CAFOD
Catholic Agency for
Overseas Development

Comprehensive Spending Review 2025

Catholic Agency for Oversees Development (CAFOD) Representation

This phase of the Comprehensive Spending Review, due to report this spring, is timely in coinciding with the Jubilee Year 2025. The Pope has invited communities to renew our hope in the wake of the pandemic, build greater solidarity, and heal, enabling a better world to a emerge. Jubilee years have seen historic action, such as Jubilee 2000 which relieved more than $130 billion of lower income countries' debt. This review can support a better world to emerge, not least in tackling global debt and the climate crisis, and in taking action to develop "genuine respect and partnership with the global South."[1]

Debt

The world currently faces the most acute global debt crisis in history, with over 50 countries in debt crisis.[2] It is estimated that more than 3.3 billion people are living in countries that spend more on interest payments than on either education or health.[3] This creates a vicious circle in which lower-income countries have to prioritise repaying debts over investments in the development of their country.

Private lenders play a crucial role in this. According to the World Bank private lenders have extracted $141 billion in profits from low-income countries since 2022, and in 2023 developing countries paid a staggering $1.4 trillion on foreign debt.[4] Under the current system private lenders can lend on onerous terms without offering relief when countries enter debt crisis, while the institutions governing global debt are primarily governed by creditor countries.

The UK and more specifically the City of London have a crucial part in this, with 90% of private loans to the world's poorest countries being governed under English law.[5] As such the Comprehensive Spending Review – in the year marking the 25th anniversary of the Jubilee 2000 debt campaign – offers an important opportunity for the government to make true on their Labour manifesto commitment of 'tackling unsustainable debt' without the need to provide any budget:

- **Introduce UK legislation** that would: compel private creditors to participate in debt relief on the same terms as other lenders; suspend payments to creditors upon application to debt relief frameworks; and require that all lenders publish

[1] Labour Party Manifesto https://labour.org.uk/change/britain-reconnected/#international-development
[2] Maria Finnerty, (December 2024), 'Jubilee 2025: The new global debt crisis and its solutions', The Catholic Agency for Overseas Development (CAFOD), London.
[3] UN Trade and Development, (2024), 'A World of Debt, Report 2024: A growing burden to global prosperity', UNCTAD, Geneva.
[4] World Bank, (3 December 2024), 'Developing Countries Paid Record $1.4 Trillion on Foreign Debt in 2023', World Bank, Washington DC.
[5] Results UK, (19 September 2024), 'Press release: 'Bad loans, poor nutrition' report', Results UK, London.

the details of their loans to improve transparency and accountability. Such legislation would also protect British taxpayer's money from having to bail out private lenders.[6]

- **Push for meaningful reform within the ongoing IMF Debt Sustainability Framework review**, including:
    - Updating debt sustainability assessments to make them more holistic, incorporating social, environmental, and human rights considerations.
    - Amending the Debt Sustainability Framework to require that debt restructurings reduce debt to a level that includes a buffer for economic, climate-related, and other shocks, so that countries are not at risk of being quickly plunged back into crisis.
    - Improving transparency by making public IMF criteria for assessing debt sustainability.
    - Abolishing IMF surcharges.
    - Within the IMF's 2025 quota review, reforming voting power to better represent developing countries.
- **Support the creation of a Public Global Debt Registry** to create transparency in the global debt system. All debt-creating transactions should be required to be disclosed in the register to be enforceable under English law.
- **Support the establishment of universal automatic debt relief mechanisms** that cancel debt payments for a set period after a debtor country faces a major shock, such as a climate disaster, pandemic, or financial crises. These should go beyond existing clauses that are voluntary rather than universal, and that suspend, rather than cancel, payments, allowing interest to accrue and potentially costing the debtor country more in the long run.
- Within the Fourth International Financing for Development process, the **UK government should not block efforts by developing countries to design a blueprint for a permanent, comprehensive global debt governance framework with the UN.**

International Climate Finance

We warmly welcome the government's clean energy superpower mission, and the Labour Manifesto stating that "the climate and nature crisis is the greatest long term global challenge that we face."[7]

The recently published Nationally Determined Contribution acknowledges that the world is off track to meet the 1.5°C target in the Paris Agreement. UK International Climate Finance (ICF) is a critical tool this administration can use to get the UK back

[6] Maria Finnerty, (December 2024), 'Jubilee 2025: The new global debt crisis and its solutions', The Catholic Agency for Overseas Development (CAFOD), London.
[7] https://labour.org.uk/change/make-britain-a-clean-energy-superpower/

on target, revitalise its relationship with the Global South, catalyse growth at home, and give the climate crisis the whole-of-government focus it demands.

If temperature targets are allowed to be broken again and again, and crucial tipping points passed, what climate action governments took (or didn't take) will arguably the main issue they are judged on. On this basis, we call for a sea-change in approach to business-as-usual spending reviews and ICF rounds. Namely, ICF4 must be:

1. **New and additional** to the ODA budget.
2. Representative of the **UK's fair share** of the New Collective Quantified Goal on Climate Finance (NCQG), according to the Common but Differentiated Responsibilities principle. According to ODI analysis, a fair UK ICF3 should have been at least £4.74bn per year, which is before considering the NCQG is three times the original $100bn[8]
3. **High quality**: balancing mitigation and adaptation, reversing the previous government's accounting changes, and most of all by prioritising grant-based finance. This Jubilee Year, building on the legacy of the Jubilee 2000 campaign, we are clear that the climate crisis cannot be solved without tackling the new debt crisis in low-income countries.[9]
4. **Paid for by major polluters** – currently profiting from the climate crisis with near impunity – to begin to correct what Lord Stern has called the "greatest market failure the world has ever seen."[10] This is a systemic economic foundation the government could fix. Oxfam, for instance, have found that new taxation on the most polluting activities could generate a new £115bn over the five years of ICF4, without targeting ordinary taxpayers at all.[11]

Modern Partnerships

The new government's commitment to modern partnerships with the global South, built on "genuine respect" is welcomed; the decisions of this spending review should be in alignment with such a vision:

- The Government should protect the ODA budget, which has already been slashed in recent years. ODA funding is not designed for spending in the UK – despite this, "aid spending on asylum seekers and refugees in the UK rose to £4.3bn in 2023, constituting 28% of the aid budget" according to ICAI.[12] As the Foreign Secretary David Lammy says "If we are to tackle the rising crisis of migration, we must address why people flee their homes and risk dangerous journeys to the UK and other European countries."[13] Any reduction on ODA

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[8] A Fair Share of Climate Finance | ODI: Think change
[9] Fair finance for the climate fightback: Where should the money come from?
[10] http://mudancasclimaticas.cptec.inpe.br/~rmclima/pdfs/destaques/sternreview_report_complete.pdf
[11] https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621539/bp-payment-overdue-fair-ways-to-make-UK-polluters-pay-180923-summ-en.pdf?sequence=2
[12] https://icai.independent.gov.uk/use-of-the-aid-budget-to-host-refugees-in-the-uk-rises-to-4-3bn/
[13] https://www.gov.uk/government/news/uk-steps-up-work-to-reduce-illegal-migration

means a reduction in support and loss of life overseas – the costs for refugees in the UK needs to be found elsewhere

- The Government should commit to ODA at 0.5% as a floor, not a ceiling, for expenditure and commit to a timeline on reviewing the fiscal rules to for reintroducing ODA at previous levels.
- Whilst support for international institutions is important, the government should ensure that localisation targets are not missed, and that funding reaches local actors as directly as possible. For example, the Grand Bargain, to which the UK is a signatory, has a global target of 25% of humanitarian funding reaching local actors as directly as possible, yet just 4.5% of all trackable humanitarian funding went directly to local and national actors in 2023.[14]
- The government should review how ODA spending is in alignment with FCDO priorities and modern partnership principles, including spending through British International Investment (BII). For example, the FCDO highlights "sustainable and inclusive agriculture and food systems as a key priority," alongside a commitment "to implementing a campaign to improve global food security and nutrition."[15] ODA funding through channels such as the World Bank and British International Investment (BII) may not be coherent with this approach or other FCDO priorities.

[14] https://devinit-prod-static.ams3.cdn.digitaloceanspaces.com/media/documents/Falling_short_Humanitarian_funding_and_reform.pdf
[15] FCDO response to the Independent Commission for Aid Impact (ICAI) recommendations on UK aid to agriculture in a time of climate change - GOV.UK