# JUBILEE 2025:

## The new global debt crisis and its solutions

JUBILEE 2025
PILGRIMS OF HOPE


CAFOD
Catholic Agency for Overseas Development

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*Cover photo: Campaigners in the Philippines call for action on the debt crisis during the World Bank and IMF spring meetings 2024*



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The Catholic Agency for Overseas Development (CAFOD) is the official aid agency of the Catholic Church in England and Wales. We are part of Caritas Internationalis, one of the largest aid networks in the world. We work with hundreds of partner organisations across the world to tackle the root causes of poverty, injustice, and climate change, deliver long-term development projects, and respond to humanitarian emergencies.

Caritas Internationalis is the humanitarian and development organisation of the Catholic Church with a presence in 165 countries. SCIAF is the official relief and development agency of the Catholic Church in Scotland.

# EXECUTIVE SUMMARY

For many Catholics around the world, Jubilee 2025 represents not only a call to spiritual renewal, but a profound rallying cry for economic and ecological justice. This Jubilee year, Catholics unite in solidarity with those suffering in debt-distressed nations to demand a global debt system that protects human and environmental rights and enables, rather than obstructs, development.

Economic shocks triggered by the COVID pandemic and war in Ukraine have pushed dozens of low-income countries into debt distress since 2020.[1] Today, more than 50 countries – or 1 in 4 countries globally – are in debt crisis. This number has more than doubled since 2015, with many more at significant risk.[2] The devastating impacts on people's lives and livelihoods has seen the past year marked by mass protests and riots across the Global South, from Kenya to Sri Lanka.[3]

Existing global debt structures offer no path to recovery. The institutions that govern global debt are overwhelmingly dominated by creditor countries. As a result, they encourage low-income countries to prioritise paying creditors over investing in their own development through spending on health, education, infrastructure, and industrial strategy.[4] This creates a vicious cycle: without investing in development, countries are unable to grow their economies and escape debt. In the absence of clear international rules for responsible lending and borrowing or an effective mechanism for resolving crises, predatory private lenders can lend to debtor countries on onerous terms and refuse to offer adequate relief when countries enter debt crisis.[5]

A fairer and more functional system should be built around three core principles: the primacy of human and environmental rights and development goals; the participation of all creditors in debt relief; and fair representation for both debtors and creditors within the structures that govern global debt. Twenty-five years on from the original Jubilee 2000 debt campaign, it is time to make the systemic reforms that can end destructive debt cycles.

This paper identifies the structural causes of reoccurring debt crises and highlights their impacts on the world's poorest communities. It outlines why, following the historic success of the Jubilee 2000 debt campaign, the world once again faces an acute global debt crisis. Finally, it charts a course for transformative change, recommending the following policies to advance a fair and functional debt system:

- **Introduce debt justice legislation** that compels private creditors to offer timely and adequate debt relief to countries in crisis.
- **Reform the International Monetary Fund** to centre human rights and development needs in debt assessments and end harmful policy conditions.
- **Establish a public global debt registry** so that all lenders and borrowing governments can be held accountable.
- **Establish automatic mechanisms for the cancellation of debt payments** following catastrophic events and upon application for debt relief.
- **Include all lenders in debt relief on fair and comparable terms,** including private and multilateral lenders.
- **Create a new, comprehensive sovereign debt framework** that fairly represents both debtor and creditor countries, likely under the auspices of the United Nations.

# INTRODUCTION

> *If we really wish to prepare a path to peace in our world, let us commit ourselves to remedying the remote causes of injustice, settling unjust and unpayable debts, and feeding the hungry.*
>
> **POPE FRANCIS, SPES NON CONFUNDIT, 2024**

As we enter the Jubilee year 2025, we face the most acute global debt crisis in history.[6]

> **3.3 billion people – nearly half of the global population – now live in countries that spend more on debt servicing than on health or education.**

Since 2020, the economic fallout of the COVID pandemic, rising commodity prices following Russia's invasion of Ukraine, and global interest rate spikes have plunged dozens of vulnerable countries into debt distress.[i] 3.3 billion people – nearly half of the global population – now live in countries that spend more on debt servicing than on health or education.[7] 93 per cent of the world's most climate-vulnerable states face debt crisis[ii] , and many of them spend five times more on debt servicing than on climate measures – even as they suffer floods and famines.[8] The impacts of the crisis are most severe for those facing extreme poverty. According to the World Bank, the amount spent on debt servicing by the most food-insecure countries has increased by 75 per cent in recent years, while the economic fallout of debt crises has made basic goods unaffordable for millions.[9][10]

The severity of the situation has led world leaders – from the UN Secretary General to the Pope – to call for urgent and decisive action. The International Monetary Fund (IMF) has identified a "high-debt, low-growth" trend as a leading driver of unrest in the world's poorest nations; a "conundrum" that has dominated discussions at recent global summits.[11] Brazil and South Africa are leveraging their successive G20 presidencies in 2024 and 2025 to push for global debt reform.[12] Major powers are also recognising the scale and depth of the crisis, with the US Treasury having urged multilateral lenders[iii] to do more to protect public services in debt-distressed countries and the UK government calling for more timely and effective resolution of debt crises.[13][14] The world is waking up to the need for change – and this change must be systemic.

Despite the hundreds of billions of dollars in debt cancellation that followed the Jubilee 2000 debt campaign, failure to reform the system that governs global debt has led to a renewed crisis. The existing system perpetuates cycles of debt and dependency in two key ways: by obstructing development and enabling predatory lending.

Financial institutions that govern international debt, such as the IMF, are dominated by creditor nations, meaning that low-income countries lack meaningful representation in decisions that profoundly affect their futures. These institutions often compel debtor nations to divert resources away from the essential components of development – such as healthcare, education, infrastructure, and industrial strategy – in order to service debts.[15] Austerity policies attached to IMF bailout packages also exacerbate human suffering. In 2024, these policies obliged governments to, quite literally, turn out the lights on some of the world's most deprived communities by cutting electricity subsidies and other essential services.[16] These conditions stymie development and prevent domestic resource mobilisation, leaving low-income countries reliant on foreign credit. That countries such as Ghana and Sri Lanka have recently accepted their 17th IMF bailout packages is a stark illustration of how ineffective existing approaches are at breaking the debt cycle and enabling long-term development.[17][18]

In this context, international lenders can profit from making high-interest loans to countries in desperate need of resources. Many low-income countries have become heavily reliant on private lenders, such as banks and hedge funds, that impose high rates of interest and rapid repayment schedules.[19] In the absence of robust and representative global debt governance, these private lenders can simply refuse to participate in debt relief efforts when countries enter debt crisis.[20] Without systemic change, crises will continue to reoccur.

A fairer and more functional global debt system is both necessary and possible. It should be built around three core principles. First, the focus of global debt governance should shift from simply facilitating short-term debt payments to supporting human wellbeing, sustainable development, and climate resilience, with space for these priorities explicitly built into debt negotiations. Second, all creditors, including private and multilateral creditors, should be compelled to participate in debt relief. Third, debt governance should move away from creditor-dominated institutions to a comprehensive framework where all parties have fair representation and disputes are settled by independent arbitrators. This is the same basic standard of fairness we expect in other financial and legal contexts – for example, when a company goes bankrupt. Only by reforming the system according to these principles can we help low-income countries break free from the debt trap and build more prosperous futures.

## The Jubilee year

The Biblical concept of Jubilee, which calls for periodic debt forgiveness to restore justice and human dignity, offers a powerful moral framework for reforming this broken system. Pope Francis has called in this Jubilee year with a powerful demand: the cancellation of unjust and unpayable debts. “More than a question of generosity”, he writes, “it is a matter of justice”. With these words, Pope Francis echoes longstanding demands for debt justice from across the Global South.[21]

According to Biblical principles, money lending should be about accompanying those in need, not profiteering – yet, under our current system, lending to low-income countries has become a hugely profitable industry. Powerful financial institutions profit from high-interest loans to nations in which millions of citizens lack the necessities of life.[22] Furthermore, Catholic Social Teaching emphasises that economic decision-making should be grounded in principles of fairness, the common good, and human dignity. In stark contrast to these principles, austerity policies imposed on debtor countries are causing untold human suffering, as millions face hunger and deprivation.[23] Viewed through the lens of Catholic Social Teaching, debt system reform is therefore a moral imperative – a way to restore dignity, enable human flourishing, and build an economy that protects the natural world.

As we enter this Jubilee year and reflect on how we can create hope for those suffering under the weight of unjust debts[iv], Catholics in the UK and around the world rally behind these principles – not as idealistic dreams, but as actionable, urgent goals.

> **“Powerful financial institutions profit from high-interest loans to nations in which millions of citizens lack the necessities of life.**

*Fatmata Dassama, a small-scale miner in the Kenema District of Sierra Leone, is struggling to afford basic goods following debt-related price rises.*

# ORIGINS OF THE DEBT CRISIS

## Debt as a colonial legacy

Today's least developed countries were born with debt. After centuries of resource extraction and economic exploitation by colonial powers, newly independent nations emerged during the 20th century with fragile economies and limited resources. Many inherited massive debts from their former colonisers or were forced to borrow heavily from them to build basic infrastructure, creating financial dependence from the outset.[24]

This dependence enabled former colonial powers to maintain economic control over newly independent nations. Low-income countries remained reliant on funding from financial institutions designed and dominated by wealthy nations, such as the Bretton Woods Institutions of the World Bank, IMF, and World Trade Organisation. Financing from these institutions has often been accompanied by restrictive conditions that undermine low-income countries' sovereignty and reduce their ability to pursue developmental goals, trapping them in cycles of debt and dependency on foreign credit.[25]

## The Jubilee 2000 debt campaign

> **"In countries that had debts cancelled following Jubilee 2000, children completing primary school increased from 45 per cent to 66 per cent**

The historic Jubilee debt campaign in the late 1990s and early 2000s saw hundreds of thousands of people from around the world take to the streets to demand debt relief for the world's poorest countries, appalled by the poverty and suffering caused by unjust debt. The campaign successfully advocated for US$130 billion of debt cancellation for 36 low-income countries, which on average reduced their debt by three-quarters. In countries that had debts cancelled following Jubilee 2000, children completing primary school increased from 45 per cent to 66 as the money saved on debt payments went into public services.[26]

However, despite the efforts of the Jubilee campaign, no new regulations were introduced to make lenders or borrowers more responsible or accountable. As a result, the momentous debt cancellation that followed Jubilee 2000 did not prevent debt crises from recurring. The same structures that led to the crisis a quarter of a century ago remain in place today.

*Nissanka Arachchilage Wasanthi Dammika on her land in Ranjanganaya, Sri Lanka, where IMF policies have increased extreme poverty.*

## Case study: Sri Lanka

Sri Lanka's sovereign debt default in early 2022 triggered the most severe economic crisis in the country's history. The human cost was immediate and severe. Sandun Thudugala of Sri Lanka's Law and Society Trust paints a devastating picture: families forced to choose which child can attend school as bus fares triple; hospitals running out of medicine; and widespread food insecurity. "The majority of the families now don't have enough food," he notes.

Private creditors are Sri Lanka's largest creditor group, holding 47 per cent of the country's foreign debt. While the country struggles to provide basic necessities for its citizens, these private lenders are set to profit handsomely by insisting on high repayment rates within debt relief negotiations. The predatory nature of these lenders was starkly illustrated when Hamilton Reserve Bank attempted to derail negotiations by suing Sri Lanka through US courts, prioritising its own profits over the country's recovery.[vii] Under the relief deal reached in 2024, private creditors will receive 30 per cent more than bilateral creditors. To maintain these payments, Sri Lanka must slash public spending and dedicate nearly 30 per cent of government revenue to debt payments by 2028 – twice what the IMF considers sustainable.

The pattern is familiar: Western financial institutions eagerly extended high-interest loans during good times. When Sri Lanka inevitably struggled to repay, the IMF stepped in with a bailout package that protects creditors while forcing devastating austerity on the population. As Thudugala explains, "We have to spend almost everything we earn as a country on debt. That means we don't have money to spend on our education, our health, our industries, our agriculture."

## The rise of private creditors

At the turn of the millennium, sovereign debt was largely owed to wealthy countries and multilateral institutions. Today, 61 per cent of global sovereign debt is owed to private lenders.[27] These include international banks, hedge funds, and asset managers such as HSBC and BlackRock.

> **"The amount of debt owed by lower-income countries to private creditors has quadrupled since 2000**

Over many decades, global financial institutions like the IMF and World Bank have compelled low-income countries to open their financial markets to international financial flows. When interest rates fell to record lows in advanced economies following the 2008 financial crash, private lenders rushed into developing markets, where they could profit from lending at much higher interest rates. As a result, the amount of debt owed by lower-income countries to private creditors has quadrupled since 2000.[28] Private lenders impose far harsher terms than other lenders, including exorbitant interest rates – often quadruple those of multilateral lenders – and rapid repayment schedules.[29] As a result, lending to heavily indebted countries has become highly profitable: in 2023, the private sector collected US$68 billion more in interest and principal repayments than it lent to lower-income countries.[30]

In the absence of a robust and representative global debt governance, private lenders are free to refuse to participate in debt relief efforts, even when other lenders cooperate. When private lenders refuse to offer adequate relief, crisis-hit countries often use IMF loans and debt relief from governments like the UK to keep paying these private creditors.[31] This limits their ability to invest in their own economic recoveries, represents a transfer of public money to profitable private firms, and enables the debt cycle to continue. Furthermore, these loans are often opaque, shielding them from public scrutiny.[32] While many of the world's poorest citizens lack essential services like healthcare, their economic fate is determined in the towering financial districts of London and New York, where distant investors dictate terms of repayment without democratic oversight.

## Debt governance today

In the absence of a permanent, comprehensive, and representative framework for governing sovereign debt, there are several holes in global debt governance. The absence of a comprehensive framework means that there are no official borrower or creditor guidelines, enabling irresponsible lending and borrowing practices. Without a permanent resolution mechanism for countries facing crisis, there is limited clarity around debt relief negotiations, leaving debtor countries to make pivotal decisions about whether to apply for debt relief in the dark.[33] Furthermore, debt governance is fragmentary, spread across several institutions – most notably the G20 and IMF. As creditors themselves, these institutions are unable to facilitate truly impartial and independent debt negotiations. Under a creditor-dominated system, payments to creditors are routinely prioritised over investment in debtor countries' long-term development.[34]

In 2020, the COVID pandemic shook the system. The soaring levels of debt distress that followed the pandemic demonstrated that existing frameworks fail to build in sufficient space for highly indebted countries to weather shocks, including climate, health, and economic shocks.[35]

As the pandemic sent shockwaves around the world, the G20 set up its Common Framework for Debt Treatments, which remains the main global framework for the resolution of debt crises. However, it has since failed to produce the results on which millions of lives and livelihoods depend. The failure of the Common Framework to produce timely and adequate deals is partially because private creditors – who are now the largest creditor group globally – are delaying negotiations and demanding more than countries can afford.

Following years of negotiations, only one country, Chad, has finalised a debt restructuring deal[v] under this framework – and it failed to secure any meaningful debt relief after its main private creditor, Glencore, frustrated negotiations. Two other countries, Ghana and Zambia, have reached deals with some of their creditors through the framework, but received insufficient relief. Not only do these deals fail to include all lenders – they also involve private creditors being repaid more than other creditors, including the UK government.[36] As a


*Debt campaigners in Lahore, Pakistan, demand the cancellation of debts from fossil fuels.*

result, many nations desperately in need of relief are hesitant to apply to the framework, knowing that even after lengthy negotiations they may still be allocating unsustainable portions of their budgets to debt servicing.[37] For many governments, engaging in this lengthy and costly process whilst their citizens face hunger, crumbling infrastructure, and extreme weather events is less politically viable than seeking costly but immediately available private loans.

## Debt and climate

As climate-related catastrophes become more frequent, it is estimated that the worst-affected countries require up to US$7 trillion in investment by 2030 to adapt to and mitigate their impact.[38] However, global financial structures preclude climate-vulnerable countries (CVCs) from accessing the resources they need. With many countries on the brink of defaulting on existing debts and dependent on debt-creating climate finance that will add to their already crippling debt burdens, the debt and climate crises threaten to compound to produce unthinkable human suffering across the Global South. Despite having contributed little to, and benefited little from, the industrialised growth and overconsumption that has caused the climate crisis, these countries are being subjected to the most devastating impacts of the crisis and charged for the finance they so desperately need to respond to it.

> **“The debt and climate crises threaten to compound to produce unthinkable human suffering across the Global South**

A staggering 93 per cent of the world’s most climate-vulnerable countries also face debt crisis.[39] Many CVCs spend five times more on debt servicing than on climate measures. Without substantial debt relief, CVCs will not have sufficient fiscal space to invest in life-saving climate action.
Alongside debt relief, access to non-debt creating climate finance is essential. At present, the vast majority of climate finance comes in the form of loans rather than grants.[40] OECD data shows that in 2020, just 26 per cent of climate finance was in the form of grants. Fair finance should be in the form of grants, not loans, with wealthy countries fulfilling their obligations in line with the New Collective Quantified Goal agreed through the UNFCCC process. Special Drawing Rights –

a global reserve currency created by the IMF to bankroll countries in times of crisis – also represent an essential source of non-debt creating finance for the world's poorest countries, and regular allocations to debt-distressed and climate-vulnerable countries should be introduced.[41]

Finally, broader reform of the global financial system is essential to increase fiscal space and reduce the need for CVCs to take on additional debt. This must include reform of the global tax architecture to reduce tax evasion and crack down on illicit financial flows, fairer trade agreements, and more democratic and representative international financial institutions.

*Talaso and her family are frequently affected by drought in Marsabit, northern Kenya, where debt crisis prevents the government from providing support.*

*Ordinary citizens across Kenya face unemployment and financial distress.*

## Case study: Kenya

In 2020, when COVID hit and Kenya was pushed into a fully-fledged debt crisis, emergency funds from the IMF and World Bank came with harsh austerity demands. These included cutting services and raising taxes on struggling citizens. Public spending plummeted by 15 per cent, devastating social services, as food and fuel became unaffordable.

The human toll has been devastating, manifesting in "the struggle, pain, and tears that the Kenyan people face every waking day… as roads collapse and children die in hospitals that can no longer access medicine", according to Kenyan activist Kiama Kaara.  Today, 73 per cent of Kenyans are either in severe financial distress or are failing to make ends meet.

Desperately in need of cash flows to service its debts, the Kenyan government has turned increasingly to private creditors, who now hold 35 per cent of Kenya's foreign debt. These include Western banks like Citigroup, Standard Bank, and BlackRock, who have lent to Kenya at exceptionally high interest rates of up to 10.4 per cent. With all of Kenya's private debt governed under English law, the UK government could offer hope to the Kenyan people by introducing a Debt Justice Law to cap private creditors' returns.

Until action is taken, ordinary citizens will be left to pay the price for a crisis they did not create as their livelihoods deteriorate under the weight of interest payments.

*Campaigners project call for debt cancellation onto a bank in the City of London in March 2021.*


# TOWARDS A FAIR AND FUNCTIONAL DEBT SYSTEM

This section outlines six areas for reform that could help to build a fair and functional global debt system.

> **90 per cent of debt owed to private creditors by the world's poorest countries is governed by English law.**

## Private creditors legislation

Due to the role of the City of London as a global financial centre, 90 per cent of debt owed to private creditors by the world's poorest countries is governed by English law.[42] This presents the current government with a tremendous opportunity and responsibility to demonstrate global leadership on the debt crisis. The UK has the power to introduce a Debt Justice Law that would compel private creditors to engage in debt relief processes by preventing them from suing for more than they would receive if they accepted debt relief on equal terms to other lenders.

This has been done before. In 2010, the UK passed the Debt Relief (Developing Countries) Act, which compelled private creditors to participate in debt relief under the 1996 Heavily Indebted Poor Countries (HIPC) initiative. A subsequent government review found the legislation to have been a success and to have had no adverse consequences for the UK economy.[43] With the HIPC initiative now outdated, new legislation is urgently needed to apply to the current G20 Common Framework.

This simple legislative change would reduce the burden of debt for the poorest countries, help to break the ongoing impasse within the G20 Common Framework, and prevent future debt crises by reducing incentives for risky and predatory lending – and it would cost British taxpayers nothing. In fact, it could protect taxpayers' pounds from being used to bail out highly profitable private lenders: when bilateral lenders like the UK offer debt relief while private lenders fail to, governments like the UK's are effectively subsidising profitable private lenders.[44]

Other jurisdictions that also play an outsized role in governing low-income countries' debts are considering parallel and complementary legislation. These include the State of New York, Germany, and Belgium.[45]

## Reforming the International Monetary Fund

First, the IMF must reform its approach to assessing debt sustainability and resolving debt crises. When the IMF assesses whether a country's debt is sustainable, it should consider its government's capacity to provide essential services for its citizens and invest in long-term development – not solely its ability to pay its creditors. The IMF's definitions of sustainable versus unsustainable debt should be made public to improve transparency and accountability, and its threshold for declaring debt unsustainable should be lowered to enable more countries to access debt relief.

When debt is declared unsustainable, countries should be fully supported to restructure or default, with the IMF refusing to lend if they continue to pay in full. This would ensure that IMF lending does not merely facilitate paying off private lenders, which enables these lenders to continue to make risky loans knowing that they will be bailed out with public funds.[46] Additionally, the IMF should require that debt restructurings reduce debt to a level that leaves substantial space for future shocks. This would prevent countries from being plunged straight back into crisis following, for example, global interest rate hikes or extreme weather events.[47]

Second, if the IMF is to meaningfully support development, it must end harmful policy conditions on its loans and bailout packages. Evidence that policies of austerity, deregulation, and privatisation obstruct economic development and multiply human suffering in the least developed countries is extensive – and yet similar policies continue to be enforced.[48] A recent Oxfam report found that for every $1 the IMF recommended low-income countries spend on public goods that promote development and wellbeing, it told them to cut four times more through austerity measures.[49] In the context of the climate crisis, these policies also undermine crucial investment in measures to limit the impacts of climate change.[50] Low-income countries require autonomy over their economic policies and the opportunity to invest in developmental projects, basic infrastructure, and climate action.

> **"Evidence that policies of austerity, deregulation, and privatisation obstruct economic development and multiply human suffering in the least developed countries is extensive – and yet similar policies continue to be enforced.**

Third, to increase representation of debtor countries, the IMF should overhaul its quota system, which determines member countries' voting power. Quota reform is essential to empower a broader range of nations to participate in international financial decision-making and have a say over policies that profoundly impact their economies.[51]

As a major shareholder, the UK government must champion these reforms when the IMF reviews its processes in 2025.

## Public global debt registry

A public global debt registry should be established to record the details of all global sovereign debt. This would drastically improve transparency in the global debt system, help hold debtor governments accountable to their populations, and enable public oversight of predatory private lending.[52]

To be effective, the registry should be mandatory and apply to all lenders and borrowers. Legislatures in key financial centres like the UK and New York could introduce requirements that make loan enforceability contingent upon timely public disclosure in the registry.[53] It should be independent from lenders and borrowers and could sit within a UN framework.

*Amie Kallon, a small-scale farmer in Sierra Leone's Kenema District, told CAFOD that skyrocketing prices have made it nearly impossible for her to provide food for her children.*

## Case study: Sierra Leone

Sierra Leone is in the grips of a severe debt crisis. While foreign loans helped finance development after the civil war, Sierra Leone's public debt has since ballooned – from US$1.2 billion in 2002 to US$1.9 billion in 2022. 73 per cent of the country's foreign debt is owed to multilateral institutions, like the World Bank and IMF, which refuse to take part in debt relief processes. A further 15 per cent is owed to private creditors.

Sierra Leone's debt crisis triggered a severe currency depreciation that has made basic goods unaffordable for ordinary citizens, with the currency losing 50 per cent of its value in 2023. Hyperinflation has made imported essentials like food, fuel, and medicine significantly more expensive. Amie Kallon, a small trader and farmer in Kenema District, told CAFOD that skyrocketing prices have made it nearly impossible for her to provide food for her children and mean that she struggles to afford school fees, preventing Amie from giving her children the education they need to escape poverty.

Amie Kallon (pictured above), a gold miner, also from the Kenema District, shares a similar story of hardship. "Essentials are very expensive... There aren't enough teachers, and there's no medicine at the clinics." Sierra Leone's debt burden leaves little room for public investment, trapping families like Fatmata's in poverty and deprivation.

The government's ability to invest in its people has been crippled by debt. The resulting poverty is extreme. Nearly 70 per cent of children in Sierra Leone live in poverty, while 1 in 10 dies before their fifth birthday.

## Automatic debt cancellation

Current debt frameworks lack a mechanism for the automatic cancellation of debt servicing when highly indebted countries are hit by a catastrophic event, such as a climate-related disaster, pandemic, or economic crisis. When Hurricane Beryl ripped through multiple Caribbean islands in August 2024, causing billions in economic damage and widespread destruction of people's homes, governments were nonetheless forced to uphold debt payments.[54] As the climate crisis escalates, more and more climate-vulnerable countries face devastating pressures to continue servicing debts, even as they attempt to respond to the disastrous impacts of extreme weather events.

Some creditors are pursuing Climate Resilient Debt Clauses (CRDCs) as a solution to this problem. CRDCs are built into specific debt contracts when loans are arranged, meaning that payments on these loans will be suspended in the wake of catastrophic events. However, these clauses are limited to specific contracts, meaning that they fail to cover much existing debt. They are also voluntary, meaning that many creditors choose not to adopt them. Furthermore, they can cost debtor countries more in the long-term, as they suspend rather than cancel debt servicing, meaning that creditors are paid more by vulnerable countries in the longer term as interest accrues.[55]

Instead, a universal mechanism should apply to all debts, be mandatory for all creditors, and cancel rather than suspend debt servicing for a set period following a catastrophe. This would give countries the fiscal space to provide relief for their citizens and reconstruct their economies.

Moreover, when a highly indebted country enters debt crisis and is forced to apply for relief, their debt servicing payments should be automatically cancelled until a deal is reached. This should apply to the G20 Common Framework and any future debt resolution frameworks. At present, creditors continue to receive payments throughout negotiations, meaning that they are not incentivised to pursue fair and timely deals, with devastating consequences for those facing extreme poverty and hunger in debtor nations.[56]

> **“ A universal mechanism should apply to all debts, be mandatory for all creditors, and cancel rather than suspend debt servicing for a set period following a catastrophe**

## Comparable treatment for all creditors

All creditors, including bilateral, private and multilateral lenders, should participate in debt relief on comparable terms. Many of the world's poorest countries owe most of their debt to multilateral organisations like the World Bank and the IMF.[57] These institutions often claim that they should be paid back first and shouldn't have to offer debt relief. However, there is no legal requirement for this special treatment and, historically, they have participated in debt relief.[58] Without the participation of multilateral lenders, adequate relief is extremely difficult for countries like Sierra Leone, which owes more than 70 per cent of its external debt to multilateral lenders.[59]

A fair approach would look at the original terms of each loan when deciding how much relief different lenders should provide. It makes sense that lenders who offered better terms initially – like lower interest rates – should contribute less. For example, if the World Bank gave a loan with very low interest rates, they might not need to offer any relief if their original terms were already more generous than the new proposed terms. In contrast, as high-risk, high-interest, and highly profitable lenders, private creditors should be compelled to provide commensurately high levels of relief. Having such a nuanced approach would ensure sufficient relief without undermining the 'preferred creditor' status of multilateral lenders, in recognition of the favourable terms of their lending.


*Cyclists in Sri Lanka protest about the impact of debt on their country.*

## A new global debt framework

Many of the structures that have been outlined, such a public global debt registry and an automatic mechanism for cancelling debt payments following catastrophic events, could be constructed and managed within a new UN global debt framework.

> **"A comprehensive framework could enshrine official guidelines for responsible lending and borrowing and embed a new, holistic model for assessing debt sustainability that incorporates social, environmental, and developmental needs**

Such a framework would provide a level playing field for debt negotiations, with both debtor and creditor countries fairly represented. A comprehensive framework could enshrine official guidelines for responsible lending and borrowing and embed a new, holistic model for assessing debt sustainability that incorporates social, environmental, and developmental needs.[60]

This has long been a central demand of Global South countries, whose interests are underrepresented within existing, creditor-dominated frameworks – and intermittent progress has been made over the past decade. In 2014, a promising General Assembly resolution was passed, but subsequent efforts were obstructed by a lack of cooperation from key stakeholders including G7 nations and the EU.[61] However, the UN Tax Framework Convention, which was passed by the UN General Assembly in 2023, has sparked hope that a similar framework convention on global sovereign debt could follow. Scheduled for June 2025, the 4th International Financing for Development Conference could provide a blueprint for a UN-led sovereign debt framework.[62] G7 governments must act in line with their stated support for just and representative global financial structures by supporting – or, at the very least, not blocking – future progress.


*Debt protesters in London call on BlackRock CEO Larry Fink to cancel debt owed by Ghana.*

# FREQUENTLY ASKED QUESTIONS

## *Shouldn't low-income countries have to repay their debts?*

Forcing low-income countries to keep paying their debts under the current system will perpetuate, rather than end, the debt crisis. When governments spend large portions of their budgets servicing debts, they can't invest in economic development. The more they pay, the poorer they become, and the more they need to borrow – creating an endless debt cycle that condemns hundreds of millions to poverty and creates instability in the global financial system.

Furthermore, exploitative lending practices mean that the world's poorest countries are not simply paying back what they borrowed, but many multiples of this amount. Private lenders charge low-income countries interest rates of 6-10 per cent (while wealthy nations borrow at just 0-1 per cent), meaning that poor countries are often required to repay their original debts several times over.[63] The rationale of private lenders for charging such high interest rates is that there is a risk of them not being paid: lenders are aware of the risk of default and calculate interest rates on this basis. However, when debt relief is needed, they often insist on receiving the full amount.[64] Private lenders cannot have it both ways. For the system to function, high interest rates must reflect high risk of losses.

> **"Private lenders cannot have it both ways. For the system to function, high interest rates must reflect high risk of losses.**

Ultimately, in line with Catholic Social Teaching, debt payments should not be prioritised over the dignity of human life. Fairness also requires acknowledging that today's debt burdens stem from a dysfunctional global financial system that low-income countries had little role in creating. Many were forced to take on initial debts after centuries of colonial exploitation and now face additional costs related to climate change – a crisis they didn't cause but must pay for.

## *Would a Debt Justice Law harm the City of London or the UK economy?*

A Debt Justice Law has been enacted before in the UK to great effect. In 2010, the then Labour government passed a law that compelled private creditors to participate in the debt relief process of the time. A review of the legislation conducted by the Conservative-Liberal Democrat coalition government stated that "no evidence has been found of unintended or adverse effects".[65] In stark contrast to the scaremongering claims from financial firms that the law would reduce lending via the City of London, lending to low-income countries through London tripled in the years following the 2010 legislation.[66]

> **"Rather than costing British taxpayers, this law would protect British taxpayer pounds from being used to bail out unscrupulous private lenders.**

Rather than costing British taxpayers, this law would protect British taxpayer pounds from being used to bail out unscrupulous private lenders like highly profitable banks. This is because, when bilateral lenders offer debt relief and private lenders refuse to participate on comparable terms, bilateral lenders like the UK government effectively bail these private lenders out. Furthermore, IMF bailouts for countries in crisis – funded by G20 country governments, including the UK – are often used to pay private creditors who demand full repayment with interest.[67]

Furthermore, if the UK government is to make the City of London a centre for the green and sustainable finance of the future, it must demonstrate leadership on responsible lending practices that enhance global financial stability, rather than damage it.

## *How can we ensure that debt relief benefits citizens and doesn't enable corruption?*

Existing structures are not providing solutions to corruption. Only under a more transparent and comprehensive global debt system can corruption be tackled. Developing a transparent global debt registry is one systemic change that would enable citizens to better hold borrowing governments to account.

History demonstrates that, overall, money gained from debt relief is not spent irresponsibly or illegitimately. Indeed, following the Jubilee 2000 campaign, in countries that had debts cancelled children completing primary school increased from 45 per cent to 66 per cent as the money saved on debt repayments went into public services. An increased global focus on pro-development spending would also help to ensure that funds from debt relief are spent on schools, hospitals, and developmental projects that benefit populations and strengthen economies.

More broadly, without global economic structures that enable low-income countries' economic and political development – including the development of strong political institutions, economic growth, and investment in public services – tackling corruption is extremely difficult. Contexts of instability, conflict, and poverty reduce oversight and increase opportunities for corruption.[68] Enabling long-term development by reforming global debt structures is therefore essential to global efforts to reduce corruption.

## *Will debt reform decrease the funds available to low-income countries?*

Progressive reform of the global debt architecture will not decrease the investment opportunities available to lower-income countries. On the contrary, such reforms are essential for creating a more stable financial environment that attracts higher levels of investment in the longer term.

Reforming debt structures to ensure fair and transparent negotiations and compel private creditors to participate in debt relief will mean that low-income countries have more resources to invest in development and climate spending. This will strengthen their economies, improving their credit-worthiness and create a more favourable investment climate. Over time, progressive debt reform would reduce the frequency of financial crises and enhance the ability of lower-income countries to use external financing productively.[69]

# CONCLUSION

Jubilee 2025 presents a powerful and timely opportunity to transform a broken debt system that traps millions in poverty. This Jubilee year, Catholics and other faith communities are campaigning across 162 countries for an end to unjust debt. This moment carries both profound spiritual significance and the potential to mobilise global solidarity and political will.

The timing is critical. Mass protests are erupting across the Global South – a direct and explicit response to unsustainable debt burdens and damaging conditions on multilateral loans. Civil unrest is likely to continue through 2025, highlighting that existing approaches are no longer politically viable in the Global South and demonstrating the strength of grassroots resistance to financial injustice. As climate disasters become ever more frequent, each extreme weather event heralds calls for automatic debt cancellation to give climate-vulnerable countries breathing space for recovery. In this context, the cost of inaction grows daily.

2025 also offers concrete opportunities for reform through international processes.

The IMF will undertake both its crucial Debt Sustainability Framework review and a quota review in 2025.[70] If decision-makers pursue an ambitious agenda, these could fundamentally reshape how international debt is governed, ensuring that human needs and development are prioritised and giving low-income countries a stronger voice in decisions that affect their futures. The UN's Fourth International Conference on Financing for Development, which will take place in Spain in June 2025, provides a platform to advance a new sovereign debt framework in which both creditors and debtors are fairly represented. 2025 will also see the first African presidency of the G20, with debt reform top of the agenda for the G20 Summit in South Africa.[71] Meanwhile, momentum is building for legislation in major financial centres like London and New York that would compel private creditors to participate in debt relief.

These changes to the global debt architecture must happen alongside broader reform of the global financial system, including more robust tax governance and more democratic international institutions. Only through comprehensive reform can we hope to tackle unsustainable debt and unlock a more stable, equitable future.

We cannot afford to wait another 25 years to fix this broken system. With the 2030 deadline for the Sustainable Development Goals fast approaching, bold action in 2025 could help get the world back on track towards ending poverty, reducing inequality, and tackling the climate crisis. This Jubilee year presents an opportunity to start building a debt system that protects human dignity and gives low-income countries a genuine chance to build prosperous futures free from the burden of unsustainable debt.

> **“ This Jubilee year, Catholics and other faith communities are campaigning across 162 countries for an end to unjust debt.**

# ENDNOTES

## Footnotes

**i** Debt distress refers to a situation in which a government is in or approaching debt crisis, or a government's debt servicing costs severely compromise its ability to provide essential services for its citizens.

**ii** A sovereign debt crisis occurs when a country is unable or severely struggling to service its international debts.

**iii** Multilateral lenders are international institutions like the World Bank, IMF, and regional development banks.

**iv** CAFOD defines unjust debt as debt which has been contracted unfairly or undemocratically; which has been used to fund war and human rights abuses; or which, because of its sheer size, is undermining basic human rights, like the right to good quality healthcare and education and to nutritious food and clean water.

**v** Sovereign debt restructuring is a process through which a country renegotiates the terms of its external debt when it cannot meet its payment obligations. This typically involves extending repayment periods, reducing interest rates, and reducing the principal amount owed.

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