

DROP iT!

Winter 2020



COVID-19, INEQUALITY & DEBT


**JUBILEE DEBT
CAMPAIGN**

COVID-19, INEQUALITY & DEBT



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It's hard to believe that less than a year ago Covid-19 was just a minor news story: a new virus affecting a city called Wuhan in China, likely to be contained there, not something to worry too much about. Few of us had any idea about what was about to unfold.

One year on, and while many of us are still coming to terms with the truly cataclysmic impacts of the pandemic, one thing is clear: Covid-19 is not affecting everyone equally.

Whilst we've seen many acts of generosity and community spirit, the pandemic is exposing and deepening the stark inequalities which exist between people and countries. Nowhere do we see this more clearly than in relation to debt.

And the pandemic is showing us that only with major changes to the way we organise our economies at the national and global level is a true recovery from Covid-19 going to be possible.

This *Drop It!* explores the relationship between Covid-19, debt and inequality, and sets out the changes we are pushing for with allies so we can all genuinely 'Build Back Better'.

"The pandemic is exposing and deepening the stark inequalities which exist between people and countries."

COVID-19 & GLOBAL SOUTH DEBT

A new global South debt crisis was already on the horizon prior to Covid-19. Our research published in January found that debt payments for 63 of the poorest countries more than doubled between 2011 and 2019.

While every country in the world has faced a severe economic impact because of Covid-19, poorer countries have suffered the most and are also the least equipped to deal with the crisis. As well as the impacts on jobs, businesses and livelihoods of having to lock down, many countries in the global South have been broadsided by a series of other major economic shocks resulting from Covid-19.

And while they have faced disproportionate harm to their economies, poorer countries are the least well equipped to deal with the economic fallout of Covid-19. Since the crisis began, central banks and governments in Western countries have used an unprecedented amount of monetary and fiscal stimulus to support

"It is deeply unjust that while millions of people need healthcare and financial support, private lenders like banks and hedge funds continue to rake in profits and refuse to play their part and cancel debt"

Lidy Nacpil,
Coordinator Asian People's Movement



their economies through the economic turmoil.

Poorer countries have not been able to employ the same measures to support their economies. They are unable to undertake the same level of 'quantitative easing' and domestic borrowing without triggering currency devaluations and high inflation.

So, at a time when they desperately need to prioritise investment in healthcare and in social protection, poorer countries are not only having to service spiralling debt payments, they have dramatically

COVID-19 ECONOMIC SHOCKS FOR POOR COUNTRIES

Commodity Price Crash:

Covid led to a big crash in demand for raw materials like metals and fossil fuels on which many developing economies depend for income

The average **price of raw materials fell 30%** between January and April

Collapse in tourism:

Many developing countries have been particularly affected by the global collapse in tourism because their economies are disproportionately reliant on it

The UN says: **developing countries could lose between**

\$300bn - \$900bn
through lost tourism in the next year

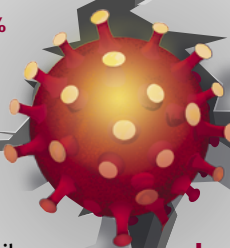
Collapse in remittances:

'Remittances', i.e. money sent back by family members living in richer countries, are a crucial income sources for many developing country economies

The World Bank says **remittances** - money sent back home by diaspora workers - **could fall by \$100bn this year**

Investors withdrawing funds:

All of this has scared global investors, leading to the largest capital outflow from developing countries ever recorded: US\$83 billion in the first 3 months of the crisis



fewer resources to do so. The World Bank announced in October that, because of these severe economic impacts, global extreme poverty is set to rise for the first time in 20 years.

COVID-19 AND POVERTY IN THE UK

Here in the UK, we are lucky to be one of the countries where the government does have the tools available to protect people from the impacts of Covid-19. In the first half of the year, we saw the government undertake unprecedented interventions in the economy: the job retention scheme, bailouts for various industries, a freeze on debt payments and evictions. But these interventions have not been enough to protect the most vulnerable from the impacts of the pandemic, and here we have also seen Covid-19 exacerbate existing inequalities.

Debt advice charity Stepchange estimates that £6.1 billion of in debt has been accumulated because of Covid-19.

The impacts of Covid-19 on household debt have been very unequal. Luckier people and families have faced no drop in income but have had fewer things to spend money on because of lock-down, and so have been able to save money and pay down a lot of debt. The credit ratings agency Experian has reported that their average subscriber paid off £2,000 worth of non-mortgage debt between March and June 2020. In total, UK households paid back £15.6 billion more than they borrowed in April and May according to Bank of England figures.

But research by our allies, debt advisers StepChange, tells a different story. They estimate that 4.6 million people have faced a drop in income because of Covid 19, and together have accumulated £6.1 billion of in debt.



So Covid-19 is exacerbating the links between inequality and debt here in the UK: making some people better off and plunging others deeper into problem debt.

JUBILEE AND BEYOND: TACKLING THE COVID-19 DEBT CRISIS

Finding our way out of this spiraling Covid-19 debt crisis is not going to be easy. We know that our government, and other rich country governments, have the tools they need, but they don't yet have the political will. It's our job as campaigners, standing alongside our many allies in the UK and around the world, to put pressure on them to act.

Whether we're talking about indebted countries in the global South, or problem personal debt here in the UK, the solutions are the same. We need to tackle the existing debt, and then tackle the things that keep pushing poorer people and poorer countries back into debt.

A Debt Jubilee – the writing off of existing problem debt – is top of the agenda. We need to cancel the debt payments of poorer countries to give them financial breathing space to recover from the pandemic, followed by a process to restructure debts down to a sustainable level. And we need a comprehensive household debt write-off here in the UK to tackle the debt which is causing harm to people during the Covid crisis, including debts linked to council tax, social security, consumer lending, and utility bills.

But unless we tackle the underlying issues

that keep driving countries and people into debt, we'll be back calling for a Debt Jubilee again after the next big shock to hit the global economy. That's why we're also pushing for structural change in the UK and in the global economy to stop the boom bust cycle of debt crises.

At home in the UK, we need to rebuild our social safety net so it offers real protection and a liveable income for people who are unable to work, and to make work pay, with a real living wage and an end to precarious contracts.

At the global level, we're pushing for a bankruptcy process for countries so that countries in debt crisis aren't at the mercy of their creditors, and to stop reckless lenders and speculators getting bailed out.

Covid has caused profound harm to people around the world, many of whom were already suffering. But the pandemic has also made clear how we need to change the way our economies are run if we are to protect the poorest people and countries from similar shocks in future. We'll be increasing the pressure on our government to play its role. We hope we can count on your support.

Despite the scale of Britain's household debt crisis, there are currently few avenues for people facing problem debt to directly influence policy in this area. Whilst the Money Advice and Pension Service and agencies develop policy proposals based on their assessment of their users' experiences, this process is one way. There are very few opportunities for people in problem debt to identify policy priorities, discuss and shape proposals, and advocate to decision-makers on their own behalf.

We believe that building the power of people affected by debt is absolutely crucial to tackling the problem. That's why this summer we launched on a new Community Organising programme called 'Together Against Debt'.

Community Organising is a tried and tested approach to achieving change. It involves bringing people in a community together who are affected by an issue to plan and lead campaigning and advocacy activities that will lead to change. Pioneered by organisations like Citizens UK, community organising has led to some big campaign wins, like the living wage campaign.

Together Against Debt builds on a pilot project in East London undertaken by our End the Debt Trap coalition. The project has successfully established the 'Unfair Debt Group', a group of local people with lived experience of problem debt who are now campaigning together at a local level and in Westminster on the debt issues that affect them.

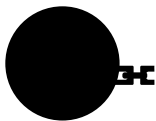
Our next project location is Manchester, where we are now building relationships with local organisations and starting the process of bringing together local people with problem debt. Keep an eye out in future issues of *Drop It!* for news and updates as the project develops!



UK TOGETHER AGAINST DEBT

As well as campaigning, this summer we launched an exciting new Community Organising project aimed at supporting people in the UK who face problem debt to influence the policies that affect them.





BLACK LIVES MATTER: DEBT, COLONIALISM AND CLIMATE JUSTICE

This year has also been a huge year for the Black Lives Matter movement. The killing of George Floyd in the US this summer sparked a wave of resistance, thousands upon thousands in cities and towns across the world came together to say proudly: Black Lives Matter.

Part of the global discussion this movement provoked focused on the historical roots of racism and its relationship to the economic system we have today. To understand where the current debt crisis comes from, we need to understand how it grew from the colonial economy.

GUEST ARTICLE

REJECTING THE DEBTS OF COLONIALISM

Alex Lenferna - 350.org

Decades after its official end, colonialism has morphed into a more subtle way of controlling global South societies, through loans, often for unnecessary fossil fuel infrastructure, which traps our societies and future generations in illegitimate debt. It's time to reject this legacy of colonialism and move forward, through a global Green New Deal.

Did colonialism ever really end? To some extent yes, but to a large extent, not really. In many ways it simply morphed into different forms, which continue to haunt countries in the global South, particularly now as they attempt to recover from the impacts of COVID-19.

To help us do that and explain the links to the climate justice movement we're pleased to include this guest article from South African Climate Justice campaigner Alex Lenferna.

Many of us will have been reflecting over the last few months on what we can do and how we can make this not just a moment, but a turning point that leads to real fundamental change.

To help understand the links to debt, as well as Alex's article, we've pulled together a short list of resources, books, videos and news stories.



This list can be found at:

jubileedebt.org.uk/blog/black-lives-matter



Following the formal end of colonialism, countries in the global South had to grapple with how to fund their economies. They were often left without much choice but to turn to lenders in the global North. Those lenders enacted a form of what former Ghanaian Prime Minister Kwame Nkrumah called neocolonialism.

The debt the global South received was no act of charity. Instead, it came with harsh interest rates, typically much higher than their global North counterparts. The result is that global South countries are paying massive amounts to service debt, rather than investing in public well-being.



Image: Zaher Cassim, One Way Up Productions

Congress (ANC), were able to secure a World Bank loan to build it.

The concerns of South African civil society turned into a reality: costs overran, making it twice as expensive to build as renewable energy would be. While solar and wind now produce the cheapest energy, South Africa is now locked into some of the most expensive coal power in the world.

As a result of the coal plant project's massive costs and broader mismanagement, the state-owned national utility now faces a growing R450 billion (£21 billion) debt. As such, the state is having to bail out the utility to the tune of tens of billions every year, so that they can pay international creditors.

That debt is draining the national budget and leading to increased austerity measures, such as cuts to education, healthcare and other public services. South Africa is impoverishing its public services to fund corrupted coal contracts and the international creditors behind them.

The economic and ecological disaster of Medupi demonstrates the rapaciousness of coalonialism. Debt is taken on largely to serve certain powerful and rich corporate, political, and financial interests. It has also helped lock in a carbon-intensive infrastructure at the heart of the climate crisis.

FROM COALONIALISM TO A GLOBAL GREEN NEW DEAL

Beyond just South Africa, the global South has often been locked into indebted coalonialism through the finance arms of the global North. It has come in the form of loans, finance, and guarantees, often arranged without the proper consent or consultation of impacted communities.

That debt also typically came with structural adjustment programs which further prevented them from making major public investments in sectors like healthcare and education. Because of that, many global South countries are now less equipped to deal with the coronavirus crisis and less resilient in the face of climate impacts.

One of the central ongoing forms of neocolonialism is through the fossil fuel industry and its extractive and exploitative business model – we could call it coalonialism. It's a business model that is often built on indebting the global South to fund problematic and harmful fossil fuel projects.

COALONIALISM IN SOUTH AFRICA

One recent example of coalonialism comes from a World Bank loan given to South Africa, my home country. The loan was to build a massive coal powered station called Medupi – one of the biggest in the world.

The initial proposal to build the Medupi coal plant was met with fierce resistance from civil society in South Africa. Despite this, in 2010 the leadership of the ruling political party, the African National

As Covid-19 recessions hit across the world, the debt underpinning those projects is preventing countries in the global South from investing in a just recovery.

To do this we must cancel those debts and scrap any new financial support for fossil fuels. We must [fund a global Green New Deal](#) founded on the idea that the

global South is owed climate debt, rather than owing illegitimate financial debt to colonialists. If we can do so, we can hopefully help bring an end to a dark fossil fuelled chapter of neocolonialism.

DON'T FACE DEBT PROBLEMS ALONE.

The following national services provide free, professional, confidential help and advice to help you tackle problem debts.

ADVICE

Citizens 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

ABOUT US

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



Jubilee Debt Campaign

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STEP 3

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Covid-19 and debt justice supporter toolkit

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