

# This election... Cancel the Debt

Supporter Briefing  
April 2024



Over the last year, thousands of Debt Justice supporters have taken action calling for a new law. And there's never been a better time for action than now - we're facing the worst global debt emergency that we've seen in over twenty years. Fifty-four countries are currently in crisis, with the result that many governments are spending more on debt payments than education, health and responding to the climate crisis.

Unjust debt is having a direct impact on the lives of millions of people in lower income countries. Ghana for example is facing the 'worst economic crisis in a generation': the high cost of living is making life unbearable for many and causing protesters to take to the streets. There is an urgent need for action, and the UK is in a rare position to make sure debt gets cancelled - because 90% of lower income country debts owed to private lenders are overseen by UK law.

As we head towards a general election in the UK, we know that politicians will be keen to hear from voters - and we can use this to our advantage. An election gives us a big opportunity to win justice for millions by demanding a new debt justice law that would force financial giants to cancel unfair debt. This briefing outlines why such action is needed and how a new law would work.

## Why do we need a new law to cancel debt?

The deep and longstanding inequalities built into our global system mean that many lower income countries have had little choice but to borrow to fund basic public services and address the climate crisis. In recent years, the impact of the pandemic, rising energy prices and a global economic downturn have all had a dramatic impact on debt levels. Debt payments by lower income

**Debt payments by lower income countries increased by 150% between 2011 and 2023**

countries increased by 150% between 2011 and 2023, reaching their highest levels in 25 years.<sup>1</sup>

Countries can borrow from three types of lenders - private lenders such as banks, hedge funds and oil traders, other governments, and multilateral lenders like the World Bank and International Monetary Fund (IMF). Following the 2008 financial crash, interest rates fell in the west and financial giants like BlackRock, HSBC, Goldman Sachs, Legal & General, JP Morgan and UBS looked increasingly to lend to lower income countries where they could charge much higher interest rates. Typical interest rates from private lenders to lower income country governments between 2008 and 2021 were 5%-11%, at a time when western governments could borrow at 0%-2%.

Debt levels began to rise, and many countries were already in crisis before the pandemic hit in 2020. The resulting economic shock worsened the debt crisis for many countries. In response the G20, a self-selected group dominated by rich countries, introduced a process called the Common Framework for Debt Treatments. The intention was that the Common Framework would allow lower income countries with high debts to apply for relief to government and private lenders, including cancellation if necessary.

However, the Common Framework has failed, largely because it does not force private lenders to participate. Of just four countries that have applied, only Chad and Zambia have reached an agreement with lenders. Chad's agreement didn't actually provide any debt relief and Zambia's agreement took nearly four years.

### The International Monetary Fund (IMF) and the World Bank

These two western-dominated institutions are often referred to as 'multilateral development banks'. Initially set up by western powers at the end of the Second World War, the IMF was intended to support countries facing temporary crises while the World Bank had the remit of providing loans for development and infrastructure projects.

Both the IMF and World Bank have become increasingly powerful over the years and have been the subject of sweeping protests around the globe, in large part because of the harmful conditions they force on countries in crisis as a condition of their loans. These include damaging deregulation and austerity measures, as well as climate-wrecking conditions.

### Who is the debt owed to?

Projected debt repayments by low and lower-middle income countries and small island states from 2023 to 2029:

- 46%** Private lenders (not including Chinese lenders)
- 30%** Multilateral lenders (like the IMF and the World Bank)
- 12%** Chinese public and private lenders
- 12%** Other governments

## Zambia: The failure of the Common Framework

Zambia spent years trapped in a cycle of debt, after irresponsible lending from Western corporations, as well as Chinese banks. Zambia applied for debt restructuring under the Common Framework in 2020, but it took its lenders - such as financial giant BlackRock - nearly four years to agree to debt relief.



Precious Kalombwana, a member of Fridays for Future Zambia and Debt for Climate Zambia

While private lenders held out for a deal that would deliver them more profit, Zambians had little choice but to deal with the devastating effects of the debt. Precious Kalombwana, a member of Fridays for Future Zambia and Debt for Climate Zambia, explained at the time: "We can't afford to even eat three times a day. We can't even find medicine in hospitals or access good college education because of the debt."

Finally, in spring 2024 and after years of campaigning by activists in Zambia, the UK and around the world, most of Zambia's private lenders agreed to reduce debt payments by 45%. The deal will reduce the country's debt repayments by up to \$1.4 billion - but it should never have taken this long. And even now, private lenders are still getting repaid more than governments like the UK and China.

There are many issues preventing the Common Framework from being an effective process for debt cancellation. For example, many countries experiencing unsustainable debt levels are not eligible to apply, and countries which do apply must agree to an IMF programme which comes with a set of austerity-based conditions attached. But perhaps the biggest challenge is that the Common Framework does nothing to force private lenders to cancel enough debt. The refusal of private lenders to play ball can derail the whole process.

The G20, World Bank and IMF have made strong calls for private sector participation, but so far it

has been all words and no action. Many private lenders continue to be repaid, potentially making vast profits while lower income countries struggle to cover the costs of multiple crises.

This means that millions of people in lower income countries are being denied justice because financial giants like BlackRock are trapping their countries in unjust debt. However, here in the UK we have a unique opportunity to change this situation - because 90% of the debts owed by lower income countries to banks, hedge funds and oil traders are overseen by UK law. We need a debt justice law which will compel private lenders to act.

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### **What would a new debt justice law actually do?**

The UK Parliament could pass a new debt justice law to force private lenders to take part in debt cancellation.

#### **This law could:**

1. Make sure that no private lender could sue a country for more than they would have got if they had taken part in debt restructuring through existing agreements.
2. Allow the courts to force private lenders to take part in debt cancellation if other lenders, like governments, have agreed to it.<sup>ii</sup>

The law should also establish a pause on debt repayments once the borrowing country has applied for a debt restructuring, meaning that they would not have to pay off any of their debts while negotiations were taking place.

### **The key benefits of the legislation would be to:**

- Make the debt restructuring process easier by stopping private lenders from refusing to agree to a restructuring.
- Lower the amount of money that governments in debt crisis have to repay, freeing up cash to spend on essentials such as healthcare, education and climate.
- Increase the speed of restructuring processes, reducing uncertainty for governments and lenders.
- Address the toxic power imbalance between the single country in debt crisis and an often large number of powerful lenders.

The other place which governs debt contracts is New York. The New York Assembly is already considering bills that aim to achieve the same outcomes as a debt justice law in the UK. Debt Justice is working closely with campaigners in New York to push for reforms that would win justice for all people in countries in debt crisis.

## Ghana: How would the new debt justice law make a difference for countries in crisis

Ghana is one of the 54 countries in debt crisis. The roots of their economic crisis lie in colonial times, when British occupation geared Ghana's infrastructure and economic system towards raw material production to feed industrial growth in Britain. When, in 1957, Ghana became the first African country to gain independence from the British, the country inherited a weak economy reliant on the export of commodities. The rules of the global economy were already fixed to favour former colonial powers, putting Ghana and other former colonies at a severe disadvantage.

**Ghana has paid over \$7 billion in interest alone on debts to western lenders since 2010**

This situation has left Ghana reliant on debt to survive – a situation which has benefited former colonial governments and financial giants who have been happy to lend and continue to extract wealth from the country. Ghana has paid over \$7 billion in interest alone on debts to western lenders since 2010.<sup>iii</sup> Ghana did get some debt cancellation in the early 2000s under the Heavily Indebted Poor Countries Initiative (HIPC) – because of the scheme Ghana's government debt fell from \$6.6 billion in 2003 to \$2.3 billion in 2006.<sup>iv</sup> The money saved contributed to significant improvements in education and healthcare. For example, the proportion of children completing primary school was static at around 60–70% from 1980 to 2006. In 2016, after debt cancellation, it had increased to almost 100%.<sup>v</sup>

But this debt cancellation did nothing to address the underlying causes of the debt crisis. As a result, the impact of the pandemic, rising interest rates, spiraling energy prices and a slump in commodity prices mean Ghana's debt levels have increased again and the country is now back in debt crisis.

This is having an enormous impact on people in Ghana. As Bernard Anaba, of the Integrated Social Development Centre (ISODEC) in Ghana, explains:



**👊👊 The debt crisis has led to a higher cost of living, basically escalating food prices, high cost of transportation, high cost of water and electricity, and making life very difficult for people. People barely get two meals a day. It's really a very difficult situation now and lives are being destroyed because of the debt crisis.**

**Bernard Anaba**, Integrated Social Development Centre (ISODEC) in Ghana

In December 2022, Ghana stopped making debt payments to most of its private lenders, including BlackRock. It has been trying since then to reach agreement with them to cancel enough debt to make repayments sustainable, through the Common Framework.

In January 2024, Ghana reached an in-principle debt relief agreement with government lenders, including China and the UK, but is still trying to get a similar agreement from private lenders.

Ghana's debt contracts are all governed by UK law, giving the UK the power to make private lenders take part in any internationally agreed debt relief initiative. A debt justice law introduced in the UK which forced private lenders to offer the same levels of debt cancellation as other lenders would have a huge impact on the debt negotiations in Ghana.

Ghana needs the UK's support by passing legislation to ensure private lenders participate in debt cancellation. As Bernard Anaba explains:

**👊👊 Legislation could immensely benefit Ghana. It will help to return the country's debt to sustainable levels and relieve the suffering of many people. This new law would mean the big banks and hedge funds that hold Ghana's debt would no longer be able to hold us to ransom. It's crucial we campaign together for debt cancellation here in Ghana and in the UK**

**Bernard Anaba**, Integrated Social Development Centre (ISODEC) in Ghana

## BlackRock: Profiting from debt crisis

In April 2023, Debt Justice found that the largest known holder of Ghana's bonds was financial giant BlackRock, which owned \$787 million.<sup>vii</sup> BlackRock, the largest investment company in the world, is also one of the biggest lenders to Zambia and many other lower income countries. Debt Justice has estimated that owners of Ghana's bonds, which include BlackRock, could make \$13 billion to \$19 billion of profit collectively if they are paid in full, rather than agreeing to significant debt relief.

### Is there precedent for such a law?

At the time of the last major global debt crisis in the 1990s and early 2000s, millions of people around the world demanded action on debt. In 2005, after years of tireless campaigning, debt campaigners won a new debt relief scheme which led to \$130 billion of debt being cancelled by multilateral and government lenders for 37 countries. This was a clear demonstration that international powers can take action on unjust debt when under enough pressure to do so.

In 2010 Debt Justice won a 'vulture funds' law which made private lenders with debts governed by UK law take part in the debt cancellation scheme. However, that debt cancellation scheme has now come to an end - that's why we need a new debt justice law to make private lenders take part in all internationally agreed debt relief today.

### What changes do we want?

2024 is a critical year in the UK as we head towards a general election. This gives us a big opportunity to push for debt justice by calling on all political parties to commit to introducing a debt justice law if they are the next to hold the keys to Number 10.

Being in a likely election year means that politicians will be keen to hear from us on the issues we care about as they seek to secure our votes. It's a chance for us to make a real noise about the debt crisis and the role the UK can play in ensuring debt cancellation for the 54 countries in crisis. We are calling for party leaders, MPs and - when an election is called - party political candidates to support the introduction of a debt justice law that would force private lenders to play ball in debt negotiations.



Debt Justice campaigners protest at the BlackRock office



Debt Justice campaigners' 'Cancel the Debt' protest outside the Labour Party Conference

@IMDmilo 2023

## What action can I take?

Party leaders need to know that not only is there a global debt crisis happening right now – the UK is in a rare position to make debt cancellation happen. A new debt justice law would win justice for millions of people in countries like Ghana.

### Take action and spread the word for a new debt justice law:

1. **Sign the petition** to party leaders: [debtjustice.org.uk/election2024](https://debtjustice.org.uk/election2024)
2. In the run up to a likely election in 2024, we're recruiting an **Election Squad** – a small team of activists who'll embark on a six-month programme to take our campaign for a new law to cancel the debt to another level. Visit the website to find out more and apply: [debtjustice.org.uk/es](https://debtjustice.org.uk/es)
3. **Order more copies of this briefing** to share and get others involved in the campaign.

Visit [debtjustice.org.uk/materials](https://debtjustice.org.uk/materials) or email us on [info@debtjustice.org.uk](mailto:info@debtjustice.org.uk)

## References

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- iii Calculated by Debt Justice using the World Bank Debt Statistics Database
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- vi Calculated from World Bank International Debt Statistics.
- vii [https://debtjustice.org.uk/wp-content/uploads/2023/04/Bond-profit\\_Media-briefing\\_04.23.pdf](https://debtjustice.org.uk/wp-content/uploads/2023/04/Bond-profit_Media-briefing_04.23.pdf)



Debt Justice (formerly Jubilee Debt Campaign) is a UK charity working to end poverty caused by unjust debt through education, research and campaigning.

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