

DROP iT!

Summer 2020



CORONAVIRUS AND DEBT



**JUBILEE DEBT
CAMPAIGN**

THESE ARE UNPRECEDENTED TIMES



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Director,
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The coronavirus outbreak has touched on many aspects of our lives, and millions of lives around the world. But in these strange times, one thing that has shined through is solidarity. Now more than ever, we know that simply looking out for each other saves lives.

On the other side of the world, countries already with heavy debt levels face further disaster. Economic turmoil caused by coronavirus has meant the cost of borrowing has gone through the roof.

But already Jubilee Debt Campaign supporters have made a difference and we have big plans for winning more change in the coming months.

Here at home, we were already facing a household debt crisis before the pandemic, with over 9 million people in problem debt. Growing numbers have been forced to borrow from high-cost lenders just to put food on the table. Now the equivalent of 6 million people are behind on a household bill due to coronavirus.

In this special issue of Drop It, we explore how the world has changed, and what we can do to ensure it changes for the better. Stay safe and take care of each other.



“In Zambia, the government has to spend three times more on paying off external debt, than on healthcare. This pandemic has highlighted the severe inequalities in the global system. Cancel the debt and allow countries like Zambia to prioritise health.”

- Ms. Chenai C. Mukumba, Director of CUTS International, Lusaka, Zambia

DROP DEBT, SAVE LIVES

It's hard not to overstate the impact that coronavirus has had on global south debt – it's potentially the biggest debt crisis of the last 50 years.

Here in the UK we've witnessed first-hand the struggle that one of the richest countries in the world has been through in order to try and control the virus. Imagine trying to do that when the global economy is already stacked against you?

Not only are the health services needed to fight the virus chronically underfunded, but the amount that many countries owe in debt has skyrocketed because of turmoil in global markets. Kenya, for example, has only 130 intensive care beds for the whole country. Even before the crisis hit **there were 64 countries spending more on servicing their debts, than on healthcare** – what does that mean in a time of global pandemic?

If we look at 2020 alone, the 76 poorest countries are due to pay \$18.1bn in debt to other governments, \$12.4bn to multilateral institutions like the IMF and World Bank, and \$10.1bn to external private creditors. **That's a total of \$40.6bn.**

If you've been following the campaign online, you'll know that over the past few months Jubilee Debt Campaign supporters have been part of a massive global effort to make sure action is taken to drop the debt. Over 800,000 of us signed petitions, raised our voices on social media and got our friends involved ahead of the IMF and World Bank Spring meetings in April.

And we managed to get commitment for up to \$12bn of debt owed in 2020 to be suspended. This is obviously fantastic news for countries struggling to fight Covid-19, but much more is needed. Together with our partners we have been calling for debt cancellation, not just suspension, and much more of it.

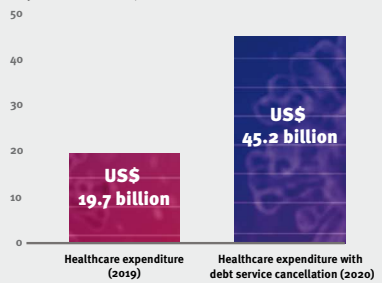
The fight's not over yet. This July the Finance Ministers of the G20, a grouping of some of the world's powerful countries, will be meeting. They've got to get the message that countries can't fight coronavirus with one hand tied behind their backs. The debts must be cancelled so that countries can focus on resourcing healthcare and social protection in the face of the pandemic.

Join that campaign by adding your name and joining in online. Together we can stop coronavirus devastating lower income countries.

Drop Debt, Save Lives.

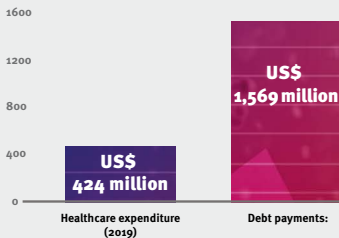
Cancelling debt payments for 69 low-income economies could increase healthcare spending for Covid-19 by 114%

Comparison of payments and healthcare expenditure for 69 LIE's (US\$ billion)



LET'S PUT HEALTH BEFORE DEBT

Comparison of debt payments and healthcare expenditure for Zambia (US\$billion)



Cancelling debt payments in Zambia could increase healthcare spending for Covid-19 by over 200%

THE ROLE OF THE UK

The UK has a surprisingly influential role in how international debt is managed. The two main factors are the legal systems in place to manage private debt, and our influence on the global institutions that lend money to countries in the global south. This means that we have a critical role to play in global campaigning for change.

90% of international debts owed by African countries to private sector lenders, for example to banks and big institutional investors, are governed by English law. This means if a country stops paying, a lender can bring a case to the High Court in London to demand to be paid. African countries tend to use English law, because of our past colonial relationship.

In the UK we can therefore influence how this debt is managed. For example, in 2010 Jubilee Debt Campaign got a law

passed to ensure governments benefited from a previous international debt relief agreement. **We are now calling on the UK government to change the law so that governments cannot be taken to court for stopping paying debts during the coronavirus crisis.**

The UK also has a lot of influence at international institutions that are owed debt, such as the IMF and World Bank. These institutions are run by their member governments, with the richest countries having the largest say. The UK has the third highest number of votes at the World Bank of any country – 6.7% - despite having just 0.9% of the world's population.

All of this means the UK has a key role to play in tackling the new Covid-19 debt crisis. Join our call to ask Rishi Sunak, Chancellor of the Exchequer, to step up to the task, by filling out the postcard and sending it back to us.

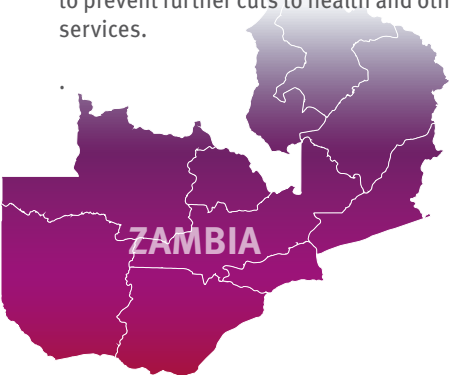
SPOTLIGHT ON ZAMBIA

Zambia was colonised by the UK in the late-19th Century, who sought to exploit its mineral deposits, especially copper. Since it secured independence in 1964, Zambia has remained dependent on copper for its income from the rest of the world. In its last debt crisis in the 1980s and 1990s, this dependence was made even worse after IMF-imposed policies led to a collapse of other industries such as textiles.

Since the global financial crisis of 2008 interest rates in the Western world have been low. Financiers have sought to lend to countries like Zambia where they could charge higher interest rates. In 2014 copper prices fell and loans to Zambia boomed at interest rates of 8%-9%.

The coronavirus crisis has led to copper prices falling again, pushing the country further into economic crisis. Zambia's currency, the kwacha, has fallen in value by 30% since the start of the year. Zambia currently owes \$11.2 billion in debts to the IMF, World Bank and private lenders, and is trying to renegotiate the debt.

The debt suspension agreed in April is helpful for Zambia, but this didn't include debts to private lenders, who so far haven't suspended or cancelled any of the debt owed to them, despite being encouraged to do so by world leaders. Zambia owes a further \$670 million to private lenders just for the rest of 2020. It's crucial debt cancellation and a proper restructuring of debts are agreed to prevent further cuts to health and other services.



60 YEARS OF INDEPENDENCE

This year seventeen African nations celebrate 60 years of independence from the nations that held colonial power. South Africans mark the same milestone as the start of their armed opposition against apartheid.

Development experts often correctly identify the heavy debt burden facing African countries as an obstacle to their growth, preventing governments from investing in the public services and infrastructure their people need to thrive. However, most stop short of recognising that the vast majority of that debt is unjust, inseparable from the extractive and exploitative nature of colonialism, and the subsequent predatory lending practices and ongoing structural racism and exploitation in the global economy.

For the last 60 years, African countries have been in an uphill struggle against the neo-colonial instruments of international finance. With the added threat of climate change already devastating many regions of the continent, debt cancellation and action to address the root causes of Africa's debt dependency are needed now more than ever.

**JUBILEE DEBT
CAMPAIGN**



**DROP DEBT
SAVE LIVES**

**JUBILEE DEBT
CAMPAIGN**

**CAMPAIGNER'S
CONFERENCE
(ONLINE)**

**SAVE THE
DATE**

12 SEPTEMBER

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Dear Chancellor,

The economic turmoil caused by coronavirus is pushing heavily indebted countries deeper into crisis.

While millions of us are struggling to cope with coronavirus, the economic and health impacts could spell disaster for countries in the global south. The cost of borrowing has gone up dramatically, and they are getting less money for products like copper and coffee, on which their economies depend.

All at a time when countries need to be ploughing every spare penny into their health systems.

World leaders and finance ministers have the opportunity to protect some of the world's least well-off countries, by agreeing a new debt cancellation deal. We are calling on you to:

- Cancel debt payments for countries suffering from the economic impacts of coronavirus,
- Help countries in trouble to restructure their debt rather than bailing out lenders.

Yours sincerely

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QUANTITY

Campaign guide to Debt and Coronavirus

Campaign poster for my window

More information on the Campaigner's Conference in September

GET

ONLINE:

Due to Covid-19 we would like to encourage all to stay safe and access these resources online: www.jubileedebt.org.uk

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Images from the 2019 Debt Week national mobilisation on household debt

DEBT IN THE UK

The UK was already facing a profound crisis of poverty, destitution, and household indebtedness before Covid-19. Over 14 million British citizens, nearly 20% of our entire population, were already in poverty prior to outbreak of the pandemic, meaning that they were struggling to afford basic living essentials like food, electricity, and rent. A decade of austerity, big cuts to our social safety net, low wages and precarious work have meant that more and more people have been forced to borrow from high-cost lenders, who charge huge amounts of interest, just to get by.

As a result, personal debt was at its highest ever level prior to the outbreak of the pandemic, with households owing £223 billion in unsecured debt (non mortgage, personal debt), and the average family owing £14,000. Over 9 million people were considered to be in problem debt, meaning that they were struggling to repay their debts or cutting back on essentials in order to make debt payments.

This was before the pandemic, and unfortunately Covid-19 looks set to make the household debt crisis much worse. The Citizens Advice Bureau have reported that the equivalent of 6 million people are behind on a household bill due to coronavirus. The economic impacts here in the UK are profound and unmissable. The economy has ground to the halt, shops have closed, many companies and businesses have had to mothball their operations because it is unsafe for workers to go to work.

Keeping up the pressure

We've seen some really big interventions by the Government to try and protect jobs and incomes: things which would have seemed unthinkable a few months ago. Key measures have included loans to businesses, the job retention scheme, and an uplift of Universal Credit and Local Housing Allowance. These rapid interventions are very welcome. But unfortunately, they still came too late to protect many tens of thousands of jobs, and there are big holes in the Government's package of support.

Jubilee Debt Campaign jumped into action as soon as lockdown was announced, organising a public letter to the Chancellor signed by over 80 academics and leaders of charities, think tanks and trade unions. The letter called on him to urgently introduce a package of further measures to stop Covid-19 from worsening the household debt crisis. Our proposals included a freeze on debt, rent and utility payments for those who needed it; a write-off of social security debts to support the most vulnerable households; and the immediate suspension of all debt collection activity.

The letter got coverage in the Financial Times, and we've already seen some important progress. The banks regulator, the Financial Conduct Authority, told all lenders they have to offer a 3 month payment break on credit cards, loans and other personal debt to anyone who needs it, as well as making the first £500 of overdrafts for affected people interest free. However, the FCA is allowing banks to charge interest on these payment holidays. This means that people whose finances have been affected by the pandemic are now getting into even more debt.

Covid-19 is also leading to a big drop in incomes for millions of people, which will push many more into problem debt. The virus is laying bare the deep inadequacy of our social safety net. There has been an enormous jump in people applying for unemployment benefits, Job Seekers Allowance, and Universal Credit. These allowances have been slashed by 10 years of austerity and are set too low to allow people who rely on them to cover their basic essentials.

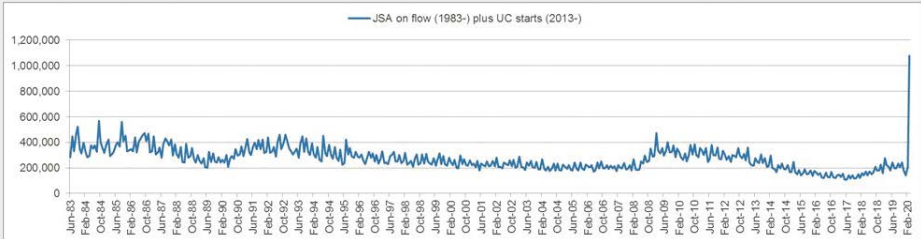
No-one should face debt or poverty because of Covid-19. And no banks should be able to profit from the misfortune of those hit by the pandemic.

The Government has the tools to stop this happening, we now need to build the pressure so that they use them. We're working with allies in debt advice firms and poverty charities to develop a joint plan to stop Covid-19 pushing more people into debt.



Find out more at
www.jubileedebt.org.uk/DebtUK

Monthly new claims to Unemployment Benefits, Jobseeker's Allowance and Universal Credit



Source: IES analysis of Labour Force Survey and DWP data.
* Chart combines unemployment benefit 'on-flow' figures from 1983 to present with Universal Credit 'starts' data from 2013 to present. Note that not all UC claims lead to UC 'starts', and not all UC 'starts' would have previously met the criteria for claiming an unemployment benefit. The red dotted line is estimated by the authors.

This graph, from the Institute for Employment Studies, shows that during lockdown, Britain has seen the biggest increase in claims to benefits, in the last 40 years.

DATES FOR YOUR DIARY

JULY

- G20 Finance Ministers meeting

SEPTEMBER

- Jubilee Debt Campaign Campaigner's Conference (online)
- MPs back to Parliament

OCTOBER

- World Bank/IMF annual meetings

ADVICE

Don't face debt problems alone. The following national services provide free, professional, confidential help and advice to help you tackle problem debts.

Citizen's Advice: www.citizensadvice.org.uk

StepChange: www.stepchange.org / Tel: 0800 138 1111

National Debtline: www.nationaldebtline.org / Tel: 0808 808 4000

SUPPORT

These organisations can help with advice and support for the worry and stress that often accompanies problem debts.

The Samaritans: www.samaritans.org / Tel: 116 123

Mind: www.mind.org.uk / Tel: 0300 123 3393



Funded by the European Union.

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of Citizens for Financial Justice and Jubilee Debt Campaign and do not necessarily reflect the views of the European Union.

ABOUT US

The Jubilee Debt Campaign is a UK charity working to end poverty caused by unjust debt through education, research and campaigning.



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