FOREWORD

Debt cancellation in the 2025 Jubilee!

Now is the time to set the political course to end the global debt crisis

Picture: Mellenthin/Misereor

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Picture: private

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Last year, an alarming number of countries around the world slipped deeper into the debt trap. In 2024, the governments of indebted countries in the Global South had to pay back more to external creditors than ever before. More than USD 1 billion a day was needed for debt service payments. This Global Sovereign Debt Monitor 2025 classifies 47 out of 198 countries surveyed as having very heavy debt burdens. Over the next three years, these countries must, on average, allocate at least 15% of their government revenue to interest and principal repayments to external creditors. In these countries, around 231 million people are affected by extreme poverty. This is about 18% of the population – more than twice the global average. A poor testimony in the 21st century.

In addition to the 47 countries having very heavy debt burdens, there are 28 further countries whose abilities to take fiscal measures are also much restricted by high interest and principal payment obligations. The debt burden is particularly heavy in many countries in sub-Saharan Africa – about 70% of national budgets are heavily or very heavily burdened by debt servicing. Further, 60% of low-income countries all over the world have heavy or very heavy debt burdens (see 'Global external debt burden', from p. 8). Against the backdrop of expensive loan finance, in particular, this crushing debt burden is forcing countries in the Global South to take drastic measures: investment in basic social services such as health and education is cut, sustainability criteria and labour rights in production are neglected, people's natural resources and livelihoods are exploited ever more ruthlessly, and social security is reduced. These interrelationships underscore once again that the global debt crisis is leading to massive human rights violations and preventing the global Sustainable Development Goals (SDGs) from being achieved as planned.

The Global Sovereign Debt Monitor also critically examines the experiences gained with regard to debt restructuring under and outside the G20 Common Framework. With the help of example country groups, it assesses the extent to which the existing debt architecture has contributed to a sustainable fiscal recovery of indebted countries – or failed to do so (see 'New solutions – old habits?', from p. 32). The country analyses provide evidence for the need for reforms of the current debt architecture. Without fundamental reforms, debt restructerings will continue to ensure repayment only in the short term but will not offer a long-term solution for the sustainable development of the economies concerned. On the contrary, the economic policy conditions creditor states such as Germany impose for debt restructuring make it difficult for countries in the Global South to move away from harmful extractive and export-oriented paths of growth.

"Cancelling the debts of countries that could never repay them is not so much a question of generosity, but of justice."
- Pope Francis

In view of this worsening social and ecological crisis, Pope Francis, who died on Easter Monday, had clear words to say in his New Year's address 2025: 'no person, no family, no population [should be] crushed by debts.' He encouraged 'the rulers of countries with a Christian tradition to set a good example by cancelling or reducing as much as possible the debts of the poorest countries.' Throughout his time in office, the Pope repeatedly emphasised that the debt crisis was a symptom of a more profound development crisis, and that a fundamental reform of the international financial system was necessary. For him, debt cancellation was more 'a question of generosity' than 'a matter of justice'.

Our analysis of the creditor landscape also clearly shows that the G7 and EU countries continue to have key political and regulatory levers to achieve extensive debt cancellation and structural reforms of the international financial architecture (see 'Creditors of countries in the Global South', from p. 22). Therefore, they also bear the political responsibility for finally exploiting these opportunities to find sustainable solutions. In addition to traditional bilateral and multilateral creditors, countries such as India and China have been playing a decisive role in lending for years. They therefore have a key responsibility in resolving excessive debt problems in individual countries, such as Bhutan, Djibouti and Laos.

Politically, there is a lot at stake this year: the debt crisis and its dramatic impact on the lives of poor and marginalised people in heavily indebted countries admit no further political hesitation (see '2025 Jubilee – opportunity of the decade', from p. 40). In its coalition agreement, the new German government expresses its willingness to work towards solutions to the debt problems in many countries: 'We are committed to the effective resolution of sovereign debt crises, involving all creditors.' In our opinion, this is a good starting point for committed multilateral action by the German Federal Government to actually resolve the debt crisis.

The 4th International Conference on Financing for Development (FfD4) that will take place in Seville between 30 June and 3 July provides a historic opportunity to do so. The goal must be a debt architecture that is geared towards the development needs of the Global South, and that is actively shaped by them. Countries from the Global South – such as the African Group of States within the United Nations or the Alliance of Small Island States – have tabled concrete proposals in the run-up to the negotiations.

This year, hundreds of thousands of people around the world are campaigning for the cancellation of unsustainable debt and structural reforms of the international financial architecture as part of the "Turn Debt into Hope!" debt cancellation campaign. In doing so, they are sending countless rays of hope around the globe.

May 2025 become a real year of debt cancellation!

We hope you enjoy reading the report.

Eva Hanfstängl and Dr Andreas Frick