

Jubilee 2025: Settle unjust and unpayable debts

In preparation of the ordinary Jubilee 2025 Pope Francis has called affluent nations to “forgive the debts of countries that will never be able to repay them”.¹ Echoing his call Justice and Peace Europe invites the European Union and its member states to assume its part in a global effort to resolve the current debt crisis.

At the beginning of this year the International Monetary Fund warned that nine out of sixty-eight low- and lower middle-income countries, for which the Fund provides an analysis, are in debt distress. It means that a country is unable to fulfill its financial obligations, and that debt restructuring is required. Fifty-one countries were in high or moderate risk of debt distress. According to the World Bank low-income countries have significantly increased their debt levels after the COVID-19 pandemic and suffered from the global increase of interest rates since the outbreak of the War in Ukraine.² Their overall debt service has reached an average of 7.5 percent of their budgets, which is more than what these countries spend on health and education combined. In 2024, African countries, which make out more than half of the low and lower middle-income countries, will spend €90 billion in servicing public debt.³

Thus, at a time when crucial investment is necessary to mitigate and adapt to the climate crisis too many countries are facing too much debt. Some countries are insolvent, and a substantial debt reduction is needed to allow for fresh sustainable financing. However, most of the indebted countries are not (yet) in this situation. They face liquidity problems and find it difficult to roll over their existing debt. Due to the global hike in interest rates, their loan repayments to foreign creditors are currently higher than new borrowing. Therefore, this “leakage problem” must be solved in the first place to allow indispensable green growth. A “coordinated

¹ Pope Francis, *Spes non confundit*. Bull of indiction of the Ordinary Jubilee of the Year 2025, Nr. 16

² In an April 2024 report to the European Commission a high-Level Expert Group on scaling up sustainable finance in low- middle-income countries, noted that “capital outflows from emerging debt markets recorded the worst-ever year in 2022, with almost \$90 billion, followed by further outflows of €33 billion in 2023 and another €5 billion in the first two months of 2024”. (p.7)

³ Cf. “Heralding a Debt Jubilee”, a statement of religious leaders and Caritas Africa gathered in Nairobi, July 2024 https://assets.nationbuilder.com/jubileeusa/pages/132/attachments/original/1721403371/Religious_Leaders_Statement_Draft_FINAL.pdf?1721403371

three-way solution” may be the best way forward.⁴ It involves the indebted countries, the International Financial Institutions (IFIs) as well as bilateral and private creditors and aims at “rescheduling repayments at a reasonably low cost to allow for sustainable growth policies”. Pope Francis himself recently asked for setting up “a multinational mechanism, based on solidarity and harmony of peoples” and to think of a “new international financial architecture that is bold and creative, ...bearing in mind that ecological debt and external debt are two sides of the same coin that mortgages the future.”⁵

As the network of European Justice and Peace Commissions we call upon the European Union to lend its support to such an initiative. It should contribute to its adoption within the G20. The European institutions should include the concern for the renewed debt distress in its “Global Gateway” initiative.⁶

Debt relief is not just a financial fix but a moral necessity and an indispensable part of a broader sustainable development strategy. In the spirit of the Jubilee it allows to address deep-seated and historically-rooted inequalities.

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The General Assembly of Justice and Peace Europe

⁴ In 2022, the IFIs and some bilateral creditors provided for about \$42 billion in positive inflows to the low and lower middle-income countries, but this amount was offset by large debt payments to private lenders (-\$52.15 billion) and China (-\$6.3 billion). Cf. “An up-dated bridge proposal”, policy note published by the Finance for Development Lab and the Initiative for Policy Dialogue, July 2024. The note was first presented at a workshop organized in June 2024 by the Pontifical Academy of Science in Rome. A graph to illustrate the “leakage” problem from this note is presented in Annexe 1.

⁵ Pope Francis, Address to the participants in the meeting “Addressing the debt crisis in the Global South”, Rome, 5 June 2024.

⁶ . In her political guidelines at the beginning of her second mandate as president of the European Commission Ursula von der Leyen offered to take “Global Gateway” to the next level. Cf. https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf , p.27

Annex 1: The “leakage” problem

Table 1. Net transfers on Long-Term External Debt to LLMICs, by different creditors

	Total NT on LT external 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

Starting in 2022, funds from International Financial Institutions and bilateral creditors to support developing countries have been massively leaking out as debt service to the private sector and to China.