ticket prices, but given the low elasticity of the sector, it is likely that consumers will be able to take on that cost, therefore there is high sustainability to finance reparations
Accountability and transparency	5	Whether governments or private companies collecting fossil fuel taxes, there is a level of ambiguity as to whether funds will be used appropriately for reparative justice
Capacity	6	Recipients are likely to be governments who would be able to handle the administrative and operational aspects of this mechanism
Target	7	Aviation tax would tax anyone who flies, and therefore it cannot be prescriptive to perpetrators. However, the majority of contributors to aviation emissions are from the Global North.
<b>Total</b>	<b>92</b>	

## 12. MARITIME TAX

Maritime tax is a tax levied on the shipping industry, in which there are different forms of taxes that can be applied including:

- Fuel tax is levied on ships purchase of fuel.
- Tonnage tax based on weight or tonnage of ship.
- Entry and exit tax based on when ship enters and leaves a port.
- Safety tax based on shipping companies charged to fund safety measures.

Maritime taxes have had the most advanced discussions in terms of implementation, as they could allow for different forms of reparations from climate change mitigation and adaptation (including L&D); climate reparations specific to previous and existing injustices; and gross human rights violations reparations for the industry’s role in slavery and colonialism. However, they have been heavily discussed within the context of L&D, mitigation, and adaptation.

There has yet to be a global maritime tax that has been implemented, this is largely due to two factors – the legal jurisdictions that exist and the global consensus that is required. However, domestic maritime taxes do exist in several countries including Canada, Colombia, Switzerland, and the United States. Figure 33 displays some of the proposed maritime taxes that are currently being discussed by international institutions and the maritime sector. There are substantive funds that can be generated on a long-term basis that can fund reparations, \$40-\$90 billion per year, in some instances with a progressive tax this is likely to rise further. However, with the aim of decarbonising by 2050, there is a 20+ year period in which funds can be utilised.

**Figure 26: Maritime Taxes Comparison**

Proposal	Application	Taxation	Target	Beneficiaries	Estimate Value
Marshall Islands/International Maritime Shipping Levy <sup>98</sup>	Bunker (fuelling of ship)	\$100 per ton of CO2 applied without discrimination or exception across all ships engaged in commercial international transport	Maritime shipping companies	The Green Climate Fund, Adaptation Fund, Global Environment Facility, L&D Fund	\$45.95 billion per year (50% of countries participating) \$91.9 billion per year (100% of countries participating)
Japan <sup>99</sup>	On use of fossil fuel vessels	\$56 per ton of CO2 in 2025 \$135 per tonne in 2030 \$324 per tonne in 2035 \$673 per tonne in 2040	Maritime shipping companies	Clean energy and zero-emission vessels (subsidize zero-emissions ships)	\$50 billion per year

<sup>98</sup> David Boyd and Stephanie Keene, UN OCHCR (2021) - Air Travel and Maritime Shipping Levies: Making Polluters Pay for Climate Loss, Damages and Adaptation. Policy Brief 2.

<sup>99</sup> Antoni Slodkowski, Eri Sugiura, Harry Dempsey, Financial Times (2022) - Shipping heavyweight Japan tables carbon tax proposal for the industry. <https://www.ft.com/content/ae5893a1-4a7e-4152-8fb2-65679ebc73c4>

Maersk <sup>100</sup>	Bunker (fuelling of ship)	\$150 per tonne of CO2 (static)	Maritime shipping companies	Maritime sector Climate-vulnerable countries	Not known
Trafigura <sup>101</sup>	Bunker (fuelling of ship)	\$250-\$300 per tonne of CO2	Maritime shipping companies	Zero and low-carbon fuel subsidies; SIDs and LMICs; research into alternative fuels.	Not known

The maritime tax has key benefits such as its ability to act as a regulatory tool to shape the behaviour of maritime industry stakeholders, as taxes imposed on certain activities can discourage harmful practices and promote better responsibility in the sector, which would better support curtailing the effects of climate change. Alongside this, there is already established political will from international institutions, governments and the maritime sector which increases the likelihood of implementation of a tax. The tax is likely to generate taxes on an ongoing basis given there will still be a demand for shipping through global trade, therefore this will provide a steady stream of funding for reparations. However, the maritime industry is likely to want to utilise funds to decarbonise the sector through clean energy, before considering financial reparations. The issue with a maritime tax is that in the short-term, the cost of the tax is likely to be passed onto the consumers. While there is potential for tax avoidance, therefore it is necessary for any proposed maritime tax to be able to ensure that maritime stakeholders comply. Predictive analysis on the application of a maritime tax is that it can considerably reduce emission from ships, but it also has a negative impact on GDP as exports decrease and inequalities exacerbate across certain regions including Africa, South America and the former Soviet Union. Therefore, it is important to consider the socio-economic factors to identify the synergies and trade-offs between policy objectives.<sup>102</sup>



There is a direct correlation between the maritime industry and reparations as shipping is responsible for 3% of global greenhouse gas (GHG) emissions on CO2 equivalent level, which affects vulnerable states and communities prone to climate change effects. In addition, there are

<sup>100</sup> Jack Wittels, Bloomberg (2021) - Maersk Seeks \$150-a-Ton Carbon Tax on Shipping Fuel.

<https://www.bloomberg.com/news/articles/2021-06-02/shipping-giant-maersk-seeks-150-a-ton-carbon-tax-on-ship-fuel#xj4y7vzkg>

<sup>101</sup> Trafigura (2021) - A proposal for an IMO-led global shipping industry decarbonisation programme.

<https://www.trafigura.com/media/2752/a-proposal-for-an-imo-led-global-shipping-industry-decarbonisation-programme.pdf>

<sup>102</sup> Paula Pereda, Andrea Lucchesi, Thais Diniz and Rayan Wolf, Department of Economics FEA-USP (2023) - Carbon Tax in the Shipping Sector: Assessing Economic and Environmental Impacts

[http://www.repec.eae.fea.usp.br/documentos/Pereda\\_Lucchesi\\_Diniz\\_Wolf\\_04WP.pdf](http://www.repec.eae.fea.usp.br/documentos/Pereda_Lucchesi_Diniz_Wolf_04WP.pdf)

historic legacies associated with the maritime industry, as it played a crucial role in facilitating colonial trade, as it was responsible for transporting goods, raw materials, and enslaved people between colonies and their colonial powers.

**Figure 27: Maritime Tax Assessment**

Criteria	Rating	Explanation
Effectiveness	7	Maritime taxes can be effective for climate-vulnerable recipients and offer adequate compensation, but does not provide holistic reparative justice as the maritime industry are less likely to acknowledge the harm committed
Access	4	Maritime taxes could go to targeted recipients, but given the large-scale global nature of maritime shipping, access might be limited to specific entities such as governments or trusts
Equity	7	In terms of implementation, the burden would lie with governments and international institutions to enforce maritime tax on the maritime industry
Power	4	It is unlikely there will be a shift in power for recipients through maritime taxes
Time	3	Maritime taxes for reparations are likely to take more time
Financial Resources	7	This mechanism is likely to have sufficient and available financial resources to fund reparations
Value	6	Maritime taxes can generate billions that could be a useful starting point to finance reparations
Economic Impact	6	There is a mixed economic impact as the fund for reparations can increase economic development and reduce poverty within recipient countries and internationally, but it also could negatively impact the shipping, trade, and commerce sectors
Recipients Political Will	7	Recipients encompasses governments, communities and individuals impacted by climate change, which can support climate reparations including adaptation and resilience
Payees Political Will	5	Maritime shipping sector are more amenable to a tax that can also support their initiatives for decarbonisation, but it varies in terms of companies being committed to reparations.
Recipients Sustainability	7	Maritime tax can be sustained as maritime shipping is still a necessary service. Therefore, recipients can sustain themselves and utilise the funds in a variety of ways from direct fund payment, socio-economic development programmes, etc.
Payees Sustainability	7	The payees (international shipping companies) are likely to pass this cost onto consumers in the short-term, which questions how



		long a tax could be sustained for without government subsidies to support the continued taxation to fund reparations. This is likely to be an ongoing tax till decarbonisation is achieved.
Accountability and transparency	5	Whether governments or private companies collecting fossil fuel taxes, there is a level of ambiguity as to whether funds will be used appropriately for reparative justice
Capacity	6	Recipients are likely to be governments who would be able to handle the administrative and operational aspects of this mechanism
Target	9	Maritime taxes would tax all shipping companies; therefore, it is difficult to identify specific perpetrators in the context of historical injustices. However, for current contribution to climate change, these companies are being correctly targeted
<b>Total</b>	<b>90</b>	

### 13. DOMESTIC-HYPOTHECATED TAX

A hypothecated tax is a specifically earmarked tax. This tax can be applied to any area, but the most common and favourable hypothecation is a combination of a strong and narrow focus which identifies a very clear and specific link to where the revenues from the tax will go, which can build public and political support.<sup>103</sup> A hypothecated tax in a domestic setting is more likely to be implemented given the complexities of implementing a global tax regardless of whether it is hypothecated or not. For example, The UK's National Insurance Contributions (NIC) is an example of a hypothecated tax that is wide and weak, as the money raised goes directly to the National Insurance Fund from which benefits are paid including social security such as the state pension fund or to the public health system.<sup>104</sup>

Hypothecations can serve a beneficial link between demand and supply such as the US fuel tax which places 18.4 cents per gallon of gasoline and 24.4 cents per gallon for diesel fuel, which varies on a state-by-state basis. The revenue from the tax largely supports the Highway Trust Fund, which funds federal government spending on highways and mass transit in the US. The hypothecation clearly identified the need to drive and use fuel, which can then fund the roads and transportation across the country.<sup>105</sup> However, in other instances, hypothecations can be used to address negative externalities such as the UK's tobacco tax which is applied to the purchase of all tobacco-related products with £10 billion raised in 2022-2023.<sup>106</sup> The tax seeks to discourage smoking and raise revenue for government health programmes. In the context of financing reparations, hypothecation is likely to move beyond a beneficial link between demand and supply,

<sup>103</sup> Anthony Seely, House of Commons Library (2011) – Hypothecation Taxation.

<https://researchbriefings.files.parliament.uk/documents/SN01480/SN01480.pdf>

<sup>104</sup> Margaret Wilkinson, Institute of Fiscal Studies (1994) - Paying for Public Spending: Is There a Role for Earmarked Taxes? <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1475-5890.1994.tb00213.x>

<sup>105</sup> Tax Policy Center (2020) - What is the Highway Trust Fund, and how is it financed? <https://www.taxpolicycenter.org/briefing-book/what-highway-trust-fund-and-how-it-financed>

<sup>106</sup> Office for Budget Responsibility (2023) – Tobacco Duties. <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/tobacco-duties/#:~:text=Tobacco%20duties%20are%20levied%20on,per%20cent%20of%20national%20income.>

as it is about acknowledgement and acceptance of harm either historically or presently. Therefore, a combination of strong and wide hypothecation would be more suitable for reparations.

The hypothecation of tax is generally more transparent and accountable as it highlights the specific issue that the funds are earmarked for reparations (see Case Study 10), compared to general tax mechanisms in which it is not clear what proportion could go to fund reparations. While it is the specific focus of an earmarked tax, it can support effective and efficient financial reparations programmes as there is a direct and targeted approach. Importantly a domestic hypothecated tax for reparation is also an acknowledgement by a state for harm caused to citizens, communities, and environments. There are issues with a hypothecated tax including political challenges to be able to legitimately implement a tax specific for addressing reparations. In contexts such as the US or the UK where black populations have been historically discriminated against and these populations are in the minority, there is a significant amount of mainstream political and public that will be necessary to establish and sustain a reparative tax.

### Case Study 10: City of Evanston (2023) – Evanston Local Reparations<sup>107</sup>

The City of Evanston, Illinois, levies a 3% tax on the retail purchase price of cannabis and cannabis products sold within the city limits. The tax is collected by the Illinois Department of Revenue and is deposited into the City's Cannabis Tax Fund. The Cannabis Tax Fund is used to fund a variety of programs and initiatives, including:

- **Reparations:** The City of Evanston is using a portion of the Cannabis Tax Fund to fund its reparations program, which provides financial assistance to Black residents who can demonstrate that they or their ancestors were harmed by the city's history of racial discrimination.
- **Community development:** The City is using a portion of the Cannabis Tax Fund to fund community development projects, such as education, affordable housing, job training, and violence prevention programs.
- **Public safety:** The City is using a portion of the Cannabis Tax Fund to fund public safety initiatives, such as increased police presence and drug education programs.

The tax was approved by voters in 2020, but before that it required strong advocacy and lobbying from black and allied communities to push the City of Evanston to seriously consider reparations. The tax was implemented in January 2021, and applied to retail sales of all cannabis and cannabis products within city limits, collected by the Illinois Department of Revenue and deposited into the City's Cannabis Tax Fund. Currently it is too early to assess the long-term impact, but its implementation means there are active generative steps being taken to enact financial reparations to address the city's legacy of racial discrimination.

<sup>107</sup> City of Evanston (2023) – Evanston Local Reparations. <https://www.cityofevanston.org/government/city-council/reparations>

**Figure 28: Domestic Hypothecated Tax Assessment**

Criteria	Rating	Explanation
Effectiveness	8	Domestic-hypothecated taxes can directly support recipients achieve reparations. These funds can be used for not only direct payments to recipients but to improve social aspects for recipients from access to housing to finance
Access	7	Domestic-hypothecated taxes would go to targeted recipients already identified. Recipients would not have to directly engage with the financial mechanism
Equity	6	In terms of implementation, the burden would lie with governments to enforce domestic-hypothecated tax
Power	7	This mechanism can allow for greater distribution of power among recipients as the financial reparations can be all encompassing from direct funds to education and housing access
Time	3	Domestic-hypothecated taxes for reparations are likely to take more time, particularly if the scope of tax is large
Financial Resources	7	The mechanism is likely to have sufficient and available financial resources to fund reparations if there is a strong link between the product/service being taxed and the reparations fund
Value	6	Depending on the specific tax being imposed whether on a specific good or an additional tax rate, this will determine how much money can be attained via this mechanism
Economic Impact	7	The economic impact of this mechanism is high when there is a strong and narrow focus, as there is a clear public good that people will pay for, and being very specific on the areas being funded
Recipients Political Will	7	Public support is highly likely for domestic-hypothecated tax as recipients
Payees Political Will	3	Payees (government and citizens) are unlikely to want to support domestic-hypothecated taxes
Recipients Sustainability	7	There will need to be a strong and wide hypothecation for reparations, and an ear-marked tax can be applied across the long-term to ensure sustainable compensation for recipients.
Payees Sustainability	5	Payees' sustainability is mixed as payees are likely to want a domestic-hypothecated tax needs to be strong and specific, and that may dictate whether the tax is used for short or long-term reparations

Accountability and transparency	7	Advanced tax systems means that there are clear accountability and transparency protocols in place
Capacity	7	This is more likely in the context of domestic financing for reparations such as the US which can administer finances accordingly
Target	8	Domestic-hypothecates taxes can be used to target specific sets of individuals, companies or causes which owe reparations
<b>Total</b>	<b>95</b>	

## 14. FINANCIAL TRANSACTIONS TAX (FTT)

Financial transactions tax (FTTs) is a specific tax on financial transactions for a particular purpose. The tax applies to the purchase or sale of financial instruments such as stocks, bonds, and derivatives. The tax is usually a small percentage of the transaction value, and it is typically imposed on both sides of the transaction (buyer and seller).

There have been different versions or nuances of FTTs including the Tobin and Robin Hood tax. The former sought to tax foreign exchange transactions with a small percentage on the value, and the latter encompassed the wider scope of financial transactions, which takes from the rich and redistributes to those less privileged.

FTTs are not a new concept, as there has been a tremendous amount of research, policy and advocacy work which has garnered political support from governments, institutions, and the global public, which serve to support the notion of a potential implementation of FTTs. They have proven to work previously and currently with 41 countries raising approximately \$30 billion per year<sup>108</sup>. These FTTs have worked in a variety of ways including:

- UK: The Stamp Duty Tax is a 0.5% tax on the purchase of shares in UK incorporated companies regardless of where transactions take place or if it involved a UK resident. It can generate billions, in 2018-2019 \$3.5bn was generated.<sup>109</sup>
- France: The FTT is a combination of taxes including a 0.3% tax on the acquisition of eligible French listed stocks and a 0.01% tax on high frequency trading.<sup>110</sup>
- US: There are fees of \$0.0042 for every roundtrip - buy and sell transaction as part of Section 31 of the 1934 Securities Exchange Act to fund the US Securities and Exchange Commission (SEC).<sup>111</sup>

The financial markets of today were built on the back of slavery and colonialism from the 16<sup>th</sup> century through merchant banking and insurance. There is a clear connection between the gross

<sup>108</sup> Avinash Persaud, Intelligence Capital (2017) - Improving resilience, increasing revenue, the case for modernising the UK's Stamp Duty on shares. <https://www.stampoutpoverty.org/live2019/wp-content/uploads/2017/03/Improving-resilience-increasing-revenue-May-2017.pdf>

<sup>109</sup> *Ibid*

<sup>110</sup> BNY Mellon (2018) – Financial Transaction Taxes (FTT): A Global Perspective. <https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/emea/ftt-globalperspective-brochure-03-2018.pdf>

<sup>111</sup> US Securities and Exchange Commission (SEC) (2013) - "SEC Fee", Section 31 Transaction Fees. <https://www.sec.gov/answers/sec31.htm>

atrocities that took place and the financial system borne of it as a result.<sup>112</sup> Financial exchanges and banks were created to trade and bet on stolen physical and non-physical assets including shares, bonds, currencies, gold, silver, sugar, oil, gas, etc. Trades now take place every day on the exchange, off-exchange and over-the-counter bilaterally between investment banks. It is estimated that the global financial markets (stocks, shares, and commodities) have an estimated \$15.8 trillion traded every day.<sup>113</sup> These are transactions that are currently not being taxed despite the excessive nature in which they are being traded by wealthy individuals and corporations to maximise profits.

Proposal for FTTs vary from conservative to extreme, for example the UK modernising its current FTT would raise £4.7 billion annually<sup>2</sup> through elimination of financial intermediary exemption and extending the tax to other financial assets including equity, credit derivatives and corporate bonds.<sup>114</sup> While a global FTT placed on all financial transactions (with no exemptions), this could generate up to \$158 billion per day assuming a 1% tax rate on all trades.

There are clear benefits that FTTs provide in that it is quite easily implementable given that the advanced nature of the global financial and tax systems. It also allows for funds for reparations to be raised quickly and can directly reduce economic inequality. Additionally, there has been a lot of education and advocacy surrounding FTTs, but greater and deeper support is required by countries and international institutions to align on how a global FTT would work at a large scale.

While the issues on FTTs is the application across different jurisdictions, and increased transactions costs for investors can reduce market liquidity – therefore the value of what is taxable could decrease too. In terms of global application, it is not necessary for domestic legislation on FTTs to be passed in each country before FTTs can be extended. Instead, international, bilateral or multilateral agreements can be developed between regions and countries to implement FTTs. A large issue associated with FTTs is the threat of company relocation to another stock market exchange, but this is unlikely given that costs vary between financial centres, for example New York has highest cost for an initial public offering (IPO), but this hasn't led to the flight of firms to other financial centres with lower costs.<sup>115</sup> The focus of FTTs is largely on the Global North and G20 countries that have active financial centres, places such as London and New York<sup>116</sup> are two of the earliest financial exchanges with their roots firmly entrenched in colonialism. These are also two of the wealthiest financial centres which offers a direct recourse to financing reparations for recipients.

**Figure 29: FTT Assessment**

Criteria	Rating	Explanation
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<sup>112</sup> Revolutionary Reparations (2023) – The Ubuntu Tax. <https://revolutionaryreparations.org/the-ubuntu-tax/>

<sup>113</sup> Keval Bharadia (2021) - How a financial transaction tax can deliver reparatory justice and system change.

<sup>114</sup> Keval Bharadia and Laurey Boughey, Intelligence Capital (2019) – Reinforcing Resilience, Making the UK a citadel of long-term finance. <https://progressiveeconomyforum.com/wp-content/uploads/2019/09/Reinforcing-Resilience.pdf>

<sup>115</sup> Keval Bharadia and Laurey Boughey, Intelligence Capital (2019) – Reinforcing Resilience, Making the UK a citadel of long-term finance. <https://progressiveeconomyforum.com/wp-content/uploads/2019/09/Reinforcing-Resilience.pdf>

<sup>116</sup> Tony Owusu, The Street (2021) - The Hidden History of Wall Street's Slave Market. <https://www.thestreet.com/investing/wall-street-legacy-in-slavery>

Effectiveness	10	FTTs are highly likely to restore and repair for all types of recipients, as it also addresses the structure of capitalism (and the financial sector), which was borne out of slavery and capitalism
Access	5	Given the potential scale of FTTs, it is likely that recipient governments or trusts will have access, but not directly engage in building the financial mechanism
Equity	7	In terms of implementation, the burden would lie with governments and international institutions to enforce FTTs
Power	7	FTTs can allow for recipients to build power through the financial reparations achieved as it can equalise their positions in society and the world
Time	1	FTTs could be implemented relatively quickly given the advanced tax systems that exist, but the time to convince political actors is what drastically affects the timeline
Financial Resources	10	For FTTs, the money exists on global stock markets and offshore tax havens, and these figures are in the trillions
Value	9	FTTs can provide a value substantive to support financial restitution for recipients
Economic Impact	10	FTTs depending on the level of application could be transformative in raising up the socio-economic situation of recipients
Recipients Political Will	8	The global nature of FTTs means it can be transformative for all victims (recipients), and is highly likely to have political support and public acceptance
Payees Political Will	1	Large corporations and wealthy individuals are those that would largely be targeted as they benefit from these systems, therefore it is highly unlikely that they would be willing to support this mechanism. Governments can enforce this, but it is unlikely given the
Recipients Sustainability	8	Given the fund that can be generated by FTTs, this allows for recipients to develop ownership and empowerment through the level of financial reparations provided
Payees Sustainability	9	Highly likely that the global financial system will be able to continuously fund reparations given the volume of financial transactions that take place everyday
Accountability and transparency	7	FTTs work with the global tax systems, which have a large degree of accountability and transparency
Capacity	6	The large volumes of reparations that could be attained through FTTs means that recipients - countries and

		organisations might not be well equipped to handle the distribution and management of reparations
Target	9	FTTs target individuals, corporates and governments that have profited and continue to profit from the global financial markets. Though it is not an explicitly target, these are the actors that excessively benefit.
<b>Total</b>	<b>107</b>	

## COMPARISON OF OPTIONS

Assessment of the options outline above have subjective and nuanced elements that will largely be dependent on context. As mentioned, the assessment of these financing options for reparations centres of fifteen bespoke and specific criteria identified as crucial to understanding the nuances of reparations and its processes. The ratings of each option are presented below in Figure 38.

Figure 30: Financial Mechanism Comparison

Financial Mechanism Comparison																
	Effectiveness	Access	Equity	Power	Time	Financial Resources	Value	Economic Impact	Recipients' Political Will	Payees' Political Will	Recipients' Sustainability	Payees' Sustainability	Accountability and Transparency	Capacity	Target	Total
Financial Transactions Tax (FTT)	10	5	7	7	1	10	9	10	8	1	8	9	7	6	9	107
Repurposed Financial Sanctions	9	3	7	7	2	10	8	7	8	8	6	6	7	4	9	101
Fossil Fuel Tax	9	5	7	7	3	9	8	7	8	1	7	3	5	6	10	96
Long-term Government Repayment	8	4	5	8	1	7	8	9	8	1	7	5	7	6	10	94
Domestic Hypothecated Tax	8	7	6	7	3	7	6	7	7	3	7	5	7	6	8	94
Air Tax	8	4	7	4	3	9	6	7	8	4	7	7	5	6	7	92
Maritime Tax	7	4	7	4	3	7	6	6	7	5	7	7	5	6	9	90

	Effectiveness	Access	Equity	Power	Time	Financial Resources	Value	Economic Impact	Recipients' Political Will	Payees' Political Will	Recipients' Sustainability	Payees' Sustainability	Accountability and Transparency	Capacity	Target	Total
Special Drawing Rights (SDRs) Reallocation	8	5	2	6	2	8	8	8	7	5	7	6	5	5	7	89
Debt Cancellation and Relief	5	5	8	2	6	7	5	6	7	4	7	7	7	6	6	88
Public Budget Commitments	8	3	4	3	2	9	8	8	8	3	7	5	5	6	8	87
Offshore Tax Havens	8	1	5	7	1	10	8	7	6	1	6	5	7	6	8	86
Debt Swaps	5	5	3	2	5	8	3	4	7	7	4	8	7	6	5	79
Legal Claims	6	2	2	6	3	6	5	5	5	1	5	3	10	5	10	74
Multilateral Agreements	4	6	5	3	3	4	3	5	7	6	2	5	8	6	3	70



# SECTION 5 RECOMMENDATIONS



The recommendations below explain who can or should use the mechanism; who else needs to be involved; and the actions that can or need to be taken from the perspective of recipients, payees, the international community, and private creditors (see Figure 31).

One of the key overarching recommendations from this report is **not to use these financial mechanisms in isolation** – they should be used as a combination or sequence to be able to achieve financial reparations. Many of these mechanisms have previously been used or suggested as singular options to source funds for reparations. However, there is more utility that can be provided to recipients through a combination of mechanisms.

**Figure 31: Financial Mechanism Recommended Actions**

Mechanism	Who can or should use it?	Who needs to be involved?	Recipient Action	Payee Action	International Community Action	Private Sector Action
Multilateral Agreements	All recipient governments	International institutions Payee governments	<p>Recipients need to work with existing multilateral agreements to expand access including scope of funding, eligibility criteria and timeline.</p> <p>Recipient governments build a Global Reparations Fund or Agreement in collaboration from international institutions such as the UN, IMF and World Bank alongside countries that have a showed commitment or alignment to reparations such as Germany, the Netherlands, China.</p>	<p>Payees need to deliver on the funding pledges made to ensure actual funding is delivered to recipients. One aspect to explore is the other options that payees can use to finance these pledges through other financial mechanisms.</p> <p>Recipients must be involved in the design of future multilateral agreement funds to ensure that it actually meets their needs</p>	<p>Support recipients on evidence for a Global Reparations Fund e.g., through advancements in harm measurement.</p> <p>Advocacy with countries that are less likely to engage in funding reparations.</p>	N/A
Debt swaps	SIDS Climate-vulnerable countries	Creditor governments NGOs Private creditors	<p>Identify creditors and INGOs amenable to supporting reparative action on climate, education or health using a debt swap.</p>	<p>Creditors need to review the conditionalities imposed on recipients, and ensure recipients are actively involved in setting of targets for the debt swap.</p> <p>Other creditors such as China can help facilitate</p>	<p>Depending on the context e.g., climate, health or education, international organisations should play a role in motivating various stakeholders to engage in participating in debt swaps if</p>	<p>Make 'bad' debts available at a discounted price for INGOs and governments to provide more suitable debt swaps for recipients.</p>

				multi-party debt swaps by incentivising creditor governments.	beneficial for recipients.	
Debt relief	Recipient governments (HIPC/MDRI eligible) SIDS LMICS	Creditor governments Private creditors International institutions	<p>Seek full and comprehensive debt relief across all creditors.</p> <p>Review of the debt relief frameworks to ensure representatives from recipients play an active role in any further developments.</p>	<p>Work with other creditor governments and private creditors to offer a collective debt relief solution for recipients.</p> <p>Creditor governments need to incentivise private creditors to participate in debt relief frameworks for recipients.</p>	<p>Push for expansion of debt relief recipient eligibility.</p> <p>The IMF should ensure that recipients are not adversely affected by debt relief programmes or raising funds in the future.</p>	Private sector companies need to be engaged to build proposed scenarios in which they would support debt relief programmes.
Public budget commitments	Recipients (individuals, communities, organisations)	State governments International institutions	<p>Recipients need to build and sustain public support for reparations.</p> <p>Recipients need to advocate for financial reparations with support from INGOs and international institutions to put pressure on their national governments.</p>	<p>State governments need to either generate additional finance or earmark funds for reparations.</p> <p>In instances where public budget is restrained, governments should seek to utilise other tax and debt mechanisms to facilitate reparations.</p>	<p>The UN and other international institutions should firstly hold national governments to account where gross human rights violations have been committed and ensure that they commit to reparations to be able to participate in the international activities.</p> <p>INGOs and advocacy groups should continue to place pressure of governments to address reparations through use of the public budget.</p>	N/A

<p>SDR Reallocation</p>	<p>LMIC recipient governments</p>	<p>HIC and UMIC governments (including G7 and G20) IMF</p>	<p>LMIC recipients need to build a collective proposal for SDR reallocation which increases negotiation capacity and coordination.</p>	<p>Those HIC and UMIC governments that are already committed to SDR reallocation need to continue to advocate and convince other governments of why this is critical for LMIC recipients, particularly the US, UK, and Europe where there is stronger resistance.</p> <p>Advocate for no additional interest for SDRs reallocated to LMIC recipients.</p>	<p>The IMF needs to continually push its wealthier member states to reallocate SDRs and potentially build incentives to these states.</p>	<p>N/A</p>
<p>Offshore tax havens</p>	<p>Recipients affected by illicit financial flows. Recipients where offshore tax havens are located. LMIC recipients</p>	<p>Offshore tax haven countries International institutions Private sector companies Offshore financial service companies).</p>	<p>Build legal claims to repossess and transfer offshore tax haven funds (particularly IFFs) to recipients.</p> <p>Recipients can begin to model the reclamation of finances and IFFs in offshore tax havens to a fund for reparations.</p>	<p>Offshore tax havens are unlikely to engage in actions to solve for IFFs, tax avoidance and evasion. This is dependent on the type of offshore tax haven e.g. UK, US, Netherlands, etc versus Barbados, Cayman Islands, St Kitts and Nevis, etc. The latter are more likely to engage as it can serve to benefit citizens and the domestic economy. A dialogue is necessary between relevant international organisations and recipient governments to understand the estimated value and approaches to reclaim funds.</p>	<p>The UN, IMF, World Bank, Global Financial Integrity, and others needs to support on better global legislation on offshore tax havens.</p> <p>Work with offshore tax haven countries to disincentivise opportunities for tax evasion, tax avoidance and IFFs.</p>	<p>Private sector companies from HIC and UMIC countries that use offshore tax havens need to engage in global tax practice.</p> <p>Offshore financial service companies who provide offshore services needs to be engaged in discussions involving reparations of funds from IFFs, tax avoidance and evasion.</p>

<p>Long-Term Government Repayment</p>	<p>Recipient governments directly affected by slavery and colonialism</p>	<p>Payee governments</p>	<p>Recipients need to build more public support in former colonial nations for a long-term government repayment to former colonies through advocacy and evidence.</p>	<p>Understand the avenues in which long-term government repayment can be financed e.g., through tax or debt mechanism.</p> <p>Other governments that have begun to acknowledge their role in slavery and colonialism should encourage those governments that remain resistant to financial reparations.</p>	<p>The UN should further push countries to engage in reparative discussions with recipients, and they should be responsible for articulating harm and the financial amount owed to recipients.</p>	<p>N/A</p>
<p>Debt Cancellation</p>	<p>Recipient governments directly affected slavery, colonialism, climate, L&amp;D, other gross human rights violations</p>	<p>Creditor governments Private creditors International institutions</p>	<p>Seek to build collective debt cancellation across creditors and with other 'debtors.</p> <p>Recipients should ensure engagement in debt relief programmes does not adversely affect their ability to raise funds in the future. Recipients can coordinate amongst each other.</p>	<p>Creditor governments that are amenable to debt cancellation for recipients should engage with other creditors to advocate for them to participate in a collective debt cancellation programme.</p>	<p>The IMF should ensure that recipients are not adversely affected from raising funds in the future.</p> <p>The IMF and World Bank should encourage all creditors (governments and private sector) to consolidate their debts for cancellation.</p>	<p>Private sector must engage in consultations with debtor recipients and creditor governments for debt cancellation.</p>
<p>Legal Claims</p>	<p>Individuals, communities, and governments directly affected by gross human rights violations</p>	<p>Perpetrators (governments, corporations, organisations, communities, individuals)</p>	<p>Recipients should identify which legal frameworks offer the best traction for their legal claims to financial reparations from perpetrators e.g., national legal frameworks, international courts, etc.</p>	<p>Legal claims place the payer in a position of defence which therefore means there is not necessarily a basis of engagement or negotiation between payee and recipients unless for a settlement.</p>	<p>International institutions including the UN should advocate and promote legal precedents for recipients to file legal claims against perpetrators.</p>	<p>N/A</p>

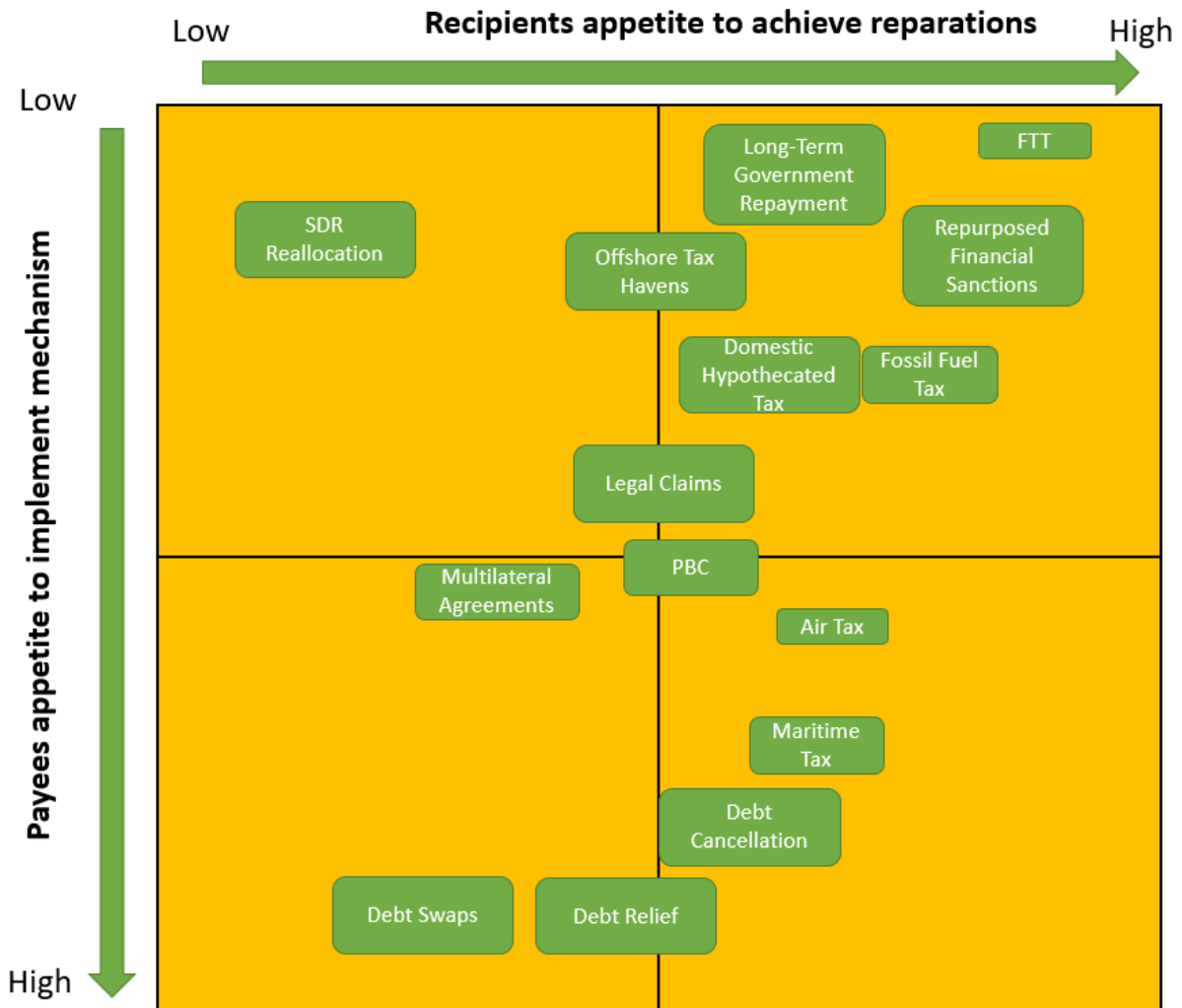
Domestic-Hypothecated Tax	Individuals, communities, organisations.	Payee national governments	Recipients need to identify viable hypothecations e.g., tobacco, sugar, cannabis, or others that can be applied to attain financial reparations within their domestic context.	Understand what type of hypothecation is likely to yield the best results for recipients while also maintaining public support and political will for reparations.	International institutions can provide more evidence of domestic-hypothecated taxes, its impact and applicability towards financing reparations.	Private sector companies that are engaged in industries that might be taxed should be involved in the design and implementation of a tax.
Fossil Fuel Tax	Climate-vulnerable countries All recipient governments	Fossil fuel sector HIC and UMIC government. International institutions	<p>Recipients need to continually advocate with wealthier governments to push and promote a fossil fuel tax.</p> <p>Recipients need to build a distribution model of how funds can be distributed among the host of recipients that would be eligible.</p> <p>Recipients need to leverage academia and science to be able to show the direct impacts of fossil fuel industry to climate change and the consequences they face</p>	The fossil fuel sector needs to engage with the dialogue on 'just transitions' and how this can fund reparations.	National governments need to legislate against fossil fuel companies to ensure tax compliance.	In this instance, private sector are the payees
Air Tax	Climate-vulnerable countries All recipient governments	The aviation sector. HIC and UMIC government International institutions	<p>Recipients need to demonstrate the pathway from taxes to reparation funds with a direct link to climate adaptation, mitigation and/or L&amp;D.</p> <p>Recipients need to leverage academia and science to be able to show the direct impacts of aviation industry to climate change and the consequences they face</p>	<p>The aviation sector needs a collective agreement on the air levy that can be scaled globally.</p> <p>Existing payees of aviation tax can build progressive tax systems to generate further evidence of air tax as a source of reparations funding</p>	The UN and others need to advocate for global tax on aviation fuel and build the operational framework	In this instance, private sector are the payees

<p>Maritime Tax</p>	<p>Climate-vulnerable countries All recipient governments</p>	<p>The maritime sector HIC and UMIC government International institutions</p>	<p>Recipients need to demonstrate the pathway from taxes to reparation funds with a direct link to climate adaptation, mitigation and/or L&amp;D.  Recipients need to leverage academia and science to be able to show the direct impacts of maritime industry to climate change and the consequences they face</p>	<p>Maritime sector needs a collective agreement on the tax rate per tonne of CO2</p>	<p>The UN, IMF, World Bank, and others need to collectively push for a global maritime tax that can be applicable globally. This includes building the legal framework</p>	<p>In this instance, private sector are the payees</p>
<p>FTT</p>	<p>All recipient countries</p>	<p>Financial service sector HIC and UMIC governments International institutions</p>	<p>Sustained advocacy for the application of FTT on global financial markets  Develop distribution models for how a global FTTs could be distributed among recipient countries for reparations</p>	<p>Existing payees of FTTs need to extend the coverage of their FTT to improve revenues for reparations and evidence for FTTs</p>	<p>Stronger advocacy and evidence from the UN, OECD, IMF, and World Bank on FTTs for reparations</p>	<p>In this instance, private sector is the payees</p>
<p>Repurposed Financial Sanctions</p>	<p>Victims or survivors of gross human rights violations (slavery, colonialism, war, genocide, etc.)</p>	<p>Sanctioned governments, corporations, and individuals HIC and UMIC government International institutions</p>	<p>Recipients should engage and advocate on asset confiscation and transfer which can be used to fund reparations.</p>	<p>Payees are highly unlikely to be directly involved in the mechanism, as international institutions and/or other governments will be responsible for the seizure and transfer of assets.</p>	<p>HIC and UMIC governments that impose sanctions need to work together to develop global legislation that better supports transfer of assets  The UN needs to make the financial sanctions penalties mechanism transparent to understand where the money is allocated to, and what it takes to re-disperse these funds for reparations</p>	<p>Private sector such as financial services should better address their readiness to support and comply with asset freezing and confiscation when governments, corporations and/or individuals are sanctioned</p>

In addition to the table of recommendations, this report provides a quadrant matrix of the likelihood for these different financial mechanisms to be implemented (successfully) from the perspective of both recipients and payees based on our analysis.

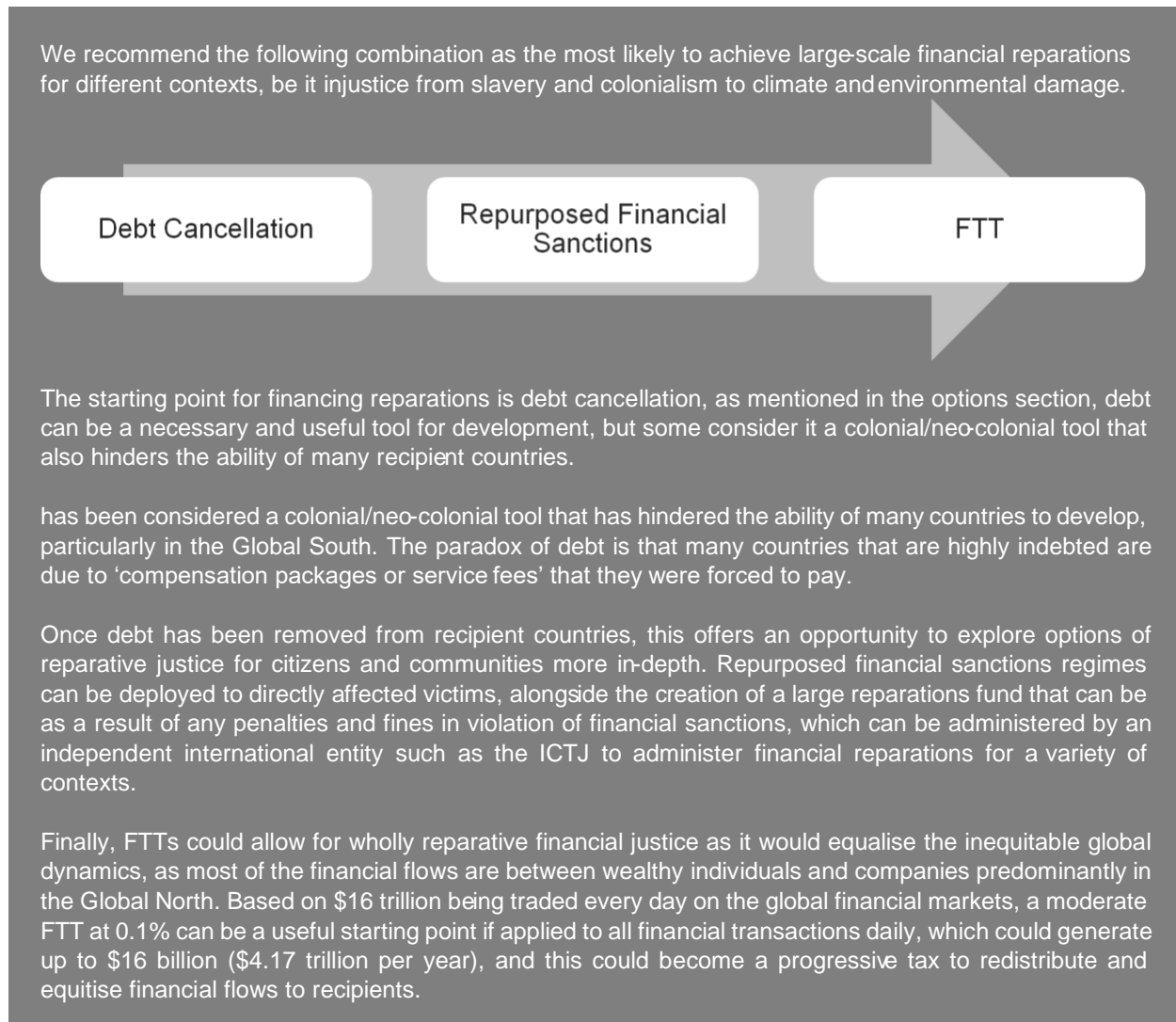
This matrix provides a better understanding of what mechanisms provide easier immediate wins for both recipients and payees. The middle of the matrix tends to represent what best works for both sets of actors for mechanisms that could be adopted and adapted.

Figure 32: Financial Mechanism Matrix





**Figure 33: Recommended Financial Mechanisms**



Alongside the recommendations on the options, there are a set of recommendations for those considering how to finance reparations and what the process might require of recipients and victims in pursuit of financial reparations.

- **Inclusive Approach:** Financing reparations should be done in consultation with recipients, not for them. A lot of mechanisms operate at a global institutional and policy level, but it is critical to ground these mechanisms with the communities that will ultimately receive financial reparations to ensure it is representative of what they are owed and need.
- **Broader Engagement:** DR's experience of engaging with financing reparations was that it is critical to have a holistic view of financial mechanisms. This means do not just engage with reparation experts but engage with legal and financial experts who work across a variety of contexts from climate, energy, criminal proceedings, war and so forth.

- **Mainstreaming:** Conversations surrounding reparations tend to take place in small, isolated bubbles, this is mainly due to the understanding and awareness of the importance of reparations. However, with the upsurge in climate-focused initiatives, and climate reparations, there is a lesson for those pursuing financial reparations to increase the platform of reparations discussions to reach the masses.
- **Conservative and Compromise:** In practical reparations discussions, it is very difficult to have perpetrators, current or historic, to fully acknowledge or grasp the damage that has been done, in which victims and recipients are seeking reparations. It is highly likely that in the application of these options and the estimated values of financial reparations not all financing mechanisms will lead to the desired result for recipients. Therefore, it's important to build compromise and conservatism when engaging in financing reparations.

# SECTION 6

# CONCLUSIONS



This report on financial mechanisms for reparations highlighted several existing financial mechanisms that have been implemented, alongside proposed mechanisms that either have been implemented or conceived in different contexts and can be applied for reparations.

The focus on the financial aspects of reparations provides a more accurate understanding of how much money could be attained: what mechanisms can be used, how the mechanism could work: and what are the various factors that affect its ability to be successful for recipients.

Section 1 outlined the approach, structure, and methodology of this report, highlighting that this report specifically discusses which financial options could be applied to the context of reparations – has not been written before. Section 2 reviewed the literature pertaining to reparations, specifically breaking down the different contexts of reparations, including slavery and colonialism, climate change and L&D, and other gross human rights violations. Section 3 introduced the analysis criteria for the financial mechanisms that could be adopted or applied for reparations. Section 4 provided an in-depth analysis of the options – how it works, strengths and weaknesses, application to reparations and scoring assessment. Section 5 provided recommendations on what recipients and other actors can do in practice based on each financial mechanism and what approach they should take when engaging in financial reparations.

This paper serves as an introduction for those existing and potential recipients, advocates and allies seeking to engage in reparations by practical means. This work builds on previous and existing work - research, initiatives, and experiences, but there is still huge scope to understand how each of these mechanisms in isolation or combination can work in practice and how a particular set of recipients could engage with mechanisms e.g., SIDS and debt swaps or even build their own reparations mechanisms such as a Global Reparations Fund or Global Climate Reparations Fund.

The report concludes that actors must **not use the financial mechanisms outlined in isolation** – they should be used as a combination or sequence to be able to achieve financial reparations. Many of these mechanisms discussed have previously been used or suggested as singular options to source funds for reparations. We specifically recommend the use of Debt Cancellation, followed by Repurposed financial sanctions, followed by FTTs as the most likely to achieve large-scale financial reparations for different contexts, be it injustice from slavery and colonialism to climate and environmental damage.

This research is a starting point for action at all levels, from grassroots mobilisation with affected individuals, communities and the wider public to policy with government, private sector, and international institutions. All these actors engaging in reparations should understand that reparations should be with recipients and not for them. There is a strong wind of support for reparations amidst conversations about decolonisation and climate change in which all levels of society are being engaged and can be a catalyst for practically implementing financial mechanisms to fund reparations across global and domestic contexts.

## ANNEX

### Abbreviations

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AE – Accredited Entity

AF - Adaptation Fund

AfDB - African Development Bank

BBC – British Broadcasting Corporation

CDM - Clean Development Mechanism

CER - Certified Emissions Reduction

CO2 - Carbon Dioxide

DAC - Donor Assistance Committee

DDRCA - Debt Relief and Cancellation Assessment

DSSI - Debt Service Suspension Initiative

DR - Development Reimagined

EE – Executing Entity

ESMS - Environmental and Social Management System

EBRD - European Bank for Reconstruction and Development

ECHR - European Court of Human Rights

EU - European Union

FAA - Federal Aviation Administration

FARA - Frozen Assets Repurposing Act

FOCAC - Forum on China-Africa Cooperation

FTT - Financial Transaction Tax

G20 - Group of Twenty

G7 - Group of Seven

GCF - Green Climate Fund

GCRF - Global Climate Reparations Fund

GDP - Gross Domestic Product

GHG – Global Greenhouse Gas

GFI - Global Financial Integrity

GNI - Gross National Income

HICs - High-Income Countries

HIPC - Heavily Indebted Poor Country

IADB - Inter-American Development Bank

IAPAL - International Air Passenger Adaptation Levy

ICJ - International Court of Justice

ICTJ - International Center of Transitional Justice

IMF - International Monetary Fund

IFFs - Illicit Financial Flows

IPO - Initial Public Offering

L&D - Loss and Damage

LICs - Low-Income Countries

LMICs - Low- and Middle-Income Countries

MDRI - Multilateral Debt Relief Initiative

MPA - Marine Protected Area

NDA - National Designated Authority

NIC - National Insurance Contributions

NGO - Non-Governmental Organisation

ODA - Official Development Assistance

OECD - Organisation for Economic Co-operation and Development

OHCHR - Office of the United Nations High Commissioner for Human Rights

PBC - Public Budget Commitment

PLC - Public Limited Company

PRSP - Poverty Reduction Strategy Paper

RST - Resilience and Sustainability Trust

SEC – United States Securities and Exchanges Commission

SEYCCAT - Seychelles' Conservation and Climate Adaptation Trust

SDR - Special Drawing Rights

SIDS - Small Island Developing States

UN - United Nations

UNDP – United Nations Development Programme  
UNCC - United Nations Compensations Commission  
UNFCCC - United Nations Framework for Climate Change Convention  
UMICs – Upper Middle-Income Countries  
US - United States  
USD - United States Dollar  
UK - United Kingdom

## Glossary of Terms

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**Accountability:** The responsibility and answerability of individuals, organizations, or governments for their actions, decisions, and policies, including the obligation to provide an explanation and justification for their actions.

**Adaptation Fund:** Fund established under the Kyoto Protocol to finance climate adaptation projects for climate-vulnerable countries.

**Air Tax:** A tax levied on air travel, typically based on the distance travelled or the carbon emissions produced.

**Asset freezes:** The prohibition of the transfer, conversion, or movement of funds or other assets belonging to targeted individuals or entities.

**Bretton Woods system:** An international monetary system established in 1944 that created rules for commercial and financial relations among major industrial states.

**Capacity:** The ability, resources, and skills of individuals, organizations, or governments to carry out specific tasks or functions effectively and efficiently.

**Carbon Tax:** A levy imposed on the carbon content of fossil fuels to discourage their use and reduce greenhouse gas emissions.

**Certified Emissions Reductions (CERs):** Units of greenhouse gas emissions reductions generated under the clean development mechanism.

**Clean Development Mechanism (CDM):** A carbon-offset scheme allowing countries to fund emissions reduction projects in other countries.

**Climate Action:** Actions taken to mitigate and adapt to climate change, including reducing greenhouse gas emissions, promoting renewable energy, and implementing resilience measures.

**Climate change mitigation and adaptation:** Actions taken to reduce greenhouse gas emissions and minimize the impacts of climate change.

**Climate Vulnerable Countries:** Countries that are particularly susceptible to the impacts of climate change, such as rising sea levels, extreme weather events, and ecological disruptions.

**Compensation:** Financial reparation provided for any economically assessable damage resulting from the violations.

**Conditionalities:** Requirements or conditions that must be met by a recipient in order to receive financial support or assistance, often imposed by creditors or funding organizations.

**Confiscation:** The act of taking ownership of targeted assets from perpetrators and reallocating them to recipients.

**Debt Cancellation:** The complete or partial forgiveness of a debtor's debt, resulting in the elimination of the obligation to repay the remaining amount.

**Debt Relief:** Measures taken to alleviate the burden of debt on a debtor, including debt cancellation, debt restructuring, or debt consolidation.

**Debt Swaps:** An arrangement where a country exchanges its debt with another country or institution, often for development or environmental projects.

**Debt-for-Development Swaps:** Debt swaps focused on development priorities such as health, education, environment, climate, and nature.

**Debt Relief and Cancellation Assessment (DRCA):** An evaluation process that examines the effectiveness, accessibility, equity, power dynamics, financial resources, economic impact, sustainability, accountability, transparency, capacity, and target alignment of debt relief and cancellation initiatives for reparations.

**Decarbonisation:** The process of reducing or eliminating carbon emissions, particularly from the burning of fossil fuels.

**Domestic legal systems:** Legal frameworks within a specific country that provide avenues for victims to seek compensation or restitution for historical injustices.

**Domestic-Hypothecated Tax:** A tax imposed on specific goods or services within a country with the proceeds earmarked for a particular purpose, such as reparations.

**Economic Impact:** The effects of debt relief and cancellation initiatives on macroeconomic conditions, both positive and potential risks perceived by creditors.

**Equity:** Fairness and justice in the distribution of resources, opportunities, and benefits, ensuring that everyone has equal access and the same opportunities to succeed.

**Financial instruments:** Tradable assets, such as stocks, bonds, and derivatives.

**Financial Mechanism:** A system or process through which funds or resources are allocated, managed, and distributed for a specific purpose, such as reparations.

**Financial reparations:** Compensation or restitution provided to individuals, communities, or countries to address historical wrongs, such as slavery, colonialism, human rights violations, or environmental destruction.

**Financial Resources:** The funds and resources provided by creditor countries through debt relief and cancellation mechanisms to support reparations.



**Financial sanctions:** Measures imposed by governments and international organizations to restrict or prohibit financial activities as a means of punishment or deterrence.

**Fossil Fuel Tax:** A tax imposed on fossil fuels to discourage their use and promote alternative energy sources.

**Frozen assets:** Assets that have been seized or frozen as a result of financial sanctions or legal actions.

**Green Climate Fund (GCF):** Financing mechanism within the United Nations Framework for Climate Change (UNFCCC) to support climate change mitigation and adaptation in developing countries.

**Gross Human Rights Violations:** Severe violations of human rights, often occurring on a large scale, including genocide, war crimes, crimes against humanity, and ethnic cleansing.

**Gross violations of international human rights law:** Serious violations of human rights norms recognized by international law.

**Gross violations of international humanitarian law:** Serious violations of the laws of war.

**Guarantees of non-repetition:** Institutional reforms to prevent future violations, such as strengthening judicial independence and promoting human rights standards.

**High-frequency trading:** A type of trading that relies on algorithms and high-speed technology to execute large numbers of trades in fractions of a second.

**Historical Injustices:** Past wrongdoings or injustices committed against individuals, communities, or countries, often with long-lasting impacts and implications.

**HIPC Initiative:** Heavily Indebted Poor Country Initiative, a program established to support the world's poorest countries in managing their unsustainable debt burdens and promoting poverty reduction and sustainable development.

**Hypothecated tax:** A tax that is earmarked or dedicated to a specific purpose.

**Illicit Financial Flows (IFFs):** Illegal movements of money or capital from one country to another, often involving money laundering, tax evasion, or corruption.

**Intergenerational justice:** The concept of ensuring fairness and equity between present and future generations in the distribution of resources and the impacts of environmental and social policies.

**International Development:** Efforts and initiatives aimed at promoting economic growth, social progress, and improved well-being in developing countries, often through financial and technical assistance.

**International human rights law:** Principles and norms established in international law that recognize the right to remedy, justice, and compensation for victims of human rights abuses.

**International tribunals and courts:** Judicial bodies, such as the International Criminal Court (ICC), established to address specific conflicts or prosecute individuals for international crimes.

**L&D (Loss and Damage):** Refers to the adverse effects of climate change that cannot be prevented or mitigated and require assistance for recovery and rebuilding.

**Legal claim:** The basis on which a person seeks a legal remedy or relief from a court of law.

**Legal Claims:** The legal process of seeking financial reparations from perpetrators or responsible entities through national or international courts.

**Legal Systems:** The frameworks, laws, and institutions that govern and regulate societies.

**Long-Term Government Repayment:** Repayment of financial obligations by governments over an extended period, particularly addressing historical injustices like slavery and colonialism.

**Maritime Tax:** A tax imposed on the maritime sector.

## Interviewee List

NAME	ORGANISATION	EXPERTISE
<b>Geoffrey Senogles</b>	Senogles & Co, Chartered Accountants, Geneva	International Arbitration Valuation and Human Rights Damages Expert Witness. UNCC and Other Compensation Schemes and Reparation Proposals
<b>Enith Williams</b>	Reparations Finance Lab	Tax-Based Mechanisms (including Cannabis Tax)
<b>Zoha Shawoo</b>	Stockholm Environment Institute	Loss and Damage, Climate- Related Taxes, Debt-for- Nature, Climate Reparations
<b>Keval Bharadia</b>	Revolutionary Reparations	Financial Transaction Taxes
<b>Dr. Sindra Sharma Khushal</b>	Climate Action Network	Loss and Damage, Climate- Related Taxes, Debt-for- Nature, Climate Reparations
<b>Dr. Richard America</b>	Georgetown University	Tax-Based Mechanisms (including US Restitution Tax)
<b>Dr. Martin Cames</b>	Oeko Institute	Clean Development Mechanism, Climate-Related Taxes, International Aviation and Maritime Transport

A further seven interviews were conducted but the interviewees choose to remain anonymous.

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