

Jubilee Year 2025: Cancel Debt, Choose Hope

Lower-income countries are facing a huge debt crisis, spending more on external debt payments than at any time in the last three decades. High debt servicing costs are preventing governments from spending on vital public services such as education and health and making investments to limit the impact of the climate emergency. Urgent action is needed to enable debts to be cancelled and brought down to a genuinely sustainable level, and to create the systems to prevent future debt crises.



Pope Francis has said that: *"In the spirit of this Jubilee Year, I urge the international community to work towards forgiving foreign debt in recognition of the ecological debt existing between the North and the South of this world. This is an appeal for solidarity, but above all for justice."*

This Jubilee Year, a coalition of UK organisations are joining allies from around the world in calling for urgent action on the debt crisis. We welcome the fact the UK government has made "tackling unsustainable debt" a major priority. Vital progress can be made in 2025 through the UN Financing for Development Summit in Spain and G20 in South Africa. However, this will not happen through business as usual but requires a complete change in the UK approach.

The UK is a vital player in the international debt system, because much of the debt owed to private lenders is governed by English law, and many of those lenders are based in the UK. Of external debt payments by lower-income countries, 39% are to private lenders, 34% to multilateral institutions, 13% to Chinese public and private lenders, and 14% to other governments. The UK can only lead on international debt if it ensures Western private lenders take part in debt relief.

If effective debt cancellation is not delivered, new multilateral loans will just bail out private lenders, rather than being invested in meeting countries' needs. As in the 1980s and 1990s, countries will remain trapped in debt crisis for decades. When large-scale debt cancellation becomes unavoidable, it will be the public sector which bears the cost, rather than the original lenders.

We support the recent statement by the Chief Economist of the World Bank, who said: *"It's time to face the reality: the poorest countries facing debt distress need debt relief if they are to have a shot at lasting prosperity... Sovereign borrowers deserve at least some of the protections that are routinely afforded to debt-strapped businesses and individuals under national bankruptcy laws. Private creditors that make risky, high-interest loans to poor countries ought to bear a fair share of the cost when the bet goes bad."*

The UK government has provided leadership before, playing a key role in the debt cancellation initiatives of the 2000s and passing the Debt Relief (Developing Countries) Act in 2010. In this Jubilee year, we call on the UK government to:

- Champion a debt cancellation scheme that brings debt payments down to a genuinely sustainable level, suspends debt payments while debt cancellation is being negotiated, and makes clear to debtors how much debt cancellation is available before they apply
- Pass legislation to ensure all private lenders participate in debt cancellation, and suspend repayments to private lenders during debt cancellation negotiations

- Prevent future debt crises through regulations to ensure all loans by private lenders to governments are publicly disclosed when they are given, and supporting the creation of a UN Debt Convention to agree rules on responsible lending and borrowing

Signatories:

Action for Southern Africa

Bond

Bretton Woods Project

Cafod

Christian Aid

Debt for Climate UK

Debt Justice

Equal Right

Global Citizen

Global Justice Now

Malala Fund

Medact

Oil Change International

ONE Campaign

Oxfam GB

Parents for Future UK

Save the Children

SCIAF

Tipping Point

War on Want

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