

Supporter briefing

Some of the world's richest banks have made a fortune over the last year, profiting during the pandemic, while funds are being drained from the poorest countries in the world.

In developing countries, COVID-19 is leaving a trail of devastation - from widespread loss of life from the virus itself, to huge economic disruption - which could push 150 million people into extreme poverty.

Despite this huge economic crisis, many developing countries are continuing to pay off debts, which means they have less money to meet the immediate needs of their populations and fight COVID-19.

There are three types of lenders that developing countries owe money to:

- 1) **Bilateral lenders**, rich countries such as the UK, USA and others;
- 2) **Multilateral lenders** such as the World Bank or International Monetary Fund (IMF);
- 3) **Private lenders** which include some of the world's biggest banks and speculators, including , HSBC, JP Morgan, UBS and Blackrock.

Since the pandemic hit, there has been a global outpouring of campaigning to cancel debts and enable countries to cope with the crisis. Hundreds of thousands of people around the world have signed petitions, lobbied their governments, and shone a light on the issue.

Countries in Africa are collectively spending three times more on debt repayments to banks and speculators in 2021 than it would cost to vaccinate the entire continent against COVID-19.

As a result of successful campaigning, G20 finance ministers agreed to offer 73 countries a suspension on their debt payments to other governments from April 2020 to June 2021. This debt relief was offered to allow countries to respond and recover from the pandemic. So far, only \$5.3bn of debt payments has been suspended.

While the G20 debt suspension is a welcome step, it is only a temporary measure and does nothing to tackle the long-term unsustainable debt levels. It has simply pushed the problem into the future, with payments now due between 2022 and 2024, alongside all the interest. Without further action, countries could face an even bigger debt crisis in two years' time.

To help address this, the G20 has also initiated a process for longer-term debt restructuring, called the Common Framework. But so far, it appears there is no mechanism to compel private creditors to participate in it.

While some government lenders have taken part in these measures and suspended some debt, private lenders have so far not suspended or cancelled any of the debt owed to them through the debt suspension agreement or the Common Framework. Some of the biggest financial corporations in the world have continued to demand payment from some of the world's poorest countries throughout the pandemic, leaving these countries with less money to spend on tackling COVID-19, the climate crisis and other essentials like education and health.

That's why we are calling on HSBC, JP Morgan, UBS and Blackrock to [#CancelTheDebt](#) immediately.

Case studies

Zambia

In Zambia, 88% of the population survives on less than £4.20 a day. Zambia's external debt payments have increased substantially over the last few years, from 4% of government revenue in 2014 to a projected 35.5% by the end of 2021. Even before the pandemic hit, Zambia was spending four times more on debt repayments than on public healthcare.

Zambia has now received some relief on debt payments owed to governments. But it says it will struggle with debt service payments still owed to its private creditors which are not covered by the scheme, and which made up 69% of all debt payments owed by Zambia in 2020.

Private lenders lent to Zambia at high interest rates, while knowing that there was a significant risk the country would not be able to pay these debts.

**Zambia spends
four times more
on debt payments
than healthcare.**

Zambia asked for a break from these loan repayments to avoid being forced to choose between saving lives and repaying loans. **So far, private lenders have refused, plunging Zambia into debt default.** And right now, the banks hold the balance of power as countries who fail to repay risk being sued.

Kenya

In 2018, Kenya spent around \$1.86 billion on public healthcare. In 2020, the country was spending around \$2.7 billion servicing its debt. The high cost of servicing private sector debts during the pandemic is partly to blame for this; for example, the country is paying interest of between 6.9% and 8.3% on some of its loans.

If the Kenyan government was freed from making these debt payments across its foreign debt and chose to direct these funds to healthcare, it would make a real difference to its citizens. Kenyan healthcare could be dramatically improved with this money. Currently, about 45 children in 1,000 die before reaching the age of five and the infant mortality rate is 33.6 deaths out of 1,000 infants.

Why are we targeting these banks?

We are targeting HSBC, JP Morgan, UBS and Blackrock because they continue to demand billions of dollars in repayments from some of the world's poorest nations, hampering these countries' efforts to respond to and recover from the pandemic.

We are calling on banks and speculators to cancel debts as it is not right that in the middle of a pandemic countries have to choose between saving lives and repaying debts.

The President of the World Bank, David Malpass, has also called on private creditors to take action, saying "It's been frustrating that the private sector has looked at the COVID-19 crisis and said, 'Let's try to get as many payments from the poorer countries as we can during this crisis'".

How much debt do private creditors hold?

Private creditors' share of the foreign debts of low- and lower-middle income governments increased from 25% in 2010 to 47% in 2018.^[5] For some countries, the majority of their debts are to private creditors.

In 2021, the 73 countries eligible for the G20 debt suspension initiative are due to pay \$52.7 billion in debt payments, 30% of which is to private lenders.

In 2020, 59% of all debt payments due in Zambia were owed to private creditors, while the share was 59% in Ghana, 55% in Nigeria and 45% in Senegal.

There is a lot of secrecy about private creditor debts. As a result, which companies own much of the debt is not widely known. We know that Blackrock, HSBC, JP Morgan and UBS own significant amounts of debt, but there is no definitive list of who all the debt is owed to. We have written to each of the companies listed asking for details of how much debt they own of countries eligible for the G20 debt initiatives, but none of them have been willing to answer this question.

Which countries need debt relief?

All low- and middle-income countries that need it must have their debts cancelled. Countries throughout Africa, Asia, Latin America and the Caribbean now have less to spend on healthcare and the economic impacts of COVID-19.

Over 150 million people across the developing world could be pushed into extreme poverty because of COVID-19.

Even before COVID-19 hit there was a growing debt crisis in lower-income countries. Developing country government debt payments increased by 85% between 2010 and 2018. Of the 70 countries the IMF assesses for debt risk, 34 were already in debt default or at high risk of being so at the start of 2020, up from 17 in 2013.

What are we asking private creditors to do?

We need private creditors to:

- Cancel the debts for low- and middle income countries that request it to help them respond and recover from the pandemic
- Play a full part in international processes including G20's Common Framework, granting requests for debt relief through this process
- If countries can't pay, don't force them to by taking them to court

What is the UK government's role?

We need the government to continue to raise the issue of private creditor debt in international negotiation spaces.

The UK has a crucial opportunity to show global leadership on debt this year as it holds the presidency of the G7, a grouping of some of the most powerful countries in the world.

The G7 contains all the countries with legal control of private lenders, so there is an opportunity for UK leadership to create an agreement that legally ensures private lenders take part in debt relief and restructuring.

The UK government has a crucial role to play given the influence the UK exerts over private debt payments. Of sovereign bonds owed by the 73 countries who qualify for G20 debt relief, 90% are governed by English law. This means if countries default on their repayments to private creditors, they risk being sued in English courts.

The UK parliament must also put in place legislation to stop countries being sued for suspending private debt payments.

WHAT IS A BOND?

In short it is an 'IOU' that can be traded in the financial markets. It's one of the main ways debt is traded.

If a government wants to borrow money, they usually do it by selling bonds to investors. The investor then gets to receive a stream of future payments.

The most common form of bond involves two types of payment by the borrower to the holder of the bond:

- **there is the final payment when the bond "matures"**
- **and there is a stream of smaller payments, usually two a year in the meantime, known as coupons**

Get involved

There are three ways you can urge banks to #CancelTheDebt:

- 1) Join us in writing to HSBC, UBS, Blackrock and JP Morgan and ask them to **#CancelTheDebt**

You can write to them by following these links:

- Christian Aid: caid.org.uk/cancelthedebt
- Jubilee Debt Campaign: jubileedebt.org.uk/actions/tellthebanks
- Global Justice Now: globaljustice.org.uk/debt
- CAFOD: cafod.org.uk/privatedebt

- 2) Tweet at the banks so they hear us online too!

Here are the twitter handles for the banks and speculators and a few example tweets to get you started: **@HSBC @blackrock @UBS @JPMorgan**

Sample tweet: I'm calling on @HSBC @UBS @JPMorgan @blackrock to stop cashing in on debt payments from poor countries and agree to #CancelTheDebt now. Join me and take action now to stop big banks profiting in a time of global crisis.

- 3) Share one of our infographics via social media.

You can download them [here](#)

Who's involved in the campaign and where can I get more information?

There are over 250 organisations around the world who are calling for action to be taken on debt in the face of the Coronavirus crisis. In the UK, Jubilee Debt Campaign, Christian Aid, Global Justice Now and CAFOD are working together on this campaign.

