



Women count money during a SILC (Savings and Internal Lending Communities) group meeting in Lege Bira kebele, Dire Dawa administration, Ethiopia, February 12, 2019.
[Will Baxter for CRS].

Briefing Note on Debt Justice

4TH CONFERENCE ON FINANCING
FOR DEVELOPMENT

Introduction

Debt is trapping many Global South countries in cycles of poverty that force them to choose between repayment of debt over essential investments in health, education, and infrastructure. During the last two decades, the global debt crisis has intensified significantly. While debt relief and cancellation are crucial, a more comprehensive reform of the global financial system is urgently needed. This is one of the top demands of many developing countries and civil society organizations ahead of the 4th Conference on Financing for Development (FfD4) in Seville, Spain.

As the official development and humanitarian organization of the United States Conference of Catholic Bishops (USCCB), the primary mission of Catholic Relief Services' (CRS) is to care for the most vulnerable. CRS is therefore deeply concerned about the debt crisis and its severe impact on vulnerable populations. The crisis worsens poverty and inequality and is exacerbated by climate challenges that create a vicious cycle where high debt levels prevents climate action, and the damage caused by weather disasters due to this fiscally driven inaction heightens financial vulnerabilities. Grounded in Catholic faith, CRS advocates for addressing the debt crisis as a moral imperative that demands leadership role in assisting developing nations the opportunity to rebuild and to foster thriving economies, while at the same time respecting their dignity and autonomy.

This policy note has been prepared to influence the outcomes of the FfD4. Ahead of the conference, an outcome document has already been prepared which provides some important building blocks to address both debt relief and the global

financial architecture. Additionally, a Vatican commissioned report on debt has been recently completed and contains concrete recommendations for addressing debt and the wider financial system reform. This policy note highlights the important recommendations of both documents. What is clear is that there are solutions available to the international community that will ease the pain and suffering of millions of people who are currently living in countries suffering most from debt distress.

The Deepening Debt Crisis

The world faces increasingly complex and overlapping challenges. Armed conflict, climate change, and economic uncertainty are triggering shifts in spending priorities. As a result, many donor countries are scaling back development cooperation budgets. The United States, in particular, has shifted its policy inward. The United Kingdom has also announced a reduction in its development spending from 0.5% to 0.3% of GDP by 2027 to accommodate higher defense

expenditures.¹ Similar retrenchment trends are evident across Europe². This reduction in financial support could not come at a worse time for developing countries.

Many Global South countries face a significant escalation in their debt crises. COVID-19, commodity price shocks from Russia's invasion of Ukraine, and rising global interest rates have all worsened the financial situation for those countries least able to absorb the impact of these events. Nearly half of the world's population, - about 3.3 billion people—live in countries that spend more on debt service than on health or education.³ Climate-vulnerable states are particularly hard-hit: 93% are in debt distress, and many spend up to five times more on debt servicing than on climate adaptation, although they have been forced to deal with the increasing financial impacts of global warming. 2024 was the hottest year on record causing climate-related disasters that resulted in \$417 billion in economic losses. Least Developed Countries (LDCs) and Small Island Developing States (SIDS) are especially vulnerable, often receiving climate finance as loans rather than grants, which drives them deeper into debt as they struggle to recover and rebuild.⁴ The current debt system is characterized by undisclosed loan terms, hidden obligations, and creditor pressure to borrow more. Consequently, the existing financing framework and its lack of transparency and fairness must be reformed in favor of a more sustainable debt management system that provides greater supports for development and climate resilience.

In the early 2000s, the international community launched the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) to cancel over \$100 billion in debt for 37 low-income countries.⁵ These efforts significantly reduced debt burdens and enabled increased investment in health, education, and poverty reduction. However, this relief did not bring the structural changes in the financial architecture. In fact, the current debt landscape has

become much less favorable for the poor debtor states than the one that was targeted by this initiative.

As of 2023, global public debt reached a record \$97 trillion, with developing countries accounting for approximately \$29 trillion of this total. Especially alarming is the fact that public debt in developing nations has grown at twice the rate of that in developed economies since 2010. As a result, developing countries have seen their debt-to-GDP ratios increase. The average debt-to-GDP ratio for the poorest countries has climbed to 72%, the highest since 2006.⁶ 60% is generally considered to be the high end of a fiscally sustainable debt.

Rising interest rates and the resulting rise in the cost of borrowing has made the situation significantly worse. In 2022, developing countries paid a record \$443.5 billion to service their external public and publicly guaranteed debt, a 5% increase from the previous year. This surge is largely attributable to higher global interest rates.⁷ One important consequence of the deteriorating situation is that debt service payments now consume a significant portion of government revenues, often surpassing expenditures on critical sectors like health and education. For example, a record 54 developing countries allocated more than 10% of their revenues to interest payments on debt in 2023.

The debt burden of developing countries is also becoming much more complex due to the increasing role of private creditors, including bondholders and commercial banks, as well as non-Paris club creditors.⁸ Additionally, new debt instruments like guaranteed, securitized, and collateralized contracts linked to public-private partnerships and state-owned enterprises have made debts riskier and harder to restructure.⁹ China's significant role as a creditor has increased this complexity, with Chinese lenders providing \$182.28 billion through 1,306 loans to African governments and regional borrowers from 2000 to

¹ Loft, Philip. UK to reduce aid to 0.3% of gross national income from 2027, February 28, 2025. <https://commonslibrary.parliament.uk/uk-to-reduce-aid-to-0-3-of-gross-national-income-from-2027/>.

² "What Do European Aid Cuts Mean for Climate Funding Goals?" euronews, March 30, 2025. <https://www.euronews.com/green/2025/03/30/from-finland-to-the-uk-european-countries-are-slashing-aid-what-does-it-mean-for-climate-f>.

³ Stiglitz, Joseph. The Jubilee Report: A blueprint for tackling the debt and development crises and creating the financial foundations for a sustainable people-centered global economy - initiative for policy dialogue, June 20, 2025. <https://ipdcolumbia.org/publication/jubilee-debt-development-blueprint/>.

⁴ "World's Least Developed Countries Spend Twice as Much Servicing Debts as They Receive in Climate Finance." International Institute for Environment and Development, October 16, 2024. <https://www.iied.org/worlds-least-developed-countries-spend-twice-much-servicing-debts-they-receive-climate-finance>.

⁵ World Bank Group. "Heavily Indebted Poor Countries (HIPC) Initiative." World Bank, May 9, 2024. <https://www.worldbank.org/en/topic/debt/brief/hipc>.

⁶ Kenworthy, Philip, M. Ayhan Kose, and Nikita Perevalov. "A Silent Debt Crisis Is Engulfing Developing Economies with Weak Credit Ratings." World Bank Blogs, February 8, 2024. <https://blogs.worldbank.org/en/voices/silent-debt-crisis-engulfing-developing-economies-weak-credit-ratings>.

⁷ Bolton, Patrick, Mitu Gulati, Ugo Panizza, Lee C. Buchheit, Beatrice Weder di Mauro, and Jeromin Zettelmeyer. "Climate and debt." (2022). Geneva Reports on the World Economy 25.

⁸ Bolton, Patrick, Mitu Gulati, Ugo Panizza, Lee C. Buchheit, Beatrice Weder di Mauro, and Jeromin Zettelmeyer. "Climate and debt." (2022). Geneva Reports on the World Economy 25.

⁹ International Monetary Fund. 2025. Debt Vulnerabilities and Financing Challenges in Emerging Markets and Developing Economies—An Overview of Key Data. International Monetary Fund. [Debt Vulnerabilities And Financing Challenges In Emerging Markets And Developing Economies—An Overview Of Key Data](#)

2023.¹⁰ This diversification complicates debt management and restructuring processes.

In addition, extreme weather events – storms, floods, droughts, and rising sea levels – are causing billions in damages. In 2024, natural disasters cost the global economy \$417 billion in losses.¹¹ The impact of climate change can increase sovereign risk and drive up the cost of capital.¹² Without urgent global action to reduce emissions and increase climate finance, more climate-vulnerable countries will face worsening disasters that threaten a borrowing country's capacity to repay loans and make it difficult to maintain a sustainable debt load.

In summary, the contemporary debt landscape in developing countries presents unique challenges compared to the early 2000s. The severity of the situation has prompted world leaders—from the UN Secretary General¹³ to the Pope¹⁴—to call for urgent and decisive action. Brazil and South Africa, are using their G20 presidencies in 2024 and 2025, to advocate for global debt reform. World Bank Chief Economist Indermit Gill argues that under the present system, most indebted countries will never restore their ability to repay.¹⁵ A twenty-first-century global system is needed to ensure fair play in lending to all developing economies.¹⁶ This call for change is coming at a time when the multilateral system is facing many challenges. Change must be made and it must be made to the system as a whole.

The Jubilee Year : A call for debt relief as a moral imperative

"It is not right to demand the repayment of debt when it would mean that people die of hunger. The rights of people must take precedence over the maximization of profits."

— St. John Paul II, *Message for World Day of Peace, 1999*

In formulating an approach to deal with this global debt crisis, CRS is guided by the Biblical concept of Jubilee. Jubilee calls for periodic debt cancellation as a matter of justice and human dignity and thereby offers a compelling moral foundation for reforming the global financial architecture to avoid a chronic and spiraling debt crisis. When Pope Francis declared 2025 to be a Jubilee Year, he therefore called for the cancellation of unpayable debts in the name of justice. This aligns with long-standing appeals from civil society as well as governments in the Global South for greater fairness in the global finance system. On 14 May 2025, the first African Union Debt Conference closed with a declaration calling for profound reforms to address the continent's debt situation.¹⁷

Recently, lending to low-income countries has become increasingly a profit-driven industry. This self-serving approach has often resulted in increasing level of poverty in borrower countries. In contrast, Catholic Social Teaching dictates that economic policies must prioritize fairness, the common good, and human dignity. Yet, austerity measures imposed on debtor nations are intensifying human suffering. Pope Francis in the Bull of Indiction for the 2025 Jubilee called on affluent nations

¹⁰ Engel, L., Hwang, J., Morro, D., & Bien-Aime, V. Y. (2024). *Relative risk and the rate of return: Chinese loans to Africa database, 2000–2023* (GCI-PB-23-CLA-2024-FIN). Boston University Global Development Policy Center. Retrieved from <https://www.bu.edu/gdp/files/2024/08/GCI-PB-23-CLA-2024-FIN.pdf>

¹¹ Team, R&I Editorial. "Natural Disasters Cost Global Economy \$417 Billion in 2024: Gallagher Re." *Risk & Insurance*, January 21, 2025. <https://riskandinsurance.com/natural-disasters-cost-global-economy-417-billion-in-2024-gallagher-re/>.

¹² Buhr, Bob. Climate change and the cost of capital in developing ... Accessed June 30, 2025. https://www.v-20.org/wp-content/uploads/2020/12/Climate_Change_and_the_Cost_of_Capital_in_Developing_Countries.pdf.

¹³ "Note to Correspondents: UN Secretary-General Appoints Group of Experts to Promote Policy Solutions to Resolve Debt Crisis Secretary-General." United Nations, December 6, 2024. <https://www.un.org/sg/en/content/sg/note-correspondents/2024-12-06/note-correspondents-un-secretary-general-appoints-group-of-experts-promote-policy-solutions-resolve-debt-crisis>.

¹⁴ Vatican News. "Pope Calls on World Leaders to Cancel Debt of Poorer Nations." Vatican News, January 1, 2025. <https://www.vaticannews.va/en/pope/news/2025-01/pope-calls-on-world-leaders-to-cancel-debt-of-poorer-nations.html>.

¹⁵ World Bank. 2023. *International Debt Report 2023*. Washington, DC: World Bank. doi:10.1596/978-1-4648-2032-8. License: Creative Commons Attribution CC BY 3.0 IGO

¹⁶ Campos, Rodrigo. "UNCTAD Chief Calls for Permanent Sovereign Debt Restructuring System | Reuters." Reuters, September 26, 2024. <https://www.reuters.com/markets/unctad-chief-calls-permanent-sovereign-debt-restructuring-system-2024-09-26/>.

¹⁷ "Draft Declaration of the African Union Conference on Debt." Draft Declaration of the African Union Conference on Debt | Union africaine, May 14, 2025. <https://au.int/fr/node/44785>.

to acknowledge their “past decisions and determine to forgive the debts of countries that will never be able to repay them”.¹⁸ Pope John Paul II¹⁹ made a similar call that launched the Jubilee 2000 campaign which resulted in the reduction of the sovereign debt of more than 40 poor countries.

At the beginning of 2025, Caritas Internationalis (CI) launched its [Turn Debt into Hope campaign](#) which is calling for (1) the cancellation and remedying of unjust and unsustainable debt; (2) reforms to the international financial architecture; and (3) a United Nations Framework Convention on Sovereign Debt. A coalition of faith groups, labor unions, and civil society organizations has joined the campaign calling on rich nations to act immediately to alleviate the debt crisis that is paralyzing developing countries. It also asks political leaders to address the root causes of crushing debt levels by reforming the global financial system and to grant the United Nations a role in overseeing a “transparent, binding and comprehensive debt framework”.

In response to the global debt crisis, the late Pope Francis commissioned the Jubilee Report,²⁰ that was prepared under the leadership of Nobel laureate Joseph Stiglitz and with contributions from 30 global experts. Released on June 20th, the report calls for comprehensive reforms to the global financial system including debt relief, debt restructuring, and upgrades to the role of international financial institutions to more effectively support sustainable development. The report recommends using the principles of justice, solidarity, and sustainability as the basis for a new governance model for international finance. It calls for a new framework that would be based on the HIPC Initiative of 1996 which mandated the reduction of a country’s debt when it becomes too high to manage. Legal reforms would be needed to mandate creditor participation in debt restructuring processes. Other recommendations include expanding and extending debt suspension initiatives, encouraging more responsible borrowing that is less influenced by countries’ political cycles, and reforming the lending rate and surcharge policies of the IMF. There’s also the inclusion of a “no bailout” clause, which would block the IMF from offering loans to governments struggling to pay off their private sector lenders.

In the US, the USSCB has called on American leadership to provide debt relief and to reform the global financial architecture in alignment with the current Trump Administration policy priorities.²¹ Achieving the campaign objectives will require coordinated action from the US Administration, multilateral development banks, the IMF and the World Bank, as well as decision-making forums like the G7 and G20.

Comprehensive debt relief and financial system reform is a complex long-term process that could take several years to achieve and will require coordinated efforts from all major global actors. There will be key moments to coordinate global actions on debt relief. In 2025, one such moment is the 4th international conference on Financing for Development in Seville, Spain.

An Opportunity for Debt Solutions: Fourth International Conference on Financing for Development (FfD4)

What is FfD4?

The 4th international conference on Financing for Development will bring together governments, international financial institutions (such as the IMF and World Bank), UN agencies, civil society, and private sector leaders with the goal of coordinating policies, promoting investment, and strengthening global financial cooperation.²² Building on past conferences—Monterrey (2002), Doha (2008), and Addis Ababa (2015)—this forum plays a critical role in shaping global norms and securing policy commitments, in such areas as domestic resource mobilization, trade, investment, aid, and debt relief. The conference culminates in a negotiated outcome document endorsed by UN member states, that provides guidelines for collective action aiming at achieving the Sustainable Development Goals (SDGs).

¹⁸ [Spes non confundit - Bull of Indiction of the Ordinary Jubilee of the Year 2025 \(9 May 2024\) | Francis](#)

¹⁹ “Message to the Group ‘Jubilee 2000 Debt Campaign’ (23 September 1999): John Paul II.” Message to the group “Jubilee 2000 Debt Campaign” (23 September 1999) | John Paul II, September 23, 1999. https://www.vatican.va/content/john-paul-ii/en/messages/pont_messages/1999/documents/hf_jp-ii_mes_19990923_jubilee-2000-debt-campaign.html.

²⁰ Stiglitz, Joseph. The Jubilee Report: A blueprint for tackling the debt and development crises and creating the financial foundations for a sustainable people-centered global economy - initiative for policy dialogue, June 20, 2025. <https://ipdcolumbia.org/publication/jubilee-debt-development-blueprint/>.

²¹ International Justice and Peace. “Letter to President Trump on Global Debt Relief during Jubilee Year, April 8, 2025.” United States Conference of Catholic Bishops, April 8, 2025. <https://www.usccb.org/resources/letter-president-trump-global-debt-relief-during-jubilee-year-april-8-2025>.

²² Financing for Development A Primer. Accessed June 30, 2025. <https://financing.desa.un.org/sites/default/files/2025-03/FFD4 Outcome First Draft.pdf>.

In the run up to the conference, civil society organizations²³, along with developing country governments²⁴ have called for the establishment of a UN sovereign debt mechanism to resolve debt crises in a fair, quick, and transparent manner. The final outcome document, titled *Compromiso de Sevilla*, that was approved on June 17, has fallen short of achieving this goal.²⁵ It does include a commitment to have UN-led intergovernmental process to make recommendations for managing debt. However, this final draft text is a diluted version of what African governments were advocating: the establishment of a UN convention on sovereign debt.²⁶

On a positive note, the final draft document does contain promising recommendations to the IMF and World Bank's Debt Sustainability Assessments (DSAs). It also contains these recommendations which will be helpful for debt restructuring:



Promote the creation of a platform for borrowing countries to collaborate and recommends that the G20 Common Framework consider pausing debt payments during negotiations.



Recognize the important role of multilateral development banks (MDBs), encouraging increased MDB towards a goal of tripling it by 2035.



Rechanneling of Special Drawing Rights (SDRs) – a global reserve asset that works as a form of financing - to MDBs and invites the IMF to create an SDR “playbook” to facilitate the use of SDRs during future shocks.



Call for increasing the representation of developing countries in global economic governance, including a call on the IMF to consider increasing basic votes.

Conclusion

Both the Jubilee Report and the *Compromiso de Sevilla* offer specific recommendations on how to solve the debt crisis and on how to transform from short-term debt relief towards deep structural reform, based upon revised legal mechanisms, new economic tools, and institutional overhauls to rebalance global finance in favor of sustainable development, equity, and resilience. Prioritizing people's development over debt payments is not just sound economic strategy but it is a commitment to justice and solidarity, ensuring everyone can thrive and contribute to a more equitable society. Swift and effective action by the international community during this Jubilee year and beyond is now required.

²³ “FFD4 Outcome Document under Silence Procedure: Response by the Civil Society Ffd Mechanism.” Civil Society Financing for Development Mechanism, June 12, 2025. <https://csoforffd.org/resources/ffd4-outcome-document-under-silence-procedure-response-by-the-civil-society-ffd-m/>.

²⁴ Third Session of the Preparatory Committee. The alliance of small island states (aosis) comments and proposals on the zero draft of the outcome document for the fourth international conference on financing for development, February 14, 2025. <https://financing.desa.un.org/sites/default/files/2025-02/AOSIS%20Comments%20-%20Ffd4%20Outcome%20Zero%20Draft%20-%20FINAL.pdf>.

²⁵ Outcome document of the Fourth International Conference on Financing for Development. Accessed June 30, 2025. <https://financing.desa.un.org/sites/default/files/2025-01/Ffd4%20Outcome%20Zero%20Draft.pdf>.

²⁶ “Draft Declaration of the African Union Conference on Debt.” Draft Declaration of the African Union Conference on Debt | Union africaine, May 14, 2025. <https://au.int/fr/node/44785>.