

Jubilee 2025: Hope in the Signs of the Times  
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# Addressing the Debt Crises in the South in the Jubilee Year

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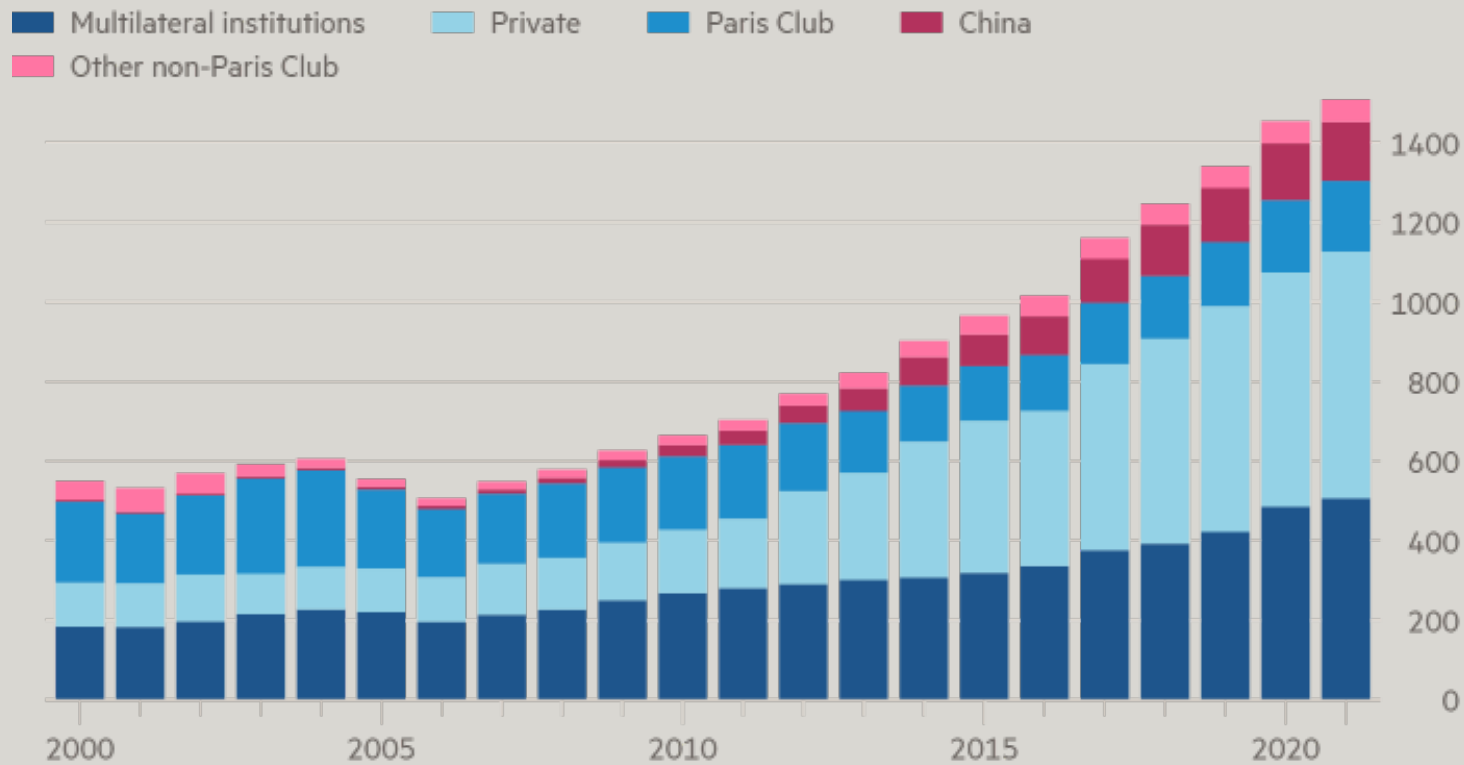


# A series of events with global debt distress consequences



# The external debt of poorer countries has surged since 2000

External public debt of low and lower-middle income countries, by creditor (\$bn)



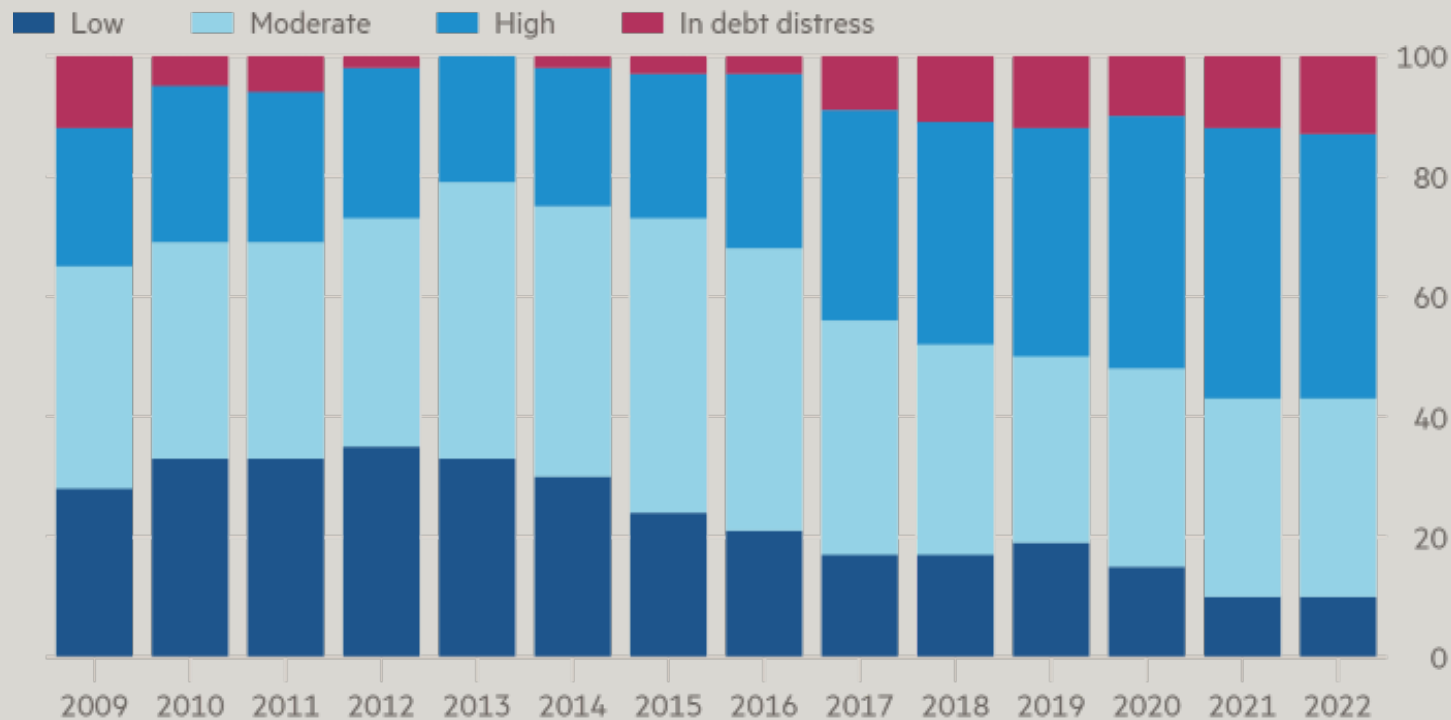
Source: World Bank

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# The proportion of poor countries at risk of debt distress has soared

Risk of debt distress (% of DSSI countries with DSA\*)



\* G20 Debt Service Suspension Initiative countries with Debt Sustainability Analyses

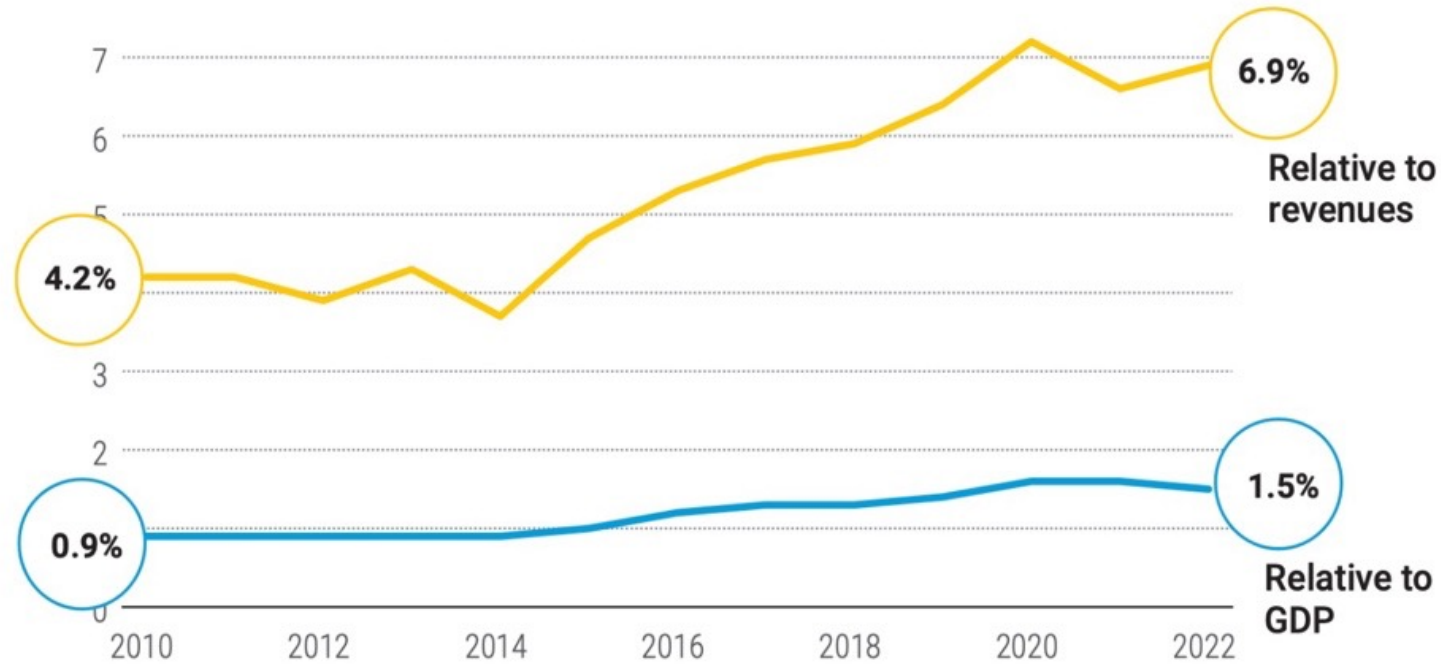
Source: IMF

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### Figure 8: Developing countries use more resources to pay interest on their public debt

Net interest payments of developing countries as a share of GDP and government revenues



Sources: UN Global Crisis Response Group calculations, on IMF World Economic Outlook (April 2023).

Note: Median shares across developing countries.

# Addressing debt sustainability problems under the current global financial architecture

## ✓ A “no-system” for sovereign debt restructuring

- *Too Little, Too Late* – since 1970, more than half of sovereign debt restructurings with private creditors were followed by another restructuring or default within five years

# Evolving inter-creditor coordination problems

**Common  
Framework for  
Debt Treatments  
beyond the DSSI**



**ZAMBIA**



**GHANA**



**ETHIOPIA**



**CHAD**

Unsurprisingly, a failure



# Net transfers on LT External Debt to LLMICs

	Total NT TL debt	IFIs	Bilateral creditors	China loans	Private lenders
2019	84.4	28.9	1.7	4.6	54.3
2020	55.2	68.3	8.6	0.9	3.0
2021	45.4	27.3	6.4	3.5	11.0
2022	-15.7	32.2	9.8	-6.1	-51.2

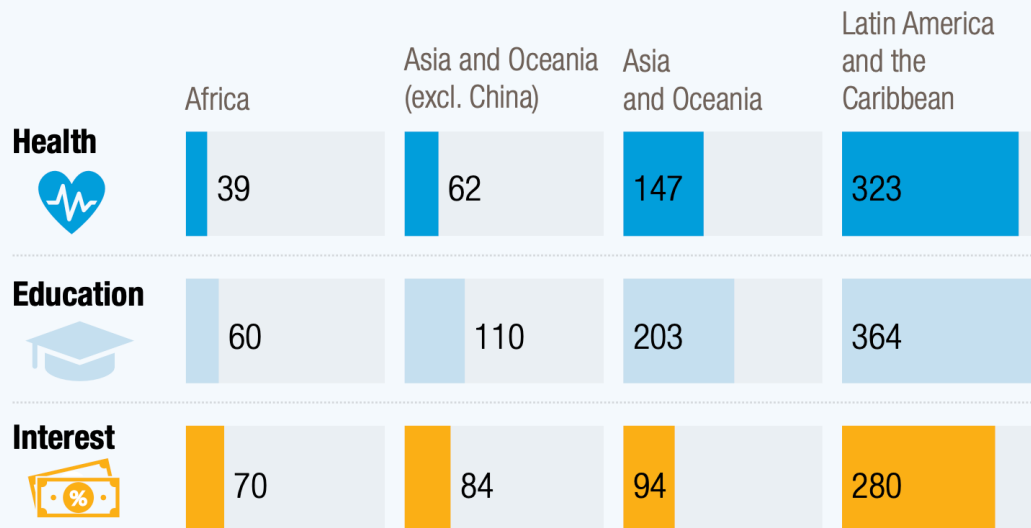
Negative net transfers (NT), with positive NT from International Financial Institutions (IFIs) and large negative NT to private creditors – a “bailout” to Wall Street financed by global taxpayers





## Some regions spend more on servicing debt than serving their people

Public expenditure per capita on net interest, education and health in US\$ (2020-2022)

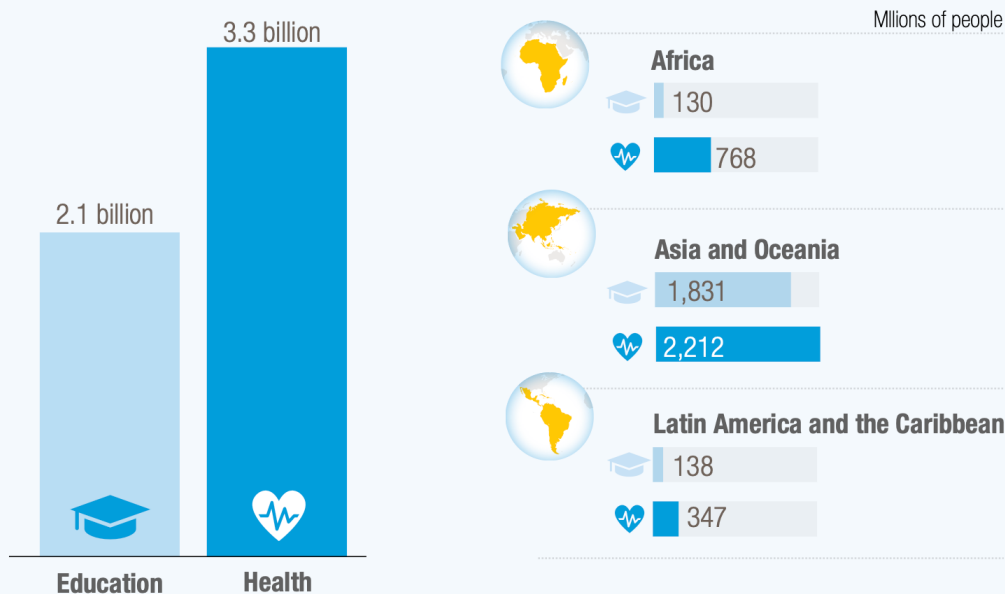


Source: UN GCRG - technical team calculations, based on IMF World Economic Outlook (April 2024) and World Bank World Development Indicators.

Note: Aggregate expenditures for developing countries. Interest refers to net interest payments.

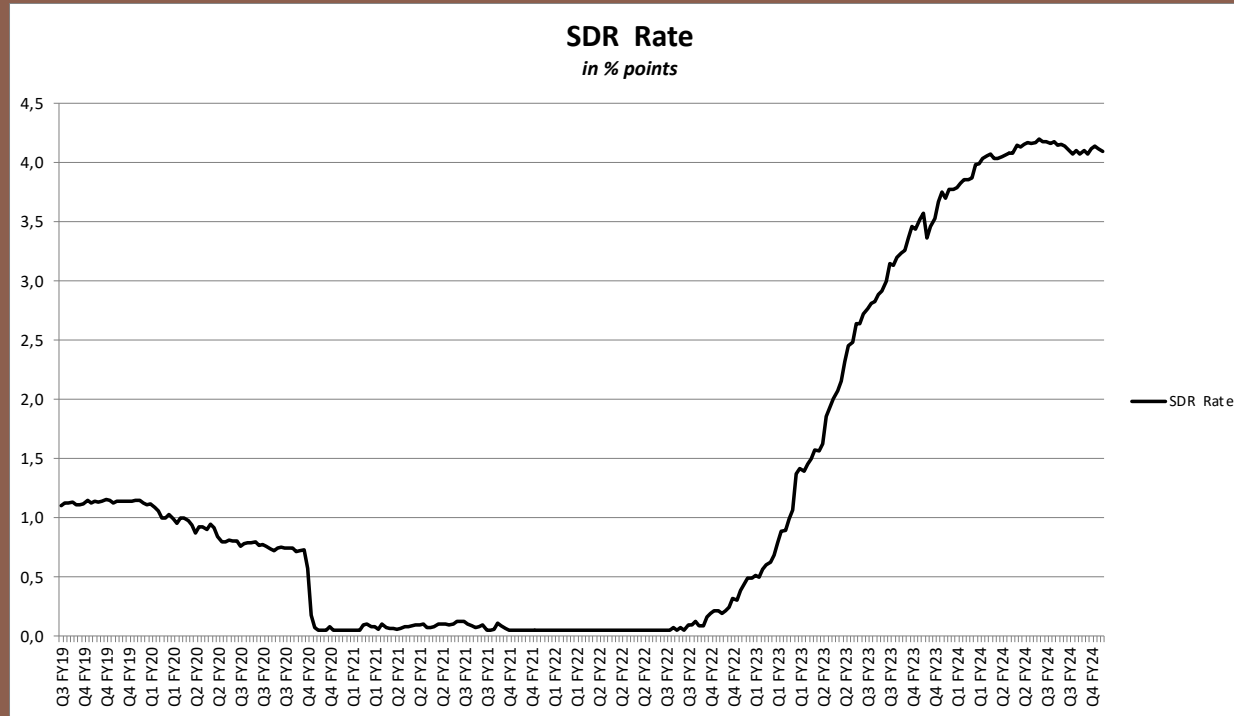
# 3.3 billion people live in countries that spend more on interest than education or health

Population in developing countries where spending  
on interest exceeds education or health (2020-2022)



Source: UN GCRG - technical team calculations, based on IMF World Economic Outlook (April 2024) and World Bank World Development Indicators.

# An environment of higher global interest rates



# A recent reform discussed at the PASS: IMF's interest charge and surcharge policy

**IMF lending rate = margin (set by the IMF Board of directors) + SDR  
rate +/- burden sharing + Surcharges**

- 1. Reduction of margin from 100bp to 60bp**
- 2. Increase in threshold that activates surcharges**
- 3. Reduction of time-based surcharge rate from 100bp to 75bp**

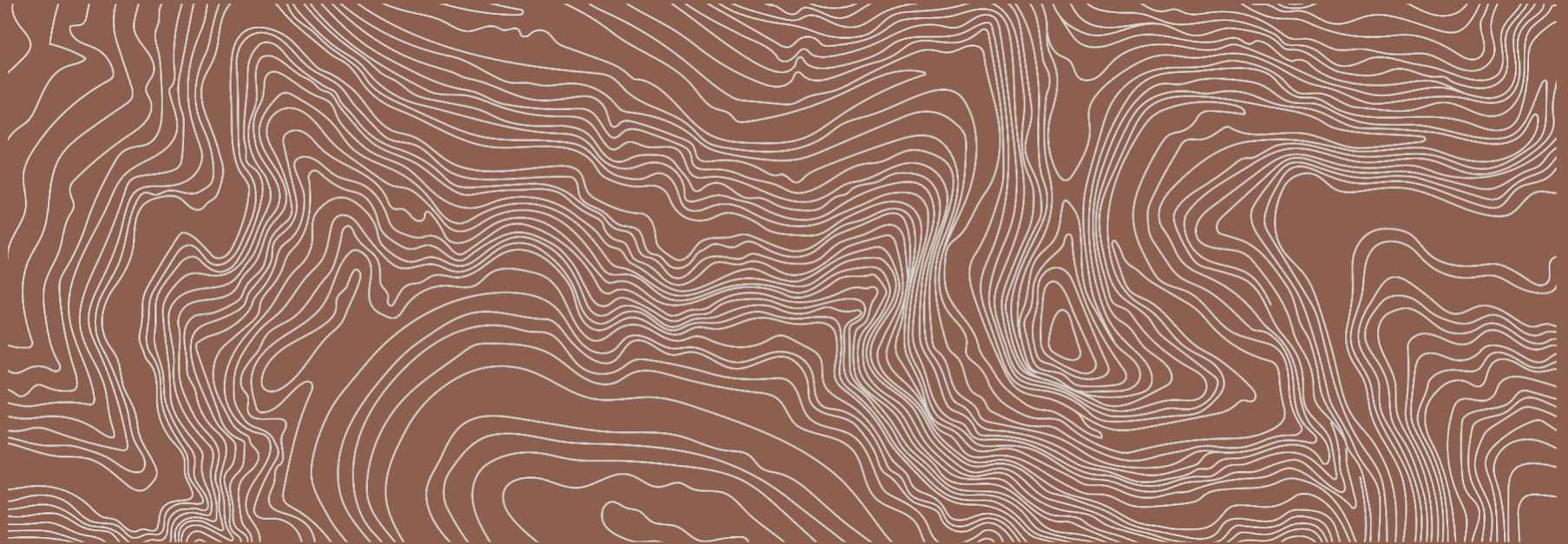
# Next steps: addressing debt crises and IFA Reform in the year of the Jubilee

1. Policies from IFIs that change structure of incentives in restructurings for sustainable resolutions of debt crises
2. Changes to NY and UK legislation for sovereign debt
  - i. Champerty against vulture funds' litigation
  - ii. Reduction of 9% pre-judgment compensatory rate for debts in arrears under NY law
3. Reform of the IMF income model
  - o Currently, it enhances asymmetries between advanced and developing economies
    - IMF savings from high charges on countries in crisis are invested in advanced nations' assets

# And going beyond debt in the year of the Jubilee

1. **New rules for international trade**
  - i. **Against neocolonial trade**
  - ii. **That favor knowledge creation and diffusion**
  
2. **Reforms to the international tax architecture**
  - i. **That favor capacity for progressive global taxation**
  - ii. **Without ending tax havens, sustainable development will be nearly impossible**

Thank you



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